



Pillar III Disclosure

24th March 2019

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1. Purpose of the report

The purpose of this Document is to disclose the required information under Pillar III – Disclosure and Reporting of the Prudential Rules (**PR**) issued by the Capital Markets Authority of the Kingdom of Saudi Arabia (**CMA**).

This report is intended to meet the specific qualitative and quantitative disclosure requirements of the PR's, under Chapter 21 and Chapter 22 as well as the suggested format for the Pillar III Disclosure issued by the CMA.

This Disclosure is based on the audited and approved financial statements of the Company for the year ending 31 December 2018. This Disclosure has been reviewed and approved by the Management and the Board of Directors of the Company and shall be made publicly available on the Company website.

2. Specific Disclosure Requirements

2.1 Scope of Application

Global Investment House – Saudi (**Authorized Person** or **AP** or **Company** or **Global Saudi**), is a Saudi Joint Stock Company registered with the CMA under license number 37-07068 dated 2 Jumada Al Thani 1428H (corresponding to 17 June 2007). The objectives of the Company are to act as principal and/or to provide underwriting, portfolio management, investment fund management, arranging, advisory, and custodial services. In 2017 the Company obtained a license from CMA to act as an agent to register and market foreign funds.

Global Saudi is a subsidiary of Global Investment House, Kuwait (**Parent Company** or **Global Kuwait**). Global Saudi is fully supported by its Parent Company. The Department Heads of Global Saudi liaise closely with their counterparts in the Parent Company.

Global Saudi itself does not have any subsidiaries in the Kingdom of Saudi Arabia or outside and as such, the issue of current or unforeseen material/legal impediments regarding the transfer of capital/liabilities among the AP and its subsidiaries is not applicable.

2.2 Capital Structure

a. Qualitative Disclosures

Global Saudi maintains its capital in line with the applicable laws, regulations and guidelines issued by the various Regulatory Authorities of the Kingdom of Saudi Arabia as well as the Risk Appetite approved by the Board of Directors. There are no additional terms, conditions, limitations or requirements on the capital base.

2.3 Quantitative Disclosures (Some numbers have been rounded off for ease of presentation)

Capital Base	SAR
Tier-1 capital	
Paid-up capital	50,000,000
Audited retained earnings	4,100,668
Share premium	-
Reserves (other than revaluation reserves)	987,387
Tier-1 capital contribution	-
Deductions from Tier-1 capital	-
Total Tier-1 capital	55,088,055
Tier-2 capital	
Subordinated loans	-
Cumulative preference shares	-
Revaluation reserve on FVOCI investments	207,523
Other deductions from Tier-2 (-)	-
Deduction to meet Tier-2 capital limit (-)	-
Total Tier-2 capital	-
Total Capital Base	55,295,578

Table 1 - Capital Base

3. Capital Adequacy**3.1 Qualitative Disclosures**

Global Saudi's total capital base as of 31st December 2018 is SAR 55,295,578.

Based on the requirements set out in the PR's, Global Saudi has calculated ~SAR 23,052,635 as its Minimum Capital Requirement for Credit Risk, Market Risk and Operational Risk. This implies surplus capital of SAR 32,242,943. This implies a capital ratio of 2.4x, signifying more than enough risk capital for the Company to manage its risks in normal market conditions. This assessment has been undertaken in purview of the PR's issued by the CMA.

The Company prepares a monthly Capital Adequacy Model Report as per CMA requirements, which helps the Company be aware of any significant changes or stresses in the Company's capital position and assess any potential need to increase capital. In addition, decisions that could materially impact the capital adequacy of the Company are pre-reviewed in context of the Company's capital adequacy regime. Given the nature of the Company's business, the following are the Minimum Capital Requirements for:

- i. Credit Risk (Risks in non-trading activities and inclusive of associated prohibited exposure capital requirements) – ~SAR 20,839,631
- ii. Market Risk – Nil
- iii. Operational Risk (Expenditure based approach) – ~SAR 2,213,004

As of 31 December, 2018, there is no exposure arising from commodities or the trading book and hence, capital has not been allocated for the same.

