معيار المالية
MIYAR CAPITAL

MIYAR CAPITAL COMPANY

PILLAR III DISCLOSURES

For the year ended 31 December 2021

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1 BACKGROUND AND PURPOSE OF THE REPORT

The Prudential rules issued by the Capital Market Authority of Saudi Arabia covers and consists of three pillars of Capital adequacy viz, Pillar 1 (dealing with rules for capital requirements for Credit, market and operational risk) Pillar II (dealing with assessment of all risks, ICAAP document covering capital assessment, risk management and governance) The purpose of Pillar II is to ensure that authorised persons have sufficient capital to support all material risks to which their business is exposed. It shall therefore reinforce the link between the risks and the capital, so that the Authorized Person's risk management strategy, approaches and systems are integrated with its capital planning.

This disclosure requirement meets the minimum requirements of the annual market disclosure of information referred to as "Pillar III disclosure" to be published by the Authorized Persons (APs) licensed to dealing, managing and/or custodial activities

The purpose of Pillar III disclosures is for the market participants to assess the key pieces of information on the scope of application, capital, risk exposure, risk assessment processes and the capital adequacy of the Authorized Persons.

This document has been prepared in compliance to the guidelines issued by the Capital Market authority of Saudi Arabia. The Pillar III disclosure consists of both quantitative and qualitative disclosures.

This Pillar III disclosure has been approved by the Board of directors of Miyar Capital before its publication. The information contained in this Pillar III disclosure report has not been subjected to External audit, as the same is not a requirement.

1.1 Company Background

Miyar Capital, founded in 2021, is a Saudi-based investment bank and asset-management company holding CR. No. 1010698788, headquartered in Riyadh with share capital of 20 Million Saudi Riyal. Miyar conducts its business pursuant to the laws and regulations issued by the Capital Market Authority (CMA) in the Kingdom of Saudi Arabia.

Miyar was granted Capital Market Authority license No (21216-32) dated 05/06/1442H corresponding to 18/01/2021G

It works in securities business including arranging and advising on securities and Managing investments and operating funds.

1.2 Material or Legal Impediments between AP and its Subsidiaries

Miyar Capital does not have any subsidiaries and has no current or foreseen material or legal impediments for transfer of capital.

2 CAPITAL STRUCTURE

The Company's objective when managing capital is to comply with the capital requirements set by the

Capital Market Authority (CMA) to safeguard the Company's ability to continue as a going concern and maintain a strong capital base. The rules state that an authorized person shall continually possess a capital base which corresponds to not less than the total of the capital requirements as prescribed under Part 3 of the Prudential Rules.

It is the company's policy to maintain a strong capital base and to utilize it efficiently throughout its activities to optimize the return to shareholders, while maintaining a prudent relationship between the capital base and the underlying risks of the business. In carrying out this policy, the Company has taken into account the supervisory requirements of the Prudential Rules. The shareholders of Miyar is well diversified.

For regulatory purposes, capital is categorized into two main classes. These are Tier 1 and Tier 2, which are as described below. The calculation of the Capital Base complies with all the respective chapters under the requirements of Part 2 – Capital Base of the Prudential Rules

2.1 Tier 1 capital

Tier-1 capital of the Firm consists of paid-up capital, reserves (other than revaluation reserves) and audited retained earnings and has deductions in the form of dividend expense from retained earnings & negative equity items.

2.2 Tier 2 capital

The company has no Tier II capital, which is a positive feature.

2.3 Total Capital

The total eligible capital (Tiers 1 and 2) calculated in accordance with CMA guidelines as of December 31, 2021 is given in Appendix I.

3 CAPITAL ADEQUACY

The company maintains adequate level of capital to cover risks inherent in its business operations and to support current & future activities

3.1 Capital adequacy Overview

3.1.1 PILLAR 1 - MINIMUM CAPITAL REQUIREMENTS

Pillar I sets minimum capital requirements to meet credit, market and operational risk as contained in the Part 3 chapter 4 to 16 of the Prudential Rules. Miyar Capital uses the Standardized Approach in the calculation of the capital required for Credit risk.

The capital charge for market risk is assessed for trading book portfolio and Foreign exchange positions in the books.

Under Pillar 1, the capital needed to cover operational risks is the higher of 15% of the last 3-year average revenues or 25% of last year's operating expenditure.

3.1.2 PILLAR II - ICAAP

Since this is the first year of operations, Pillar II and ICAAP are currently being drafted.

