



**Saudi Exchange Company**

## **DERIVATIVES EXCHANGE TRADING AND MEMBERSHIP PROCEDURES**

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**These Procedures will be effective starting from 13/5/1445H corresponding to 27/11/2023G**

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

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## 1 General Provisions

- 1.1 This document specifies the Derivatives Exchange Trading and Membership Procedures that Derivatives Exchange Members and Derivatives Exchange Registered Traders must follow to comply with the provisions of the Derivatives Exchange Trading and Membership Rules and the procedures followed by the Exchange related to the Listed Derivatives Product (Single Stock Futures, Index Futures, and Single Stock Options).
- 1.2 The Exchange may waive any person's obligations to the provisions of these procedures either based on a request from the relevant person or on its own initiative.
- 1.3 These procedures will enter into effect as per the Exchange's approval resolution.
- 1.4 Expressions and terms in these Procedures have the meanings which they bear in the "Glossary of Defined Terms Used in the Exchange Rules", and 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:
  - ❖ **Derivatives Trading Calendar:** means a calendar published in the Exchange's website that includes available maturities and the Expiration Date of each contract.
  - ❖ **Expiration Date:** The date on which the Listed Derivatives Product is settled in accordance with the relevant Listed Derivatives Product Specification.
  - ❖ **Exercise of Option Contract:** means to activate the right to buy or sell the Underlying Asset specified in the Option Contract.
  - ❖ **Physical Delivery of Underlying Asset:** means the term in Option Contracts which requires the Underlying Asset to be delivered upon the specified delivery date.
  - ❖ **Automatic Exercise:** means the Exercise of all ITM and ATM Option Contracts automatically by the Clearing House at end of day on expiry date of an Option Contract.
  - ❖ **Call Option:** an Option Contract which gives the right, not the obligation to the buyer of the Call Option to buy the Underlying Asset and require the seller to sell the Underlying Asset upon request by the buyer of the Call Option at the Strike Price for the duration of the Option Contract.
  - ❖ **Put Option:** an Option Contract which gives the right, not the obligation to the buyer of the Put Option to sell the Underlying Asset and require the seller to buy the Underlying Asset upon request by the buyer of the Put Option at the Strike Price for the duration of the Option Contract.

- ❖ **Deny Exercise:** Long Position Holder of an Option Contract on expiry date may choose not to Exercise before end of day, and such long position shall expire without Cash Settlement of any Variation Margin.
- ❖ **Strike Price:** means a set price of the Underlying Asset of the Option Contract at which an Option Contract will be Exercised.
- ❖ **Manual Exercise Request:** means the Exercise request sent by the long Open Position Holder to the Clearing House between the creation of the long position date and expiry date of the Option Contract.
- ❖ **Single Stock Futures (SSFs):** means a Futures Contracts whose value is derived from the value of an underlying asset, that represents a share listed on the Exchange or on another regulated exchanges.
- ❖ **Index Futures:** means a Futures Contracts whose value is derived from the value of an underlying asset, that represents an index.
- ❖ **Single Stock Options (SSOs):** means an Option Contracts which gives the right, not the obligation to the buyer to buy or sell the Underlying Asset and requires the seller to sell or buy the Underlying Asset which represents a share listed on the Exchange upon request by the buyer of the Option Contract at the Strike Price.
- ❖ **In-The-Money Options Contract (ITM):** means a Call Option whose Underlying Asset price is higher to the Strike Price, and in case of a Put Option, if the Strike Price is higher to the Underlying Asset price at end of day.
- ❖ **At-The-Money Options Contract (ATM):** means a Call Option or a Put Option whose Underlying Asset price is equal to the Strike Price at end of day.
- ❖ **Out-of-The-Money Options Contract (OTM):** means a Call Option whose Underlying Asset price is lower than the Strike Price, and in case of a Put Option, if the Strike Price is lower than the Underlying Asset price at end of day.

- ❖ **Option Premium:** means the value of owning the Option Contract, which represent the value received by the seller of the Call or Put Option from the buyer of the Call or Put Option which represents the current market price of the Option Contract.
- ❖ **Fair Value:** means the price determined by the Exchange to close-out relevant SSFs or SSOs open positions.

