



Capitalizing on Growth: Exploring Securities Lending Potential in Middle East



September 19th, 2024

Housekeeping Notes:



Have a question? Use the Q&A widget and we'll answer your questions during the webinar or via e-mail after the conclusion of the webinar.



Check out additional resources, valuable insights, and a link to our Webinar Replay Portal in the Related Content widget. You will also find the slides in PDF within 24 hours.



Your opinion matters! Complete the survey at the end of the webinar.



This webinar provides Closed Captioning in English. Please click this icon on Media Player to activate.



To drive more significant impact and make purposeful Diversity, Equity and Inclusion decisions, please complete the survey.



To schedule a private meeting with our product specialist, chat with us by clicking on this icon.

Today's speakers

Moderator



Shaan Jivan

Product Specialist,
Securities Finance,
S&P Global Market Intelligence



Ralf Wiegert

Director,
Global Economics,
S&P Global Market Intelligence



Jalal Faruki

Head of Custody & Securities
Services,
SNB Capital



Simon Lee

Managing Director,
Business Development
eSecLending

Gulf Cooperation Council economic outlook

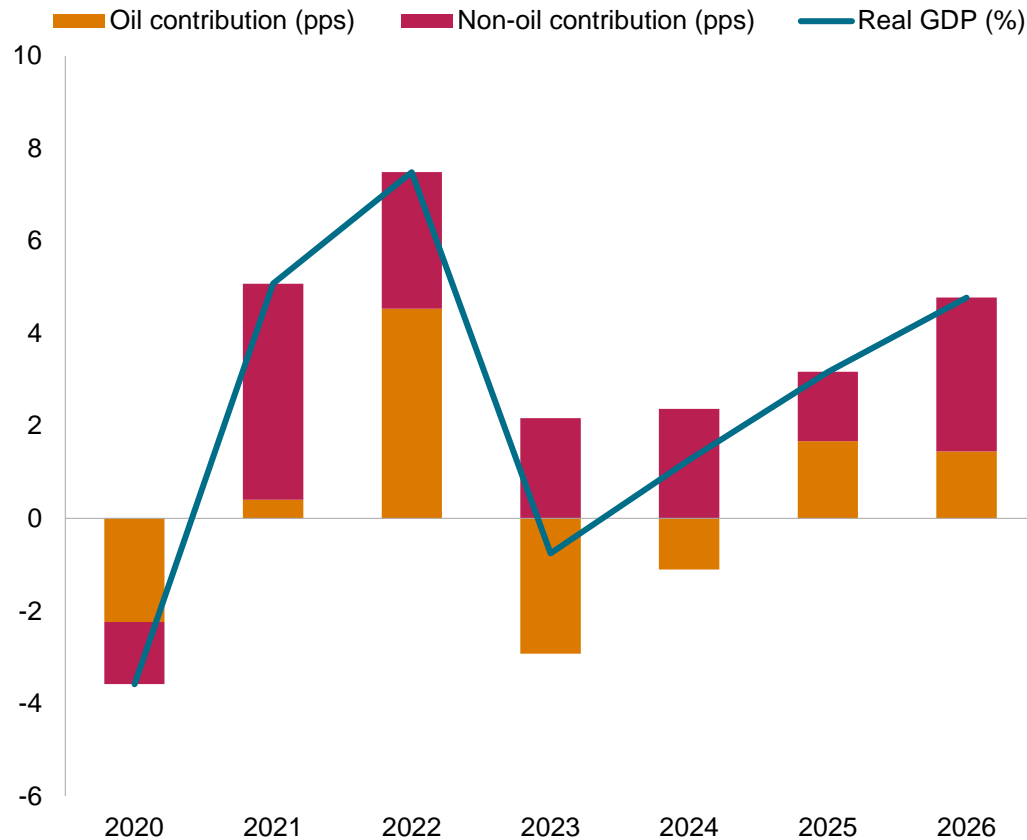
Ralf Wiegert, MENA Economics

September 2024

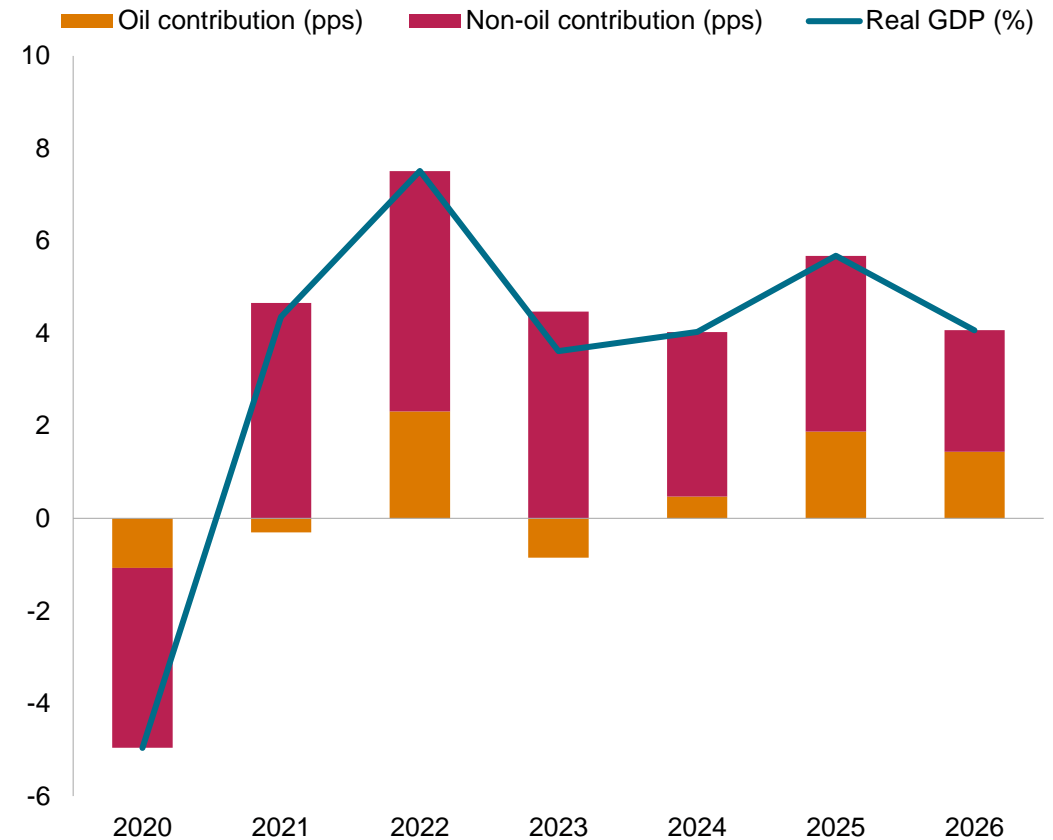


Oil growth joins non-oil growth in 2025 for most of the GCC. Non-oil sector robust in Saudi, the UAE, and Qatar.

