

# Capacity building in the Saudi capital market



by **Bryan Pascoe**

Saudi Arabia's capital market is undergoing a period of dynamic transformation. Under the banner of Vision 2030, the Kingdom has made remarkable strides toward economic diversification, with the development of deep, resilient, and internationally integrated capital markets at the heart of this strategy. As ICMA, we are proud to support these efforts alongside our members, regulators, and market practitioners across the region.

Our recent visit to Riyadh earlier this year, for a joint event with ISDA and ISLA, provided a clear lens on the progress achieved and the scale of ambition that lies ahead. It also reaffirmed the central role that international collaboration can play in helping to unlock the full potential of Saudi Arabia's domestic markets.

## *Strong foundations and a strategic vision*

Saudi Arabia's credit fundamentals provide a compelling foundation for capital market growth. These include strong sovereign ratings, a low debt-to-GDP ratio, favourable macroeconomic indicators, and low correlation with other leading developing markets. These attributes are further enhanced by a demographic profile skewed toward youth, a relatively robust economic growth outlook, and a state-led investment agenda targeting infrastructure, technology, and industrial development.

The debt capital markets are increasingly positioned as a core financing channel for this transformation. The Capital Market Authority (CMA) and other official sector stakeholders have played an essential role in supporting issuance growth, with welcome regulatory reforms aimed at streamlining issuance processes and encouraging corporate market entry. Notably, the simplification of public offering requirements and supporting documentation has already helped foster broader participation in the sukuk and debt markets.

Sukuk in particular have emerged as the bedrock of the Kingdom's fixed income landscape. Saudi Arabia is now among the world's leading sukuk issuers, catering to both local and international investors and reinforcing the central role of Islamic finance in the global capital market.

## *Sustainability and innovation in the debt market*

The integration of sustainable finance principles into the Saudi market represents another important leap forward. The Public Investment Fund's US\$500 million green sukuk issuance is just one example of how ESG considerations are being actively embedded into financing strategies. ICMA was pleased to work with the Islamic Development Bank and the London Stock Exchange Group on the *Guidance on Green, Social and Sustainability Sukuk*, launched in Riyadh last year, which aligns sukuk issuance with global sustainable finance frameworks. This guidance has been well received across the region and provides a credible basis for further market development.

From an international investor perspective, the continued evolution of ESG-labelled instruments within Saudi Arabia's market ecosystem will be crucial. There is growing demand globally for financial instruments that align with environmental and social goals, and by further promoting transparent, high-quality sustainable issuance, the Kingdom can enhance its attractiveness to a broad base of global capital.

## *The critical role of repo markets*

A well-functioning repo market is essential to market liquidity, stability, and efficiency. It facilitates funding, collateral management, and secondary market activity across fixed income markets. ICMA has long supported the development of repo markets globally, particularly through the Global Master Repurchase Agreement (GMRA), which underpins cross-border activity and provides a legal and operational foundation for transactions.

In Saudi Arabia, the development of the repo market is gathering momentum, and its growth will play a vital role in supporting the bond, derivatives, and securities lending markets. ICMA's experience in helping other jurisdictions establish best-in-class repo infrastructure – aligned with

international standards but tailored to local needs – can be a valuable asset in this effort.

A landmark development in this context is the recent announcement of netting legislation by the Saudi Central Bank (SAMA). As highlighted in our latest Quarterly Report, this legal reform represents a foundational step toward enabling a robust and efficient repo and derivatives market. It is expected to enhance risk management, improve the legal certainty of close-out netting arrangements, and broaden the range of international participants willing to engage in the Saudi capital market.

### ***International collaboration and next steps***

Saudi Arabia's market development journey is marked by openness and partnership. At ICMA, we see strong and growing engagement with members across the MENAT region, including Saudi Arabia. We are increasingly working with local institutions, regulators, and market participants to share expertise, align on best practices, and support local capacity building.

Importantly, capacity building extends beyond market structure. It involves nurturing the skills, institutions, and collaborative frameworks that underpin a healthy capital market. Whether through training initiatives, market consultations, or legal documentation support, ICMA remains committed to being a long-term partner in this process.

In line with that commitment, we continue to encourage the uptake of global standards such as our *Primary Market Handbook*, *Secondary Market Rules & Recommendations*, and of course, the *Green and Social Bond Principles*. These provide internationally recognised frameworks that facilitate market confidence, consistency, and investor trust.

### ***Conclusion***

Saudi Arabia stands at a pivotal moment in its capital markets evolution. The progress achieved to date – in regulatory reform, sustainable finance, sukuk issuance, and market infrastructure – speaks to the Kingdom's commitment to building a modern and resilient financial system. But just as importantly, the ambition to engage globally and build through partnership provides a model that others may seek to emulate.

Capacity building in this context is both a technical and strategic endeavour. It demands a long-term vision, collaboration across sectors, and a commitment to embedding the highest standards. As ICMA, we look forward to continuing this journey with our partners in the Kingdom, supporting the development of a capital market that delivers both national prosperity and global connectivity.



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