## 2 Access to Derivatives Trading System

- 2.1 Derivatives Exchange Members must comply with the requirements prescribed by the Exchange from time to time when accessing the Derivatives Trading System.
- 2.2 Derivatives Exchange Members must obtain technical Order Management System certification from the Exchange.

## 3 Products

### 3.1 Futures and Options Contracts:

#### 3.1.1 Product Specifications:

- 3.1.1.1 All Listed Derivatives Products Specifications will be published on the Exchange's website.
- 3.1.1.2 Product specifications for Options Contracts shall address any specifics related to Call and Put Options, Exercise type and whether the Option Contract requires Physical Delivery or not.

#### 3.1.2 Maturities Creation:

- 3.1.2.1 For each contract, its maturities Trading and their Expiration Date are stated in the Listed Derivatives Product Specifications.
- 3.1.2.2 The Expiration Date of available maturities will be published on the Exchange's website under Derivatives Trading Calendar.
- 3.1.2.3 New maturities are made available on the trading day following the Expiration Date of the Current Contract.

#### 3.1.3 Post Trade Handling of Contracts:

- 3.1.3.1 Elements related to post trade handling of contracts include but not limited to treatment of ITM, ATM and OTM Options Contracts when it comes to Automatic or Manual Exercise Request, Deny Exercise, management of Physical Delivery, settlement of Variation Margins and Option Premium as well as settlement failures are handled in accordance with Securities Clearing Centre Rules and Procedures.

## 4 Product Pricing

### 4.1 Futures and Options Contracts:

- 4.1.1 **Open:** Opening of the market takes place by an auction for Futures and Options Contracts. The auction shall be based on the bids and asks entered during the Opening Auction. The market will open and uncross on a variable basis between 09:30:00am and 09:30:30am every Trading Day.

- 4.1.2 **Intraday:** Matching takes place based on price and time priority.
- 4.1.3 **Close:** Last traded price (LTP).
- 4.1.4 **Daily Settlement Price:** The Daily Settlement Price of the Futures or Options Contracts is calculated based on a methodology determined and disclosed by the Exchange in the Listed Derivatives Products Specifications on the Exchange’s website.
- 4.1.5 **Final Settlement Price:** The Final Settlement Price of the Futures or Options Contracts is calculated based on a formula determined and disclosed by the Exchange in the Listed Derivatives Products Specifications available on the Exchange’s website.
- 4.1.6 **Tick Size:** Minimum price fluctuation of the Futures or Options Contracts is determined and disclosed by the Exchange in the Listed Derivatives Products Specifications available on the Exchange’s website.

## 5 Trading Times

- 5.1 Listed Derivatives products are traded from Sunday to Thursday, except for official holidays in the Kingdom.
- 5.2 The Derivatives Trading Calendar will include only the available maturities.
- 5.3 Any changes to the Derivatives Trading Calendar will be published on the Exchange’s website.
- 5.4 Each Trading Day follows the sequence of sessions listed in the following table:

**Table (1):**

	<b>Time Schedule for Listed Derivatives Products (as per the official time in the Kingdom)</b>
<b>First Session: Pre-Open (Opening Auction)</b>	09:00 – 09:30
<b>Second Session: Market Open - Trading</b>	9:30 – 15:30
<b>Third Session: Market Closed</b>	15:30 – 16:00

- 5.5 Derivatives Exchange Members may transmit, amend, and cancel orders during the First and Second sessions. When market is closed Derivatives Exchange Members may amend order validity and cancel orders; and they may deactivate outstanding orders during the Second and Third sessions.
- 5.6 Orders at a given price level are displayed aggregated by price (market-by-price view) during the Pre-open (Opening Auction).
- 5.7 Order matching occurs during the Second Session: Market Open - Trading.
- 5.8 The Exchange will determine the ending time for the First session randomly within a period of 30 seconds after the scheduled time as listed in Table (1) of these procedures.

5.9 The Exchange may suspend any session in case there is a need for maintenance, to ensure fair and orderly market conditions (e.g. unavailability of the underlying assets). Participants will be notified accordingly.