3.2 Quantitative Disclosures (Some numbers may have been rounded off for ease of presentation)

Exposure Class	Exposures before CRM SAR	Net Exposures after CRM SAR	Risk Weighted Assets SAR	Capital Requirement SAR
Credit Risk				
<i>On-balance Sheet Exposures</i>	-	-	-	-
Governments and Central Banks	-	-	-	-
Authorized Persons and Banks (Incl. Portfolio Management)	18,116,903	-	6,639,341	929,508
Corporates	47,316	-	337,838	47,297
Retail	-	-	-	-
Held for Trading Investments (Funds)	44,632,756	-	66,949,134	9,372,879
Available for Sale Investments (Equities)	606,000	-	909,000	127,260
Securitization	-	-	-	-
Margin Financing	-	-	-	-
Other Assets (Incl. Tangible Assets, Deferred Expenditure and Accrued Income, Cash in Hand and other exposures)	1,106,692	-	6,286,145	880,060
Total On-Balance sheet Exposures	64,509,667	-	81,121,458	11,357,004
<i>Off-balance Sheet Exposures</i>	-	-	-	-
OTC/Credit Derivatives	-	-	-	-
Repurchase agreements	-	-	-	-
Securities borrowing/lending	-	-	-	-
Commitments	-	-	-	-
Other off-balance sheet exposures	-	-	-	-
Total Off-Balance sheet Exposures	-	-	-	-
Total On and Off-Balance sheet Exposures	64,509,667	-	81,121,458	11,357,004
Prohibited Exposure Risk Requirement	12,009,406	-	67,733,048	9,482,627
Total Credit Risk Exposures (a)	76,519,073		148,854,506	20,839,631
Market Risk	Long Position	Short Position		
Interest Rate risks	-	-		-
Equity Price risks	-	-		-
Risks related to investment funds	-	-		-
Securitization /Re-securitization positions	-	-		-
Excess Exposure Risks	-	-		-
Settlement risks and Counterparty Risk	-	-		-
Foreign Exchange Rate Risk	-	-		-
Commodities Risk	-	-		-
Total Market Risk Exposures (b)	-	-		-
Operational Risk (c)				2,213,004
Minimum Capital Requirements (a)+(b)+(c)				23,052,635
Surplus/(Deficit) in capital				32,242,942
Total Capital ratio (times)				2.40

Table 2 – Capital Adequacy

4. Risk Management

4.1 General Qualitative Disclosure for Risks

- a. Global Saudi's risk management activities are undertaken by the Risk Management Department (RM or Risk Management Department of the Parent Company – Global Kuwait).
- b. The Risk Management process implemented by RM comprises the following:
 - i. Risk Identification
 - ii. Risk Measurement
 - iii. Risk Mitigation
 - iv. Risk Monitoring and Reporting
- c. The above is effected through a Board approved risk management manual, that covers the key financial & non-financial risks that the Company may face. In addition, an appropriate risk appetite statement also exists for the Company.
- d. RM reports to the CEO of the Company and has unrestricted access to the Board of Directors of the Company and Board Risk Committee of the Parent Company to ensure that key risk concerns identified during its processes are escalated to the highest levels.
- e. Given the scale and size of the Company, the risk related processes undertaken by RM for the Company are facilitated by a local risk coordinator.
- f. The Company has an in-house Compliance Department that reports directly to the Compliance Committee of the Company.
- g. In undertaking its responsibilities, the Compliance Department has unrestricted access to the CEO and the Board of the Company.
- h. The Company's Compliance Committee is responsible for implementation of compliance programs, policies and procedures that are designed to respond to the various compliance and regulatory risks facing the Company.

