THE ROLE OF LEGAL ENFORCEMENT MEASURES IN MANAGING FINANCIAL MARKET RISKS: A COMPARATIVE ANALYSIS OF PUBLIC AND PRIVATE APPROACHES IN SAUDI ARABIA

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Abstract

The inefficiency of financial markets' regulatory frameworks has been identified as one of the threats to the stability and prosperity of emerging markets worldwide (Sheng, 2010). This study evaluates the effectiveness of the current legal enforcement framework in the Saudi financial market and its role in managing financial risks and protecting investors. As the Saudi capital market employs a mixed system of public and private enforcement, this research examined enforcement actions by the Capital Market Authority (CMA) and related civil litigation between 2020 and 2024. A multimethod approach was used, combining qualitative analysis of the literature with quantitative data on civil and enforcement actions published by the CMA. The findings indicate that, although private enforcement largely supplements the more prevalent public mechanisms, it remains essential to the strong legal safeguards provided by the Saudi Capital Market Law. The study identifies several implementation challenges that may limit the effectiveness of private enforcement in promoting market efficiency and offers Saudi lawmakers useful insights into regulatory measures that can significantly manage financial risks and combat capital market breaches. Such efforts will enhance the complementary relationship between public and private enforcement in Saudi Arabia.

Keywords: Private Enforcement, Public Enforcement, Investor Protection, Saudi Stock Market, Capital Market Authority (CMA), Corporate Fraud

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1. INTRODUCTION

Throughout the history of the financial markets, nations have implemented numerous measures in various attempts to impose oversight on stock market activities and to sanction offenders who breach capital market laws and regulations. In response to the opening of stock exchanges in neighbouring nations, the Kingdom of Saudi Arabia (KSA) founded its stock exchange, Tadāwul

(Saudi Exchange), in 1984[1] (Al-Suhaibani & Kryzanowski, 2000). Since the mid-1980s, the Saudi government has maintained a traditional approach in its extensive focus on empowering government financial regulatory agencies to oversee and monitor compliance with stock market rules and regulations. Concurrently, the Saudi government endeavoured to detect fraudulent and illegal securities activities[2], which began with placing stock trading under the supervision of the Saudi Arabian Monetary Authority (SAMA)[3] and culminated in the establishment of the Capital Market Authority (CMA) as the primary government financial agency in the KSA, pursuant to the 2003 Saudi Capital Market Law (CML). The CML stipulates the functions of the CMA in maintaining market efficiency and transparency, ensuring market stability, preventing and investigating fraud linked to securities transactions, and protecting market investors (Capital Market Law, 2003)[4]. Following the Saudi stock market crash in February 2006, the CMA expanded its role by promulgating numerous implementing regulations in the form of rules, instructions, and procedures to ensure the employment and enforcement of the CML (Baamir, 2008), in addition to enhancing market efficiency and protecting investors from illegal and fraudulent behaviour (Alshiban & Al-Adeem, 2022).

Since the first stock market crash of 2006, the efficiency of the Saudi market has been a matter of growing concern, especially about transparency and reporting requirements, disclosure violations, and stock market manipulation (Al-Suhaibani & Kryzanowski, 2000), issues identified as the main causes of the 2006 Saudi market crash (Baamir, 2008). The implementing regulations drafted by the CMA, such as the corporate governance regulations for joint-stock companies listed in the capital market[5], instructions for company announcements[6], and rules on the offer of securities and continuing obligations[7], were meant to bridge gaps in the reporting and disclosure requirements, prevent certain types of illegal or fraudulent behaviour, and protect the interests of company shareholders. For instance, the corporate governance regulations explicitly state that one of the objectives of enacting these regulations, as stipulated in Article 3, is to enhance the efficiency of the mechanism for monitoring firms listed on the Saudi Exchange (Capital Market Authority [CMA], 2023b). Article 3 also establishes that the regulations have the following aims: to enhance the role of company shareholders and facilitate the exercising of their rights, to define the duties and responsibilities of management and the board of directors, and to establish a general framework for dealing with stakeholders, in addition to protecting their rights (CMA, 2023b). Since the 2006 crash, the CMA has continuously pushed for improved monitoring practices and the establishment of investor protections in its efforts to restore investor confidence in the Saudi stock market (Gouda, 2012).