## **6 Order Channels**

6.1 Orders must be submitted using only the following channels:

- 6.1.1 T Channel: A channel specifically designed for Derivatives Registered Traders to submit orders;
- 6.1.2 I Channel: A channel specifically designed for clients to submit orders via Derivatives Exchange Members' websites and online applications;
- 6.1.3 A Channel: A channel specifically designed for clients to submit orders via Automated Teller Machine;
- 6.1.4 V Channel: A channel specifically designed for clients to submit orders via telephone calls;
- 6.1.5 S Channel: A channel specifically designed for clients to submit orders via the short messages system protocol (SMS);
- 6.1.6 G Channel: A channel specifically designed for the submission of automated orders based on pre-defined calculated instructions (Algorithmic Trading);
- 6.1.7 Any other channel as prescribed by the Exchange from time to time.

6.2 Except for direct orders, Derivatives Exchange Members must apply the two-factor authentication standard when using the channel prescribed in (6.1.2).

## **7 Order Types**

### **7.1 Limit Order**

- 7.1.1 The Derivatives Trading System will improve the execution prices of limit orders (by reducing them for buyers or increasing them for sellers) whenever the price is better than the order's price limit on the opposite side (higher or lower as the case maybe). In the absence of a better price on the opposite side, the order will be executed at the limit price.
- 7.1.2 The execution price improvement mentioned in (7.1.1) of these procedures is subject to the Derivatives Trading System order entry priority.
- 7.1.3 The Derivatives Trading System can execute limit orders participating in the First session at the latest Theoretical Opening Prices. Such prices might be better than the specified limit prices of relevant orders.

### **7.2 Market Order**

- 7.2.1 During the First Session, orders can be submitted but it will not be matched.
- 7.2.2 During the Second Session, the Derivatives Trading System will execute market orders partially or fully at one price and convert the unmatched parts of partially matched market orders into limit orders at their traded prices.
- 7.2.3 Market orders participate in the Theoretical Opening Prices calculations.
- 7.2.4 The market-by-price view displays market orders. Market-by-order view will not be available during the First and Third sessions.
- 7.2.5 At the end of the Second Session, the Derivatives Trading System will cancel any outstanding day order, either unmatched or partially matched.

## 8 Order Conditions

8.1 Orders may bear one of the following conditions:

- 8.1.1 **Fill or Kill (“FoK”)** means the complete order quantity must be executed as soon as it becomes available for matching; otherwise the order will be immediately cancelled, taking into consideration the following:
  - 8.1.1.1 the condition is available for limit and market orders; and
  - 8.1.1.2 the condition is not available during the First and Third Sessions.
  
- 8.1.2 **Fill and Kill (“FaK”)** means the order must be at least partially executed as soon as it becomes available for matching; otherwise the order (or the unmatched part) will be immediately cancelled, taking into consideration the following:
  - 8.1.2.1 the condition is available for limit and market orders; and
  - 8.1.2.2 the condition is not available during the First and Third Sessions.
  
- 8.1.3 **Hidden Quantity** means the order will disclose a portion of its quantity. Each time the disclosed portion is fully matched, the order will disclose an equal portion of its quantity, taking into consideration the following:
  - 8.1.3.1 the full quantity of the Hidden Order participates in the Theoretical Opening Prices calculations; and
  - 8.1.3.2 the condition is available for limit orders.

## 9 Order Validity

9.1 The Derivatives Trading System determines order validity according to when orders enter the Derivatives Trading System, as follows:

- 9.1.1 **The First Session:** means that orders are subject to full execution at the end of the First Session, and they should be transmitted during the First Session of the same day.
- 9.1.2 **Day:** means that orders are subject to full execution until the end of the Second Session.
- 9.1.3 **Good till Cancelled (“GTC”):** means that orders are subject to full execution with a validity period of up to (30) days from the transmission of the order.
- 9.1.4 **Good till Date (“GTD”):** means that orders are subject to full execution until a specified date. The date can be set up to a maximum of (30) days from the transmission of the order.

## 10 Requirements for Transmitting Orders

10.1 Derivatives Exchange Members must ensure that orders transmitted to the Derivatives Trading System meet the following requirements:

- 10.1.1 **Tick size:** The price is a multiple of the applicable tick size (defined in section (4) of these procedures).
- 10.1.2 **Fluctuation limit:** The price of the order meets the daily fluctuation limit as specified in the relevant Listed Derivatives Product Specification.