3.1.3 PILLAR III – MARKET DISCIPLINE

Pillar III aims to provide a detailed and transparent reporting framework that enhances market discipline to operate as sharing of information facilitates assessment of the AP by others, including investors, analysts, customers, and rating agencies, which leads to an improved corporate governance.

The information provided here has been reviewed and validated by the Management and is in accordance with the rules in force at the time of publication, covering both the qualitative and quantitative items. Miyar Capital shall publish the Pillar III disclosures at its website henceforth.

3.2 Capital adequacy ratio and Minimum capital requirements

The Company's capital requirement is calculated based on CMA Prudential Regulations. The Firm is adequately capitalized with Tier I capital ratio of 3.46x of required capital which is above CMA's minimum regulatory requirement of 1.00x.

The capital adequacy calculation has been calculated as at 31st December 2021 which corresponds to the end of the annual reporting period for the Company and are based on the audited financial statements.

Appendix II provides the Company's capital adequacy ratio.

4 RISK MANAGEMENT

Given the size of the Company and its operations, the Company has adequate risk management framework to identify and manage major risks.

Compliance Function

The Company's Compliance Monitoring program provides and enforces the Company's code of Business Conduct, helps to ensure ongoing compliance with the applicable CMA regulations.

4.1 Risk Governance

Miyar has a risk management policy that is currently awaiting Bord approval. Risk management governance structured in Miyar as culture amid all staff, each staff have responsibility to comply with this manual to mitigate the probability of risk as follow:

Head of Compliance	Approve and review final draft of risk management policies
Audit and Risk Committee	Conduct regular review of risk management activities and monitor review procedures of the policy.
Chief Executive Officer	Drives culture of risk management and signs off endorsement of this policy
Audit and Risk department	Continuously improving risk management policy, strategy and supporting framework, suggest changes to improve risk control.
Department Heads	Ensure staff in their business units comply with the risk management policy and foster a culture where risks can be identified and escalated

4.1.1 Due Diligence Process to mitigate Investment Risk

All investments are made only after proper approval by the Management. The investment philosophy is based on the objective of attaining the maximum returns to customers with the minimum degree of acceptable risks. To achieve this, the investment portfolios are carefully designed with proper diversification according to customer's investment targets, risk appetite and investment horizon. Before entering into any investment, the fundamental and technical researches, studies and analysis for the planned investment are conducted.

5 General Qualitative Disclosure for Risk

5.1 Credit Risk

Credit risk is one of the most important risks that Miyar faces in its operations and it is the failure of one or more of its major counterparties. It could be defined as the risk of a potential loss of cash reserves due to a Company failure or an obligor's non-payment of an outstanding debt.

Credit risk is principally controlled by establishing and enforcing limits and by defining exposure levels to counterparties and checking the creditworthiness of counterparties that are not related parties. To mitigate this risk, Miyar has diversified its banking relationships across local Saudi and international banks. It is to be noted that bank deposits in Saudi Arabia is guaranteed by the Saudi Arabian Monetary

Agency (the Central Bank).

5.2 Market Risk

Market risk is the risk that the value of an investment will decrease due to movements in the market. The CMA has listed the following as key market risks: equity & fund risks, interest rate risk, commodities risk, foreign exchange risk, underwriting risk and settlement risk. Miyar has no exposure on currencies other than Saudi Riyals. Hence no foreign exchange risk is faced by the company.

The company does not have any market risk exposure.

5.3 Operational Risk

Basel II requires banks/Companies to have sufficient capital to cover Operational Risks. Operational Risk is defined as risk of loss resulting from inadequate or failed internal processes, people and systems as also the risk of loss arising from external events. More than the regulation, Basel II provides opportunity to improve internal control and risk measurement processes supplemented by supervisory review process and market discipline through Pillar II as well as Pillar III of the Accord.

Risks in this category are broad in nature and inherent in most businesses and processes and cover the Fraud or the risk of loss from financial crime.

Miyar aims to minimize the opportunity for fraud and financial crime through segregation of duties and due process. Employee background checks followed by the company while recruiting employees, employee code of conduct, compulsory leave policy and job rotation policy of the company will help minimize frauds.

5.4 Liquidity Risk

Liquidity Risk is the 'potential for loss' to Miyar arising from either its inability to meet its obligations or to fund assets as they fall due without incurring unacceptable cost or losses. Liquidity Risks can be classified as:

- Funding liquidity risks: Need to replace net outflows.
- Time risk: Need to compensate for non-receipt of expected inflows,
- Call risk: Due to crystallization of contingent liabilities.