To verify the effectiveness of the above-mentioned changes, this study aims to evaluate the efficacy of the enforcement mechanisms of the Saudi stock market currently in existence, with a focus on the CMA's enforcement actions, as well as on the civil litigation that occurred between 2020 and 2024. This research aims to answer the following questions:

RQ1: Are the current legal enforcement mechanisms in the Saudi Arabian stock market effective in deterring violations and wrongdoings?

RQ2: Can the current system of private enforcement mechanisms serve as an essential supplement to legal protection under the Saudi Capital Market Law by increasing investor confidence and improving market efficiency?

Although legal enforcement mechanisms in the Saudi Arabian stock market have been studied by researchers from various perspectives, few studies to date have examined the issue by comparing the effectiveness of private enforcement tools with that of public enforcement. Exploring this topic contributes to the growing body of knowledge on how private enforcement can be made more effective, thereby improving market integrity and investor protection. Using a mixed-methods approach that combines qualitative and quantitative analyses, the research findings illustrate a comprehensive picture of the enforcement framework at play across the Saudi stock market, and they demonstrate the complementary role of both public and private enforcement in bolstering investor confidence and market efficiency.

The rest of the paper is structured as follows. Section 2 reviews the literature. Section 3 details the research methodology. Section 4 presents and discusses the research results in the context of the existing literature. Section 5 concludes the paper by summarising the key findings and offering practical recommendations to increase the effectiveness of private enforcement in improving market integrity and investor protection on the Saudi Stock Exchange.

2. LITERATURE REVIEW

Notwithstanding the type of legal enforcement, whether private class action, criminal prosecution, or civil regulatory action, the objective of punishing public companies for securities-related malfeasance is to provide a deterrent to engaging in such practices (Rose & LeBlanc, 2013). The promulgation of the 2003 Saudi CML established the independent market regulatory authority, the CMA, mandating public disclosure from firms issuing and offering securities on the Saudi stock exchange in addition to

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[1] The Saudi Stock Exchange was originally founded in 1984 under the name of the Saudi Share Registration Company (SSRC) under the supervision of the Saudi Arabian Monetary Authority (SAMA), which latter its name has since changed to the Saudi Central Bank.

[2] The Saudi Capital Market Authority (CMA) was established pursuant to the Capital Market Law and issued pursuant to Royal Decree No. M/30, dated 2/6/1424H (31/7/2003).

[3] Saudi Central Bank: Its name was recently changed pursuant to the Royal Decree, issued on 11/04/1442H (24/11/2020), approving the Saudi Central Bank Law while retaining the acronym SAMA.

[4] The Saudi Capital Market Law (2003), art. 5, states: "The Authority shall be the agency responsible for issuing regulations, rules, and instructions, and for applying the provisions of this Law. To achieve these objectives, the Authority shall: 1) Regulate and develop the Exchange, seek to develop, and improve methods of systems and entities trading in Securities, and develop the procedures that would reduce the risks related to Securities transactions. 2) Regulate the issuance of Securities and monitor Securities and dealing in Securities. 3) Regulate and monitor the works and activities of parties subject to the control and supervision of the Authority. 4) Protect citizens and investors in Securities from unfair and unsound practices or practices involving fraud, deceit, cheating or manipulation".

[5] Issued by the Board of the CMA pursuant to Resolution No. 8-16-201, dated 16/5/1438H, (13/2/2017G), based on the Companies Law issued by Royal Decree No. M/3, dated 28/1/1437H, and amended by Resolution No. 8-5-2023 of the Board of the CMA, dated 25/6/1444H (18/1/2023G), and based on the Companies Law issued by Royal Decree No. M/132, dated 1/12/1443H.

[6] Issued by the Board of CMA pursuant to its Resolution No. 1-199-2006, dated 18/07/1427H (12/08/2006G), and amended by Resolution of the Board of the CMA No. 3-79-2023, dated 19/02/1445H (04/09/2023G).