10.1.3 Orders must follow any additional requirements published by the Exchange from time to time.

## 11 Order Amendment, Cancellation, and Deactivation

### 11.1 Order amendment:

11.1.1 The Derivatives Trading System allows amendments to: (1) order price; (2) total quantity; (3) visible quantity; and (4) duration of transmitted orders.

11.1.2 Amended orders must adhere to the requirements prescribed in Section (10) of these Procedures.

11.1.3 Amending orders, as prescribed in Section (12) of these Procedures, affects order priority in accordance with the following Table:

**Table (2):**

Amended Field	Sessions	Consequences on Priority
Price	The First, Second	This will lose priority
Total Quantity	The First, Second	- Increase will lose priority - Decrease will not lose priority
Visible Quantity	The First, Second	- Increase will lose priority - Refresh will lose priority - Decrease will not lose priority
Duration	The First, Second, Third Session	No change in priority

### 11.2 Order Cancellation:

The Derivatives Trading System allows the cancellation of outstanding orders.

### 11.3 Order Deactivation:

11.3.1 The Derivatives Trading System allows the deactivation of outstanding orders.

11.3.2 Deactivated orders cannot be executed.

11.3.3 Deactivated orders will lose their assigned priority, as prescribed in Section 12) of these Procedures.

11.3.4 Deactivated orders remain in the Derivatives Trading System until activated by the relevant Derivatives Exchange Registered Traders. Upon activation, the orders must adhere to the requirements prescribed in Section (10) of these Procedures.

## 12 Order Execution

- 12.1 When Derivatives Exchange Members transmit orders to the Derivatives Trading System, the Derivatives Trading System sorts them by type (buy or sell), price, and entry time.
- 12.2 The Derivatives Trading System assigns order priority based on price and time of entry to the Derivatives Trading System. It gives the highest buy order prices the highest priority. Conversely, it gives the lowest sell order prices the highest priority.
- 12.3 The Derivatives Trading System always gives market orders the highest priority.
- 12.4 The Derivatives Trading System prioritizes orders transmitted with the same price by their time of entry into the Derivatives Trading System; it executes the orders transmitted earliest first.
- 12.5 Orders transmitted in the First Session will contribute to the calculation of theoretical opening prices during this session.
- 12.6 The Exchange calculates the theoretical opening prices as follows:
  - 12.6.1 The Derivatives Trading System will assign a price at which the maximum quantity of Listed Derivatives Products might be traded.
  - 12.6.2 If the same quantity could trade at two or more prices, the Derivatives Trading System will assign the price that leaves minimum residual, which is the unmatched number of Listed Derivatives Products at that price.
  - 12.6.3 If two or more prices have the same minimum residual, then the Derivatives Trading System will assign the price as follows:
    - 12.6.3.1 the highest price if the imbalance of unmatched quantity is on the buy side only;
    - 12.6.3.2 the lowest price if the imbalance of unmatched quantity is on the sell side only; or
    - 12.6.3.3 the average price between 12.6.3.1 and 12.6.3.2 when the imbalance of the unmatched quantity is on both sides (buy and sell). The Derivatives Trading System will round average price to the closest valid tick size when applicable.

**Table (3):**

The following Example is for Theoretical Opening Price calculation (for the First Session):

Accumulated Buy Quantity	Buy Order Quantity	price	Sell Order Quantity	Accumulated Sell quantity	Maximum Traded Quantity	Minimum Residual
		1.08	300	600		
100	100	1.07	100	300	100	200
100	0	1.06	100	200	100	100
200	100	1.05	100	100	100	100
500	300	1.04				

The above example lists three prices that may produce the maximum number of trades of (100). The existence of multiple prices means that the Derivatives Trading System calculates the minimum residual to produce two prices, SAR (1.05) and SAR (1.06). Since the imbalance of the unfilled quantity is not on the same side for both prices, the opening price will be the average of the prices, rounded to the closest applicable tick size  $(1.06 + 1.05) / 2 = 1.055$  rounded to (1.06).

