



Saudi Exchange Company

TRADING AND MEMBERSHIP RULES

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Arabic is the official language of the Saudi Exchange Company

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SECTION ONE
Preliminary Provisions

Article 1 Preliminary Provisions

- a. All references to the “Capital Market Law” in these Rules are to the Capital Market Law issued by Royal Decree No. M/30 dated 2/6/1424H.
- b. The expressions and terms in these Rules carry the same meaning as they do in the Capital Market Law and in the Glossary of defined terms used in the Exchange Rules unless the text explicitly notes an alternate meaning.
- c. Any person subject to these Rules may appeal before the Committee any decision or action that the Authority or the Exchange takes in accordance with these Rules.
- d. These Rules shall not prejudice the provisions of the Capital Market Law, its implementing Regulations, and all relevant laws.

Article 2 Scope

Without prejudice to the provisions of the Capital Market Law, the purpose of these Rules is to regulate:

- a. Exchange membership and access to the Trading System;
- b. the registration of Registered Traders;
- c. the disclosure of information by Exchange Members to the Exchange; and
- d. trading in Listed Securities by Exchange Members.

Article 3 Waivers

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

Article 4 Emergency Situations

- a. Without prejudice to the Capital Market Law and in the event of an emergency situation, the Exchange has the right to:
 - 1) suspend any trading session or reduce, extend, or otherwise alter the time of any trading session;
 - 2) suspend trading in one or more individual securities.
 - 3) Cancel orders transmitted by the Exchange Member to the Trading System.
 - 4) Cancel transactions executed in the Trading System that are not finally settled.
- b. The emergency situations covered by this provision are as follows:
 - 1) failure of the Trading System, Clearing System or the Depository and Settlement System or any parts thereof;

- 2) failure of the Exchange Member's Technical Equipment or parts thereof, provided that such failure causes incorrect information to be sent to the Trading System or affects trading integrity;
 - 3) failure of the network used to connect Exchange Members and the Exchange or parts thereof, provided that such failure causes incorrect information to be sent to the Trading System or affects trading integrity;
 - 4) any event that may damage the Trading System, Clearing System or the Depository and Settlement System such as a cyber-attack;
 - 5) any error during changes or updates in the Trading System, Clearing System or the Depository and Settlement System;
 - 6) events that make operating the Trading System, Clearing System or the Depository and Settlement System impossible, including, but not limited to, natural disasters and unforeseen events; or
 - 7) any error in processing the data entered into the Trading System, Clearing System or the Depository and Settlement System.
- c. In emergency situations, the Exchange will take all reasonable measures to ensure that trading continues in a fair and orderly manner, and that it addresses the situation appropriately. This includes trading on alternative temporary bases.
 - d. Without prejudice to the Capital Market Law and in any situation that does not amount to an emergency as defined in section (b) of this Article, the Exchange may, with the Authority's approval, suspend any of these Rules' provisions in whole or in part, or temporarily replace them with new provisions, in addition to suspending trading in whole or in part.
 - e. The Exchange must make a reasonable effort to inform Exchange Members of any measures taken in accordance with this Article as soon as possible.
 - f. After removal of the cause of the failure, the Exchange will restore normal trading conditions as soon as possible and determine when such normal conditions will take effect.
 - g. Exchange Members must inform their clients immediately of failures in their Order Management System and in the Trading System as well as of the resumption of normal operations.

Article 5 Limit of Liability

- a. Without prejudice to the provisions of the Capital Market Law, its Implementing Regulations and the Exchange Rules, and with the exception of intentional or serious mistakes, the Exchange is not liable for any losses or damages incurred by Exchange Members, their clients, or Information Providers that may arise directly or indirectly as a result of:
 - 1) any procedures, orders, or transactions subject to these Rules;
 - 2) the use of the Trading System;
 - 3) the partial or complete suspension or cancellation of trading or of a particular transaction on, or closure of, the Exchange;
 - 4) the exercise by the Exchange of any of its powers under these Rules; or
 - 5) any service failure attributable to the Exchange due to an event outside of its control.

- b. Without prejudice to the provisions of the Capital Market Law, its Implementing Regulations, and the Exchange Rules, and with the exception of intentional or serious mistakes, the Exchange makes no guarantees and assumes no liability for the accuracy, timeliness, or completeness of issuer information, price information, market data, or any other information published on its website from time to time.

