



NATIONAL U.S.-ARAB CHAMBER OF COMMERCE

غرفة التجارة الأمريكية العربية الوطنية

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U.S. – ARAB CHAMBER SUPPORTS SAUDI STOCK EXCHANGE ROAD SHOW VISIT TO NEW YORK CITY

New York, NY – The National U.S.-Arab Chamber of Commerce (NUSACC) is pleased to have supported last week’s visit to New York City by the Saudi Stock Exchange (Tadawul). The two-day stopover in New York marked the inaugural Saudi Stock Exchange (SSE) International Road Show, which made visits to Singapore and London before concluding the trip in the United States.

The Road Show visit to New York comes on the heels of the Kingdom’s decision to open the SSE to qualified foreign investors. Against this backdrop, Saudi Arabia sent a very high-level delegation to the USA last week: In addition to SSE leadership, the Road Show included 25 Saudi listed companies, who participated in over 500 one-to-one meetings with prospective investors. During a day-long conference at The Plaza Hotel on November 5, followed by business-to-business meetings on November 6, senior officials from Saudi Arabia highlighted a wide range of opportunities offered by the Saudi equity market. (To see the complete New York agenda and list of speakers, please click [here](#).)



H.E. Adel S. Al-Ghamdi, CEO of the Saudi Stock Exchange: “American financial institutions have the potential to play a vital role in the development and success of the Saudi capital market.”

“The Saudi Stock Exchange Road Show visit to New York City provided an excellent opportunity for my team to raise awareness in the United States about important changes that are taking place across the financial landscape in Saudi Arabia,” noted H.E. Adel S. Al-Ghamdi, Chief Executive Officer of the Saudi Stock Exchange. “American financial institutions have the potential to play a vital role in the development and success of the Saudi capital market, so I am keen to engage business leaders in the USA as the SSE continues to build momentum.”

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In his welcome address, Al-Ghamdi said, “The Kingdom’s liberalization platform offers qualified international investors direct access to a unique set of investment opportunities in a stock market that’s considered the seventh largest and sixth most liquid among emerging markets. It allows international stakeholders to take part in the evolution of the foreign investor framework, to make it more conducive and attractive. Ultimately, it allows our international stakeholders to take part in the economic growth of the Kingdom.”



Al-Ghamdi went on to say, “We are the 19th largest economy in the world, representing 50 percent of Gulf Cooperation Council economic productivity. We lie at the heart of MENA business activity, with a young and growing population, sharing a compelling and evolving economic diversification story.”

Some of the VIPs at the Roadshow included (from left to right): H.E. Dr. Fadi Khalaf, Secretary General of the Beirut-based Arab Federation of Exchanges; Meyer “Sandy” Frucher, Vice Chairman of the NASDAQ OMX Group; H.E. Adel Alghamdi, CEO of the Saudi Stock Exchange; and David Hamod, President & CEO of NUSACC.

Global Observations on the Saudi Stock Exchange

“The Chamber was privileged to support this important visit, the first of its kind to the United States,” said David Hamod, President & CEO of NUSACC, who served as a keynote speaker. “We see enormous potential in the Saudi Stock Exchange, which is bigger than that of Russia or Mexico and is larger than all the other GCC stock markets combined. Saudi Arabia’s stock market is the most liquid in the MENA region, making up 65 percent of the region’s total market liquidity.”

The SSE uses a trading platform provided by the NASDAQ OMX Group, and Vice Chairman Meyer “Sandy” Frucher was on hand to offer keynote remarks and welcome the Saudi delegates to New York. “The successful Saudi Stock Exchange (SSE) Roadshow highlighted the SSE’s desire to bring foreign investors into the Saudi market,” he said. “The SSE’s commitment to transparency, fair and open markets, international rule of law, and global best practices relating to good governance are to be commended. The large gathering of global investors in New York greatly appreciated the SSE’s investment in the fastest and most scalable, stable, and versable technology available in the world today.”

Frucher concluded, “I present myself to you as a witness to the extraordinary achievements of this exchange and to a firm belief of what I believe is just the beginning of an extraordinary journey.”

Traveling to New York for the occasion was H.E. Adel Mubarak, Commercial Attaché at the Royal Embassy of Saudi Arabia in Washington DC. “Thank you for receiving me,” Mubarak noted. “The Road Show was well organized, and this was very beneficial for the Kingdom of Saudi Arabia and the USA. It will also help promote better trade relations between the two nations.”



H.E. Dr. Fadi Khalaf, Secretary General of the Beirut-based Arab Federation of Exchanges, also traveled to New York for the occasion. “We participated in this global tour to inform foreign investors, especially Americans, about the exceptional investment opportunities in this market,” he said. “Not only does the Saudi Stock Market represent the largest stock market in the Arab Federation of Exchanges – with the largest cash flow – it also sets a high standard for Arab stock exchanges in world markets. Just as Saudi Arabia carries the torch of cooperation between the Arab region and the world, the Saudi Stock Market plays a major role in [global] financial markets.”