Saudi Arabia: real GDP growth contribution



United Arab Emirates: real GDP growth contribution



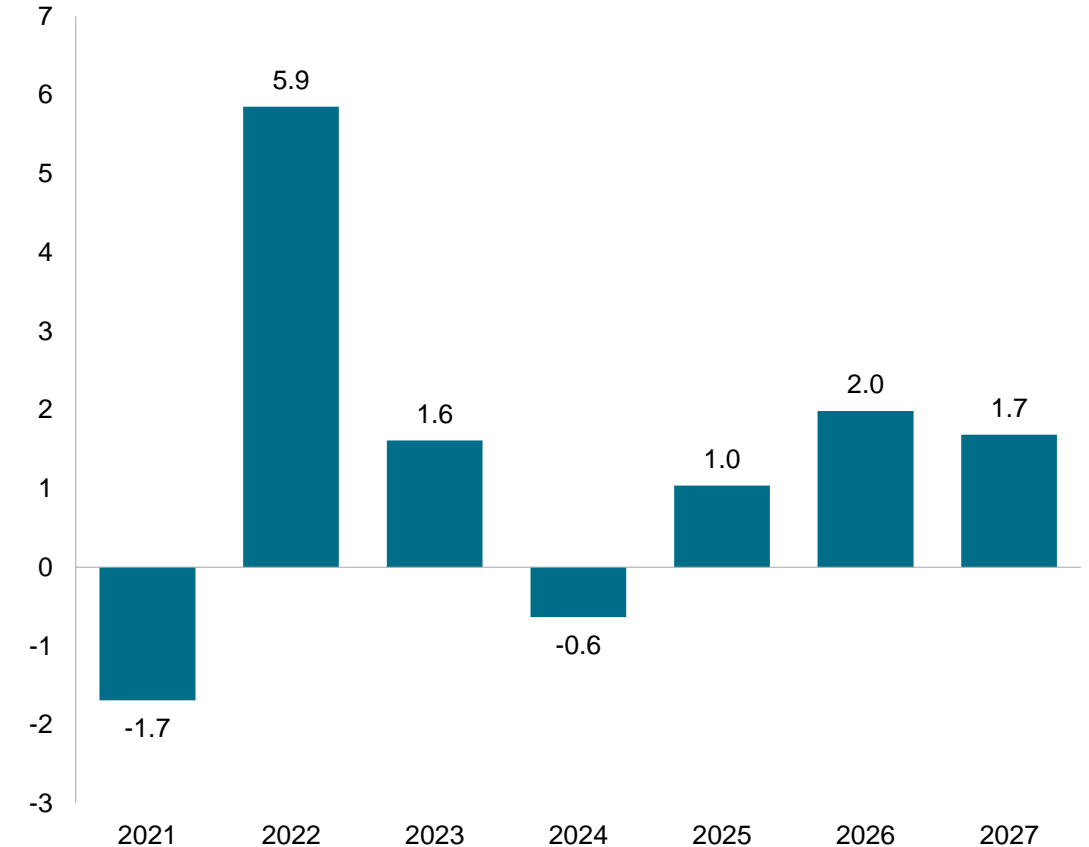
Data compiled September 17, 2024.
Source: S&P Global Market Intelligence.
© 2024 S&P Global.

Oil prices are projected to edge up in H2 2025 and support GCC government finances. Revision of investment schedules reduces fiscal risks in Saudi Arabia.

Brent crude oil price (US\$/barrel)



GCC: fiscal balance (percent of GDP)

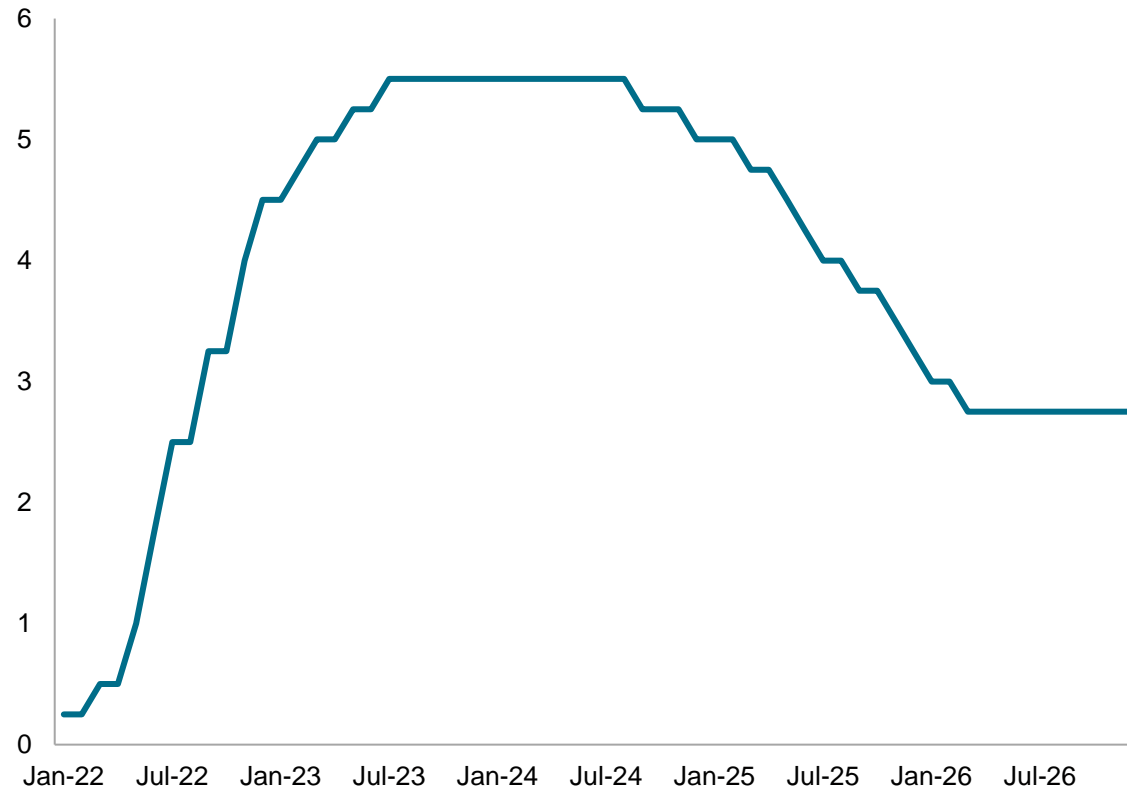


Data compiled September 17, 2024.
Source: S&P Global Market Intelligence.
© 2024 S&P Global.

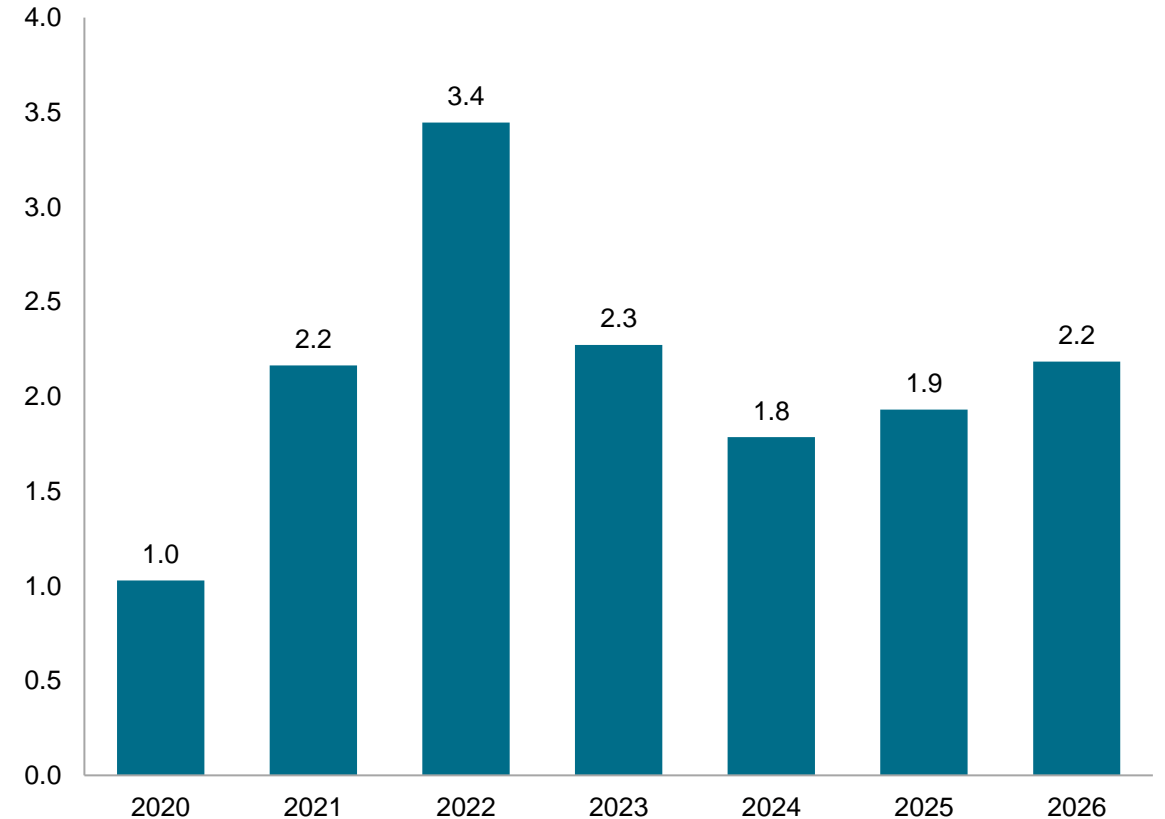
Expected gradual loosening of monetary policy and moderate inflation outlook supports liquidity in the GCC.