4.2 Credit Risk Disclosure

a. Qualitative Disclosures

Given the nature of the business and the financial position of the Company, credit risk for Global Saudi arises primarily out of the deposits placed with banks, corporates and other authorized persons (portfolio managers and related parties). Since the Company does not undertake any lending activities, default risk is not applicable to the Company. The Company has past due items of SAR 713,387, of this SAR 110,054 is on account of rent receivable from a tenant, while the remainder is on account of management fee due from a client, which has been fully provided for. Apart from the deposits with banks,

a significant source of credit risk arises from the investments held at Fair Value Through Profit & Loss (FVTPL), by the Company, alternatively considered Held For Trading (HFT) investments. These FVTPL investments include investments in the Company's own funds, exposures through a money market fund and a third-party real estate investment fund. This aspect of the Company's credit risk is subject to monthly review and monitoring by RM. RM reports its analysis, along with key risk concerns with the Management of the Company as well as Senior Management of the Parent Company monthly. Additionally, exposures to other authorized persons, corporates, cash, equities which are considered Available For Sale (AFS) investments, and all other forms are monitored by the Company.

The following is an overview of the Company's credit risk exposure classes along with the Credit Rating Agencies (CRA) used and the credit quality steps:

Exposure Class	Nature of Exposure	CRA	Credit Quality Step	Risk Weight
Cash in Hand and Equivalent	Cash in Hand	Unrated	Not Applicable	0%
Authorized Persons, Banks and Foreign Equivalents	Cash Deposited with local banks	Unrated	1*	20%
Holdings of Listed Equity (AFS)	Investments in Tadawul listed equities	Unrated	Not Applicable	150%
Investment in Funds (HFT)	Exposures to unrated investment funds	Unrated	Not Applicable	150%
Other Authorized Persons	Deposit with Portfolio Manager and Related Parties.	Unrated	Not Applicable	150%
Tangible Assets	Fixed assets of the Company	Unrated	Not Applicable	300%
Deferred Expenditure and Accrued Income	Accrued Income and Prepayments	Unrated	Not Applicable	300%
Prohibited Exposures	Exposures in Funds exceeding 25% of the Capital Base	Unrated	Not Applicable	564%**
Corporates	Advances to various suppliers	Unrated	Not Applicable	714%
Exposure in other forms	Past due items and other assets	Unrated	Not Applicable	714%

Table 3 – Credit Risk Exposure Mapping

*NB 1: In line with Annexure 3 (Section 7) of the PR's

**NB 2: 714%-150% = 564% (Differential Risk Weights for Prohibited Exposure in Funds)

Given the absence of ratings by CRA's, the Company has considered its exposure to its own funds as unrated, as of 31 December 2018. Also, given that none of the other exposures are rated, the Company has referred to the individual requirements under the PR's for unrated exposures, to assign the risk weights.

b. Quantitative Disclosures (Some numbers may have been rounded off for ease of presentation)

The Company has also calculated its gross average credit exposures through the year. The exposures have been calculated in line with the monthly Capital Adequacy Models submitted to the CMA. The average exposures disclosed in **Table 5** below are the average of the Company's credit risk positions at the end of each financial quarter. The Company believes that the exposures at the end of each financial quarter are a reasonable representation of the Company's operations through the year.

The exposures of the Company are not contract bound and hence, residual contractual maturity is not applicable for any of the exposures.

In terms of geographic distribution, it should be noted that entire credit risk exposure of the Company lies within Kingdom of Saudi Arabia. Also, given the nature of these exposures, credit protection arrangements such as netting and collateral and issues pertaining to impairment and exposure specific provisions are not applicable to either gross or average exposures as shown in **Table 4** and **Table 5** respectively. The average risk weights calculated for **Table 4** and **Table 5** are calculated on a weighted average basis, with the exposure value being the weight.

