

Draft Amendments to the Exchange Rules and Procedures

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. This been said, Saudi Exchange and The Securities Depository Centre (Eadaa) announce the publishing of the draft amendments to the Exchange Rules and Procedures for public consultation for a period of (30) calendar days ending on 09/05/1447H corresponding to 31/10/2025G.

b) Objective of the Draft Amendments:

The draft amendments aim to diversify the investor base in the Saudi capital market and enhance the market's attractiveness by allowing all foreign investors to invest directly in stock listed in the main market.

c) Receive Public Views:

We would be pleased to receive your feedback and views on the 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 Glossary of Defined Terms Used in the Exchange Rules compared to the current Provisions:

#	Current Provisions	Provisions after proposed Amendments
1.	<p>Qualified Investor: for the purpose of Part 8 of the Listing Rules and the Securities Borrowing and Lending Regulations, any of the following:</p> <ol style="list-style-type: none"> 1) Capital Market Institutions acting for their own account. 2) Clients of a Capital Market Institution authorised by the Authority to conduct managing activities provided that this Capital Market Institution has been appointed as an investment manager on terms which enable it to make decisions concerning the acceptance of an offer and investment in the Parallel Market on the client's behalf without obtaining prior approval from the client. 3) The Government of the Kingdom, any government body, any supranational authority recognised by the Authority 	<p>Qualified Investor: for the purpose of Part 8 of the Listing Rules and the Securities Borrowing and Lending Regulations, any of the following:</p> <ol style="list-style-type: none"> 1) Capital Market Institutions acting for their own account. 2) Clients of a Capital Market Institution authorised by the Authority to conduct managing activities provided that this Capital Market Institution has been appointed as an investment manager on terms which enable it to make decisions concerning the acceptance of an offer and investment in the Parallel Market on the client's behalf without obtaining prior approval from the client. 3) The Government of the Kingdom, any government body, any supranational authority recognised by the Authority or

	<p>or the Exchange, and any other stock exchange recognised by the Authority or the Depository Center.</p> <p>4) Government-owned companies either directly or through a portfolio managed by a Capital Market Institution authorised to carry out managing activities.</p> <p>5) Companies and funds established in a member state of the Cooperation Council for the Arab States of the Gulf.</p> <p>6) Investment Funds.</p> <p>7) Non-resident foreigners permitted to invest in the Parallel Market and who meet the requirements stipulated in the Guidance Note for the investment of Non-Resident Foreigners in the Parallel Market.</p> <p>8) Qualified foreign financial institutions.</p> <p>9) Any other legal persons allowed to open an investment account in the Kingdom and an account at the Depository Center.</p> <p>10) Natural persons allowed to open an investment account in the Kingdom and an account at the Depository Center, and fulfill any of the following criteria:</p> <p>(a) has conducted transactions in security markets of not less than 40 million Saudi riyals in total, and not less than ten transactions in each quarter during the last twelve months.</p> <p>(b) his net assets is not less than 5 million Saudi Riyals.</p> <p>(c) works or has worked for at least three year in the financial sector.</p> <p>(d) holds the General Securities Qualification Certificate which is recognised by the Authority.</p> <p>(e) holds professional certificate that is related to securities business and accredited by an internationally recognized entity.</p> <p>11) Any other persons prescribed by the Authority.</p>	<p>the Exchange, and any other stock exchange recognised by the Authority or the Depository Center.</p> <p>4) Government-owned companies either directly or through a portfolio managed by a Capital Market Institution authorised to carry out managing activities.</p> <p>5) Companies and funds established in a member state of the Cooperation Council for the Arab States of the Gulf.</p> <p>6) Investment Funds.</p> <p>7) Non-resident foreigners permitted to invest in the Parallel Market and who meet the requirements stipulated in the Guidance Note for the investment of Non-Resident Foreigners in the Parallel Market.</p> <p>8) Qualified foreign financial institutions.</p> <p>97) Any other legal persons allowed to open an investment account in the Kingdom and an account at the Depository Center.</p> <p>108) Natural persons allowed to open an investment account in the Kingdom and an account at the Depository Center, and fulfill any of the following criteria:</p> <p>(a) has conducted transactions in security markets of not less than 40 million Saudi riyals in total, and not less than ten transactions in each quarter during the last twelve months.</p> <p>(b) his net assets is not less than 5 million Saudi Riyals.</p> <p>(c) works or has worked for at least three year in the financial sector.</p> <p>(d) holds the General Securities Qualification Certificate which is recognised by the Authority.</p> <p>(e) holds professional certificate that is related to securities business and accredited by an internationally recognized entity.</p> <p>119) Any other persons prescribed by the Authority.</p>
2.	<p>Onward Lending: a transfer of borrowed Securities from a Broker or Custody Member or Qualified Foreign Investor (lender) to its client (borrower) for any of the purposes stipulated in subparagraph (3) of paragraph (b) of Article (3) of the Securities Borrowing and Lending Regulations, using any type of agreements that complies with the minimum requirements for SBL agreement stipulated in Annex (1) of the Securities Borrowing and Lending Regulations.</p>	<p>Onward Lending: a transfer of borrowed Securities from a Broker or Custody Member or Qualified Foreign Investor (lender) to its client (borrower) for any of the purposes stipulated in subparagraph (3) of paragraph (b) of Article (3) of the Securities Borrowing and Lending Regulations, using any type of agreements that complies with the minimum requirements for</p>

SBL agreement stipulated in Annex (1) of the Securities Borrowing and Lending Regulations.

