



Saudi Exchange Company

MARKET MAKING REGULATIONS

**Approved by the Board of the Capital Market Authority Pursuant to its Resolution
Number (1-98-2022) Dated 18/02/1444H corresponding to 14/09/2022G**

Arabic is the official language of the Saudi Exchange

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Article (1): Preliminary Provisions

- a. Any reference to the “Capital Market Law” in these Regulations shall mean the Capital Market Law issued by Royal Decree No. M/30 dated 2/6/1424H.
- b. Expressions and terms in these Regulations have the meaning which they bear in the Capital Market Law and in the Glossary of Defined Terms Used in the Exchange Rules unless the contrary intention appears.
- c. If the Market Maker has a binding written SBL Agreement, the provisions of the Short Selling Regulations shall not apply on conducting Market Making activities in accordance with the provisions of these Regulations.
- d. These Regulations shall not prejudice the provisions of the Capital Market Law, its Implementing Regulations and the relevant Exchange Rules.
- e. Any person subject to these Regulations may appeal before the Committee in respect of any decision or action that the Authority or the Exchange takes under these Regulations.

Article (2): Scope and Application

- a. The purpose of these Regulations is to regulate the Market Making activities for listed securities.
- b. Any person that wishes to conduct Market Making activities must comply with these Regulations, except for Market Makers of Debt Instruments issued by the government of the Kingdom.

Article (3): Waivers

The Exchange may, after obtaining the Authority's approval, waive any requirements in these Regulations based on either a request from the relevant person or on its own initiative.

Article (4): Market Making Activities

- a. For the purposes of these Regulations, Market Making activities means providing continuous buy and sell orders for a listed security during the market open session for the purpose of providing liquidity for the relevant listed security, in accordance with the provisions of the Market Making Procedures and the Market Making agreement.
- b. Without prejudice to paragraph (d) of Article 8 of these Regulations, Market Maker's Clients may conduct Market Making activities by submitting orders directly into the Market Maker's Order Management System. The Market Maker shall be responsible for actions taken by its Clients when they conduct Market Making activities through it.

Article (5): Conditions to Conduct Market Making Activities

Any person that wishes to conduct Market Making activities on a listed security (an "applicant" for the purposes of these Regulations) must satisfy the following conditions:

- a. obtain an Exchange Membership or a Derivatives Exchange Membership in accordance with the Trading and Membership Rules or the Derivatives Trading and Membership Rules (where applicable);
- b. have the necessary written policies and procedures to segregate between Market Making activities and any other activities the applicant conducts, in a way that prevents the leakage of information relevant to conducting Market Making activities to employees conducting other activities for the relevant Exchange Member or the Derivatives Exchange Member (where applicable);
- c. meet the technical, technological and security requirements determined by the Exchange to conduct Market Making activities; and
- d. any other condition proposed by the Exchange and approved by the Authority.

Article (6): Application Process to Conduct Market Making Activities and Powers of the Exchange

- a. An applicant wishing to conduct Market Making activities on a specific listed security must submit a written application to the Exchange in the form prescribed by the Exchange for such purpose.
- b. Upon receipt of the application mentioned in paragraph (a) of this Article, the Exchange will review the application to determine whether the applicant meets the conditions stated in Article 5 of these Regulations.
- c. In order to discharge the obligation noted in paragraph (b) of this Article (or, as the case may be, to verify that a Market Maker has remained in compliance with Article 5 of these Regulations on an ongoing basis), the Exchange may:
 - 1. carry out any enquiry any it considers appropriate;
 - 2. require the applicant (or the Market Maker) or a representative to appear before the Exchange to answer questions, or explain any matter the Exchange considers relevant to the application;
 - 3. require the applicant (or the Market Maker) or a representative to provide any additional information the Exchange considers necessary within (10) days of the request; and/or
 - 4. verify any information supplied by the applicant (or the Market Maker).
- d. An applicant (or the Market Maker) may be deemed not to meet the conditions stated in Article 5 of these Regulations where such applicant (or the Market Maker) does not comply with a requirement or request (where applicable) under subparagraphs (1), (2) and (3) of paragraph (c) of this Article.