The company identifies the liquidity risk on an on-going basis. To mitigate these risk company, maintain enough cash to pay all projected operating costs for a period of 12 months.

Liquidity risk is mitigated by the fact that Miyar has no debt, maintains cash levels in excess of regulatory capital requirements

5.5 Interest Rate Risk

The exposure of the company's financial condition to adverse movements in interest rates is referred to as Interest Rate Risk. Since all of the Company's sources of funds are equity and there are no interest sensitive liabilities, IRRBB has no impact on company's Net Worth.

6 CREDIT RISK QUANTITATIVE DISCLOSURES

6.1 Gross Credit Risk Exposures and Risk Weights

Appendix III reveals the exposures attracting different risk weights.

6.2 Impaired loans

The Company regularly monitors the past due loans and the duration of such past due exposures. Depending on how long the loan has been past due and the availability of financial collateral, the Company decides to write off the loan amount as per the internal policy guidelines with the approval of competent authorities. A loan is considered past due if it is not repaid on the payment due date or maturity date.

The Company does not have any past due loans.

6.3 Credit risk's rated exposure

(Long term ratings of counterparties & Short term ratings of counterparties)

Appendix IV shows the exposures with each type of counter parties classified based on the credit rating of the counterparty as of December 31, 2021.

Miyar follows Annex 11 and Annex 12 of the Prudential rules to determine the exposure's credit quality. All the exposures are short term in nature.

A major part of the credit exposure remained in unrated category and the remaining in Credit quality step 1.

6.4 Credit Risk Mitigation Exposures

6.4.1 QUALITATIVE DISCLOSURE

The Company does not deal in lending activities and as such has no eligible or non-eligible financial collaterals user for credit risk mitigation purposes. Accordingly, credit risk mitigation exposures are Nil.

6.4.2 QUALITATIVE AND QUANTITATIVE DISCLOSURE

Appendix V provides details for gross and net credit risk exposure as there are no risk mitigation exposures.

6.5 Residual contractual maturity of Credit exposures

The maximum amount credit risk exposures on contractual maturity falls beyond one year followed by > one month to three months and 1 day to one month as can be seen from the details in Appendix VI.

6.6 Geographic exposures of Credit Risk Exposures

The company has credit risk exposures only in Saudi Arabia. The details are furnished in Appendix VII.

6.7 Reconciliation report for provisions and impairments

Not applicable

6.8 COUNTERPARTY CREDIT RISK (CCR) AND OFF B/S DISCLOSURES

6.8.1 Qualitative Disclosure

Counterparty risk derives from the exposure to a single party in a financial transaction or business transaction. It is the risk in a transaction that may occur if the counterparty is unable to perform in accordance with the agreements executed with the Company.

6.8.2 Qualitative and Quantitative Disclosure

The Company does not deal with transactions in OTC derivatives, repos and reverse repos and securities borrowing/ lending.

7 Market Risk Disclosures

7.1 Market Risk - Qualitative disclosures

Market risk is the risk that the value of an investment will decrease due to movements in the market. The CMA has listed the following as key market risks: equity & fund risks, interest rate risk, commodities risk, foreign exchange risk, underwriting risk and settlement risk.

Miyar has no exposure on currencies other than Saudi Riyals.

7.2 Quantitative disclosures

(Amounts in SAR 000)

Market Risk	Capital Required 31 Dec 2021	Capital Required 31 Dec 2020
Interest rate risks		
Equity price risks		
Risks related to investment funds	-	-
Underwriting Risk		
Securitisation/re-securitisation positions		
Excess exposure risks		
Settlement risks and counterparty risks		
Foreign exchange rate risks	-	-
Commodities risks		
Total Market Risk Capital	-	-

8 OPERATIONAL RISK DISCLOSURES

8.1 Qualitative disclosures

Basel II requires banks/Companies to have sufficient capital to cover Operational Risks. Operational Risk is defined as risk of loss resulting from inadequate or failed internal processes, people and systems as also the risk of loss arising from external events. More than the regulation, Basel II provides opportunity to improve internal control and risk measurement processes supplemented by supervisory review process and market discipline through Pillar II as well as Pillar III of the Accord

Outsourcing risk is mitigated by proper due diligence process in selecting outsourcing agency and periodical review of the same.

Employee retention is ensured through incentive of professionalized environment that motivates loyalty and creativity and continued development of employees. Imparting internal and external training is another strategy employed by Miyar.