Article 6 Disclosure of Information

- a. The Exchange shall keep records of all data or information available to it under these Rules or that has been provided to it by an Exchange Member or otherwise concerning an Exchange Member. Such records should be maintained for at least ten years.
- b. Without prejudice to the relevant laws and regulations, the Exchange may supply any information whatsoever concerning the activities of an Exchange Member which is subject to these Rules only to the following persons:
 - 1) the Clearing House or any other clearing house with whom the Exchange has entered into an agreement pursuant to which the parties have agreed to exchange information as required and contemplated by these Rules;
 - 2) the Authority, SAMA, judicial body or any government authority which is entitled to receive or request any details or information in accordance with the relevant laws and regulations;
 - 3) any affiliate of the Exchange;
 - 4) any other person or body to which the Exchange is legally required to disclose the information in accordance with the relevant laws and regulations;
 - 5) any other person or body to which the Exchange has agreed to provide to them the information in connection with the activities of the relevant Exchange Member which are subject to these Rules, including (but not limited to) any information technology providers or other outsourced service providers to the Exchange;
 - 6) any data repository or similar body;
 - 7) any securities depository or securities settlement system; and
 - 8) any other person specified by the Authority.

SECTION TWO
Exchange Membership

Chapter I:

Scope and Application

Article 7 Exchange Membership

- a. Persons seeking to access the Trading System must first become Exchange Members.
- b. notwithstanding paragraph (a) of this Article, the Exchange may allow Securities Central Counterparties to access the Trading System pursuant to procedures determined by the Exchange. The conditions, responsibilities, and obligations related to Exchange Members and Registered Traders mentioned in these Rules shall not be applicable on the Securities Central Counterparties when given the access to the Trading System.

Article 8 Conditions for Acquiring an Exchange Membership

A legal person seeking to apply for Exchange Members (an “applicant” for the purposes of these Rules) must meet the following conditions:

- a. be a Capital Market Institution, authorised by the Authority to conduct dealing activities.
- b. be either a Custody Member, or have the suitable arrangements for custody activity in accordance with the Securities Depository Centre Rules;
- c. meet the technical, technological, security, and business continuity requirements determined by the Exchange to ensure that applicants (i) may connect to and, once connected, maintain the integrity and security of the Trading System, and (ii) receive and transmit orders in compliance with the Capital Market Law, its Implementing Regulations, the Exchange Rules, and all relevant laws and regulations;
- d. have in place robust internal risk management systems, internal audit and IT systems updated on an ongoing basis;
- e. have qualified employees with sufficient experience, knowledge, competence, and training to enable applicants to comply with all requirements listed in these Rules;
- f. pay any applicable fees due pursuant to Article 23 of these Rules; and
- g. comply with any other condition proposed by the Exchange and approved by the Authority.

Article 9 Exchange Member Application Procedures and the Powers of the Exchange

- a. An applicant wishing to become an Exchange Member must submit a written application requesting admission as an Exchange Member to the Exchange in the form prescribed by the Exchange.
- b. Upon receipt of the application mentioned in paragraph (a) of this Article, the Exchange will review the application to determine whether the applicant meets the conditions listed in Article 8 of these Rules.
- c. To discharge the obligation noted in paragraph (b) of this Article (or, as the case may be, to verify that an Exchange Member has remained in compliance with Article 8 of these Rules on an ongoing basis), the Exchange may:

- 1) carry out any inquiry it considers appropriate;
 - 2) require the applicant (or Exchange Member) or a representative to appear before the Exchange to answer questions, or explain any matter the Exchange considers relevant to the application;
 - 3) require the applicant (or Exchange Member) or a representative to provide any additional information the Exchange considers necessary within (10) days of the request;
 - 4) liaise with the Authority at any time; and/or
 - 5) verify any information supplied by the applicant (or Exchange Member).
- d. The Exchange may determine that an applicant (or Exchange Member) does not meet the conditions in Article 8 of these Rules when said applicant (or Exchange Member) or any third party does not comply with the requirements or requests (as applicable) listed in subparagraphs (1), (2), and (3) of paragraph (c) of this Article.
- e. Upon receipt of all information and documents it requires, the Exchange will notify the applicant in writing of the fact that it has received all required documents and information. The Exchange will then make one of the following decisions within a maximum period of (30) days:
- 1) approve the application if it determines that the applicant meets the required conditions of Article 8 with the condition that the applicant meet the conditions of Article 11 of these Rules, including any such conditions and limitations the Exchange considers appropriate; or
 - 2) refuse the application, and provide its reasons.
- f. The period referred to in paragraph (e) of this Article will begin either (i) on the date of the receipt of the complete application; or (where applicable) (ii) on the date of receipt of all additional information required under subparagraphs (1), (2) and (3) of paragraph (c) of this Article.
- g. If the Exchange resolves to grant an applicant an Exchange Membership, it will notify the applicant of this in writing in accordance with subparagraph (1) of paragraph (e) of this Article.
- h. If the Exchange resolves to refuse the application for Exchange Membership in accordance with subparagraph (2) of paragraph (e) of this Article, it will notify the applicant in writing.