Expected US Fed policy rate path (eop, %)

Rounded up to nearest quarter point of range



GCC: Average annual inflation (%)



Data compiled September 17, 2024.
Source: S&P Global Market Intelligence.
© 2024 S&P Global.

Summary: main forecast and risks

- Robust non-oil growth in GCC, solid asset position
 - Volatile but ascending oil prices support government finances
 - Stable financial conditions
 - Interest rates trending down
 - Moderate inflation rates
 - Financial market risk indicators (eg CDS spreads) are low in the GCC
 - External funding needed in GCC to finance transition away from oil – including in Saudi Arabia
 - Saudi investment schedule remains ambitious
 - Saudi and other GCC governments actively promote financial market development, venture capital
- Key downside risks:
 - Global demand weakness (China, US slowdown)
 - War/regional escalation in Middle East (Gaza)
 - Decarbonization leads to lower oil prices and lower funding
 - Key upside risks:
 - Supply-side problems in global oil markets lead to price peaks
 - Saudi Vision (and others) pays off and lead to a higher growth path
 - Regional agreements such as CEPA lead to enhanced trade and investment links and lift growth path

Copyright © 2024 by S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

These materials have been prepared solely for information purposes based upon information generally available to the public and from sources believed to be reliable. No content (including index data, ratings, credit-related analyses and data, research, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P Global Market Intelligence or its affiliates (collectively, S&P Global). The Content shall not be used for any unlawful or unauthorized purposes. S&P Global and any third-party providers, (collectively S&P Global Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Global Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. THE CONTENT IS PROVIDED ON “AS IS” BASIS. S&P GLOBAL PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT’S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Global Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

S&P Global Market Intelligence’s opinions, quotes and credit-related and other analyses are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P Global Market Intelligence may provide index data. Direct investment in an index is not possible. Exposure to an asset class represented by an index is available through investable instruments based on that index. S&P Global Market Intelligence assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P Global Market Intelligence does not endorse companies, technologies, products, services, or solutions.

S&P Global keeps certain activities of its divisions separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions of S&P Global may have information that is not available to other S&P Global divisions. S&P Global has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P Global may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P Global reserves the right to disseminate its opinions and analyses. S&P Global's public ratings and analyses are made available on its websites, www.standardandpoors.com (free of charge) and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P Global publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