Sandy Frucher, Vice Chairman of the NASDAQ OMX Group: “The successful Saudi Stock Exchange (SSE) Roadshow highlighted the SSE’s desire to bring foreign investors into the Saudi market.”

“The most important benefit that the Arab Federation of Exchanges sees in this Road Show is that any foreign investment in the Saudi market will help to expand investment into the Arab region,” Khalaf continued. “In addition, all of the Arab stock exchanges will benefit from this exceptional opportunity, now that the Saudi Stock Exchange has been opened to foreign investment in the Arab region,” he concluded.

Richard Banks, Consulting Editor to Euromoney Conferences, designed and managed the three-city Road Show for the Exchange and served as emcee in New York. “We were delighted to have such a warm and positive reception from the U.S. investment community,” he noted. “NUSACC played a vital role in helping build the profile of the SSE Road Show in the U.S., and we are more than thankful for their partnership.”

“Internationalizing the Saudi Market”

Adel Al-Ghamdi, CEO of the Exchange, led a wide ranging discussion on “Internationalizing the Saudi Market” that accentuated the appeal of the SSE to Qualified Foreign Investors (QFI). (NUSACC members may request CEO Al-Ghamdi’s PowerPoint presentation [here](#).)

In his overview of Saudi capital markets, Al-Ghamdi noted that the market is extremely active and divided into two segments: 1) The Professional Market (privately placed debt, equity and securities); 2) The Retail Market (comprised of Sukuk and bond market, the stock market, the mutual funds market, and the exchange traded funds market).

The Retail Market, he said, is dominated by the Saudi stock market, which comprises about 92 percent of market value (around \$445 billion). Al-Ghamdi noted that Mutual funds, valued at \$30 billion, make up the second largest segment of the Retail Market. He suggested that three sectors comprise about 59 percent of market capitalization: The financial sector, the petrochemical sector, and the telecommunications/IT sector. These three sectors represent about 56 percent of the total GCC market.



Richard Banks (left), Euromoney Conferences, moderated a panel discussion on internationalizing the Saudi market, and was joined by (from left to right): H.E. Adel Alghamdi, CEO of the Saudi Stock Exchange; Bader Balghonaim, Capital Market Authority of Saudi Arabia; Hassan Alshuaiby, Capital Market Authority of Saudi Arabia; and Abdullah Al Khalifah, Saudi Stock Exchange.

Al-Ghamdi said that 172 companies are listed on the bourse, representing 18 different sectors. Stock market ownership is largely divided into government-related entities (35.8 percent), Saudi institutions (24 percent), and Saudi individuals (33 percent). Most of the rest of the stock market (nearly eight percent) derives from non-resident foreign investors, who have participated in the market since 2008 through the SWAP Framework.

Earlier this year, Saudi Arabia began offering the Qualified Foreign Investors (QFI) Program, which is designed to ease entry into the Saudi market. QFIs currently account for only 0.03% of overall ownership in the SSE, but their share in the market is expected to increase significantly under the QFI Program, which is designed to: 1) Foster the highest standards of international practices (corporate governance, investor relations); 2) Enhance market sophistication; 3) Honor Saudi Arabia's National Agenda (including that nation's tenth Development Plan, as well as its G-20 and WTO commitments).

Al-Ghamdi noted that the Exchange, the Capital Market Authority (CMA), and the Saudi Arabian Monetary Agency (SAMA) are working together to align with the CPMI IOSCO (principles for financial market infrastructures). The SSE is currently on the MSCI secondary emerging market watch list and is likely to be upgraded from “frontier” to “emerging” market status by 2017.

Al-Ghamdi concluded, “The Kingdom poses a compelling investment destination for sophisticated long-term value investors . . . This is a continuing step in a longer journey of stock market liberalization.”

Overview of the Saudi Economy (Jadwa Investment)

Dr. Fahad Alturki, Chief Economist at Jadwa Investment, provided an in-depth look at the Saudi economy, with special emphasis on investment opportunities across high growth sectors. The Kingdom is currently experiencing a slower GDP growth rate than in recent years, he suggested, but Saudi Arabia’s GDP is expected to continue growing at a solid rate, with non-oil sectors serving as the driver of economic growth at between three or four percent. (NUSACC members may request Dr. Alturki’s PowerPoint presentation [here](#).)



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Alturki noted that government spending – to boost long-term non-oil development projects – is serving as an economic driver. The fastest growing sectors, he said, include infrastructure, consumption and exports, and the private sector will continue to act as the driving force behind expansion in non-oil sectors.

Saudi Arabia’s current account is expected to remain positive, Alturki said, despite challenges in 2015 – 2016. He characterized the current situation as “short term pain for long term gain.” The Kingdom retains reserve holdings of about \$650 billion, he noted, and it is well positioned to withstand low oil revenues for the foreseeable future. The Kingdom’s fiscal deficit is expected to improve as Saudi Arabia implements fiscal reforms, just as a gradual recovery is expected from the drop in oil revenues.