- 12.7 The Exchange may, as it deems appropriate, implement the necessary amendments to the opening price of the market or a specific Listed Derivative Product.
- 12.8 The Exchange will disseminate each theoretical opening price together with a theoretical opening and closing volume, meaning the quantity of Listed Derivatives Products that might be traded at that price.
- 12.9 The last Theoretical Opening Price of the First Session will be the Opening Price, provided that it is formed with orders that, when matched, result in at least one trade on the Main Market. If no Theoretical Opening Price can be formed, the Opening Price will be the reference price as specified in paragraph (15.1.2) of these Procedures.
- 12.10 The Derivatives Trading System will reject orders transmitted during the matching period between the First and the Second Sessions.
- 12.11 When a Derivatives Exchange Member transmits a new order during the Second Session, the Derivatives Trading System checks if there is an opposite order to match it with. If the order is immediately executable, the Derivatives Trading System generates one or more transactions. To be immediately executable, an order must be:
- 12.11.1 market order, with available orders on the opposite side;
  - 12.11.2 a buy limit order at a price at or above the lowest offer; or
  - 12.11.3 a sell limit order at a price at or below the highest bid.
- 12.12 The Derivatives Trading System can execute orders fully or partially. Limit orders may generate several partial transactions at different prices whenever the new limit order does not find enough quantity at the first opposite price level, provided that the second price level remains within the limit price. This process continues as long as the next level price remains within the order's limit price.
- 12.13 Limit orders can also generate multiple executions at different points in time. For example: an order may generate a partial execution upon entry, while the Derivatives Trading System might execute the remaining portion at a later stage before its expiry.
- 12.14 The following examples concern price determination in the Second Session:

**12.14.1 Scenarios with sufficient volume on the opposite side:**

**Table (4):**

The following scenario exemplifies full execution at best price level:

In this scenario, the bid side has only limit orders when a Derivatives Exchange Member transmits a sell Market Order for (100) Listed Derivatives Products.

<b>Bid</b>		<b>Offer</b>	
<b>Quantity</b>	<b>Price</b>	<b>Quantity</b>	<b>Price</b>
<b>200</b>	85		
<b>400</b>	84		
<b>1,000</b>	83		

Result: The Derivatives Trading System will execute the sell order against the highest bid resulting in the following execution: Sold (100) at SAR (85).

**Table (5):**

This scenario exemplifies full execution at different price levels:

In this scenario, the bid side has only limit orders when a Derivatives Exchange Member transmits a sell order for (1,000) Listed Derivatives Products at SAR (83).

Bid		Offer	
Quantity	Price	Quantity	Price
200	85		
400	84		
1,000	83		

Result: The sale of (200) Listed Derivatives Products at SAR (85) and (400) Listed Derivatives Products at SAR (84), with the remaining (400) Listed Derivatives Products sold at SAR (83).

#### 12.14.2 Scenarios with insufficient volume on the opposite side:

**Table (6):**

Example: in the following scenario, the bid side has only limit orders when a Derivatives Exchange Member transmits a market order to sell (2,000) Listed Derivatives Products.

Bid		Offer	
Quantity	Price	Quantity	Price
200	85		
400	84		
1,000	83		

Result: Sold (200) Listed Derivatives Products at SAR (85); once volume available for execution at the best price level runs out, the Market Order will convert the remaining (1,800) contracts to a limit sell order of (1,800) at SAR (85).

**Table (7):**

Example: in the following scenario, the bid side has only limit orders when a Derivatives Exchange Member transmits a Market Order to sell (2,000) Listed Derivatives Products at SAR (82).

**New order to sell (2,000) Listed Derivatives Products at SAR (82)**

Bid		Offer	
Quantity	Price	Quantity	Price
200	85		
400	84		

<b>1,000</b>	83		
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Result: Sold (200) at SAR (85), Sold (400) at SAR (84), Sold (1,000) at SAR (83); once volume available for execution runs out, the limit order will place the remaining (400) contracts on the sell side at SAR (82).

### **13 Requirement for Positions Limits**

The Exchange could impose position limits per client. This information will be made available on the Exchange's website.