[7] Issued by the Board of the CMA pursuant to its Resolution No. 3-123-2017, dated 9/4/1439H (27/12/2017G), based on the Capital Market Law issued by Royal Decree No. M/30, dated 2/6/1424H, and amended by Resolution No. 8-5-2023 of the Board of the CMA, dated 25/6/1444H (18/1/2023G).

regulating various aspects of market behaviour and activities (Beach, 2005). The premise behind mandatory disclosure laws in countries with a high proportion of firms with concentrated ownership structures, as in the KSA, is understood and unsurprising. As such, a stringent mandatory disclosure law is believed to contribute positively to reducing the risk of corporate resource diversion by controlling shareholders, as well as to protecting the interests of minority shareholders (Ferrell, 2007). Notwithstanding their significance, simply applying disclosure rules across the stock market would be inadequate without effective tools to enforce their implementation (Black, 2001). Thus, ensuring compliance with stipulated disclosure requirements and other market-governing regulations must be backed by an enforcement mechanism, whether via public enforcement by an impartial government body or by providing an express or implied cause of action for private litigation (Cox et al., 2005). Over the past two decades, scholars have increasingly debated the merits of private versus public enforcement mechanisms in securities markets. Proponents of the public enforcement approach argue that it can be effectively and easily administered by legislators and regulatory market authorities who are particularly concerned about public interests in general and would be willing to institute financial, criminal, and reputational sanctions to discourage severe market misconduct and market manipulation practices (Jackson & Roe, 2009). Nonetheless, there has been a growing chorus of scholarly voices arguing in favour of the private enforcement approach to securities laws and regulations in recent years. Based on a previous study assessing 49 nations worldwide, there is little evidence that the public enforcement approach has been beneficial to stock markets in the countries studied; conversely, the study shows that there is strong evidence that laws requiring disclosure and transparency and legislation enabling private enforcement through liability rules positively support stock markets (La Porta et al., 2006). In general, in environments that foster a tendency for public actors to lack sufficient knowledge of the broad market and its specific business conditions, the efficacy of the public enforcement mechanism can be compromised (Hutton et al., 2022). In emerging markets, the lack of efficient internal governance standards within companies calls for effective public enforcement of financial market laws and regulations (Saftiana et al., 2024). Therefore, notwithstanding the importance of public enforcement mechanisms administered by government and financial market regulatory bodies, it cannot be ignored that private enforcement achieves the most effective impact in the securities market through the invocation of liability rules. Furthermore, various studies have shown that private lawsuits accompanied by parallel public enforcement actions tend to result in substantial settlements, as well as relatively short litigation durations (Cox et al., 2003). Several studies have also shown that private enforcement can complement public enforcement efforts via capital market regulatory bodies (Cox et al., 2005). A general issue of growing concern in emerging markets is widespread weak institutional enforcement (Kaur et al., 2025). Notably, private litigation and alternative dispute resolution mechanisms can secure compensation for investors, as well as deter market misconduct (Wan et al., 2019). Public enforcement, quantified as a function of regulatory resources and staffing, strongly correlates with positive financial market outcomes and may be as critical as private enforcement (Roe & Jackson, 2009). However, the two approaches can function complementarily, with public enforcers focusing on market dominance issues and private litigants challenging collusion (Rajabiun, 2012). Overall, a mixed system comprising public and private enforcement enables comprehensive regulatory strategies that support market growth and protect investors (Jackson & Zhang, 2015). Effective enforcement mechanisms have been proven to be essential to establishing sound corporate governance practices in emerging markets (Berglöf & Claessens 2006); therefore, it can be said that in the stock market these mechanisms are responsible for increasing compliance with disclosure requirements (Franke & Simons, 2023), improving governance practices (Berglöf & Claessens, 2006) and enhancing overall market performance (Li et al., 2024). The enforcement mechanisms currently in place across the Saudi stock market are discussed in the subsequent sections of this paper.

