

# Pillar III Disclosure

Global Investment House, Saudia

(A Subsidiary of Kamco Investment Company K.S.C.P.)

Dated: 9<sup>th</sup> March 2020

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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 2019. 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.

It should be noted that some numbers have been rounded off to the nearest unit for ease of representation. The impact of such rounding off on the accuracy of this report is non-material.

## 2. Specific Disclosure Requirements

### 2.1 Scope of Application

Global Investment House – Saudia (**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.

The Company is a subsidiary of Kamco Investment Company K.S.C.P (**Kamco Invest** or **Parent Company**), subsequent to the merger of Global Investment House, K.S.C.C. with Kamco Investment Company K.S.C.P. in the year 2019. The Company is fully supported by its Parent Company. The department heads of the Company liaise closely with their counterparts in the Parent Company.

The Company 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

The Company 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
<b>Tier-1 capital</b>	
Paid-up capital	50,000,000
Audited retained earnings	11,973,557
Share premium	-
Reserves (other than revaluation reserves)	1,832,424
Tier-1 capital contribution	-
Deductions from Tier-1 capital	-
<b>Total Tier-1 capital</b>	<b>63,805,981</b>
<b>Tier-2 capital</b>	
Subordinated loans	-
Cumulative preference shares	-
Revaluation reserve on FVOCI investments	-
Other deductions from Tier-2 (-)	-
Deduction to meet Tier-2 capital limit (-)	-
<b>Total Tier-2 capital</b>	<b>-</b>
<b>Total Capital Base</b>	<b>63,805,981</b>

Table 1 - Capital Base

### 3. Capital Adequacy

#### 3.1 Capital Adequacy Related Qualitative Disclosures

The Company's total capital base as of 31 December 2019 is SAR 63,805,981, which is well above its Minimum Capital Requirements and as such, the Company has more than the required amount of regulatory capital vis-à-vis its Minimum Capital Requirements.

Based on the requirements set out in the PR's, the Company has calculated SAR 24,003,379 as its Minimum Capital Requirement for Credit Risk, Market Risk and Operational Risk. This implies surplus capital of SAR 39,802,601. This implies a capital ratio of 2.66x, 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 general, the Company is cautious with regards to deploying capital, despite its current level of capitalization. Any decisions that could materially impact the capital adequacy of the Company are pre-reviewed in context of the Company's capital adequacy regime. The Company aims to ensure that it always meets the capital adequacy ratio required by the CMA as well as its internal threshold.

Additionally, the Company's capital adequacy position is also monitored by the Parent Company's Risk Management department, which also acts as the Risk Manager of the Company. Given the nature of the Company's business, the following are the Minimum Capital Requirements for:

- i. Credit Risk (Risks from various balance sheet exposures and inclusive of associated prohibited exposure capital requirements) – SAR 13,394,284
- ii. Market Risk (Related to exposures in investment funds assigned as FVTPL) – SAR 8,333,358
- iii. Operational Risk (Expenditure based approach) – SAR 2,275,737

As of 31 December 2019, there is no exposure arising from foreign exchange or commodities and hence, capital has not been allocated for the same.

**3.2 Capital Adequacy Related 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
<b>Credit Risk</b>				
<i>On-balance Sheet Exposures</i>				
Governments and Central Banks	-	-	-	-
Authorized Persons and Banks (Incl. Portfolio Management)	21,182,721	-	8,134,381	1,138,813
Corporates, Admin Bodies, NPO's	402,040	-	2,870,566	401,879
Listed Shares	-	-	-	-
Investment Funds	-	-	-	-
High Risk Investments	-	-	-	-
Securitized, Re-securitized	-	-	-	-
Margin Financing	-	-	-	-
Other Assets (Incl. Tangible Assets, Deferred Expenditure and Accrued Income, Cash in Hand and other exposures)	1,004,924	-	5,299,237	741,893
<b>Total On-Balance sheet Exposures</b>	<b>22,589,685</b>	<b>-</b>	<b>16,304,184</b>	<b>2,282,586</b>
<i>Off-balance Sheet Exposures</i>				
OTC/Credit Derivatives	-	-	-	-
Repurchase agreements	-	-	-	-
Securities borrowing/lending	-	-	-	-
Commitments	-	-	-	-
Other off-balance sheet exposures	-	-	-	-
<b>Total Off-Balance sheet Exposures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total On and Off-Balance sheet Exposures</b>	<b>22,589,685</b>	<b>-</b>	<b>16,304,184</b>	<b>2,282,586</b>
<b>Prohibited Exposure Risk Requirement</b>	<b>30,024,061</b>	<b>-</b>	<b>79,369,273</b>	<b>11,111,698</b>
<b>Total Credit Risk Exposures (a)</b>	<b>52,613,746</b>	<b>-</b>	<b>95,673,457</b>	<b>13,394,284</b>
<b>Market Risk</b>	<b>Long Position</b>	<b>Short Position</b>		
Interest Rate risks	-	-		-
Equity Price risks	-	-		-
Risks related to investment funds	52,083,487	-		8,333,358
Securitization /Re-securitization positions	-	-		-
Excess Exposure Risks	-	-		-
Settlement risks and Counterparty Risk	-	-		-
Foreign Exchange Rate Risk	-	-		-
Commodities Risk	-	-		-
<b>Total Market Risk Exposures (b)</b>	<b>52,083,487</b>	<b>-</b>		<b>8,333,358</b>
<b>Operational Risk (c)</b>				<b>2,275,737</b>
<b>Minimum Capital Requirements (a)+(b)+(c)</b>				<b>24,003,379</b>
<b>Surplus/(Deficit) in capital</b>				<b>39,802,601</b>
<b>Total Capital ratio (times)</b>				<b>2.66</b>