### **14 Open Positions**

- 14.1 The Exchange has the right at any time to request from any Derivatives Exchange member to report all Open Positions, with a defined level of detail.
- 14.2 The Exchange has the right to request the closing out by the Derivatives Exchange Member of the identified Open Position in the following cases (including but not limited to):
  - (a) In case of positions exceeding the limits specified by the Exchange in the Listed Derivatives Product specifications;
  - (b) In case of corporate actions on SSFs or SSOs that would require closing out of positions; and
  - (c) In case the Exchange or the Clearing House have identified any breach in any risk parameter on a Derivatives Exchange Members or investors level.
- 14.3 Following the requests made by the Exchange to disclose open positions of an individual client, the Derivatives Exchange member has to deliver the information within a timeframe notified by the Exchange.

### **15 Fluctuation Limits**

- 15.1 **Daily Fluctuation Limits:**
  - 15.1.1 Subject to the requirements prescribed in Section (12) of these Procedures, the Exchange only allows order execution on Listed Derivatives Products at a price within the daily fluctuation limits. The Exchange sets these limits against the reference price and they remain valid during the Trading Day.
  - 15.1.2 The reference price for the first day of any new contract is the theoretical future price of last closing price of the underlying assets. The formula for calculating the theoretical future price is published on the Exchange's website.
  - 15.1.3 The reference price for any other Trading Day is the previous Trading Day's daily settlement price, including any other adjustments, when applicable.
  - 15.1.4 The Derivatives Trading System sets the upper and lower daily fluctuation limits before the start of the First session using preconfigured percentages.
  - 15.1.5 The Derivatives Trading System sets daily fluctuation limits for each Listed Derivatives Product based on the Listed Derivatives Product Specifications published on the Exchange's website.

15.1.6 The Exchange may adjust the daily fluctuation limit parameters for Listed Derivatives Products.

## **16 Negotiated Deals**

### **16.1 Introduction**

16.1.1 Negotiated Deals requires both sellers and buyers to agree on the quantity and price of the Listed Derivatives Product contract involved in their transaction.

16.1.2 Negotiated Deals are allowed according to a minimum size threshold, the minimum size threshold is published on the Exchange's website.

16.1.3 Negotiated Deals do not impact, the open high, low prices of the contract, neither the final settlement price calculation.

### **16.2 Negotiated Deal Execution Mechanism**

16.2.1 If the buyer and seller are clients of two different Derivatives Exchange Members, the following steps must be followed:

- (a) The seller's Derivatives Exchange Member will transmit an order to execute the transaction to the Derivatives Trading System, as determined by the Exchange.
- (b) The seller's Derivatives Exchange Member must immediately notify the Exchange, in the form prescribed by the Exchange, after placing the order mentioned in sub-paragraph (a) of this paragraph.
- (c) The buyer's Derivatives Exchange Member will receive a notification to accept the order mentioned in sub-paragraph (a) of this paragraph in the Derivatives Trading System.
- (d) The buyer's Derivatives Exchange Member must immediately notify the Exchange, in the form prescribed by the Exchange, after accepting the order received as per the notification mentioned in sub-paragraph (c) of this paragraph.

16.2.2 If the buyer and seller are clients of the same Derivatives Exchange Member, the following steps must be followed:

- (a) The Derivatives Exchange Member will transmit an order to execute the transaction for the seller and buyer in the Derivatives Trading System, as determined by the Exchange.
- (b) The Derivatives Exchange Member must immediately notify the Exchange, in the form prescribed by the Exchange, after submitting the order mentioned in sub-paragraph (a) of this paragraph.

### **16.3 Negotiated Deal Execution Notification:**

16.3.1 Derivatives Exchange Members will receive a confirmation through the Derivatives Trading System upon the execution of the transaction.

16.3.2 The Exchange's website will display the executed transaction information.

### **16.4 Negotiated Deal Requirements:**

16.4.1 Before transmitting an order to execute a transaction to the Derivatives Trading System, the Derivatives Exchange Member must ensure the following:

- (a) the transaction has a size above the minimum size as specified by the Exchange for each Listed Derivatives Product.
- (b) the transaction price is within the Daily Fluctuation Limits; and
- (c) the requested transaction is genuine and has no purpose to directly or indirectly avoid restrictions on the Listed Derivatives Products or its underlying assets.