3. RESEARCH METHODOLOGY

For the current research, the primary objective is to analyze the level of CMA public enforcement actions, like private enforcement actions and administrative proceedings. This also integrates class action lawsuits and civil action lawsuits, which are complementary activities that integrate market integrity and civil lawsuits. A mixed-methods approach, which includes qualitative and quantitative analyses, has been employed in the research to check the efficacy of the Saudi stock market legal enforcement. Through this mixed approach, the research topic can be comprehensively assessed. The quantitative research would help gather and assess the statistical data of cases established by CMA, along with the following civil actions, considering the CMA published data during 2020 and 2024. On the other hand, qualitative research would include an assessment of particular research that has been published in top journals, so that the outcomes are placed in the current literature framework. The literature gaps cannot be closed through the mixed-methods approach; however, it does contribute significantly to the literature by extending a comprehensive analysis of the Saudi Arabian securities enforcement mechanisms, along with the public and private enforcement action roles that increase protection towards investors and enhance market efficiency.

Because some private enforcement tools, such as class action lawsuits, are recent developments within the Saudi stock market, a longitudinal qualitative study could be employed as an alternative method. Such a study could also help us understand the intentions of investors' willingness to take legal action against violations and wrongdoing in light of the number of legal and procedural requirements for initiating private claims. Such an approach would shed light on how investors react to opportunities for private action under the current Saudi legal framework.

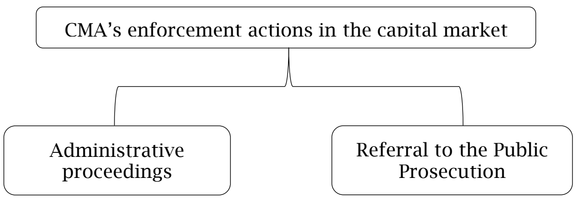
4. RESULTS AND DISCUSSION

4.1. Public enforcement in financial markets

4.1.1. The role of the Saudi Capital Market Authority

Since its establishment in 2003, the CMA, which functions as the primary regulatory body overseeing the Saudi stock market, has played a key role in the public enforcement of securities laws, demonstrating its importance for maintaining market integrity and protecting investors (Baamir, 2008). The CMA's referral of criminal cases to the Public Prosecution and its initiation of administrative proceedings are essential for deterring market abuse and misconduct in the Saudi capital markets. Public enforcement, realised via the authority of the CMA, is the primary conventional device for monitoring the corporate governance of companies listed on the Saudi Exchange[8]. The CMA, as a form of public enforcement, is tasked with identifying cases of inaccurate financial reporting and administering punishment to offenders — such as executives who make false disclosures — to deter market actors from engaging in fraudulent acts (Hurwitz, 2019). The CMA can be described as an independent government agency with statutory authority to investigate suspected violations of securities laws and regulations (see Figure 1). However, it can also impose penalties through administrative proceedings and bring actions before the Committee for the Resolution of Securities Disputes (CRSD)[9] against public companies that have committed violations and are liable for penalties, injunctions, and other remedial actions[10]. Since the Saudi government's 2013 issuance of High Order No. 4690, which establishes how the powers held by entities and committees involved in the investigation and prosecution of criminal offences are transferred to the public prosecution[11], the CMA has referred numerous cases to the relevant authorities (Table 1).

Figure 1. CMA enforcement framework



[8] Governmental bodies, like the market regulator, are involved in public enforcement if they enforce and take particular measures against those who violate market laws and regulations (Hutton et al., 2022).
[9] In the KSA, the Committee for the Resolution of Securities Disputes (CRSD) and the Appeal Committee for the Resolution of Securities Conflicts (ACRSC) are considered quasi-judicial committees, both having jurisdiction over securities disputes.
[10] The Capital Market Law (2003), art. 5(c), stipulates that "For the purpose of conducting all investigations which, in the opinion of the Board, are necessary for the enforcement of the provisions of this Law and other regulations and rules issued pursuant to this Law, CMA members and employees designated by the Board are empowered to subpoena witnesses, take evidence, and require the production of any books, papers, or other documents which CMA deems relevant or material to its investigation. CMA shall have the power to carry out inspections of the records or any other materials, whoever the holder may be, to determine whether the person concerned has violated, or is about to violate any provision of this Law, the Implementing Regulations or the rules issued by CMA".
[11] Saudi High Order No. 4690 on 06/02/1435H corresponding to 09/12/2013AD.

Table 1. Statistics on public enforcement actions by the CMA over five years

Year	*Administrative proceedings*	*Cases referred to the Public Prosecution*	*Total number of sanctioned violators*
2020	100	27	372
2021	106	42	357
2022	75	19	160
2023	211	16	279
2024	225	13	216

Source: CMA (2020, 2021, 2022a, 2023a, 2024).