Legal action The risk of liability related to litigation from clients, staff or third parties is covered under legal action. This risk is mitigated by compliance with existing legislation, which is reinforced by internal policies and monitoring checks.

Business continuity and disaster recovery The company has robust Business Continuity and disaster recovery plans and also well thought out access control mechanism for IT systems.

8.2 Quantitative disclosures

Under Pillar 1, the capital needed to cover operational risks is the average of 15% of the last three reporting years' operating income approach or 25% of current reporting year expenditure approach. For Miyar, the capital needed is based on 15% of the average of operating income and amounts to SAR 726,000 as it amounts to higher capital charge.

Approach	Year	Gross Income	Average Gross Income	Risk Capital Charge (%)	Capital Required (SAR '000)
	2019	-			
Basic Indicator Approach	2020	-	4,841	15%	726
	2021	4,841			
Expenditure Based Approach	2021	2,788	25%		697
Minimum Operational Risk Capital					**726**

9 LIQUIDITY RISK DISCLOSURE

9.1 Qualitative disclosures

Liquidity Risk is the 'potential for loss' to Miyar arising from either its inability to meet its obligations or to fund assets as they fall due without incurring unacceptable cost or losses. Liquidity Risks can be classified as:

- Funding liquidity risks: Need to replace net outflows.
- Time risk: Need to compensate for non-receipt of expected inflows,
- Call risk: Due to crystallization of contingent liabilities.

The company identifies the liquidity risk on an on-going basis.

9.2 Quantitative disclosures

Liquidity risk is mitigated by the fact that Miyar has no debt, maintains cash levels in excess of regulatory capital requirements

10 Appendix I – Disclosure on Capital Base

(SAR 000)

Capital Base	31 Dec. 2021	31 Dec. 2020
Tier-1 capital		
Paid-up capital	20,000	0
Audited retained earnings	1,847	-
Share premium		
Reserves (other than revaluation reserves)	205	
Tier-1 capital contribution		
Deductions from Tier-1 capital	(9)	-
Total Tier-1 capital	**22,043**	**0**
Tier-2 capital		
Subordinated loans	-	-
Cumulative preference shares	-	-
Revaluation reserves	-	-
Other deductions from Tier-2 (-)	-	-
Deduction to meet Tier-2 capital limit (-)	-	-
Total Tier-2 capital	**-**	**-**
TOTAL CAPITAL BASE	22,043	0

11 APPENDIX II – CAPITAL ADEQUACY

(SAR 000)

Exposure Class	Exposures before CRM SAR '000		Net Exposures after CRM SAR '000	Risk Weighted Assets SR '000	Capital Requirement SAR '000
Credit Risk					
On-balance Sheet Exposures					
Governments and Central Banks		-	-	-	-
CMIs and Banks		3,404	3,404	681	95
Corporates		-	-	-	-
High risk investments		-	-	-	-
Investment funds		2,683	2,683	4,025	563
Listed Shares		15,796	15,796	23,694	3,317
Others exposures		1,899	1,899	11,882	1,664
Total On-Balance sheet Exposures		23,782	23,782	40,281	5,639
Off-balance Sheet Exposures					
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		23,782	23,782	40,281	5,639
Prohibited Exposure Risk Requirement		-	-	-	-
Total Credit Risk Exposures		23,782	23,782	40,281	5,639
Market Risk	Long Position	Short Position			
Interest rate risks					-
Equity price risks	-				-
Risks related to investment funds	-				-
Securitisation/resecuritisation positions					-
Underwriting Risk					-
Settlement risks and counterparty risks					-
Foreign exchange rate risks	-				-
Commodities risks.					-
Total Market Risk Exposures	-	-			-
Operational Risk					726
Minimum Capital Requirements					6,366
Surplus/(Deficit) in capital					15,677
Total Capital ratio (time)					3.46

12 APPENDIX III – CREDIT RISK'S RISK WEIGHTS

(SAR 000)

Risk Weights	Authorised persons and banks	Corporates	High Risk Investments	Investment funds	Listed Shares	Others exposures	Total Exposure after netting and Credit Risk Mitigation	Total Risk Weighted Assets
0%							-	-
20%	3,404	-			-		3,404	681
50%							-	-
100%							-	-
150%				2,683	15,796		18,479	27,719
200%							-	-
300%				-		405	405	1,215
400%			-				-	-
500%							-	-
714% (include prohibited exposure)		-				1,494	1,494	10,667
Average Risk Weight	20%			150%	150%	626%	169%	
Deduction from Capital Base	**95**	**-**	**-**	**563**	**3,317**	**1,664**	**5,639**	