Table 2 – Capital Adequacy

## 4. Risk Management

### 4.1 General Qualitative Disclosure for Risks

- a. The Company's risk management activities are undertaken by the Risk Management Department (RM or Risk Management Department of the Parent Company).
- 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 administratively 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 one past due items of SAR 110,054 on account of rent receivable from a tenant. This item has been carried in the Company's books since 2016 and as of 31<sup>st</sup> December 2019, no provision/impairment has been undertaken.

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
Authorized Persons, Banks and Foreign Equivalents	Cash Deposited with local banks	Unrated	1*	20%
Accrued Income	Accrued Income	Unrated	Not Applicable	150%
Tangible Assets	Fixed assets of the Company	Unrated	Not Applicable	300%
Other Assets (Deferred Expenditure)	Prepaid Expenses	Unrated	Not Applicable	300%
Prohibited Exposures	Exposures in FVTPL Investments Funds exceeding 25% of the Capital Base	Unrated	Not Applicable	564%**
Corporates, Admins, NPO's	Rent security deposit and receivables	Unrated	Not Applicable	714%
Other Assets	Past due items, other assets (including Lease Right-of-Use)	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 2019. 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 Company as a past due item of SAR 110,054 on account of a rent receivable. The Company has been carrying this exposure since 2016.

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	Authorized Persons and Banks (Incl. Portfolio Management) SAR	Corporates, Admin Bodies, NPO's SAR	Listed Shares SAR	Investment Funds SAR	High Risk Items SAR	Securitization / Re-securitization SAR	Margin Financing 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%	-	18,184,385	-	-	-	-	-	-	-	-	18,184,385	3,636,877
50%	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	2,998,336	-	-	-	-	-	-	-	-	2,998,336	4,497,504
200%	-	-	-	-	-	-	-	-	-	-	-	-
300%	-	-	-	-	-	-	-	-	453,120	-	453,120	1,359,361
400%	-	-	-	-	-	-	-	-	-	-	-	-
500%	-	-	-	-	-	-	-	-	-	-	-	-
714% (include prohibited exposure)	-	-	402,040	-	-	-	-	-	551,803	-	953,843	86,179,715*
Average Risk Weight	-	38%	714%	-	-	-	-	-	527%	-	-	-
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-

Table 4 – Credit Risk Positions as of 31 December 2019

\*NB: Includes Prohibited Exposure Risk Requirement, emanating from FVTPL Non-Trading Market Risk Exposure to Alinma Money Market Fund (refer section 4.4.b)

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	Authorized Persons and Banks (Incl. Portfolio Management) SAR	Corporates, Admin Bodies, NPO's SAR	Listed Shares SAR	Investment Funds SAR	High Risk Items SAR	Securitization / Re-securitization SAR	Margin Financing 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%	-	17,631,073	-	-	-	-	-	-	-	-	17,631,073	3,526,215
50%	-	-	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	-	-	-	-	-	-	-	-	-
150%	-	3,063,954	-	347,700*	23,406,690**	-	-	-	-	-	26,818,345	40,227,517
200%	-	-	-	-	-	-	-	-	-	-	-	-
300%	-	-	-	-	-	-	-	-	285,488	141,389	426,877	1,280,631
400%	-	-	-	-	-	-	-	-	-	-	-	-
500%	-	-	-	-	-	-	-	-	-	-	-	-
714% (include prohibited exposure)	-	-	134,187	-	-	-	-	-	352,667	29,741	516,595	74,315,434***
Average Risk Weight	-	39%	714%	150%	150%	-	-	-	529%	372%	-	-
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-