The aggregate figures for the 2020–2024 period reflect the commitment of the CMA to combating capital market misconduct and deterring violations of the securities laws, highlighting its dedication to ensuring market integrity and safeguarding investors. The principal reasons for the effectiveness of public enforcement include the open disclosure of issues discovered — facilitated by tools such as thorough compliance checklists — and the likelihood of penalties for non-compliance (Ke & Zhang, 2021). Notwithstanding the crucial role of public enforcement in maintaining an efficient market and holding violators of capital market laws and regulations accountable, limitations remain. Constraints that potentially impede the effectiveness of public actors include limited, timely knowledge gathering, which allows violators to escape accountability (Wan et al., 2019). Unfortunately, if the market regulatory body lacks sufficient knowledge to deter illegal behaviours, an over-reliance on public enforcement may result in regulatory gaps, especially in cases requiring highly technical or specialised knowledge.

4.1.2. Public enforcement in the UAE financial markets

With three main stock exchanges — Nasdaq Dubai, the Dubai Financial Market, and the Abu Dhabi Securities Exchange — the UAE is considered one of the largest investment hubs within the Gulf Cooperation Council (GCC) and the wider Middle East (Kapar et al., 2020). Although the Saudi Arabian stock exchange is the largest in the bloc, with approximately 46 per cent of total capitalisation traded, the UAE stock exchanges rank second in the GCC (Fasanya, 2021).

The UAE Securities and Commodities Authority (SCA), established in 2000, regulates trading in the country's stock exchanges, monitors financial institutions, and ensures the protection of market investors (Jaradt, 2019). The SCA has been an effective government body in providing regulatory oversight and enforcement in domestic securities exchanges (Richardson, 2020). These factors call for an analysis of the data regarding public enforcement actions taken by the UAE SCA over a recent five-year period (Table 2).

Table 2. Statistics on public enforcement actions by the UAE SCA over five years

Year	*Administrative proceedings*	*Cases referred to the Public Prosecution*	*Total number of sanctioned violators*
2019	234	30	264
2020	156	20	176
2021	243	13	256
2022	181	5	186
2024	306	18	324

Source: UAE SCA (2019, 2020, 2021, 2022, 2024).

Choosing the UAE exchange markets for comparison is useful in understanding the current standing of the Saudi CMA enforcement actions, especially given the many similarities between the two systems, including historical, cultural, and economic factors, as both are among the largest emerging markets in the region (Fasanya, 2021). The data show that the number of enforcement actions is similar between the two countries, with some variation. This suggests, to a certain extent, that both regulatory bodies have been effective in establishing and implementing monitoring systems for enforcing securities laws and regulations, combating market violations, and sanctioning violators.

4.2. Liability rules and private enforcement: Supplementing public effort

Recently, private enforcement mechanisms, including civil claims and class action lawsuits, have emerged as critical complements to public enforcement efforts (Nicholls, 2009). The literature on legislative approaches to corporate governance oversight over business activities has long focused on the role of the corporate investor and their individual responsibility to take the necessary actions to protect their investments (Choi, 2004). Furthermore, class action lawsuits are considered a valuable tool in the private enforcement of securities law, offering a way for shareholders to pursue fraud cases that would otherwise be cost-prohibitive to litigate individually (Choi, 2004). Securities class action lawsuits serve two purposes: to compensate harmed investors and deter corporate wrongdoing (Johnson, 1997).

Private enforcement also offers various advantages, including the capacity to expedite court cases and address individual complaints that public enforcement may have overlooked (Landini, 2018). The complementarity of private and public enforcement promotes responsible behaviour and represents an additional deterrent against wrongdoing (Rajabiun, 2012). The subsequent subsections present an overview of the liability rules and private enforcement mechanisms in the Saudi stock market.