16.4.2 The Derivatives Exchange Members of buyers and sellers in Negotiated Deals must, at all times:

- (a) follow the Negotiated Deal mechanisms in accordance with this Section;
- (b) ensure the accuracy and completeness of all information entered and accepted; and
- (c) satisfy any other applicable requirements set out in the Derivatives Exchange Trading and Membership Rules and the Derivatives Exchange Trading and Membership procedures.

**17. Corporate Actions Impact on Single Stock Futures (SSFs) and Single Stock Options (SSOs)**

**17.1. Introduction**

17.1.1. In case SSFs or SSOs underlying asset price is effected by Corporate Actions , the Exchange will adjust the SSFs and SSOs with the following mechanism:

17.1.1.1. The SSFs reference price and SSOs Strike Price will be adjusted and rounded off to the nearest tick size.

17.1.1.2. The SSFs or SSOs contract size will be adjusted for the purpose of minimizing the difference of the SSFs or SSOs value before and after the Corporate Actions. The adjusted SSFs or SSOs size will be rounded to the nearest integer.

17.1.2. The SSFs or SSOs adjustment will be announced simultaneously with SSFs or SSOs underlying asset adjustment by the Exchange.

17.1.3. The SSF or SSOs code will be changed after Corporate Actions adjustments.

17.1.4. The Clearing House will take the necessary actions in accordance with Clearing Procedures.

**17.2. Special Cases:**

17.2.1. In case of Corporate Actions on SSFs or SSOs underlying assets that are not already described in section (17) of these Procedures, The Exchange will announce the adjustment methodology and related details on its website.

**17.3. Corporate Actions Types and Calculations of Adjustments Ratio**

**Table (8):**

Bonus Shares, Stock Splits and Capital Reduction	Tradable Rights
<ul style="list-style-type: none"> <li>- AR= Adjustment ratio</li> <li>- O= Old capital of the underlying asset</li> <li>- N= New capital of the underlying asset</li> <li>- LSP = Last day SSF reference price or last day SSO Strike Price</li> <li>- ASP= Adjusted SSF reference price or adjusted SSO Strike Price</li> <li>- LS = Last day SSF size or last day SSO size</li> <li>- AS= Adjusted SSF size or SSO size</li> </ul>	<ul style="list-style-type: none"> <li>- AR= Adjustment ratio</li> <li>- O= Old capital of the underlying asset</li> <li>- A= Additional capital of the underlying asset [A= New capital of the underlying asset – Old capital of the underlying asset]</li> <li>- OPrice= Tradable rights offering price</li> <li>- LRP = Last day reference price of the underlying asset</li> <li>- LSP = Last day SSF reference price or last day SSO Strike Price</li> <li>- ASP= Adjusted SSF reference price or adjusted SSO Strike Price</li> <li>- LS = Last day SSF size or last day SSO size</li> <li>- AS = Adjusted SSF size or SSO size</li> </ul>