Table 5 – Credit Risk Average Positions for 2019

NB:

\* FVTPL Listed Equities were considered part of Credit Risk till issuance of CMA's DMC CAM Model version 6 and were accordingly calibrated into Market Risk

\*\* FVTPL Investments Funds were considered part of Credit Risk till issuance of CMA's DMC CAM Model version 6 and were accordingly calibrated into Market Risk

\*\*\* Includes Prohibited Exposure Risk Requirement, emanating from FVTPL Non-Trading Market Risk Exposure to Alinma Money Market Fund (refer section 4.4.b)

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 31<sup>st</sup> December 2019.

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	
<b>On and Off-balance-sheet Exposures*</b>			
Governments and Central Banks		-	
Authorized Persons and Banks (Incl. Portfolio Management)		21,182,721	
Corporates, Admin Bodies, NPO's		402,040	
Listed Shares		-	
Investment Funds	<b>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</b>	-	
High Risk Investments		-	
Securitizations, Re-securitizations		-	
Margin Financing		-	
Other Assets (Incl. Tangible Assets, Deferred Expenditure and Accrued Income, Cash in Hand and other exposures)**		1,004,924	
<b>Total***</b>			<b>22,589,685</b>

Table 6 – Credit Risk's Rated Exposure

NB:

\*There were no Off-Balance-Sheet exposures

\*\*Includes - Tangible Assets, Deferred Expenditure and Accrued Income, Cash in Hand, Other Exposure and Past Due items

\*\*\* Excludes prohibited exposures of SAR 30,024,061. Total exposures including Prohibited Exposures is SAR 52,613,746

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

Given the nature of Credit Risk exposures, Credit Risk Mitigation techniques are not applicable for the management of Credit Risk. Consequently, as of 31 December 2019, 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 2019.

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
<b>Credit Risk</b>						
<i>On-balance Sheet Exposures</i>						
Governments and Central Banks	-	-	-	-	-	-
Authorized Persons and Banks (Incl. Portfolio Management)	21,182,721	-	-	-	-	21,182,721
Corporates, Admin Bodies, NPO's	402,040	-	-	-	-	402,040
Listed Shares	-	-	-	-	-	-
Investment Funds	-	-	-	-	-	-
High Risk Investments	-	-	-	-	-	-
Securitizations, Re-securitizations	-	-	-	-	-	-
Margin Financing	-	-	-	-	-	-
Other Assets (Incl. Tangible Assets, Deferred Expenditure and Accrued Income, Cash in Hand and other exposures)	1,004,924	-	-	-	-	1,004,924
<b>Total On-Balance sheet Exposures</b>	<b>22,589,685</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,589,685</b>
<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	-	-	-	-	-	-
<b>Total Off-Balance sheet Exposures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total On and Off-Balance sheet Exposures</b>	<b>22,589,685*</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,589,685*</b>

Table 7 – Credit Risk's Mitigation

NB: \*Excludes prohibited exposures of SAR 30,024,061. Total exposures including Prohibited Exposures is SAR 52,613,746

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

As of 31 December 2019, 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

The Company's overall approach towards Market Risk comprises the following steps:

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

While the Company does not have an active trading book, Market Risk (Investment Funds Risk) is one of the key risks that the Company faces as the Company has significant investments amounting to SAR 52,083,487 in various open funds. Adequate Market Risk Management infrastructure, such as policies, procedures, etc. exist, to measure and monitor these Market Risk.

The Company is not directly exposed to interest rate risk, foreign exchange risk, equity price risk, commodity risk, excess exposure risk, risks from securitisation/re-securitisation positions.

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

As of 31 December 2019, The Company has the following investments in various open-ended funds that count towards the calibration of Market Risk exposures (Investment Funds Risk):

Fund Name	Type	Asset Class	Net Long Exposure (SAR)	Net Short Exposure (SAR)	Net Exposure (SAR)
Saudi Equity Fund	Public: Open-ended	Equity	12,900,705	-	12,900,705
Jadwa REIT Saudi Fund	Public: Open-ended	REIT	9,158,722	-	9,158,722
Alinma Money Market Fund	Public: Open-ended	Equity	30,024,061	-	30,024,061
<b>Total</b>			<b>52,083,487</b>	-	<b>52,083,487</b>

Table 8 – Exposures to Investment Funds classified under Market Risk

The above assets are considered as “Non-Trading Assets”. Based upon the above, the net exposure attracts a risk charge of 16%, yielding a Market Risk Capital Requirement of SAR 8,333,358.