- e. Upon receipt of all information and documents it requires, the Exchange will notify the applicant in writing of the fact that it has received all required documents and information. The Exchange will then make one of the following decisions within a maximum period of (10) days:
 - 1. approve the application if it determines that the applicant meets the required conditions of Article 5 with the condition that the applicant meet the conditions of Article 7 of these Regulations, including any such conditions and limitations as the Exchange considers appropriate; or
 - 2. refuse the application, and provide its reasons.
- f. The period referred to in paragraph (e) of this Article will begin either (i) on the date of the receipt of the complete application; or (where applicable) (ii) on the date of receipt of all additional information required under subparagraphs (1), (2) and (3) of paragraph (c) of this Article.
- g. If the Exchange resolves to register an applicant as a Market Maker, it shall notify the applicant of this in writing in accordance with subparagraph (1) of paragraph (e) of this Article.
- h. If the Exchange resolves to refuse the application for Market Making in accordance with subparagraph (2) of paragraph (e) of this Article, it shall notify the applicant in writing.

Article (7): Market Making Agreement

- a. Without prejudice to any condition or limitation specified in the notification, the applicant who received a notification in accordance with paragraph (g) of Article 6 of these Regulations must not start operating as a Market Maker until it signs the Market Making agreement with the Exchange and comply with the Market Making Procedures.
- b. The applicant must sign a Market Making agreement for the listed security that the Market Maker wishes to conduct Market Making activities on.
- c. Without prejudice to paragraph (a) of this Article, Market Making activities shall not be conducted without the existence of a valid Market Making agreement with the Exchange.
- d. The Market Maker must immediately stop conducting Market Making activities upon suspension or cancellation of its Exchange Membership or Derivatives Exchange Membership in accordance with the Trading and Membership Rules or the Derivatives Trading and Membership Rules (where applicable).

Article (8): Obligations of the Market Maker

- a. The Market Maker must assign a Depository Centre Account (where applicable) and a CCP account limited to conducting Market Making activities on a specific security or specific securities in accordance with a Market Making agreement.

- b. The Market Maker must, at all times, comply with the policies and procedures stated in paragraph (b) of Article 5 of these Regulations.
- c. The Market Maker must, at all times, comply with any requirement as prescribed in the Market Making agreement.
- d. The Market Maker when permitting its Clients to conduct Market Making activities, must comply with Article 32 of the Trading and Membership Rules or Article 34 of the Derivatives Exchange Trading and Membership Rules (where applicable), and disclose to the Exchange the identity of its Client in accordance with the Market Making agreement and assign separate accounts for the Client.
- e. The Market Maker shall be responsible for all actions during the conducting of its relevant Market Making activities.
- f. The Market Maker must conduct its activities in accordance with the mechanism specified in the Market Making Procedures.
- g. The Market Maker must immediately notify the Exchange where it fails to comply with any of the obligations set out in this Article.
- h. The Market Making activities of the Market Maker must be, at all times, in compliance with the Capital Market Law, its Implementing Regulations, Exchange Rules any and other relevant laws.

Article (9): Market Making Incentives

The Exchange may grant incentives to the Market Maker, in accordance with the Market Making Procedures and the Market Making agreement.

Article (10): Termination or Suspension of the Market Making Agreement

- a. The Exchange and the Market Maker may terminate or suspend the Market Making agreement in accordance with the agreement provisions.
- b. The Exchange may terminate or suspend the Market Making agreement based on instructions issued by the Authority.
- c. The Exchange may, upon its own discretion, terminate or suspend the Market Making agreement in the following circumstances:
 - 1. upon cancellation or suspension of the Exchange Membership or Derivatives Exchange Membership (where applicable) of the Market Maker; or
 - 2. if the Market Maker breaches any of its obligations under these Regulations, the Market Making Procedures or the Market Making agreement.

- d. In case the Exchange terminated the Market Making agreement with the relevant Market Maker, it shall publish it on its website.

Article (11): Record Keeping

The Market Maker must maintain, at all times, an up-to-date record for all Market Making activities for a period of ten years from the last activity it conducts unless the Authority determines otherwise. In the event such register relates to any litigation or claim (including any pending litigation or threatened) or any on-going investigations, the Market Maker must retain such record until the closure of that litigation, claim or on-going investigation.

Article (12): General Powers

- a. To ensure the compliance with the provisions of these Regulations, the Exchange may:
 - 1. require any person subject to these Regulations to undertake or refrain from undertaking certain activities within the scope of these Regulations;
 - 2. request information and reports relevant to satisfy the provisions of these Regulations; and
 - 3. request the Market Maker to appoint an independent organization, in accordance with qualification criteria determined by the Exchange, to validate its compliance with the provisions of these Regulations.
- b. The Exchange may establish the necessary technical procedures, as it deems appropriate, to implement the provisions of these Regulations.

Article (13): Publication and Entry into Force

These Regulations shall become effective as per its approval resolution.