

**Draft Amendments to the Short Selling Regulations, and Securities
Borrowing and Lending Regulations**

a) Introduction:

The Saudi Exchange and The Securities Depository Centre (Eadaa) are committed to involve all concerned and interested parties to participate and share their views on the regulatory framework .The Saudi Exchange and The Securities Depository Centre (Eadaa) announce the publishing of the draft amendments to the Short Selling Regulations, and Securities Borrowing and Lending Regulations for public consultation for a period of (14) calendar days ending on 20/9/1447H corresponding to 09/03/2026G.

b) Objective of the Draft Amendments:

The project aims to implement global best practices within the short selling framework, enhance the structure for the use of hedging instruments, and further enable investment tools to support the derivatives market.

c) Receive Public Views:

We would be pleased to receive your feedback and views on the Short Selling Regulations and, Securities Borrowing and Lending Regulations Proposed amendments 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 Short Selling Regulations compared to the current Provisions:

#	Current Provisions	Provisions after proposed Amendments
1.	<p>Article 3 Short selling transactions</p> <p>a. A short selling transaction means any sell of a listed security which is borrowed sufficiently to match the sell order, or the seller has an exercisable and unconditional rights to borrow in accordance with the SBL Regulations.</p> <p>b. A person must not enter into as seller, and an Exchange Member must not transmit as an agent or</p>	<p>Article 3 Short selling transactions</p> <p>a. A short selling transaction means any sell of a listed security which is borrowed sufficiently to match the sell order, or the seller has an exercisable and unconditional rights to borrow in accordance with the SBL Regulations.</p> <p>b. A person must not enter into as seller, and an Exchange Member must not transmit as an agent or principal, a</p>

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	<p>principal, a short selling order in respect of a listed security unless all of the following conditions are met:</p> <ol style="list-style-type: none"> 1) the seller is an eligible participant as specified in Article 4 of these Regulations; 2) the short selling order is entered into in respect of eligible listed securities as specified in Article 5 of these Regulations; 3) before placing the Short Selling order, the seller must have the suitable arrangements in place to ensure the that sale is covered pursuant to the criteria set out in paragraph (a) of this Article. In case such a seller has exercisable and unconditional rights to borrow as specified in paragraph (a) Article, the relevant securities will be considered available once the seller has obtained confirmation from the lender that the securities are available and reserved for delivery. 	<p>short selling order in respect of a listed security unless all of the following conditions are met:</p> <ol style="list-style-type: none"> 1) the seller is an eligible participant as specified in Article 4 of these Regulations; 2) the short selling order is entered into in respect of eligible listed securities as specified in Article 5 of these Regulations; 3) before placing the Short Selling order, the seller must have the suitable arrangements in place to ensure the that sale is covered pursuant to the criteria set out in paragraph (a) of this Article. In case such a seller has exercisable and unconditional rights to borrow as specified in paragraph (a) Article, the relevant securities will be considered available once the seller has obtained confirmation from the lender that the securities are available and reserved for delivery. 4) the price of selling the security, underlying the transaction, is higher than the price of the best bid of that security <u>during the second session (market open) only.</u>

#	Current Provisions	Provisions after proposed Amendments
	<p>4) the price of selling the security, underlying the transaction, is higher than the price of the best bid of that security.</p> <p>c. The following trades do not constitute short selling transactions for the purposes of paragraph (a) of this Article:</p> <p>1) a sale of a listed security where the seller has entered into previous a corresponding purchase transaction in respect of those securities that settles on or before the settlement date of the sale; or</p> <p>2) a securities borrowing and lending transaction in a listed security which is entered into in accordance with the SBL Regulations.</p>	<p>c. The following trades do not constitute short selling transactions for the purposes of paragraph (a) of this Article:</p> <p>1) a sale of a listed security where the seller has entered into previous a corresponding purchase transaction in respect of those securities that settles on or before the settlement date of the sale; or</p> <p>2) a securities borrowing and lending transaction in a listed security which is entered into in accordance with the SBL Regulations.</p>

e) Proposed amendments on the Securities Borrowing and Lending Regulations compared to the current Provisions.

#	Current Provisions	Provisions after proposed Amendments
1.	<p>Article 6 Minimum collateral</p> <p>a. A borrower entering into an SBL transaction shall provide and maintain collateral as specified in the SBL agreement.</p> <p>b. The value of collateral provided by the borrower shall at all times be not less than 100% of the current market value of the borrowed securities.</p>	<p>Article 6 Minimum collateral</p> <p>a. A borrower entering into an SBL transaction shall provide <u>a collateral to the lender not less than 100% of the current market value of the borrowed securities</u> and maintain collateral<u>it</u> as specified in the SBL agreement.</p> <p>b. The value of collateral provided by the borrower shall at all times be not less than 100% of the current market value of the borrowed securities.</p>