

Draft Amendments to the Market Making Regulations and the Market Making Procedures

a) Introduction:

The Saudi Exchange is committed to involve all concerned and interested parties to participate and share their views on the regulatory framework. This been said, Saudi Exchange announces the publishing of the draft amendments to the Market Making Regulations and the Market Making Procedures to regulate the market making activity on exchange traded funds (ETFs) for public consultation for a period of (14) calendar days ending on (28\09\2025G) corresponding to (06\04\1447H).

b) Objective of the Draft Amendments:

The draft amendments aim to regulate the market making activity on exchange traded funds (ETFs), in order to enhance secondary market liquidity in the ETF market, creating greater opportunities for investors and issuers, in line with global best practices.

c) Receive Public Views:

Saudi Exchange would be pleased to receive your feedback and views on the Proposed amendments of the Market Making Regulations and the Market Making Procedures through the following email:

Public.Consultation@tadawulgroup.sa

Your feedback shall be considered and assessed during the process of issuing the final versions of the amendments.

d) Proposed Amendments on the Market Making Regulations compared with the current Provisions:

	Current Provisions	Provisions after proposed Amendments
1.	<p>Article (2): Scope and Application</p> <p>a. The purpose of these Regulations is to regulate the Market Making activities for listed securities.</p> <p>b. Any person that wishes to conduct Market Making activities must comply with these Regulations.</p>	<p>Article (2): Scope and Application</p> <p>a. The purpose of these Regulations is to regulate the Market Making activities for listed securities.</p> <p>b. Any person that wishes to conduct Market Making activities must comply with these Regulations.</p> <p><u>c. Without prejudice to the provisions of these Regulations, persons conducting Market Making activities on Exchange Traded Funds in accordance with the Investment Funds Regulations issued by the Authority shall be exempt from</u></p>

		complying with the provisions of these Regulations, and shall be only subject to its provisions upon entering into a Market Making agreement with the Exchange.
2.	<p>Article (6): Application Process to Conduct Market Making Activities and Powers of the Exchange</p> <p>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.</p> <p>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.</p> <p>...</p>	<p>Article (6): Application Process to Conduct Market Making Activities and Powers of the Exchange</p> <p>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.</p> <p>b. Subject to paragraph (a) of this Article, if the application is to conduct Market Making activities on Exchange Traded Funds, the applicant must submit the agreement signed between them and the Fund Manager, which outlines the Market Maker's obligations when carrying out Market Making activities for the relevant Exchange Traded Fund.</p> <p>b.c. 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.</p> <p>...</p>

e) Proposed Amendments on the Market Making Procedures compared with the current Provisions:

	Current Provisions	Provisions after proposed Amendments
1.	<p>5. Market Making Incentives</p> <p>5.1. The Exchange may grant the Market Maker incentives in accordance with the performance</p>	<p>5. Market Making Incentives</p> <p>5.1. The Exchange may grant the Market Maker incentives in accordance with the performance</p>

