



**Saudi Exchange Company**

## **MARKET MAKING PROCEDURES**

**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**

**Amended by the Board of the Saudi Exchange Company Pursuant to its Resolution  
Number (21-2024) Dated 07/02/1446H corresponding to 11/08/2024G**

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**Arabic is the official language of the Saudi Exchange**

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## 1. Definitions

- 1.1. Expressions and terms in these Procedures have the meaning which they bear in the Capital Market Law issued by Royal Decree No. M/30 dated 2/6/1424H and in the Glossary of Defined Terms Used in the Exchange Rules unless the contrary intention appears.
- 1.2. For the purpose of implementing these Procedures, the following expressions and terms shall have the meaning they bear as follows, unless the contrary intention appears:
  - **Minimum Existence of Orders:** the minimum time existence of sell and buy orders submitted by the Market Maker during the second session (market open) in compliance with the Minimum Order Size and Maximum Spread obligations.
  - **Minimum Orders Size:** the Minimum Orders Size of sell and buy orders that the Market Maker will submit.
  - **Maximum Spread:** the maximum difference between sell and buy orders that the Market Maker will submit.
  - **Minimum Value Traded:** the Minimum Value Traded executed by the Market Maker in relation to the percentage of the total value traded on the relevant security.

## 2. General provisions

- 2.1. The purpose of these Procedures is to clarify the effect of approving the registering application for Market Making, and the mechanism for conducting Market Making activities and the Market Making incentives.
- 2.2. The Exchange may waive any requirements in these Procedures based on either a request from the relevant person or on its own initiative.
- 2.3. These Procedures shall become effective as per its approval resolution.

## 3. Effects of The Notification of Approving the Applicant's Registration as a Market Maker

- 3.1. An applicant who received a notification in accordance with paragraph (h) of Article (6) of the Market Making Regulations, prior to signing the Market Making agreement and conducting the relevant activities, must comply with the following:
  - 3.1.1. assign a Depository Centre Account (where applicable) and a CCP account to conduct the Market Making activity through it and provide the Exchange with the information of such account in accordance with the form prescribed by the Exchange for such purpose; and
  - 3.1.2. configure the technical, technological, and security requirements that are necessary to conduct the Market Making activity.

- 3.2. The Exchange will review and approve the requirements stated in sub-paragraph (3.1.2) of this Article in accordance with the qualification criteria determined by the Exchange. The Exchange may issue or amend the qualification criteria, from time to time.
- 3.3. Upon the applicant satisfying the requirements set out in paragraph (3.1) of this Article, the Exchange will publish on its website the registration of the applicant as a Market Maker for the listed security subject of the application.
- 3.4. The Exchange will notify the applicant in writing of the specific date for starting the Market Making activity on the relevant listed security.

#### **4. The Mechanism for Conducting the Market Making Activity**

The Market Maker shall conduct its activity in accordance with the following:

- 4.1. Submitting buy and sell orders, of comparable size and competitive prices with order flow expected to be passive, on the relevant listed security via the Trading System during the second session (market open) only.

Passive orders are limit orders placed on an order book that add liquidity by waiting to be matched with other orders.

- 4.2. Submitted orders must be executable and meet the requirements of Minimum Orders Size, Maximum Spread, and Minimum Existence of Orders, as specified in the Market Making agreement.
- 4.3. Updating buy and sell orders continuously to ensure that they are complying with the existing time of orders upon any sell or buy order execution, expiry, or cancelation.
- 4.4. Maintaining buy and sell orders in equal proportion size throughout the second session (market open) in which orders were entered.
- 4.5. All entered buy and sell orders shall be valid until the end of the second session (market open) in which orders were entered.

#### **5. Market Making Incentives**

- 5.1. The Exchange may grant the Market Maker incentives in accordance with the performance criteria specified in the Market Making agreement.
- 5.2. The Market Maker performance is evaluated in accordance with the following criteria (where applicable):
  - 5.2.1. Maximum Spread;
  - 5.2.2. Minimum Orders Size. The Minimum Orders Size will be calculated in the cash market based on the following formula:

$$\text{Minimum Orders Size (quantity)} = \frac{\text{Minimum Orders Size (value)}}{\text{Average price}}$$

| 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                  | <p>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.</p> <p>Newly listed security: Listing price of the security until the completion of full six months from the date of its listing.</p> |

5.2.2.1. Minimum Order Size for Debt Instruments shall be calculated as determined in the Market Making agreement.

5.2.3. Value traded; and

5.2.4. Minimum Existence of Orders.

The Exchange may, upon its discretion, and after notifying the relevant Market Maker, evaluate the Market Maker based on criteria other than what is set out in paragraph (5.2), either in whole or in part.

5.3. The Exchange will determine the incentives and obligations for the Market Maker (where applicable) in accordance with the following:

5.3.1. For the purpose of determining the incentives and obligations for the Market Maker, the Shares are classified based on liquidity, in accordance with the following:

5.3.1.1. Very high liquidity.

5.3.1.2. High liquidity.

5.3.1.3. Medium liquidity.

5.3.1.4. Low liquidity.

5.3.1.5. Very low liquidity.

5.3.2. Derivatives market securities are classified based on each listed Derivative product.

5.3.3. Exchange Traded Funds units are classified based on mutual agreement between the Market Maker and the relevant Fund Manager, according to the following groups:

5.3.3.1. Group (A).

5.3.3.2. Group (B).

5.3.3.3. Group (C).

5.3.4. The classification agreed upon between the Fund Manager and the first Market Maker shall be adopted for any subsequent market making request on the Fund units submitted by another Market Maker, provided that the first Market's Maker's activity on the relevant Fund units remains active.

5.4. Every category referred to in sub-paragraph (5.3.1) of this Procedures shall have four levels determined based on the size of supply and demand.

5.5. The Exchange will publish on its website –from time to time- all the details of the criteria for determining incentives and obligations for the Market Maker (where applicable).

5.6. The Market Maker may request from the Exchange to produce a detailed Market Making performance report on the relevant listed security in the form prescribed by the Exchange.