PILLAR III DISCLOSURE - GLOBAL INVESTMENT HOUSE, SAUDI

Risk Weights	Exposures after netting and credit risk mitigation (Some numbers may have been rounded off for ease of presentation)												
	Governments and central banks SAR	Administrative bodies and NPO SAR	Authorized persons and banks SAR	Margin Financing SAR	Corporates SAR	Retail SAR	Past due items SAR	Investments (HFT Funds & AFS Equities) SAR	Securitization SAR	Other assets SAR	Off-balance sheet commitments SAR	Total Exposure after netting and Credit Risk Mitigation SAR	Total Risk Weighted Assets SAR
0%	-	-	-	-	-	-	-	-	-	-	-	-	-
20%	-	-	15,796,934	-	-	-	-	-	-	-	-	15,796,934	3,159,387
50%	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	2,319,969	-	-	-	-	45,238,756	-	-	-	47,558,725	71,338,088
200%	-	-	-	-	-	-	-	-	-	-	-	-	-
300%	-	-	-	-	-	-	-	-	-	390,251	-	390,251	1,170,753
400%	-	-	-	-	-	-	-	-	-	-	-	-	-
500%	-	-	-	-	-	-	-	-	-	-	-	-	-
714% (include prohibited exposure)	-	-	-	-	47,613	-	713,387	12,009,406	-	3,054	-	12,773,460	73,186,278
Average Risk Weight	-	-	37%	-	714%	-	714%	273%	-	204%	-	-	195%
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-	-

Table 4 – Credit Risk Positions as of 31 December 2018

*NB: Risk weight assigned as 564% in line with prohibited exposure in Investments held at FVTPL

PILLAR III DISCLOSURE - GLOBAL INVESTMENT HOUSE, SAUDI

Risk Weights	Exposures after netting and credit risk mitigation (Some numbers may have been rounded off for ease of presentation)												
	Governments and central banks SAR	Administrative bodies and NPO SAR	Authorized persons and banks SAR	Margin Financing SAR	Corporates SAR	Retail SAR	Past due items SAR	Investments (HFT Funds & AFS Equities) SAR	Securitization SAR	Other assets SAR	Off-balance sheet commitments SAR	Total Exposure after netting and Credit Risk Mitigation SAR	Total Risk Weighted Assets SAR
0%	-	-	-	-	-	-	-	-	-	-	-	-	-
20%	-	-	14,324,759	-	-	-	-	-	-	-	-	14,324,759	2,864,952
50%	-	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	-	2,175,698	-	-	-	-	45,523,868	-	-	-	47,699,566	71,549,349
200%	-	-	-	-	-	-	-	-	-	-	-	-	-
300%	-	-	-	-	-	-	-	-	-	447,085	-	447,085	1,341,256
400%	-	-	-	-	-	-	-	-	-	-	-	-	-
500%	-	-	-	-	-	-	-	-	-	-	-	-	-
714% (include prohibited exposure)	-	-	-	-	50,410	-	713,388	12,325,075	-	4,080	-	13,092,952	74,996,067
Average Risk Weight	-	-	37%	-	714%	-	714%	238%	-	304%	-	-	200%
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-	-

Table 5 – Credit Risk Average Positions for 2018

*NB: Risk weight assigned as 564% in line with prohibited exposure in Investments held FVTPL

It should be noted that none of the above exposures were assigned either long term or short term ratings by CRA's.

Additionally, since credit risk protection is not applicable for these exposures, they should be considered as gross exposures as of 31st December 2018.

Exposure Class	Exposures by Short Term/Long Term Ratings by CRA's (Some numbers may have been rounded off for ease of presentation)		
	Credit quality step	Unrated	
	S&P	Unrated	
	Fitch	Unrated	
	Moody's	Unrated	
	Capital Intelligence	Unrated	
On and Off-balance-sheet Exposures*			
Governments and Central Banks		-	
Authorized Persons and Banks		18,116,903	
Corporates		47,316	
Retail		-	
HFT Investments	None of the Counterparties of the Company were assigned either Long Term or Short Term Ratings by any CRA's. Hence, all exposures have been considered unrated	44,632,756	
AFS Investments		606,000	
Securitization		-	
Margin Financing		-	
Other Assets		1,106,692**	
Total		-	64,509,667***

*NB: There were no Off-Balance-Sheet exposures

**Includes - Tangible Assets, Deferred Expenditure and Accrued Income, Cash in Hand, other exposure and Past Due Claims

*** Excludes prohibited exposures of SAR 12,009,406. Total exposures including Prohibited Exposures is SAR 76,519,073

Table 6 – Credit Risk's Rated Exposure

c. Credit Risk Mitigation Exposure (Some numbers may have been rounded off for ease of presentation)

Given the Company's overall business activities and nature of Credit Risk exposure, Credit Risk Mitigation techniques are not applicable for the management of Credit Risk. Consequently, as of 31 December 2018, there was no additional impact of Credit Risk Mitigation on the Credit Risk of the Company. Additionally, the Company does not have any Off-Balance Sheet exposures as of 31 December 2018.