4.2.1. Liability rules and private action in Saudi Arabia

Civil liability arising from securities transactions in capital markets is governed by complex rules and regulations aimed at safeguarding investors, with disclosure violations by issuers having sparked regulatory discourse on the design of adequate civil liability systems. Recommendations for mitigating these infringements include external certifiers and proportionate liability for officers and directors (Fox, 2008). In response, the KSA introduced a civil liability regime for issuer disclosures in the 2003 CML, thereby strengthening investor protection against issuer violations of the CML and its implementing regulations. An issuer, affiliate of an issuer, or underwriter may not offer securities of the issuer or the issuer's affiliate unless they have submitted a prospectus to the CMA and published the prospectus in the manner stipulated by the CMA (Capital Market Law, 2003, art. 40(b)). If a prospectus contains incorrect statements or omits the material facts required to be stated therein, any individual who purchases the pertinent security shall be entitled to compensation for damages incurred as a result (Capital Market Law, 2003, art. 55(a)). The party issuing the security, the senior officers of the issuing party, the members of the board of directors of the issuing party, the underwriters who have undertaken the offer on behalf of the issuer, and the accountant shall be liable for any part of the prospectus understood to have been prepared in reliance on their statement and approval in their defined capacity (Capital Market Law, 2003, art. 55(b)). Furthermore, the CML stipulates that any person who makes or is responsible for another person making an untrue statement of a material fact — whether orally or in writing — or who omits such a material fact shall be liable to compensate for damages if another person is misled in relation to the sale or purchase of a security (Capital Market Law, 2003, art. 56(a)). However, the law also sets forth that, to establish responsibility for damages, the claimant must prove that they were unaware that the statement was omitted or untrue, that they would not have purchased or sold the security in question had they known the information was omitted or untrue, and that the person responsible for the disclosure of the statements or providing such incorrect information was aware of their false nature (Capital Market Law, 2003, art. 56(a)). The CML further provides that any person intentionally manipulating the price of a security, participating in such an act or transaction, or responsible for a person who undertakes such an act or transaction shall be liable for damages to any person who purchases or sells the security — the price of which has been adversely affected by such a manipulation — in the amount that the said purchase or sale price was affected (Capital Market Law, 2003, art. 57(a)). Nonetheless, a private action claim will not be heard if the complaint is filed with the authority after one year has elapsed from the date on which the claimant should have been aware that they had been the victim of a violation, and in no case may such a claim be heard by the CRSD five years after the occurrence of the violation unless the defendant acknowledges the liability or the plaintiff provides a justification accepted by the CRSD (Capital Market Law, 2003, art. 58).

Table 3. Statistics on civil claims and CRSD resolutions over five years

Year	*Civil claims*	*CRSD resolutions*	*Total compensation awarded (SAR)*
2020	10,391	2,170	93,758,611
2021	14,372	1,493	366,711,547
2022	12,118	512	1,751,894,860
2023	7,025	1,047	245,347,758
2024	11,006	948	389,016,840

Source: CMA (2020, 2021, 2022a, 2023a, 2024).

The data reveal that, notwithstanding the annual fluctuations in the volume of civil disputes, the CRSD played an indispensable role in closing a substantial number of cases involving violations of securities laws. Although a significant number of cases were resolved through CRSD decisions — indicating high engagement from the committee — compared to the number of submitted claims, most of the claims were settled with the CMA without going to trial. The cumulative figures of the value of compensation awarded via civil claims subjected to CRSD judgment also exhibit extreme variations across the years considered in this study.

4.2.2. Class action lawsuits: A collective approach to investor protection

The private enforcement mechanisms found in the corporate governance provisions of the CML and the implementing regulations of the CMA enable company shareholders to take certain actions if they believe that members of the board or company management are in breach of the scope of their roles or are otherwise involved in fraudulent or illegal securities behaviours (Capital Market Law, 2003, art. 30(f))[12]. Pursuant to article 30 of the CML, the CMA issued the class action suit regulations as a mechanism for handling securities disputes through class actions, thereby establishing these regulations as an essential component of implementing and monitoring corporate governance (Capital Market Law, 2003, art. 30). The class action suit regulations have expanded the role of shareholders in monitoring and holding accountable the board of directors and other business executives in the vent of suspicion of illegal or fraudulent practices[13]. However, article 2 of the Resolution of Securities Disputes Proceedings Regulations restricts shareholders if there is intent to file a lawsuit against their company, such that the complaint must first be filed with the CMA and a 90-day period must elapse from the date of the filing before a shareholder can proceed to bring a lawsuit before the CRSD (CMA, 2022b, art. 2).