Securities Lending Potential in Middle East: What the data shows

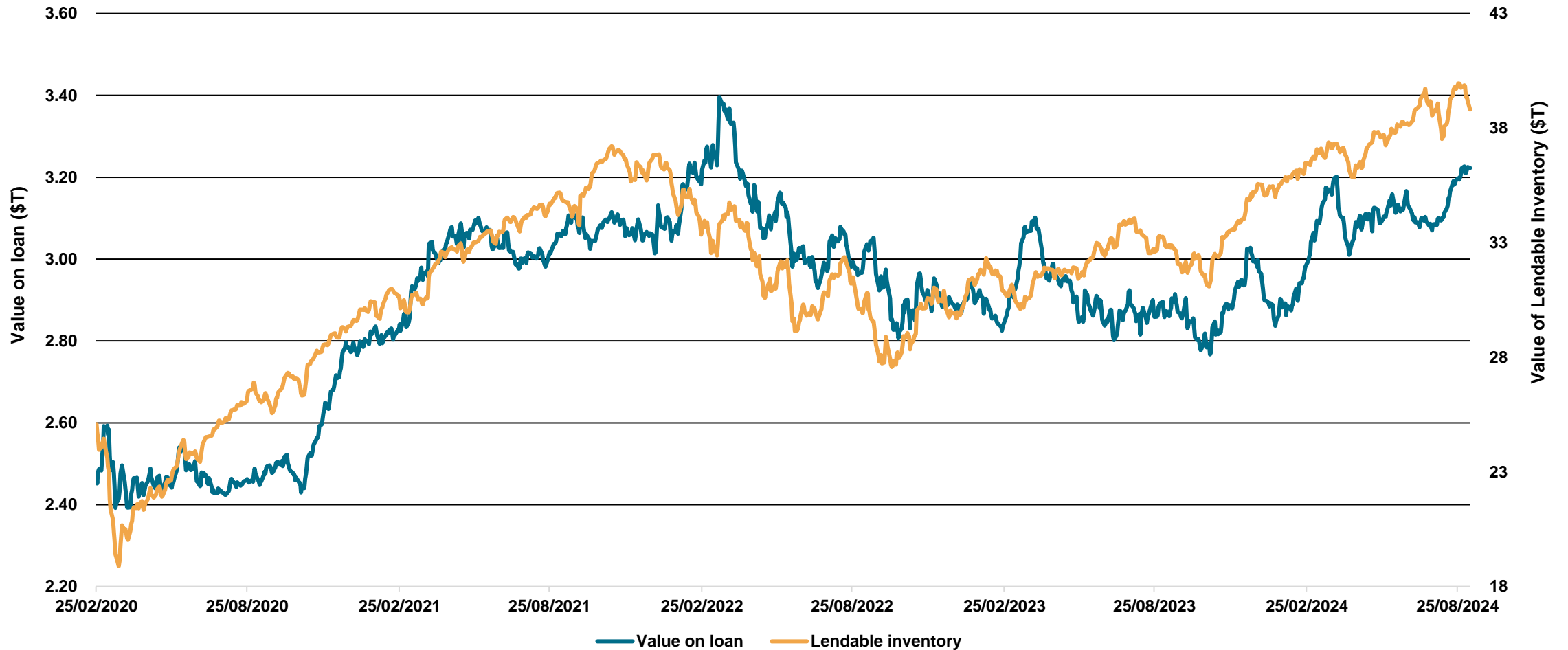
Shaan Jivan, Product Specialist

September 19th, 2024

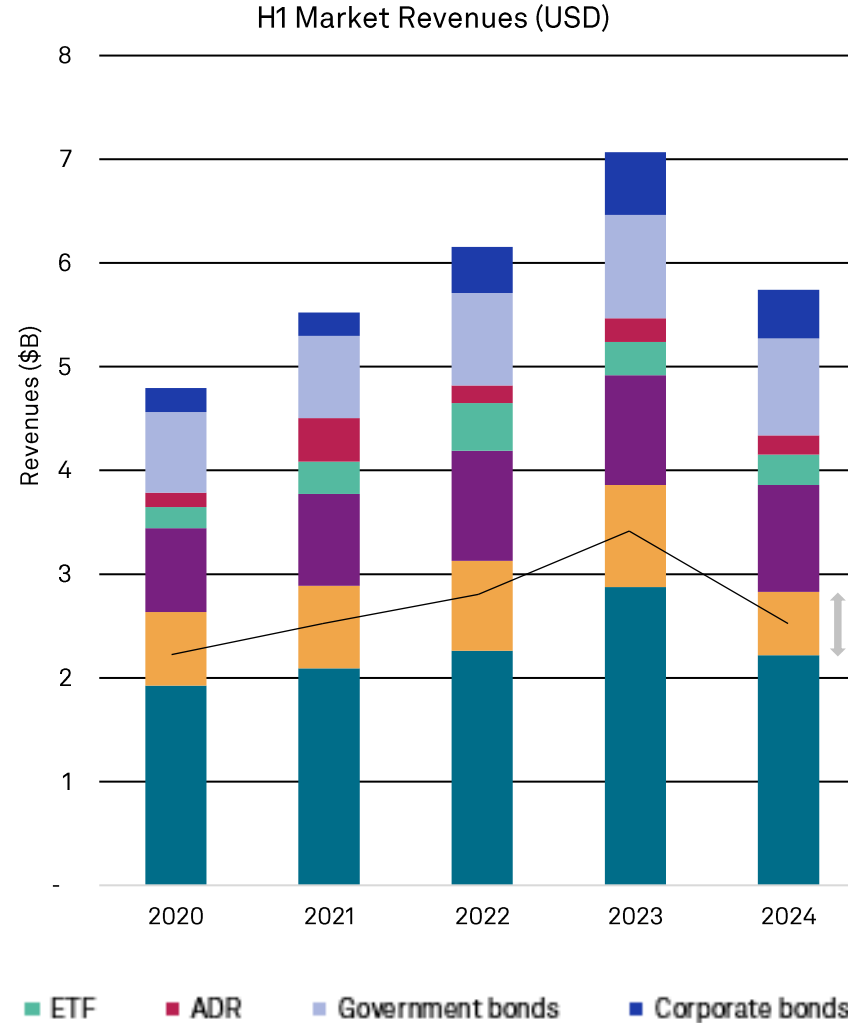
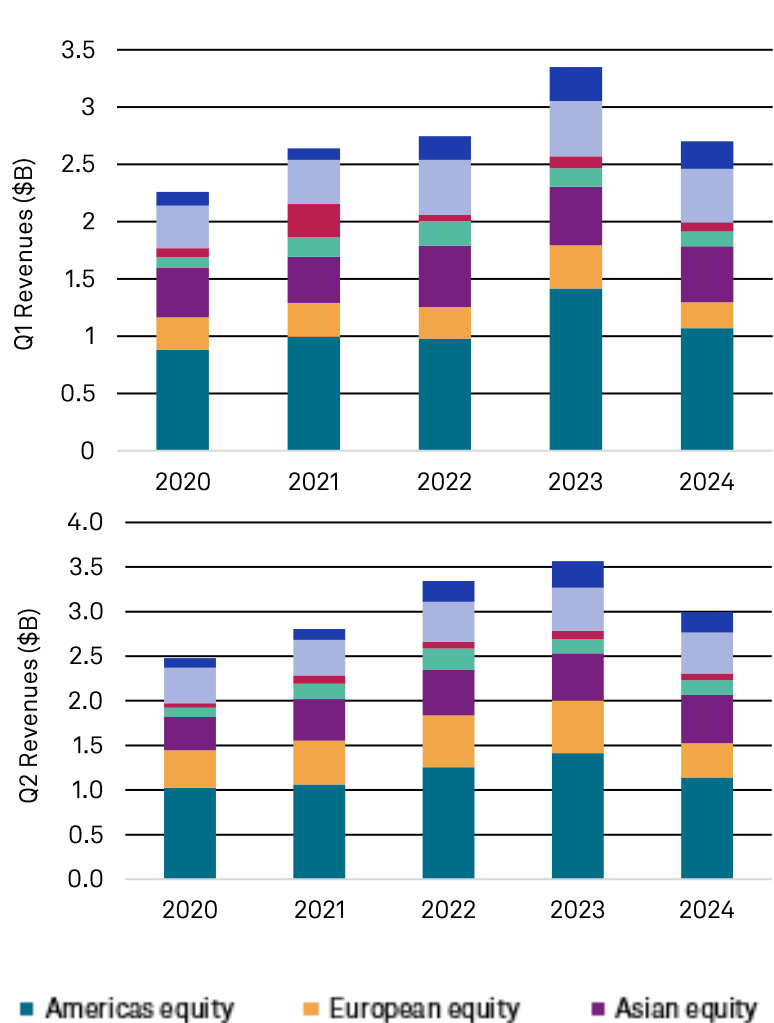


Securities lending market inventory continues to grow

Lendable inventory reached an all-time high in August 2024



2024 global market revenues remain robust



EMEA equity Revenues:

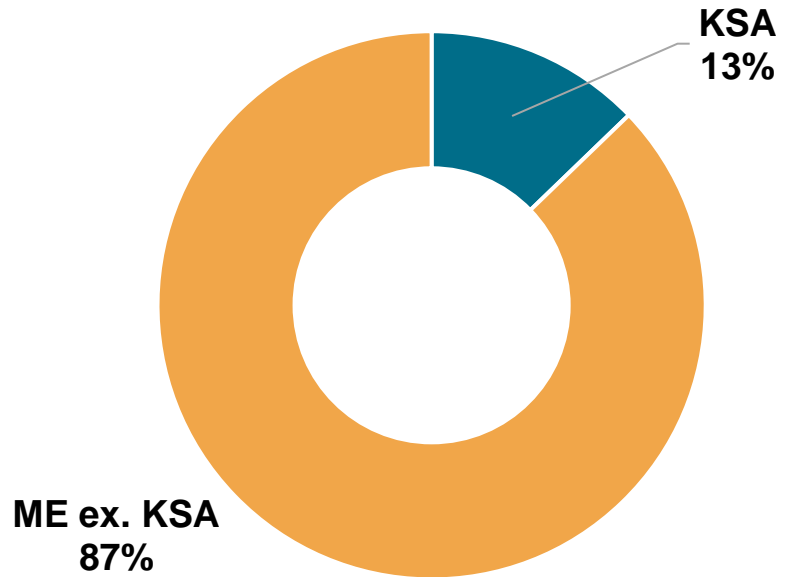
Q1 ↓40% YoY

Q2 ↓35% YoY

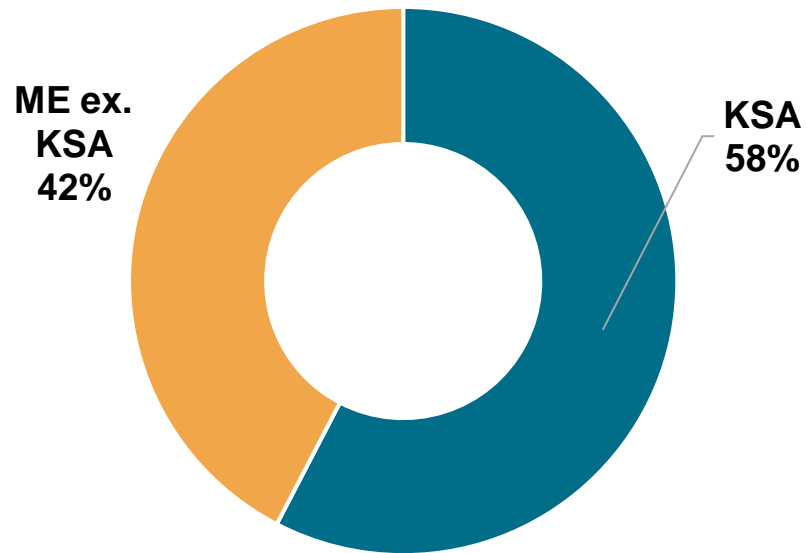
H1 ↓37% YoY

Lendable growth in the Middle East

September 2023



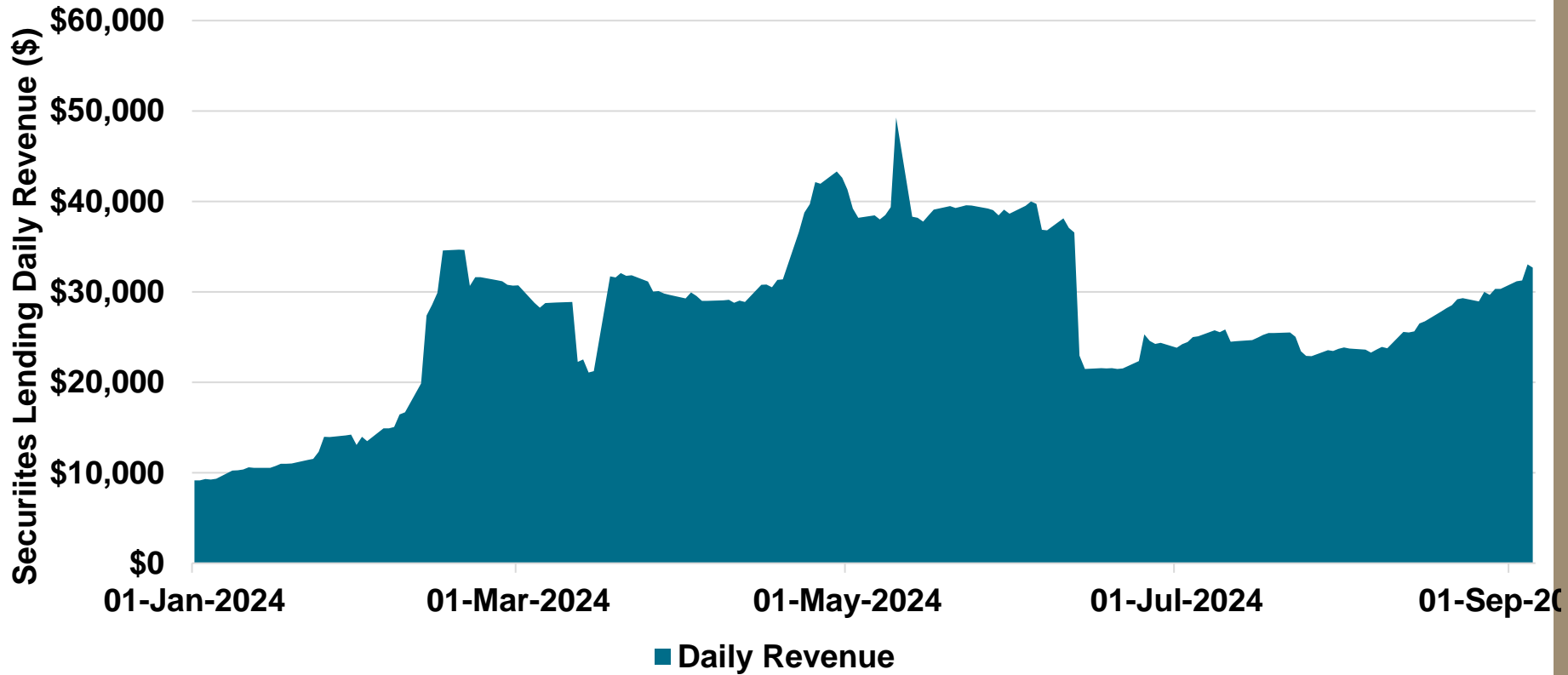
September 2024



Growth in lendable across KSA assets have surged over the last year

Middle East Securities Finance Data YTD

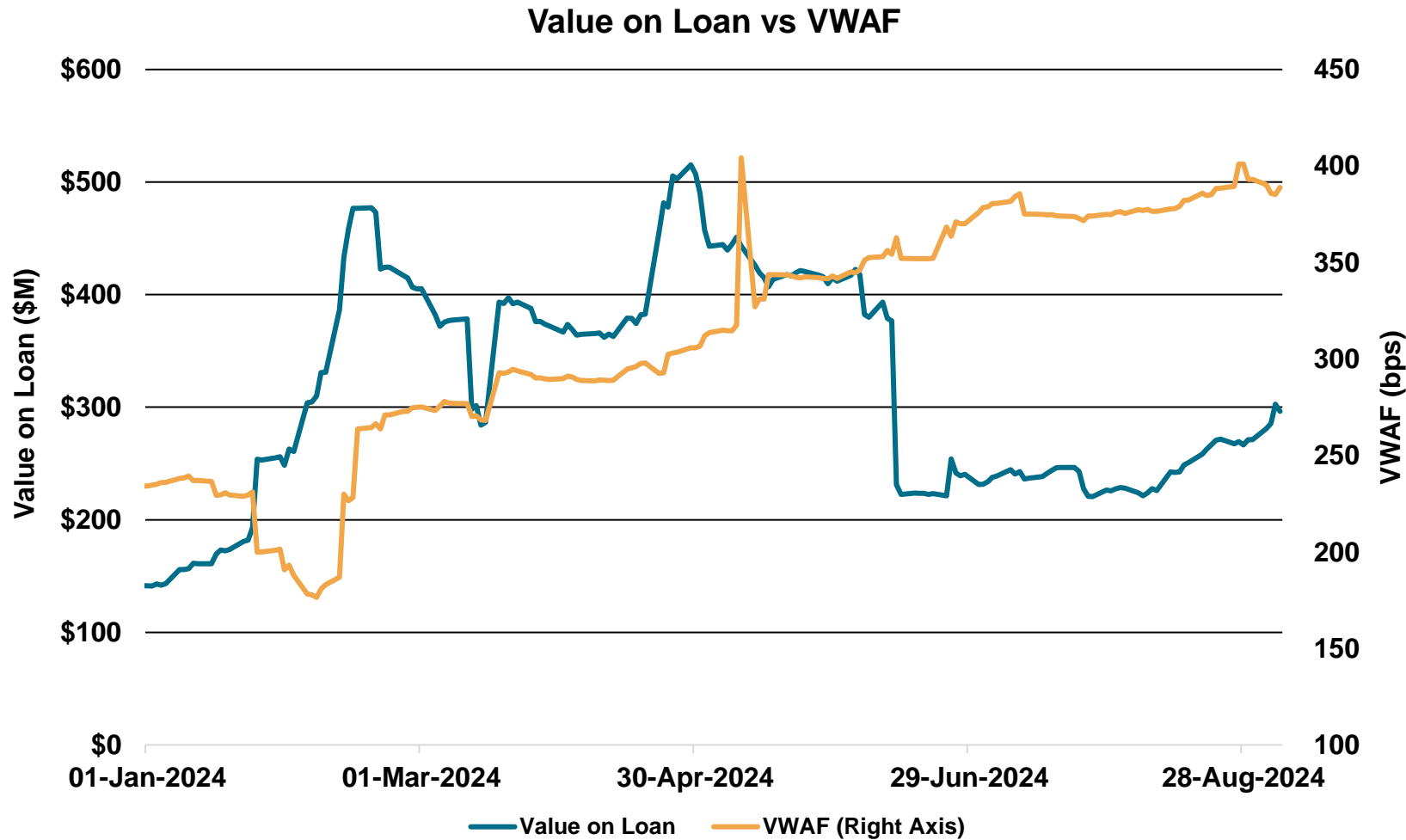
Daily Revenue (\$)



KSA total revenue \$5.3M 2024YTD

*Includes Saudi Arabia, UAE, Kuwait, Qatar

Middle East Securities Finance Data YTD



VWAF continues to climb

VWAF 2023 124bps

VWAF 2024 405bps

© 2024 S&P Global Market intelligence

Top Revenue Generators Middle East Equities – YTD 2024

Ticker	Name	SL Revenue (\$M)	Exchange	Sector
2222	Saudi Arabian Oil Co	2.08	Saudi Arabian Stock Exchange	EM Energy
2082	Acwa Power Company Sjsc	0.99	Saudi Arabian Stock Exchange	EM Utilities
2050	Savola Group Company Sjsc	0.39	Saudi Arabian Stock Exchange	EM Food, Beverage & Tobacco
2280	Almarai Company Sjsc	0.27	Saudi Arabian Stock Exchange	EM Food, Beverage & Tobacco
1211	Saudi Arabian Mining Company Sjsc	0.16	Saudi Arabian Stock Exchange	EM Materials
2381	Arabian Drilling Co	0.15	Saudi Arabian Stock Exchange	EM Energy
1111	Saudi Tadawul Group Holding Company Sjsc	0.14	Saudi Arabian Stock Exchange	EM Financial Services
2330	Advanced Petrochemical Co Sjsc	0.13	Saudi Arabian Stock Exchange	EM Materials
4001	Abdullah Al-Othaim Markets Company Sjsc	0.13	Saudi Arabian Stock Exchange	EM Consumer Staples Distribution & Retail
7202	Arabian Internet And Communications Services Company Sjsc	0.12	Saudi Arabian Stock Exchange	EM Software & Services

*YTD up to 5th September 2024

Energy and Utility companies dominate revenues

Saudi Aramco +\$2M

Securities Borrowing and Lending in Saudi Arabia

Securities Services

Aug 2024

Securities Borrowing and Lending Regulations

SBL regulations have existed in Saudi Arabia since 2017, however enablement from an operational and business perspective is relatively new as it became feasible after the Post Trade Technology Program implemented in April 2022.