Exposure Class	Exposures before CRM SAR	Exposures covered by Guarantees/ Credit derivatives SAR	Exposures covered by Financial Collateral SAR	Exposures covered by Netting Agreement SAR	Exposures covered by other eligible collaterals SAR	Exposures after CRM SAR
Credit Risk						
<i>On-balance Sheet Exposures</i>						
Governments and Central Banks	-	-	-	-	-	-
Authorized Persons and Banks	18,116,903	-	-	-	-	18,116,903
Corporates	47,316	-	-	-	-	47,613
Retail	-	-	-	-	-	-
HFT Investments (Funds)	44,632,756	-	-	-	-	44,632,756
AFS Investments (Equities)	606,000	-	-	-	-	606,000
Securitization	-	-	-	-	-	-
Margin Financing	-	-	-	-	-	-
Other Assets	1,106,692	-	-	-	-	1,106,692
Total On-Balance sheet Exposures	64,509,667	-	-	-	-	64,509,667
<i>Off-balance Sheet Exposures</i>						
OTC/Credit Derivatives	-	-	-	-	-	-
Exposure in the form of repurchase agreements	-	-	-	-	-	-
Exposure in the form of securities lending	-	-	-	-	-	-
Exposure in the form of commitments	-	-	-	-	-	-
Other Off-Balance sheet Exposures	-	-	-	-	-	-
Total Off-Balance sheet Exposures	-	-	-	-	-	-
Total On and Off-Balance sheet Exposures	64,509,667*	-	-	-	-	64,509,667*

Table 7 – Credit Risk's Mitigation

PILLAR III DISCLOSURE - GLOBAL INVESTMENT HOUSE, SAUDI

* Excludes prohibited exposures of SAR 12,009,406. Total exposures including Prohibited Exposures is SAR 76,519,073

4.3 Counterparty Credit Risk (CCR) and Off-Balance Sheet Disclosure

As of 31 December 2018, Global Saudi did not have exposure to Counterparties via OTC derivatives, repos and reverse repos and securities borrowing / lending. Additionally, the Company also did not have any exposure to FX contracts, interest rate contracts, equity contracts, commodity contracts or derivative products such as credit default swaps, total return swaps, credit options etc.

Hence, the Company has not undertaken any assessment of its Minimum Capital Requirements under Counterparty Credit Risk and Off Balance Sheet items.

4.4 Market Risk Disclosure

a. Qualitative Disclosures

Global Saudi's overall approach towards Market Risk comprises the following steps:

- i. Risk Identification
- ii. Risk Measurement
- iii. Risk Mitigation
- iv. Risk Monitoring and Reporting

Since the Company does not have an active trading book, Market Risk is not one of the key risks that the Company faces. However, adequate Market Risk Management infrastructure, such as Policies, Procedures, etc. exist at a Group Level, such that they can be readily implemented to measure and monitor Market Risk, should the Company be exposed to such risks in the future.

b. Quantitative Disclosures (Some numbers may have been rounded off for ease of presentation)

Since the investments as of 31st December 2018 are held at FVTPL, there are no assets in the trading book of Global Saudi that would be included in the assessment of Market Risk. Till 10th October 2018, the Company maintained immaterial positions to foreign currencies (namely USD and KWD), which exposed the Company to Foreign Exchange Rate Risk. However, such exposures have since been wound down. As of 31st December 2018, the Company's Market Risk Exposure was nil.

4.5 Operational Risk Disclosure

a. Qualitative Disclosures

Global Saudi's overall approach towards Operational Risk comprises the following steps:

- i. Risk Identification
- ii. Risk Measurement
- iii. Risk Mitigation
- iv. Risk Monitoring and Reporting

Given the size and scale of the Company, there is no in-house Operational Risk Management Department. However, RM liaises directly with each Department Head regarding Operational Risk issues. Additionally, RM has full and unrestricted access to the CEO and the Board of Directors of the Company, as well the Board Risk Committee of the Parent Company to escalate any key Operational Risk related concerns to the highest levels.