Alturki noted that the Saudi banking sector is one of the “most profitable, highly liquid, and well capitalized in the region.” Bank credit to the private sector continues to post a solid performance, with low non-performing loans (NPLs), high provision ratios (protection against losses), and high profitability.

Alturki concluded, “The region went through major events in 2011, but we have seen the economy of Saudi Arabia weathering the challenge throughout these years.”

The View From 30,000 Feet (NUSACC)

NUSACC's David Hamod, who flew in from overseas to take part in the SSE Road Show, offered to share his perspectives at the "30,000-foot level." Energy and security will remain lynchpins of the Saudi – American relationship, he said, but he focused his remarks on "three other economic drivers of this partnership that are increasingly important: Infrastructure development, consumerism, and knowledge transfer."

Infrastructure Development – Saudi Arabia is the largest economy in the MENA region and an essential reason why U.S. exports to the region have been doubling, on average, every four years. The United States is the Kingdom's number one trading partner, with a two-way volume of trade surpassing \$60 billion last year. Much of this commercial activity can be attributed to infrastructure development, Hamod said, including but not limited to: Megacities that are expected to contribute over \$150 billion to the country's GDP; large-scale renewable energy projects, including solar, nuclear, and others; one of the most ambitious rail initiatives in the world, creating nearly 10,000 kilometers of railways by the year 2030.

Consumerism – Consumer confidence in Saudi Arabia is on the rise, according to Nielsen, which typically translates into greater discretionary spending. "This is good for American brands," Hamod said, which are recognized widely and synonymously with quality and value.



David Hamod, NUSACC President & CEO, focused some of his keynote remarks on three growing economic drivers in the Saudi-American relationship: infrastructure development, consumerism, and knowledge transfer.

eKnowledge Transfer – The leadership of Saudi Arabia clearly wants to change the nature of the U.S. – Saudi commercial relationship from vendor / consumer to partner, and knowledge transfer provides the ticket to ride. The Kingdom is in the throes of a transformation from a hydrocarbons-based economy to a knowledge-based economy, Hamod said, part of the Kingdom’s “recognition that its greatest natural resource is not oil, but its people.”

Never before, Hamod said, has Saudi Arabia placed such a premium on education, offering this telling statistic: In the year 2000, there were roughly 1,000 Saudis studying abroad. Today, that number has swelled to over 200,000 Saudi students, with approximately half of those students in the United States. “This speaks volumes about Saudi Arabia’s confidence in higher education in the USA,” Hamod suggested.

Saudi Arabia ranks 4th in the world in the number of foreign students going to school in the USA, Hamod noted, behind China, India and South Korea. Take into account the respective populations of those other three nations, Hamod said, and “it’s very clear that the Kingdom is punching well above its weight.”



The Saudi Stock Exchange International Roadshow finished its 3-country tour in New York, with two days of keynote addresses, panel discussions, and one-to-one meetings held at the Plaza Hotel in New York City.

Parting Words

The Stock Exchange Road Show represented NUSACC’s most recent initiative to promote Saudi trade and investment opportunities in the United States. In addition to inviting select Saudi companies to participate in the [2015 High Tech Road Show](#), NUSACC has joined with the Royal Embassy of Saudi Arabia to co-host a series of roundtable discussions highlighting commercial opportunities in the Saudi – American relationship.

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Adel Al Ghamdi noted, “The Saudi Stock Exchange would like to thank the National U.S. – Arab Chamber of Commerce for your many contributions to this highly successful visit to the United States. Your support – and your partnership – are deeply appreciated.”

Al Ghamdi went on to say, “It has been pleasing to conclude the Road Show on such a strong note. International investors and the media have been particularly keen to understand the strategic context of the Qualified Investor Program, future plans for the Saudi market, and the challenges and opportunities for investors in various sectors.”

“Securing foreign investment and greater institutional involvement will play a critical role in shaping the Saudi capital market into one of the largest, most liquid emerging market investment destinations,” Al-Ghamdi continued. “We are delighted that the International Road Show has been such a success. It is still early in what is a long-term process, but the progress so far is very encouraging.”

Al-Ghamdi concluded, “We were delighted with the warm reception that we received in New York, and we welcome the opportunity to organize future outreach efforts around the United States.”



H.E. Adel Alghamdi (second from right) is greeted by H.E. Adel Mubarak (second from left), Embassy of Saudi Arabia; Raad Alghamdi (left), NUSACC; and Maher M. Labban, Saudi Stock Exchange (right).

The National U.S.-Arab Chamber of Commerce, widely regarded as the voice of American business in the Arab world, is in touch with business communities across the United States and serves as the U.S. point of contact for the national chambers of commerce in the 22 Arab nations. On a daily basis, NUSACC works closely with leaders throughout the Arab world, as well as high-level decision makers in the U.S. business community, public policy research centers, multilateral institutions, nongovernmental organizations, media, and the U.S. Government.

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