It is considered as one of the high potential growth areas in the market supporting other new products and activities including Market Making, Short Selling, and Derivatives.

According to the Saudi Exchange “Tadawul” rules, entering into a Securities Borrowing and Lending transaction is available for “Qualified Investors” as follows:

- Local custodians and brokers can act as lending agents for an SBL transaction.
- Non-qualified Investors can borrow and lend securities by approaching their local custodians or brokers.
- Qualified investors can borrow and lend directly to other qualified investors.
- Brokers, custodians, and qualified foreign investors (QFIs) can borrow securities and re-lend to their clients.
- All listed securities are eligible for SBL activities except for tradable rights.

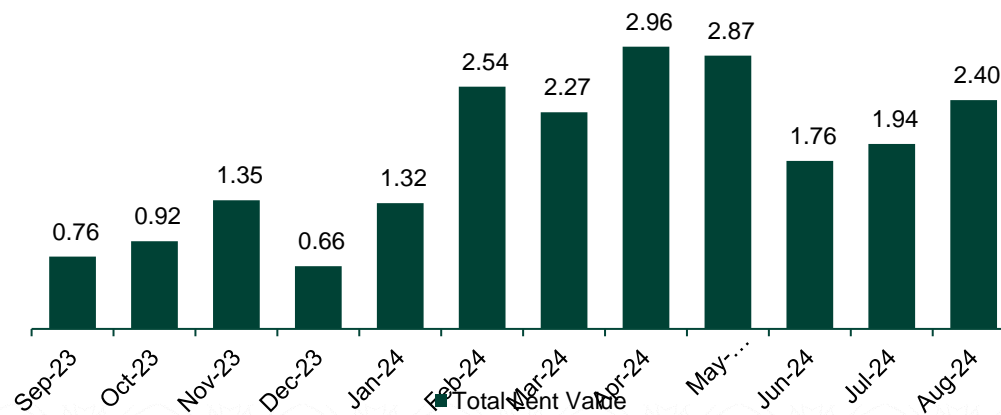
Total Securities on Loan Position

Total Securities on Loan Position

	Aggregate Securities on Loan			% of F Mkt Cap	Days to Cover 10 ADTV	TASI
	No. of securities	Value (SAR bn)	% of Mkt Cap			
29-Aug-24	166	2.4	0.024%	0.12%	0.29	12,145
End of Sep 2023	36	0.76	0.007%	0.04%	0.13	11,056
Chg. since Sep 23		216%				9.9%

Source: Saudi Exchange, LSEG, SNB Capital Research

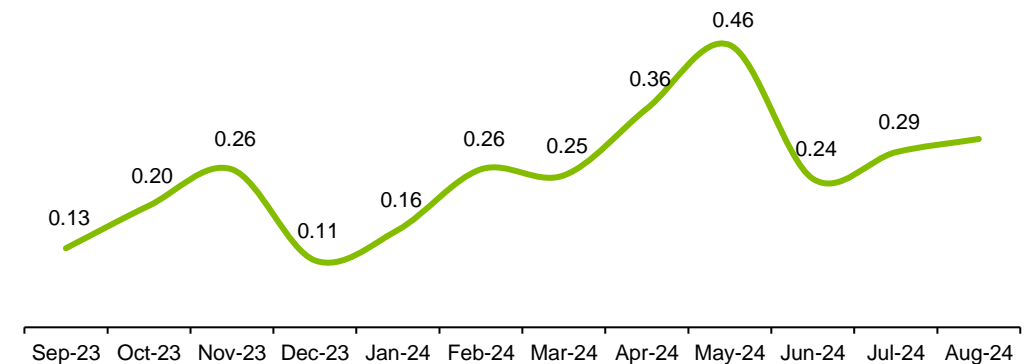
Securities on Loan



Source: Saudi Exchange, SNB Capital Research

* Above value of Securities on Loan might include onward lending transactions which are counted as 2 separate lending transactions by Edaa, doubling their value

Aggregated days to cover – 10 ADTV



Source: Saudi Exchange, LSEG, SNB Capital Research

Top Stocks – Loan value

Top positions on loan

	Total Securities on Loan Value ¹			Chg. Since Sep 2023			% of Mkt Cap	% of FF	Days to cover (10 ADTV-Days)
	Quantity (000 shares)	Value (SAR mn)	% of total Securities on Loan Value ¹	% ²	Quantity (000 shares)	% of total Securities on Loan Value ¹			
ACWA Power	981	413	17.2%	487.7%	814	380.4	0.13%	0.40%	4.7
Savola	5,843	155	6.5%	3932.9%	5,698	150.2	0.52%	0.78%	1.6
Almarai	2,712	148	6.1%	0.0%	2,712	147.5	0.27%	1.10%	3.4
Solutions	375	109	4.5%	649.6%	325	92.8	0.31%	1.54%	1.3
Jarir	6,830	87	3.6%	1899.2%	6,488	82.3	0.57%	0.73%	3.5
ADES	4,217	86	3.6%	0.0%	4,217	86.4	0.37%	1.21%	1.8
SIPCHEM	2,010	58	2.4%	0.0%	2,010	58.0	0.27%	0.30%	1.5
Zain KSA	4,704	53	2.2%	762.5%	4,159	45.4	0.52%	0.83%	1.2
Albilad	1,320	51	2.1%	922.7%	1,191	45.4	0.11%	0.18%	0.9
Bupa Arabia	210	49	2.0%	0.0%	210	48.8	0.14%	0.27%	1.2
Saudi Tadawul	166	41	1.7%	131.7%	95	26.9	0.14%	0.35%	1.2
Kayan	4,652	40	1.7%	5714.4%	4,572	39.0	0.31%	0.48%	1.4
Arabian Drilling	315	37	1.5%	380.0%	249	24.7	0.35%	1.18%	0.5
Mouwasat	356	37	1.5%	612.0%	306	31.9	0.18%	0.37%	1.2
Advanced	910	34	1.4%	749.5%	803	30.2	0.35%	0.38%	1.7
Nahdi	249	33	1.4%	569.1%	212	27.7	0.19%	0.48%	0.6
Sulaiman Alhabib	107	33	1.4%	0.0%	107	32.7	0.03%	0.10%	0.4
BJAZ	1,810	32	1.3%	354.1%	1,412	25.2	0.18%	0.20%	0.4
BSF	858	29	1.2%	0.0%	858	29.3	0.07%	0.10%	0.8
Marafiq	450	28	1.2%	278.1%	331	20.6	0.18%	0.62%	0.9

Source: Saudi Exchange, LSEG, SNB Capital Research

¹ as of 29-August-2024

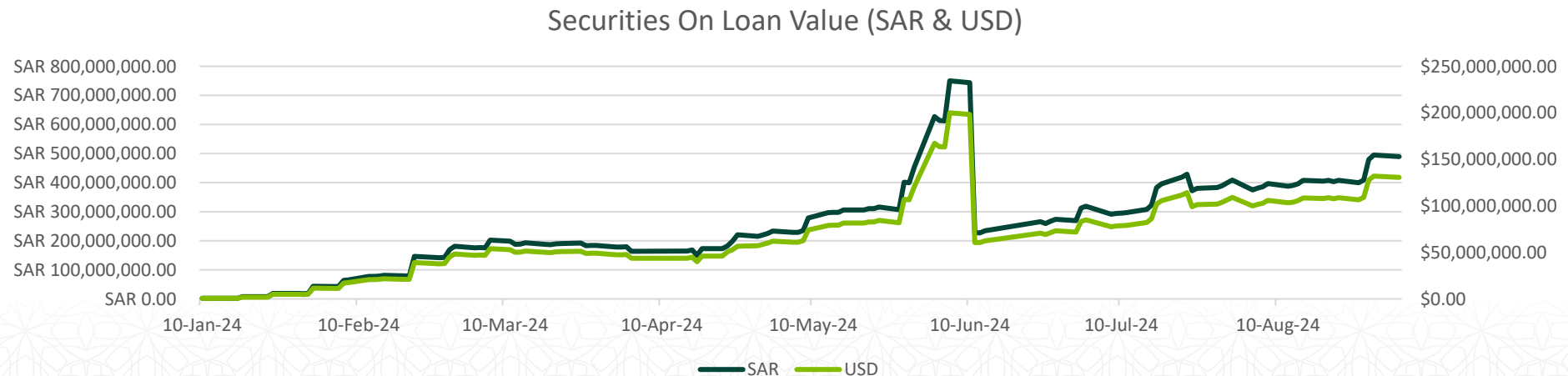
² Change is based on quantity

Securities Borrowing and Lending Models active in KSA

Types of Securities Borrowing and Lending Models active in KSA:

- Pooled Principal
- Bilateral Trades
- Agency Lending

SNB Capital have enabled a matched-principal model in August 2023 for our clients as Lenders; facing institutional counterparties as borrowers , the below graph shows the growth in SNB Capital's Securities on loan value



Practical challenges to enabling more SBL in KSA

Below are some of the practical challenges we have seen the market facing over the past 12 months:

	Enabling more Borrowing	Growing Lending activity
Local Investor Challenges	Implementation of a Shariah compliant Borrow/Loan Model	
	<ul style="list-style-type: none"> CSD Charges Custodian/Broker Capabilities 	<ul style="list-style-type: none"> Awareness of Securities Lending Low rates on benchmark names Limited abilities as Retail/HNWI Custodians/Brokers
International Investor Challenges	<ul style="list-style-type: none"> Clean netting opinion Loan/Collateral valuation on Sundays 	
	<ul style="list-style-type: none"> Market Charges More Counterparties offering this service 	<ul style="list-style-type: none"> Global Custodians (& their local Sub-Custodians) Agency lending desks enabling KSA
KSA assets as Collateral Challenges	<ul style="list-style-type: none"> Title transfer to utilize KSA assets as collateral (pledge is only solution) <ul style="list-style-type: none"> Tri-party providers with Sunday service Tri-party providers under KSA law/regs 	

SNB Capital as the largest custodian of shares in the Saudi market (appx 28% of Free-Float under Custody) has prioritized in late 2022 the enablement of Securities Borrowing and Lending to serve multiple borrower and lender client segments.

Key factors that have driven our growth include:

- Focus on the natural flow initially (i.e. Local Lenders to International Borrowers)
- Investing in established technology solutions to and adopting global market standards such as a GMSLA w/ a KSA annex for international borrowers
- An open platform with the ability to support principal and agency solutions (both for in-Custody and not in-Custody Lenders) as well as enabling multiple local and international counterparties as Borrowers
- Leveraging existing relationships with global custodians and international agency lending desks to enable services needed such as tri-party
- An ongoing dialog with the regulator and the market to adopt / amend regulations and enhance the market Infrastructure driving growth
- Implementation of a Shariah Compliant Securities Lending & Borrowing agreement approved by SNBC's Shariah Board to capture as much of the addressable market as possible (we estimate at least 70% of local Lenders prefer a shariah compliant lending agreement)

Key Factors to drive SBL growth

Despite significant growth over the past 12 months KSA is still a small market relative to market cap and float:



For further discussion on the contents of this presentation please reach:

Securities Services



Jalal Faruki
Head of Custody & Securities Services
+966 11 874 9779



Abdullah Al Ghamedi
SVP- Securities Services
+966 11 874 7121
a.alghamedi@alahlicapital.com



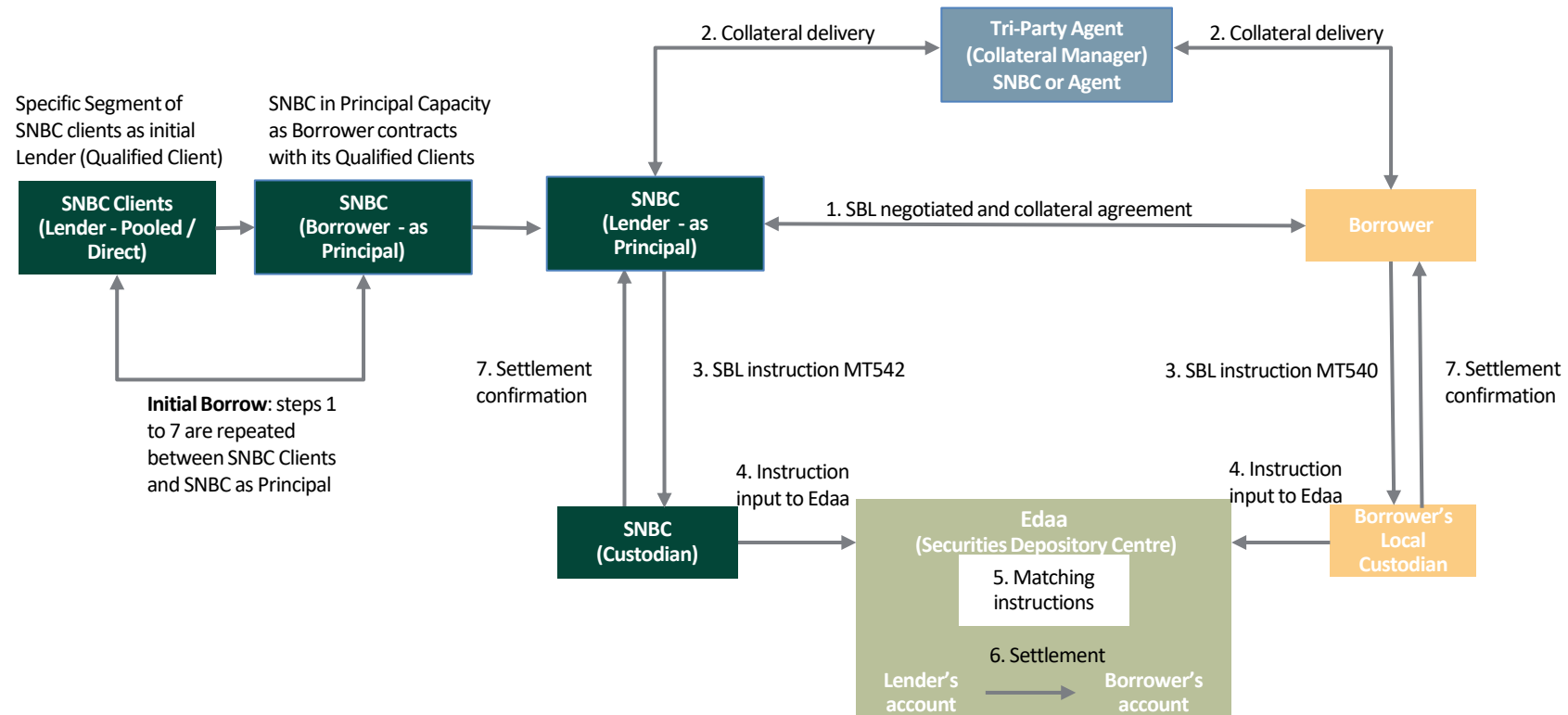
Hala Al Lohaib
Assistant Manager - Securities Services
+966 11 874 7123
h.allohaib@alahlicapital.com



Thank You

SNBC Pooled Principal Model

Where SNBC Clients' are pooled and acting as Lenders with SNBC as Borrower, then onward Lending to international Borrowers



Disclaimer & Important Information

This document is intended for information purposes only, and is not intended as an offer for the sale of securities or solicitation of interest with respect to the purchase or sale of any security. This document is not intended to take into account any investment suitability needs of the recipient. In particular, this document is not customized to the specific investment objectives, financial situation, risk appetite or other needs of any person who may receive this document. SNB Capital strongly advises every potential recipient to seek professional legal, accounting and financial guidance when determining whether an investment in a security is appropriate to his or her needs. To the maximum extent permitted by applicable law and regulation, SNB Capital shall not be liable for any loss that may arise from the use of this document or its contents or otherwise arising in connection therewith. Any financial projections, fair value estimates and statements regarding future prospects contained in this document may not be realized. All opinions and estimates included in this document are as of the date of production of this document, and are subject to change without notice.

