

Derivatives Market



The launch of the derivatives market is another step in Tadawul's efforts to develop the Saudi capital market and broaden its product offerings. Derivatives offer investors additional opportunities to gain exposure to the fast-growing Saudi economy and provide hedging tools to allow them to effectively manage risk.

What are derivatives?

Derivatives are contracts between two parties, whose terms & conditions are set at the time of purchasing the contract, to deliver a certain asset at a future date. The most common underlying assets for derivatives are stocks, bonds, commodities, currencies, and market indices.



What benefits do derivatives bring?

With the launch of the Derivatives Market, Tadawul is diversifying the opportunities it offers to investors. Derivatives products can be used to diversify a portfolio, protect against downside risk by hedging equity investment positions, speculate on the directional movement of an underlying asset, or leverage investments using a limited amount of invested funds.

The CMA and Tadawul have established rules and regulations to minimize the risks of derivatives trading. Tadawul will also undertake educational efforts to ensure that investors fully understand the benefits and risks before making investment decisions.

What products will be available?

The first product offered by Tadawul will be the MT30 Index Futures – which is an index futures contract based on the MSCI Tadawul 30 index (MT30). The MT30 index provides investors with a benchmark of the largest and most liquid securities listed on Tadawul.

Tadawul expects to add additional derivatives products and asset classes over time based on market appetite and readiness. These include Single Stock Futures, Index Options and Single Stock Options.

How has Tadawul launched the Derivatives Market?

The introduction of the Derivatives Market on Tadawul has been made possible by an extensive series of market enhancements. These include trading system, post-trade, and regulatory enhancements. Central to this was the authorization of the Securities Clearing Center Company, Muqassa, which facilitates clearing services and guarantees settlement and fulfilment.

How to trade?



1 Contact a Derivatives Member of the Exchange to open a trading account for derivatives



2 Place an order with the member to either buy or sell a derivatives contract



3 The trade will be placed and executed if a matching price is available



4 The trade will be registered for clearing and settlement by the Securities Clearing Center Company (Muqassa)



5 Any profit or loss made due to a change in the market price is settled on a daily basis



6 Once a position is closed, any margin related to this position, after any profit or loss, will be adjusted in the account you hold with your broker



7 For investors holding the contract to maturity, the contract will automatically be settled by Muqassa with the difference in the futures price and expiration price settled via cash payment

For more information on trading please visit our online Knowledge Centre

Contact Us

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