17.3.1. Examples of Corporate Actions Adjustments:

**Table (9):**

The day before Corporate Actions				
Underlying Assets		SSF		Value
Old capital	60,200,000	Last day SSF reference price	40	40 x 100 = SAR 4000
Tradable rights offering price	10	Last day SSF size	100	
Last day reference price	50	-	-	-
Corporate Actions	Adjustment Ratio	Adjusted SSF reference price (rounded to the nearest tick size 0.05)	Adjusted SSF Size (rounded to the nearest integer)	Post CA Value
➤ Bonus Shares and Stock Splits - Company X had an increase in its capital to 130 Million by issuing Bonus shares.	$AR = N/O$ $AR = 130,000,000 / 60,200,000 = 2.1595$	$ASP = LSP / AR$ $ASP = 40 / 2.1595 = 18.52 \approx 18.50$	$AS = LS \times AR$ $AS = 100 \times 2.1595 = 215.95 \approx 216$	$216 \times 18.50 = 3,996 \approx SAR 4000$
➤ Capital Reduction - Company X had reduction of capital to 50 Million	$AR = N/O$ $AR = 50,000,000 / 60,200,000 = 0.8306$	$ASP = LSP / AR$ $ASP = 40 / 0.8306 = 48.16 \approx 48.15$	$AS = LS \times AR$ $AS = 100 \times 0.8306 = 83.06 \approx 83$	$83 \times 48.15 = 3,996.45 \approx SAR 4000$
➤ Tradable Rights - Company had an increase its Capital to 130 Million by issuing a Tradable Rights	$AR = O + (A \times (OPrice / LRP)) / A + O$ $AR = 60,200,000 + (69,800,000 \times 10/50) / (69,800,000 + 60,200,000) = 0.5705$	$ASP = LSP \times AR$ $ASP = 40 \times 0.5705 = 22.82 \approx 22.80$	$AS = LS / AR$ $AS = 100 / 0.5705 = 175.30 \approx 175$	$175 \times 22.80 = 3,990 \approx SAR 4000$
Underlying Assets		SSO		Value
Old capital	6,000,000	Last day SSO Strike Price	40	100 x 40 = SAR 4000
Tradable rights offering price	10	Last day SSO size	100	
Last day reference Price	40	-	-	-
Corporate Actions	Adjustment Ratio	Adjusted SSO Strike Price (rounded to the nearest tick size 0.01)	Adjusted SSO Size (rounded to the nearest integer)	Post CA Value
➤ Bonus Shares and Stock Splits - Company X had an increase in its capital to 12 Million by issuing Bonus shares	$AR = N/O$ $AR = 12,000,000 / 6,000,000 = 2$	$ASP = LSP / AR$ $ASP = 40 / 2 = 20$	$AS = LS \times AR$ $AS = 100 \times 2 = 200$	$200 \times 20 = SAR 4000$



<p>➤ <b>Capital Reduction</b></p> <p>- Company X had reduction of capital to 5 Million</p>	$AR = N/O$ $AR = 5,000,000 / 6,000,000 = 0.83$	$ASP = LSP / AR$ $ASP = 40 / 0.83 = 48.19$	$AS = LS \times AR$ $AS = 100 \times 0.83 = 83$	$48.19 \times 83 = 3999.77 \approx SAR 4000$
<p>➤ <b>Tradable Rights</b></p> <p>- Company had an increase its Capital to 12 Million by issuing a Tradable Rights</p>	$AR = O + (A \times (OPrice / LRP)) / A + O$ $AR = 6,000,000 + (6,000,000 \times 10/40) / (6,000,000 + 6,000,000) = 0.625$	$ASP = LSP \times AR$ $ASP = 40 \times 0.625 = 25$	$AS = LS / AR$ $AS = 100 / 0.625 = 160$	$160 \times 25 = SAR 4000$

#### 17.4. Acquisition/Merger

17.4.1. In case of Merger of companies that have SSFs or SSOs, such SSFs and SSOs will be cash settled and closed at Fair value declared by the Exchange.

17.4.2. In case of Acquisition, the SSF or SSOs for the acquired company will be cash settled and closed at Fair Value declared by the Exchange. The SSF or SSOs for the acquiring company will not be changed.

#### 18. Suspension of Listed Derivatives Products

In case of suspension or unavailability of the underlying asset, the Exchange may suspend the relevant Listed Derivatives Product for the same period of underlying asset suspension. If the suspension period falls on an expiry date, Open Positions will be cash settled and closed at a Fair Value announced by the Exchange.

#### 19. Modifications or Removal of Listed Derivatives Products Specifications

19.1. In case The Exchange modifies the Listed Derivatives Product Specifications, the Listed Derivatives Product will be suspended until the Listed Derivatives Products Specifications are modified.

19.2. In case The Exchange removes the Listed Derivatives Product Specifications, the Listed Derivatives Product will be suspended and the open positions will be cash settled and closed out at the fair value declared by the Exchange. Once the open positions are cash settled and closed out, the Listed Derivatives Product will not be available.

#### 20. Listing Cancellation of the Listed Derivatives Products in case of Delisting the Underlying Assets

In case of delisting of the Listed Derivatives Products underlying assets, the Exchange will suspend the Listed Derivatives Products and the open position will be cash settled and closed out at the fair value declared by the Exchange. Once the open positions are cash settled and closed out, the Exchange will remove the Listed Derivatives Product Specifications.