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

#	Current Provisions	Provisions after proposed Amendments
	Article 3 SBL transactions	Article 3 SBL transactions
	a. An SBL transaction is a privately negotiated trade settled in Depository Centre accounts, under the terms of which:	a. An SBL transaction is a privately negotiated trade settled in Depository Centre accounts, under the terms of which:
	1) a lender temporarily transfers ownership of listed securities to a borrower; and	1) a lender temporarily transfers ownership of listed securities to a borrower; and
	2) the borrower commits to return equivalent listed securities as specified by the Depository Centre.	2) the borrower commits to return equivalent listed securities as specified by the Depository Centre.
	b. An SBL transaction must not be entered into unless all of the following conditions are met:	b. An SBL transaction must not be entered into unless all of the following conditions are met:
1.	1) the SBL transaction is entered into between eligible participants as specified in Article 4 of these Regulations;	1) the SBL transaction is entered into between eligible participants as specified in Article 4 of these Regulations;
	2) the SBL transaction is entered into in respect of eligible listed securities as specified in Article 5 of these Regulations;	2) the SBL transaction is entered into in respect of eligible listed securities as specified in Article 5 of these Regulations;
	3) in relation to the borrower, the SBL transaction is entered into for one of the following purposes:	3) in relation to the borrower, the SBL transaction is entered into for one of the following purposes:
	i. executing a short selling transactions pursuant to the Short Selling Regulations;	i. executing a short selling transactions pursuant to the Short Selling Regulations;
	ii. relending Securities to the clients of the Broker, Custody Member, or the Qualified Foreign Investor;	ii. relending Securities to the clients of the Broker; <u>or</u> Custody Member; or the Qualified Foreign Investor;

<p>iii. the resolution of securities settlement failures;</p> <p>iv. return of borrowed securities;</p> <p>v. the creation of units of exchange traded fund; or</p> <p>vi. other purposes determined by the Depository Centre from time to time;</p> <p>4) the SBL transaction complies with the minimum collateral requirement as specified in Article 6 of these Regulations;</p> <p>5) the parties of the SBL transaction have in place a binding written SBL agreement in compliance with the requirements of Article 7 of these Regulations;</p> <p>6) The borrower and the lender or its agent, if any, have suitable arrangements for custody and to execute the SBL transaction, either by being a Custody Member or appointing a Custody Member; and</p> <p>7) the Custody Members referred to in subparagraph (6) of paragraph (b) of this Article and the lending agent, if any, must ensure that securities lending and borrowing by the investors that are not Qualified Investors is according to paragraph (b) of Article 4 of these Regulations.</p> <p>c. The requirements set out in Article 43 except subparagraphs (1), and (2) of paragraph (j) of the Capital Market Institutions Regulations applies to the SBL transactions.</p>	<p>iii. the resolution of securities settlement failures;</p> <p>iv. return of borrowed securities;</p> <p>v. the creation of units of exchange traded fund; or</p> <p>vi. other purposes determined by the Depository Centre from time to time;</p> <p>4) the SBL transaction complies with the minimum collateral requirement as specified in Article 6 of these Regulations;</p> <p>5) the parties of the SBL transaction have in place a binding written SBL agreement in compliance with the requirements of Article 7 of these Regulations;</p> <p>6) The borrower and the lender or its agent, if any, have suitable arrangements for custody and to execute the SBL transaction, either by being a Custody Member or appointing a Custody Member; and</p> <p>7) the Custody Members referred to in subparagraph (6) of paragraph (b) of this Article and the lending agent, if any, must ensure that securities lending and borrowing by the investors that are not Qualified Investors is according to paragraph (b) of Article 4 of these Regulations.</p> <p>c. The requirements set out in Article 43 except subparagraphs (1), and (2) of paragraph (j) of the Capital Market Institutions Regulations applies to the SBL transactions.</p>
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f) Proposed amendments on the Depository Centre Procedures compared to the current Provisions.