<p>criteria specified in the Market Making agreement.</p> <p>5.2. The Market Maker performance is evaluated in accordance with the following criteria (where applicable):</p> <p>5.2.1. Maximum Spread;</p> <p>5.2.2. Minimum Orders Size. The Minimum Orders Size will be calculated in the cash market based on the following formula:</p> $\text{Minimum Orders Size (quantity)} = \frac{\text{Minimum Orders Size (value)}}{\text{Average Price}}$ <table border="1"> <thead> <tr> <th colspan="2">In which</th></tr> </thead> <tbody> <tr> <td>Minimum Orders Size (quantity)</td><td>The quantity of the size of sell and buy orders for shares submitted by the Market Maker.</td></tr> <tr> <td>Minimum Orders Size (value)</td><td>The value of the size of sell and buy as published on the Exchange's website.</td></tr> <tr> <td>Average price</td><td>Listed security: The average price of the security during a maximum period of six months prior to the date of signing the Market Making agreement. Newly listed security: Listing price of the security until the completion of full six months from the date of its listing.</td></tr> </tbody> </table> <p>5.2.2.1. Minimum Order Size for Debt Instruments shall be calculated as determined in the Market Making agreement.</p> <p>5.2.3. Value traded; and</p> <p>5.2.4. Minimum Existence of Orders.</p> <p>The Exchange may, upon its discretion, and after notifying the relevant Market Maker, evaluate the Market Maker based on criteria other than what is</p>	In which		Minimum Orders Size (quantity)	The quantity of the size of sell and buy orders for shares submitted by the Market Maker.	Minimum Orders Size (value)	The value of the size of sell and buy as published on the Exchange's website.	Average price	Listed security: The average price of the security during a maximum period of six months prior to the date of signing the Market Making agreement. Newly listed security: Listing price of the security until the completion of full six months from the date of its listing.	<p>criteria specified in the Market Making agreement.</p> <p>5.2. The Market Maker performance is evaluated in accordance with the following criteria (where applicable):</p> <p>5.2.1. Maximum Spread;</p> <p>5.2.2. Minimum Orders Size. The Minimum Orders Size will be calculated in the cash market based on the following formula:</p> $\text{Minimum Orders Size (quantity)} = \frac{\text{Minimum Orders Size (value)}}{\text{Average Price}}$ <table border="1"> <thead> <tr> <th colspan="2">In which</th></tr> </thead> <tbody> <tr> <td>Minimum Orders Size (quantity)</td><td>The quantity of the size of sell and buy orders for shares or Exchange Traded Funds units submitted by the Market Maker.</td></tr> <tr> <td>Minimum Orders Size (value)</td><td>The value of the size of sell and buy as published on the Exchange's website.</td></tr> <tr> <td>Average price</td><td>Listed security: The average price of the security during a maximum period of six months prior to the date of signing the Market Making agreement. Newly listed security: Listing price of the security until the completion of full six months from the date of its listing.</td></tr> </tbody> </table> <p>5.2.2.1. Minimum Order Size for Debt Instruments shall be calculated as determined in the Market Making agreement.</p> <p>5.2.3. Value traded; and</p> <p>5.2.4. Minimum Existence of Orders.</p> <p>The Exchange may, upon its discretion, and after notifying the relevant Market Maker, evaluate the Market Maker based on criteria other than what is</p>	In which		Minimum Orders Size (quantity)	The quantity of the size of sell and buy orders for shares or Exchange Traded Funds units submitted by the Market Maker.	Minimum Orders Size (value)	The value of the size of sell and buy as published on the Exchange's website.	Average price	Listed security: The average price of the security during a maximum period of six months prior to the date of signing the Market Making agreement. Newly listed security: Listing price of the security until the completion of full six months from the date of its listing.
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<p>set out in paragraph (5.2), either in whole or in part.</p> <p>5.3. The Exchange will determine the incentives for the Market Maker (where applicable) in accordance with the following:</p> <p>5.3.1. For the purpose of determining the incentives and obligations for the Market Maker, the cash market securities are classified based on liquidity, in accordance with the following:</p> <p>5.3.1.1. Very high liquidity.</p> <p>5.3.1.2. High liquidity.</p> <p>5.3.1.3. Medium liquidity.</p> <p>5.3.1.4. Low liquidity.</p> <p>5.3.1.5. Very low liquidity.</p> <p>5.3.2. Derivatives market securities are classified based on each listed Derivative product.</p>	<p>set out in paragraph (5.2), either in whole or in part.</p> <p>5.3. The Exchange will determine the incentives <u>and obligations</u> for the Market Maker (where applicable) in accordance with the following:</p> <p>5.3.1. For the purpose of determining the incentives and obligations for the Market Maker, the cash market securities <u>Shares</u> are classified based on liquidity, in accordance with the following:</p> <p>5.3.1.1. Very high liquidity.</p> <p>5.3.1.2. High liquidity.</p> <p>5.3.1.3. Medium liquidity.</p> <p>5.3.1.4. Low liquidity.</p> <p>5.3.1.5. Very low liquidity.</p> <p>5.3.2. Derivatives market securities are classified based on each listed Derivative product.</p> <p><u>5.3.3. Exchange Traded Funds are classified based on the liquidity of the underlying managed assets. The classification selection shall be determined based on mutual agreement between the Market Maker and the relevant Fund Manager, according to the following liquidity groups:</u></p> <p><u>5.3.3.1. Group (A).</u></p> <p><u>5.3.3.2. Group (B).</u></p> <p><u>5.3.3.3. Group (C).</u></p>
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