This document is issued to the person to whom SNB Capital has issued it. No part of this document or its accompanying documents may be reproduced without the written permission of SNB Capital. Neither this document nor its accompanying documents or any copy thereof may be distributed by the recipients anywhere within the Kingdom of Saudi Arabia or in any jurisdiction outside it. Persons who receive this document should make themselves aware, of and adhere to, any such restrictions. By accepting this document the recipient agrees to be bound by the foregoing limitations.

SNB Capital is authorised by the Capital Market Authority of the Kingdom of Saudi Arabia to carry out dealing, as principal and agent, and underwriting, managing, arranging, advising and custody, with respect to securities under licence number 37-06046. SNB Capital's registered office is at 5th Floor, Tower B, SNB Regional Building, King Saud Road, P.O. Box 22216, Riyadh 11495, Kingdom of Saudi Arabia.

Please Note: As per CMA regulations, the primary point of contact for wealth and asset management clients is their assigned wealth manager. All contacts thus initiated shall be routed to the appropriate parties.

Today's speakers



Simon Lee

Managing Director,
Head of Business Development EMEA and APAC
eSecLending

Agency Securities Lending: Regional Focus, Global Perspective.

As a global securities lending agent, providing services in the Middle East, we focus on three main areas of the business:

- I. **Our existing client base that invests in the region, providing new revenue streams as individual markets open for securities lending**
 - New, emerging lending markets, can provide material upside to programme performance, particularly for early adopters
 - Requirements for offshore agents necessitate close collaboration with local stakeholders

- II. **Regional lenders that invest globally and are participants in the global securities lending marketplace**
 - Some of the largest, most experienced, longest-tenured beneficial owners in the global securities lending industry are domiciled in the region
 - Navigating Basel III essential component of maintaining and growing market share

- III. **New entrants to the securities lending marketplace**
 - Easing of regulation and broader economic growth brings new lenders and new supply to the market
 - Integral aspect of future growth opportunities for agency model



Considerations for new lending markets.

Regulatory framework

- Recognition of agency construct
 - Leverage of existing documentation, ie, GMSLA

Provision for offshore participants

- Utilisation of third-party providers
 - Offshore vs onshore collateral

Operational model

- Requirements for trade settlement
 - Loan recall protocols
 - Buy-in rules
 - Local reporting obligations

Economic considerations, supply/demand dynamic

- Client AUM
 - Borrower participation
 - Utilisation rates, borrow fees
 - Impact of new liquidity
- New lending markets can generate material revenue for beneficial owners that are early to market.
- New, emergent markets, typically require close collaboration between all participants in the value chain.
- New liquidity key feature of early-stage supply/demand fluctuations.



Opportunities and challenges for beneficial owners.

- **Increasing cost of regulatory capital impacting all market participants**
 - Limitations and restrictions of counterparty default indemnification offered by lending agents
 - Beneficial owner RWA influencing borrower demand dynamics
 - Regional RWA ratings oftentimes advantageous
- Supporting beneficial owners navigate the challenges and capitalize on the opportunities presented in an evolving marketplace.
- Facilitation of alternative routes to market and alternative trade structures that enhance revenues and reduce costs.
- **Securities lending as an alternative financing tool**
 - Using underutilized assets to raise cash
- **Structured trades to optimise in-demand assets**
 - Agency exclusive, lender directed trades
 - Administration and risk management support critical
- For regional beneficial owners one size does not fit all, providing navigation and support fundamental to long-term growth.



New entrants and new liquidity.

- **Regulatory approval of new lending markets gives rise to broader participation from local investors**
- **New entrants to securities lending marketplace**
 - Local assets managers
 - Retail investors
 - New government-sponsored funds
 - Exchanges
- **New lenders, new assets, new domiciles key growth drivers for agent and borrower**
 - Advantageous RWA ratings play into opportunity
 - Regulatory and operational nuance always a feature
- **Macro factors at the forefront of long-term opportunity**
 - Growth in regional institutional AUM
 - Capital inflows from offshore investors
 - Increased liquidity and market participation



eSecLending Contacts

eSecLending

Boston
One Boston Place
24th Floor
Boston, MA 02108
+1 617 204 4500

eSecLending (Europe) Ltd

London
9th Floor
Tower 42
25 Old Broad Street
London EC2N 1HQ
+44 (0) 20 7469 6000

Securities Finance Trust Company, an eSecLending company, and/or eSecLending (Europe) Ltd. (authorised and regulated by the Financial Conduct Authority ("FCA")) perform all regulated business activities. The views expressed herein are the current views of the eSecLending group of companies through the date of this communication only, and are subject to change without notice based on market and other conditions. The information provided herein is not intended to be, nor does it constitute legal or investment advice, and it should not be relied upon as such. This information is provided with the understanding that you will make your own independent decision(s) with respect to any course of action taken in connection herewith and as to whether such course of action is appropriate or proper based on your own judgment, and that you are capable of understanding and assessing the merits of such a course of action. eSecLending makes no representation or warranty as to the accuracy of the information contained herein, nor shall eSecLending have any liability for decisions made on the basis of such information. Past performance is no guarantee of future results. For the purposes of the FCA, this communication has been labeled a 'Marketing Communication' and as such constitutes 'Non Investment Research' under the FCA rules. It has therefore not been prepared in accordance with the legal requirements designed to promote the independence of the independent research and it is not subject to any prohibition on dealing ahead of the dissemination of investment research.

A region of growing activity

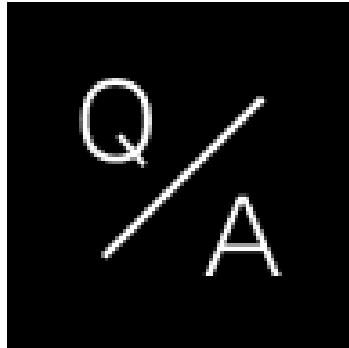
As in many new markets, higher regional VWAF offers opportunity of lenders

- The growth in the region offers EMEA a new source of revenues
- Emergence of regional lending pools and growing collaboration to improve market liquidity will translate into more activity
- Reforms in capital markets are likely to increase foreign investor participation
- Enhancement of regulatory frameworks is likely to attract a growing number of participants
- Increased demand for Sharia-compliant lending offers the market a new opportunity to grow
- Rising interest in regional fixed income markets as corporations and regional governments issue bonds
- Expansion of activity supported by ISLA



Any questions?

Please use the Q&A widget on the console to submit your questions.



S&P Global
Market Intelligence



Thanks for joining

Shaan.Jivan@spglobal.com
Cameron.watts@spglobal.com

September 19th, 2024



Americas- Sales

P. +1 877 863 1306

E. market.intelligence@spglobal.com

EMEA- Sales

P. +44 20 7176 1234

E. market.intelligence@spglobal.com

APAC- Sales

P. +852 2533 3565

E. market.intelligence@spglobal.com

Disclaimer

The information contained in this presentation is confidential. Any unauthorized use, disclosure, reproduction, or dissemination, in full or in part, in any media or by any means, without the prior written permission of S&P Global or any of its affiliates ("S&P Global") is strictly prohibited. S&P Global owns all S&P Global logos and trade names contained in this presentation that are subject to license. Opinions, statements, estimates, and projections in this presentation (including other media) are solely those of the individual author(s) at the time of writing and do not necessarily reflect the opinions of S&P Global. Neither S&P Global nor the author(s) has any obligation to update this presentation in the event that any content, opinion, statement, estimate, or projection (collectively, "information") changes or subsequently becomes inaccurate. S&P Global makes no warranty, expressed or implied, as to the accuracy, completeness, or timeliness of any information in this presentation, and shall not in any way be liable to any recipient for any inaccuracies or omissions. Without limiting the foregoing, S&P Global shall have no liability whatsoever to any recipient, whether in contract, in tort (including negligence), under warranty, under statute or otherwise, in respect of any loss or damage suffered by any recipient as a result of or in connection with any information provided, or any course of action determined, by it or any third party, whether or not based on any information provided. The inclusion of a link to an external website by S&P Global should not be understood to be an endorsement of that website or the site's owners (or their products/services). S&P Global is not responsible for either the content or output of external websites. Copyright © 2023, S&P Global®. All rights reserved and all intellectual property rights are retained by S&P Global.