The Operational Risk Assessment Process for Global Saudi is governed by the Operational Risk Policies and Procedures of RM. These Operational Risk Policies and Procedures ensure a consistent, standardized and Group Wide common approach towards Operational Risk Assessment.

b. Quantitative Disclosures (Some numbers may have been rounded off for ease of presentation)

Global Saudi assesses its capital requirements for Operational Risk under requirements of the PR's using the

- i. Basic Indicator Approach; and
- ii. Expenditure Based Approach

Based on the requirements assessed under the two approaches, the Company identifies its capital requirements as the higher of the two, as required by the PR's.

The capital requirements under the two approaches are given below.

1. Capital Requirement based on Basic Indicator approach (SAR) (Some numbers may have been rounded off for ease of presentation)			
Items	Year 1	Year 2	Year 3
	2018	2017	2016
Interest Receivable income	-	199,896	522,500
Dividends Received	409,762	33,600	30,300
Fees and commissions receivable	10,601,468	10,048,915	9,025,289
Other Operating Income (Unrealized gains on FVTPL investments)	891,866	-	-
Total Operating Income	11,903,096	10,282,411	9,578,089
Income Indicator			10,587,865
Capital required under Basic Indicator Approach			1,588,180

Table 8 – Operational Risk Disclosure (Basic Indicator Approach)

2. Capital requirements for Expenditure Based Approach Items 2016 (SAR)	
Overall overhead Expenses including extraordinary expenses	8,852,014
Less: Extraordinary Expense	-
Overhead expenses for calculating capital requirement	8,852,014
Capital required under Expenditure Based Approach	2,213,004
Minimum Capital Required for Operational Risk (Higher of 1 or 2)	2,213,004

Table 9 – Operational Risk Disclosure (Expenditure Based Approach)

Consequently, the Company has identified SAR 2,213,004 (under the Expenditure Based Approach, by yielding higher capital requirements) as its Minimum Capital Requirement for Operational Risk.

4.6 Liquidity Risk Disclosure

a. Qualitative Disclosures

Global Saudi relies on the Parent Company, for fulfilling any shortages in liquidity. In the event of a crisis, the Company can reach out to the Parent Company for a liquidity infusion. It is also worth noting that both Global Saudi and its Parent Company, Global Kuwait remain debt free, further eliminating the risk of an asset liability mismatch at a Group Level.

The Company undertakes regular monthly MIS reporting to the Parent Company for the regular monitoring of its overall performance, as well as liquidity. The MIS reports contain details on the financial performance of the Company, including but not limited to, monthly financial reports (P&L, Balance Sheet and Cash Flow), as well as business performance of the Company.

Additionally, the liquidity position of the Company is regularly monitored by the Financial Manager and CEO of the Company.

b. Quantitative Disclosures (Some numbers may have been rounded off for ease of presentation)

The Company's Cash and Cash Equivalents amount to SAR 15,944,128 as of 31st December 2018. This amount is sufficient to manage the Company's overall liquidity requirements. It should be noted that the Company has more than sufficient cash to meet all its liabilities.

The following are some additional ratios that measure the adequacy of the Company's liquidity reserves to its liabilities:

Metric	SAR
Cash and Cash Equivalents (a)+(b)+(c)	15,944,128
Cash at Hand (a)	-
Cash at Bank (b)	15,944,128
Cash Balance with Portfolio Manager (c)	-
Total Assets	64,509,667
Current Liabilities	8,389,196
Total Liabilities	9,214,089
Ratios	Percentage
Cash and Cash Equivalents to Total Assets	24.7%
Quick Ratio (Cash and Cash Equivalents to Current Liabilities)	1.90
Cash and Cash Equivalents to Total Liabilities	1.73

Table 10 – Liquidity Disclosures

Consequent to the above, capital has not been allocated to Liquidity Risk.