

# SINGLE STOCK FUTURES (SSFs)

The Latest Addition to Saudi Arabia's Derivatives Market

تداول السعودية  
Saudi Exchange

**Following the launch of the Derivatives Market in 2020, Saudi Exchange is introducing a new Derivatives product which will be cleared by "Muqassa": Single Stock Futures (SSFs).**

This latest development in the Saudi capital market highlights the commitment of the Saudi Tadawul Group to provide investors with new and diversified investment opportunities, increasing market liquidity and providing tools to manage risk effectively.

## WHAT ARE SINGLE STOCK FUTURES (SSFs)?

SSFs contracts represent an agreement made between a buyer and a seller who are obligated to complete a transaction at a date in the future. Its value is derived from the value of a stock (underlying asset).

### Key facts

- SSFs contract is a standard futures contract with an individual stock as its underlying asset
- SSFs value are derived from the value of its underlying stock
- SSFs can be traded on the Saudi Exchange by opening an account with a registered derivatives exchange broker (and depositing required collateral)
- Margin requirements apply to both buyers and sellers
- SSFs allow investors to hedge their equity portfolio and traders to gain exposure to the price movement of the underlying stock
- SSFs enable short selling without actually owning the underlying stock
- SSFs typically move in tandem with the underlying stock
- SSFs holders do not have voting rights in a General Assembly
- SSFs holders do not receive company dividends

## WHY DID SAUDI EXCHANGE INTRODUCE SINGLE STOCK FUTURES (SSFs)?

Saudi Exchange continues to deliver on its commitment to provide a sophisticated and innovative range of products and services to local and international investors.

## WHAT ARE THE BENEFITS OF TRADING SINGLE STOCK FUTURES CONTRACTS?

- Institutions and individuals can hedge their portfolios by using SSFs to minimize losses in adverse market conditions
- Allow investors to construct a strategy focused on one individual company's stock instead of a basket of stocks (in comparison to index futures contracts)
- Enable investors to gain exposure at a lower capital outlay through the initial margin
- Boost profitability by utilizing financial leverage
- Complement liquidity flow towards the equity market

## WHAT SHOULD I BE AWARE OF BEFORE TRADING SINGLE STOCK FUTURES (SSFs)?

Derivatives contain risks similar to other capital market products. SSFs may expose the trading parties to risks including:



Market volatility



Market liquidity

## WHAT ARE THE DIFFERENCES BETWEEN TRADING STOCKS AND SINGLE STOCK FUTURES (SSFs)?

While both stocks and SSFs are traded on the Saudi Exchange and provide exposure to the price movement of the underlying stock, SSFs provide different investment opportunities for market participants.

### Key Differences

#### STOCK TRADING



Owning a stock represents ownership in the underlying company

Maturities are perpetual – there is no expiry date

Investors must provide 100% of the price of the stock to own a share

Investors must own stock before selling

#### SSFs TRADING



Owning a contract does not represent ownership in the underlying company

Maturities are finite – the contract has an expiry date

Investors can own the contract with only a percentage of the total notional value of the contract (initial margin)

Investors can gain exposure to the downside by short selling without owning the underlying stock

## WHAT ARE THE DIFFERENCES BETWEEN INDEX FUTURES CONTRACTS AND SINGLE STOCK FUTURES (SSFs)?

The fundamental difference between Index Futures and SSFs contracts is the underlying asset: indices for Index Futures and stocks for Single Stock Futures.

	INDEX FUTURES	SINGLE STOCK FUTURES
<b>Underlying</b>	Indices	Stocks
<b>Trading</b>	They are both traded the same way	
<b>Clearing</b>	They are both cleared the same way	
<b>Corporate actions</b>	No impact	Impact on price and contract size

The way the initial margin is calculated is different. Please refer to the Securities Clearing Center Company "Muqassa" [website](#) for margin requirements.

## WANT TO KNOW MORE?

For more information on the risks and benefits of derivatives products and educational material on investing in general, please visit our [website](#) or [Invest Wisely](#) platform.