13 Appendix IV – Credit Risk's rated exposures

(SAR 000)

Exposure Class	Long term Ratings of counterparties							
	Credit quality step	1	2	3	4	5	6	Unrated
	S&P	AAA TO AA-	A+ TO A-	BBB+ TO BBB-	BB+ TO BB-	B+ TO B-	CCC+ and below	Unrated
	Fitch	AAA TO AA-	A+ TO A-	BBB+ TO BBB-	BB+ TO BB-	B+ TO B-	CCC+ and below	Unrated
	Moody's	Aaa TO Aa3	A1 TO A3	Baa1 TO Baa3	Ba1 TO Ba3	B1 TO B3	Caa1 and below	Unrated
	Capital Intelligence	AAA	AA TO A	BBB	BB	B	C and below	Unrated
On and Off-balance-sheet Exposures								
Governments and Central Banks		-						
Authorised Persons and Banks		3,404						-
Corporates								-
Retail								-
Investments								18,479
Securitisation								-
Margin Financing								-
Other Assets								1,899
Total	-	3,404	-	-	-	-	-	20,378

Exposure Class	Short term Ratings of counterparties					
	Credit quality step	1	2	3	4	Unrated
	S & P	A-1+, A-1	A-2	A-3	Below A-3	Unrated
	Fitch	F1+, F1	F2	F3	Below F3	Unrated
	Moody's	P-1	P-2	P-3	Not Prime	Unrated
	Capital Intelligence	A1	A2	A3	Below A3	Unrated
On and Off-balance-sheet Exposures						
Governments and Central Banks						
Authorised Persons and Banks		3,404	-			-
Corporates						-
Retail						-
Investments						18,479
Securitisation						-
Margin Financing						-
Other Assets						1,899
Total	-	3,404	-	-	-	20,378

14 APPENDIX V - DISCLOSURE ON CREDIT RISK MITIGATION (CRM)

(SAR 000)

Exposure Class	Exposures before CRM	Exposures covered by Guarantees/ Credit derivatives	Exposures covered by Financial Collateral	Exposures covered by Netting Agreement	Exposures covered by other eligible collaterals	Exposures after CRM
Credit Risk						
On-balance Sheet Exposures						
Governments and Central Banks	-	-	-	-	-	-
Authorised Persons and Banks	3,404	-	-	-	-	3,404
Corporates	-	-	-	-	-	-
Retail	-	-	-	-	-	-
Investments	18,479	-	-	-	-	18,479
Margin Financing	-	-	-	-	-	-
Others exposures	1,899	-	-	-	-	1,899
Total On-Balance sheet Exposures	23,782	-	-	-	-	23,782
Off-balance Sheet Exposures						
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	23,782	-	-	-	-	23,782

15 Appendix VI - Residual Contractual Maturity of Credit Risk Exposures

Exposure Class	Total	1 Day to 1 month	>1 month to 3 months	>3 months to 6months	>6 months to 1 year	>1 year
Credit Risk						
On-balance Sheet Exposures	-					
Governments and Central Banks	-	-				
Authorised Persons and Banks	*3,404*	3,404	-			
Corporates	-				-	
Retail	-				-	
Investments	*2,683*					2,683
Listed Shares	*15,796*					15,796
Margin Financing	-					
Other Assets	*1,899*					1,899
Total On-Balance sheet Exposures	**23,782**	**3,404**	**-**	**-**	**-**	**20,378**
Off-balance Sheet Exposures	-					
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	**23,782**	**3,404**	**-**	**-**	**-**	**20,378**

16 APPENDIX VII – GEOGRAPHIC DISTRIBUTION

Exposure Class	Total	Saudi Arabia	GCC (Except Saudi Arabia)	Europe	Rest of the World
Credit Risk					
On-balance Sheet Exposures	-				
Governments and Central Banks	-	-			
Authorised Persons and Banks	*3,404*	3,404		-	
Corporates	-	-			-
Retail	-	-			
Investments	*2,683*	2,683		-	-
Listed Shares	*15,796*	15,796			
Margin Financing	-				
Other Assets	*1,899*	1,899			
Total On-Balance sheet Exposures	**23,782**	**23,782**	**-**	**-**	**-**
Off-balance Sheet Exposures	-				
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	**23,782**	**23,782**	**-**	**-**	**-**