#	Current Provisions	Provisions after proposed Amendments																																		
1.	<p>10. Investor Types and Identification Mechanism</p> <p>10.1. the following table specifies Investor Identification mechanism:</p> <table><tr><th>Investor Category</th><th>Investor Types</th><th>Identified by</th></tr><tr><td>QFI (Company)</td><td>Organization</td><td>Custody Member</td></tr><tr><td>QFI (Fund)</td><td>Organization</td><td>Custody Member</td></tr><tr><td>QFI (government and related entities)</td><td>Organization</td><td>Custody Member</td></tr><tr><td>Swap agreements</td><td>Organization Individual</td><td>Custody Member</td></tr></table>	Investor Category	Investor Types	Identified by	QFI (Company)	Organization	Custody Member	QFI (Fund)	Organization	Custody Member	QFI (government and related entities)	Organization	Custody Member	Swap agreements	Organization Individual	Custody Member	<p>10. Investor Types and Identification Mechanism</p> <p>10.1. the following table specifies Investor Identification mechanism:</p> <table><tr><th>Investor Category</th><th>Investor Types</th><th>Identified by</th></tr><tr><td>QFI (Company)</td><td>Organization</td><td>Custody Member</td></tr><tr><td>QFI (Fund)</td><td>Organization</td><td>Custody Member</td></tr><tr><td>QFI (Foreign government and related entities)</td><td>Organization</td><td>Custody Member</td></tr><tr><td>Swap agreements</td><td>Organization Individual</td><td>Custody Member</td></tr><tr><td>Foreign Strategic Investor</td><td>Organization</td><td>Custody Member</td></tr></table>	Investor Category	Investor Types	Identified by	QFI (Company)	Organization	Custody Member	QFI (Fund)	Organization	Custody Member	QFI (Foreign government and related entities)	Organization	Custody Member	Swap agreements	Organization Individual	Custody Member	Foreign Strategic Investor	Organization	Custody Member	
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2.	<p>15. Settlement instructions</p> <p>...</p> <p>15.3. The following table specifies Settlement Instructions mechanism:</p> <table><tr><th rowspan="2">Transaction Type</th><th colspan="3">Instructed by</th><th rowspan="2">Beneficial ownership change</th><th rowspan="2">Counter Party Account Mandate</th><th rowspan="2">Additional Rule Criteria</th></tr><tr><th>The Depository and Settlement System</th><th>CCP</th><th>Custody Member</th></tr><tr><td>CTSW (Conversion transfers from Swap to QFI end client)</td><td></td><td></td><td>X</td><td>Accept</td><td>No</td><td></td></tr></table>	Transaction Type	Instructed by			Beneficial ownership change	Counter Party Account Mandate	Additional Rule Criteria	The Depository and Settlement System	CCP	Custody Member	CTSW (Conversion transfers from Swap to QFI end client)			X	Accept	No		<p>15. Settlement instructions</p> <p>...</p> <p>15.3. The following table specifies Settlement Instructions mechanism:</p> <table><tr><th rowspan="2">Transaction Type</th><th colspan="3">Instructed by</th><th rowspan="2">Beneficial ownership change</th><th rowspan="2">Counter Party Account Mandate</th><th rowspan="2">Additional Rule Criteria</th></tr><tr><th>The Depository and Settlement System</th><th>CCP</th><th>Custody Member</th></tr><tr><td>CTSW (Conversion transfers from Swap to QFI end client)</td><td></td><td></td><td>X</td><td>Accept</td><td>No</td><td></td></tr></table>	Transaction Type	Instructed by			Beneficial ownership change	Counter Party Account Mandate	Additional Rule Criteria	The Depository and Settlement System	CCP	Custody Member	CTSW (Conversion transfers from Swap to QFI end client)			X	Accept	No	
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Classification: Public

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3.	44. SBL registration <p>44.1. Securities borrowing and lending transactions are created by custodians based on SBL Regulations. Settlement Instructions (Section 5) and Transfers (Section 8) procedures shall apply.</p> <p>44.2. Lending Agents if any, or the Custody Members – where applicable- will be the main contact point of lenders/borrowers for the Centre.</p> <p>44.3. Throughout the loan duration, the borrowed securities will be included in the lender’s ownership limit (individual and group), and the borrowed securities are included in the borrower’s ownership limit.</p> <p>44.4. Registered SBL’s can be cancelled by custodians bilaterally between the parties, and the loan and Collaterals returns will be cancelled.</p> <p>44.5. The Securities borrowed by a Broker or Custody Member or Qualified Foreign Investor can be transferred to its Client with Onward Lending.</p>	44. SBL registration <p>44.1. Securities borrowing and lending transactions are created by custodians based on SBL Regulations. Settlement Instructions (Section 5) and Transfers (Section 8) procedures shall apply.</p> <p>44.2. Lending Agents if any, or the Custody Members –where applicable- will be the main contact point of lenders/borrowers for the Centre.</p> <p>44.3. Throughout the loan duration, the borrowed securities will be included in the lender’s ownership limit (individual and group), and the borrowed securities are included in the borrower’s ownership limit.</p> <p>44.4. Registered SBL’s can be cancelled by custodians bilaterally between the parties, and the loan and Collaterals returns will be cancelled.</p> <p>44.5. The Securities borrowed by a Broker or Custody Member or Qualified Foreign Investor can be transferred to its Client with Onward Lending.</p>