It should also be noted that the exposure to the Alinma Money Market Fund is deemed a “Large Exposure” as it is above the 25% capital threshold; the exposure in excess of the 25% of capital threshold attracts a prohibited risk charge which is accounted for in Table 2 (Capital Adequacy) of Section 3.2 – Capital Adequacy Related Quantitative Disclosures.

#### **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 the Company is governed by the Operational Risk Policies and Procedures of RM. These Operational Risk Policies and Procedures ensure a consistent and standardized approach towards Operational Risk Assessment.

As part of its Operational Risk Management framework, the Company has policies, procedures, delegation of authorities and appropriate governance mechanisms in place.

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

The Company 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.

<b>1. Capital Requirement based on Basic Indicator approach (SAR)</b> (Some numbers may have been rounded off for ease of presentation)				
Items	Year 1	Year 2	Year 3	
	2019	2018	2017	
Interest Receivable income	204,588	-	199,896	
Dividends Received	613,975	409,762	33,600	
Fees and commissions receivable	11,836,809	10,601,468	10,048,915	
Other Operating Income	4,256,665	891,866	-	
<b>Total Operating Income</b>	<b>16,912,038</b>	<b>11,903,096</b>	<b>10,282,411</b>	
Income Indicator				<b>13,032,515</b>
<b>Capital required under Basic Indicator Approach</b>				<b>1,954,877</b>

**Table 9 – Operational Risk Disclosure (Basic Indicator Approach)**

<b>2. Capital requirements for Expenditure Based Approach Items 2019 (SAR)</b>	
Overall overhead Expenses including extraordinary expenses	9,102,948
Less: Extraordinary Expense	-
Overhead expenses for calculating capital requirement	<b>9,102,948</b>
<b>Capital required under Expenditure Based Approach</b>	<b>2,275,737</b>
<b>Minimum Capital Required for Operational Risk ( Higher of 1 or 2)</b>	<b>2,275,737</b>

**Table 10 – Operational Risk Disclosure (Expenditure Based Approach)**

Consequently, the Company has identified SAR 2,275,737 (under the Expenditure Based Approach, as it yields higher capital requirements) as its Minimum Capital Requirement for Operational Risk.



#### 4.6 Liquidity Risk Disclosure

##### a. Qualitative Disclosures

The Company has sufficient cash and relatively liquid assets (open ended funds) that it can access swiftly or convert to cash to meet any unforeseen liquidity needs/crises. The Company remains completely debt free and as such, is unlikely to run into significant and unforeseen liquidity challenges in the course of its day to day business.

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 (income statement, balance sheet and cash position), 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 as well as the Risk Manager.

The Company does not rely on any external funding. As of 31<sup>st</sup> December 2019, the Company has sufficient cash and liquid assets at its disposal. The Company assumes that a stressed liquidity position could be an unforeseen increase in its cash-based expenses (by 50% or SAR 4,305,162). If such a stress scenario occurs, the Company will have enough cash on the balance sheet to meet such expenses, as well as access to investments that can be easily converted to cash (open ended mutual funds, money market funds and REITs – refer section 4.4(b)).

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

The Company's Cash and Cash Equivalents amount to SAR 18,184,385 as of 31<sup>st</sup> December 2019. This amount is enough to manage the Company's overall liquidity requirements. Considering the Company's cash burn rate as 2019, the Company can survive for a period of 25.34 months on its current cash balances without any additional funding support.

It should also be noted that the Company has more than enough cash to meet all its liabilities. The following are some ratios that measure the adequacy of the Company's liquidity reserves to its liabilities:

Metric	SAR
Cash and Cash Equivalents (a)=(b)+(c)+(d)	18,184,385
Cash at Hand (b)	-
Cash at Bank (c)	18,184,385
Cash Balance with Portfolio Manager (d)	-
Company's Annual Cash-Based expenses (including Zakat and as of 2019) (e)	8,610,324
Company's Stressed Annual Cash-Based expenses (including Zakat and as of 2019) (1.5*e)	12,915,486
Total Assets (f)	74,673,171
Current Liabilities (g)	9,783,786
Total Liabilities (h)	10,867,190
Ratios	Percentage
Cash and Cash Equivalents to Total Assets (a/f)	24%
Survival Period in Months (a/(e/12))	25.34
Stressed Survival Period in Months (a/(e*1.5/12))	16.89
Quick Ratio (Cash and Cash Equivalents to Current Liabilities) (a/g)	186%
Cash and Cash Equivalents to Total Liabilities (a/h)	167%

Table 11 – Liquidity Disclosures