



Saudi Exchange Company

Short Selling Regulations

Approved by the Board of the Capital Market Authority Pursuant to its Resolution

Number (1-28-2017) Dated 16/6/1438H corresponding to 15/3/2017G

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corresponding to 22/2/2021G*

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Arabic is the official language of the Exchange

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PART 1 PRELIMINARY PROVISIONS

Article 1 Preliminary

The purpose of these Regulations is to set out the framework for short selling activities in respect of listed securities in the Kingdom.

Article 2 Definitions

- a. Any reference to the "Capital Market Law" in these Regulations shall mean the Capital Market Law issued by Royal Decree No. M/30 dated 2/6/1424H.
- b. Expressions and terms in these Regulations have the meaning which they bear in the Capital Market Law and in the Glossary of Defined Terms Used in the Exchange Rules, unless the contrary intention appears.

PART 2 SHORT SELLING

Article 3 Short selling transactions

- a. A short selling transaction means any sell of a listed security which is borrowed sufficiently to match the sell order, or the seller has an exercisable and unconditional rights to borrow in accordance with the SBL Regulations.
- b. A person must not enter into as seller, and an Exchange Member must not transmit as an agent or principal, a short selling order in respect of a listed security unless all of the following conditions are met:
 - 1) the seller is an eligible participant as specified in Article 4 of these Regulations;
 - 2) the short selling order is entered into in respect of eligible listed securities as specified in Article 5 of these Regulations;
 - 3) before placing the Short Selling order, the seller must have the suitable arrangements in place to ensure the that sale is covered pursuant to the criteria set out in paragraph (a) of this Article. In case such a seller has exercisable and unconditional rights to borrow as specified in paragraph (a) Article, the relevant securities will be considered available once the seller has obtained confirmation from the lender that the securities are available and reserved for delivery.
 - 4) the price of selling the security, underlying the transaction, is higher than the price of the best bid of that security.
- c. The following trades do not constitute short selling transactions for the purposes of paragraph (a) of this Article:
 - 1) a sale of a listed security where the seller has entered into previous a corresponding purchase transaction in respect of those securities that settles on or before the settlement date of the sale; or
 - 2) a securities borrowing and lending transaction in a listed security which is entered into in accordance with the SBL Regulations.

Article 4 Eligible participants

Any persons permitted to invest in the Market may enter into a short selling transactions as a seller in accordance with the relevant Implementing Regulations and the Exchange Rules.

Article 5 Eligible listed securities

- a. Unless the Exchange specifies otherwise, a short selling transaction may be entered into in respect of all listed securities (except for Derivatives) in accordance with the following limits:
 - 1) The short ratio to Average Daily Traded Volume of the relevant security (total net short positions / Average Daily Traded Volume of the last 60 days) must not exceed 10 days; and
 - 2) The total net short positions must not exceed 10% of the free floated securities of the relevant security.
- b. The Exchange will publish a daily report for total net short positions after the Trading Day including limits specified in paragraph (a) of this Article.
- c. Listed securities breaching the limits specified in paragraph (a) of this Article are not permitted for short selling in the next trading day, Exchange Member is responsible for the verification of not selling the securities where any limit specified in paragraph (a) of this article is breached.

PART 3 POWERS OF THE AUTHORITY

Article 6 Powers of the Authority

- a. The Authority may prohibit or suspend short selling transactions in respect of a specific security, or may prohibit or suspend all short selling transactions in the Kingdom, at any time and as it deems fit, including but not limited to the following circumstances:
 - 1) there are adverse events or developments which constitute a serious threat to financial stability or to market confidence;
 - 2) for the protection of investors;
 - 3) for the maintenance of an orderly market; or
 - 4) where the aggregate sum of short positions in an eligible listed security across the market has reached a level where the Authority considers it necessary to exercise such powers.
- b. The Exchange will publish on its website any action taken by the Authority pursuant to its powers under paragraph (a) of this Article.

PART 4 REPORTING AND RECORD KEEPING REQUIREMENTS

Article 7 Reporting of short selling transactions

An Exchange Member who entered into a short selling transaction, either as an agent or principal must report complete and accurate details of such transactions to the Exchange in accordance with the mechanism and the controls prescribed by the Exchange from time to time.

Article 8 Public disclosure of information

The Exchange may disclose any information in respect of short selling transactions and the related positions as it deems fit.

Article 9 Record keeping

- a. An Exchange Member who has entered into a short selling transaction, either as an agent or principal, must record and retain sufficient information about its short selling activities to demonstrate compliance with the Capital Market Law, its Implementing Regulations, the Exchange Rules in general and these Regulations in particular.
- b. Records required to be maintained by these Regulations must be retained for a period of at least ten years from the date of the short selling transaction unless the Exchange specifies otherwise. In the event such records relate to any litigation or claim (including any potential litigation) or any on-going investigations, the Exchange Member must retain such records until the conclusion of that litigation, claim or on-going investigation.
- c. In addition to its powers under the Capital Market Law, the Exchange may request to inspect the records of an Exchange Member directly or through a person it appoints for that purpose upon giving reasonable prior notice in the context of the request to the Exchange Member.
- d. Records made by an Exchange Member may be recorded in any form, but must be capable of reproduction in hard printed form. If the Exchange requires records to be produced in a particular electronic or other format, it shall give the Exchange Member a reasonable period of time in the context to meet that request.

PART 5 GENERAL PROVISIONS

Article 10 Limit of liability

- a. Without prejudice to the provisions of the Capital Market Law, its Implementing Regulations and the Exchange Rules, the Exchange and the Depository Centre shall not be held liable for any losses or damages incurred by any participant referred to in Article 4 of these Regulations, their clients or any other person that deals with the Depository and Settlement System which may arise directly or indirectly as a result of:
- 1) any procedures, orders or transactions that are subject to these Regulations;
 - 2) the use of the Depository and Settlement System for short selling activities;
 - 3) the partial or complete suspension or prohibition of short selling transactions, or the interruption of activities and services provided by Exchange or the Depository Centre;
 - 4) the exercise by the Exchange or the Depository Centre of any of their relevant powers under these Regulations, the Capital Market Law, its Implementing Regulations and the Exchange Rules; or
 - 5) any service failure attributable to the Exchange or the Depository Centre by reason of an event outside of their control.
- b. Without prejudice to the provisions of the Capital Market Law, the Exchange and the Depository Centre shall have no liability in respect of the accuracy or completeness of short selling transaction reports or any other information published on its website from time to time.

Article 11 Waivers

The Exchange may, after obtaining the Authority's approval, waive any requirement in these Regulations either based on a request from the relevant person or on its own initiative.

Article 12 Publication and entry into force

These Regulations shall become effective as per its approval resolution.