Securities legislation and its private enforcement through securities fraud class actions initiated by business shareholders have evolved into an effective tool for holding boards and other company executives liable for their wrongful actions and helping shareholders recover out-of-pocket expenses incurred as a result of litigated fraud (Thompson & Sale, 2019). Furthermore, in 2017, the CMA implemented a new class action lawsuit procedure for claims filed by shareholders of firms listed on the Saudi Exchange, furnishing the CRSD with additional authority to handle and approve shareholder class action lawsuits (CMA, 2022b, art. 53, art. 54)[14].

The development of class action claims as a recognised mechanism for collective redress lends support to the case for a mixed enforcement system. The role of the CMA in class action claims during the period under observation demonstrates a calculated strategy aimed at achieving collective redress for investors affected by market abuse (Table 4).

Table 4. Statistics on class action lawsuits and CRSD resolutions over five years

Year	*New class action lawsuits initiated*	*CRSD resolutions*	*Total compensation awarded (SAR)*
2020	2	1	2,454,558
2021	0	1	40,214,110
2022	1	1	1,225,113,291
2023	1	1	19,552,809
2024	2	2	90,833,430

Source: CMA (2020, 2021, 2022a, 2023a, 2024), CRSD (2020, 2021, 2022, 2023).

The data show that, over the last five years, the CMA has left its mark on the Saudi financial markets — one defined by robust and sustained enforcement, reflected in impressive trends in administrative measures and referrals of criminal cases to the Public Prosecution. A preponderance of public enforcement is considered normal in emerging economies (Wan et al., 2019) — an enforcement trend that reflects the CMA's emphasis on ensuring market integrity and its apparent adoption of an administratively focused approach to taking necessary actions to address market violations. This preponderance of public enforcement reaffirms the pivotal role of the CMA in fostering a sound and transparent capital market framework in the KSA. Furthermore, based on the analysis, there is a rising trend in the volume of civil claims initiated by individuals and entities, indicating that investors are increasingly eager to seek redress through private litigation and demonstrating the extent to which this trend denotes a shift in attitudes towards legal remediation among market actors.

4.3. The complementary relation between public and private enforcement

The findings of the current study shed light on the complementary relationship between private and public legal enforcement mechanisms in the Saudi Arabian stock market. While public enforcement by the CMA as the regulator of the capital market is vital to ensuring market integrity, private legal enforcement through civil claims and class-action lawsuits represents an appropriate accompanying tactic. This two-barrelled approach can be elaborated into an integrated scheme of regulation, with the ability to operate complementarily to improve the degree of investor protection, promote market resiliency, and prevent transgressions against securities laws. Empirical research indicates that a cooperative public and private enforcement system contributes to improved financial market performance (Wan et al., 2019). The efforts of the CMA in public enforcement, supplemented with private litigant intervention, also enhance the system's responsiveness and dynamism. Coordination of this kind is critical in an environment continuously exposed to rapid developments and problems surfacing in the stock market. In addition, the results accentuate the necessity of close cooperation between public and private enforcement players. Thus, policymakers should consider actions that promote dialogue and cooperation among the CMA, private claimants, and other stakeholders raising claims through private action litigation.

[12] The Capital Market Law (2003), art 30(f), has clearly identified the right of the company's shareholders to file a class action lawsuit in accordance with the rules and procedures to be specified by the CMA.

[13] The Class Action Suit Regulations were drafted in 2017 as Part 13 of the updated Resolution of Securities Disputes Proceedings Regulations, issued by the Board of the CMA and amended by Resolution No. 1-15-2022 of the Board of the CMA, dated 1/7/1443H (2/2/2022G).

[14] The first case following the promulgation of this new regime was a high-profile case of Saudi Stock Market fraud and manipulation perpetrated by the Mohammad Al-Mojil Group and brought by an investor before the CRSD against certain members of the group's board and employees. The case was concluded with nine defendants comprising members of the Group's board members, senior executives, and the local branch of the US-headquartered accountancy firm, Deloitte Touche. These defendants were all found guilty of manipulation and fraudulent practices during the initial public offering (IPO) stage of the group's shares. See Appeal Committee for the Resolution of Securities Disputes (ACRSD) Final Judgment No. 2229/ل.س/2021 AD for the year 1442 AH) on 09/24/1442 AH (05/06/2021AD), https://crsd.org.sa/en/MediaCenter/Announcements/Pages/Announcement-181.aspx

4.4. Challenges facing the effectiveness of private enforcement

The extent to which private litigation and class actions can fulfil compensation objectives and deter stock market violations has been a central academic discussion (Juška, 2017). Many scholars argue that the effectiveness of private enforcement depends on procedural rules and the practical operation of substantive rules. Variations in rules governing class actions, legal expenses, derivative actions, and direct claims by shareholders help explain significant variations in the efficiency of private enforcement across jurisdictions (Armour et al., 2009).

In Saudi Arabia, a class-action lawsuit is a new concept that was first adopted in capital market laws in 2017 (CMA, 2022b, Part 13). However, its implementation faces obstacles that may hinder its effectiveness as a tool for compensation and deterrence. For example, as a procedural requirement, class actions must first be filed with the CMA, which conducts a necessary investigation to determine the validity of the suit. The CMA then decides whether to refer the case to the competent judicial body of the capital market, the CRSD (CMA, n.d.-a). Furthermore, a previous conviction must have been issued against the party against whom the investors or shareholders seek to initiate a class action. Only after such a conviction is announced by the CMA may investors or shareholders file a request with the CMA to initiate a class-action lawsuit (CMA, n.d.-b). The existence of such procedural requirements substantially limits the effectiveness of class actions for market investors seeking compensation or deterrence.

5. CONCLUSION

For the Saudi stock market, the CMA public enforcement, along with the evolving private enforcement role through civil claims and class action suits, are important legal enforcement pillars. It helps with securing protection for investors and increasing market integrity. The financial landscape is quite challenging, and the CMA constantly adapts to this environment. Hence, the resolution, enforcement, and awareness activities are part of the core aspects of Saudi Arabia for the development of investment markets that are efficient and equitable. The research outcomes state the CMA's achievements and developing role in promoting and safeguarding the interests of investors transparently and fairly in the Saudi Arabian capital markets.

Therefore, it can be concluded that when public enforcement is stringent and private enforcement activities are strengthened, the regulatory policies of Saudi Arabia would be effective in terms of market growth and investor protection. Additionally, the current research states that even though the CMA public enforcement is important in resolving the security law and stock market regulation breaches, the private enforcement mechanisms, like class action proceedings and civil claims, are also important. These private actions carry out an important ancillary role in managing dispute resolution and accountability. When private and public mechanisms are both applied, regulatory policing is applied as a multidimensional solution that helps strengthen the credibility of the capital market. To manage the ever-increasing financial environment challenges, the CMA is constantly adapting and carrying out activities related to monitoring, resolving, and enforcing conflicts so that the environment created is sound and just. The research findings can benefit academics, legal experts, and policymakers related to the Saudi stock market conflict resolution and investor protection. The plans and strategies are designed to increase the stock market laws and regulations. Hence, market efficiency and governance practices are enhanced overall.

Although this research helps set a direction for future research on the public–private enforcement interplay in emerging markets, it has several limitations. As shown, both public and private enforcement procedures are necessary. However, while data on civil claims and CRSD resolutions over five years is available, data on claims settled with the CMA without going to trial are not. This lack of data results in a lack of depth in the analysis of private enforcement challenges. Furthermore, certain obstacles hinder the enforcement mechanism's effectiveness, such as resource limitations and procedural requirements for initiating class-action lawsuits. These challenges need to be identified so that interventions can be targeted to increase the overall regulatory system's effectiveness. This research maintains its focus on the efficacy of legal enforcement in the Saudi stock market. However, there is still space for future research. The relationship between regulatory actions and market behaviour could be assessed by investigating how enforcement actions influence investor sentiment and market activity. This would further highlight important aspects of the research subject. In addition, a cross-country comparative assessment of efficacy enforcement, specifically with other emerging nations, could further develop an understanding of Saudi Arabia's regulatory framework and market efficiency.

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