Article 10 Market Makers

Exchange Members must comply with the market making requirements (where applicable) as specified by the Exchange and approved by the Authority.

Article 11 Effect of Notification of Exchange Membership

- a. Subject to any applicable conditions or limitations specified in the notification, applicants who receive a notification in accordance with paragraph (g) of Article 9 of these Rules may not start operating as Exchange Member until they:
- 1) sign the Membership Agreement in the prescribed form with the Exchange;
 - 2) complete the certification process according to the guidelines and requirements specified by the Exchange; and

- 3) pay all applicable fees due pursuant to Article 23 of these Rules.
- b. Upon confirming that applicants have completed the steps set out in paragraph (a) of this Article, the Exchange will consider the applicants Exchange Members and permit them to connect to the Trading System.
- c. Exchange Members must be either a Clearing Member, or a Non-Clearing Member which has entered into a Non-Clearing Member Clearing Agreement with a General Clearing Member in accordance with the Securities Clearing Centre Rules.
- d. Upon confirming that applicants have completed the steps set out in paragraph (c) of this Article, the Exchange will state the date on which the new Exchange Members may begin trading within a period not exceeding (30) days.

Chapter II:

Exchange Member Responsibilities

Article 12 Technical Requirements for Exchange Members

- a. Exchange Members assume sole responsibility for the installation of suitable Technical Equipment for connection to and communication with the Trading system.
- b. Exchange Members must not change or update their Order Management Systems without obtaining the Exchange's written approval.
- c. Exchange Members' Technical Equipment must undergo the certification process.
- d. The certification process for the Exchange Members' Technical Equipment must proceed according to the Exchange's specified technical and technological tests, standards, and procedures.
- e. Exchange Members must, at all times, ensure the reliability of their Technical Equipment, as prescribed by the Exchange.
- f. The Exchange may, as it deems appropriate, require additional certification processes for the Technical Equipment of any Exchange Member.

Article 13 Obligations of Exchange Members

Exchange Members must, at all times, comply with the following:

- a. the Capital Market Law and its Implementing Regulations, the Exchange Rules, and any instructions issued by the Authority or the Exchange or the Clearing House or the Depository Centre and all relevant laws and regulations;
- b. any condition or limitation placed on the activities of Exchange Members by the Authority or the Exchange;
- c. all requirements listed in the Exchange Membership Agreement;
- d. the relevant Exchange Membership conditions set out in Article 8 of these Rules;
- e. have at least two Registered Traders; and
- f. have an on-site and off-site backup system for all critical data related to the services the Exchange Member provides.

Article 14 Provision of Information by Exchange Members

Each Exchange Member must provide, within such time period as the Exchange shall specify in its discretion, all records, books, statements, accounts or any other information relating to the Exchange Member or its Clients as the Exchange may reasonably demand to ensure compliance with these Rules.

Article 15 Notifications by Exchange Members

- a. Exchange Members must immediately notify the Exchange, in writing, upon:
 - 1) becoming aware of any breach, or any circumstances that will or may lead to a breach of the Exchange Rules; or
 - 2) obtaining knowledge or suspicion of the occurrence of any technical or technological error or fault in their Systems or any security issues that may affect their connection to the Trading System or the reception of orders or execution of transactions through them.
- b. Where applicable, within three days, the relevant Exchange Members must provide reports to the Exchange identifying the steps they have taken or the steps they will take, as well as the time they will need, to resolve any situation about which they notified the Exchange per the instructions in paragraph (a) of this Article.
- c. Exchange Members must notify the Exchange in writing of:
 - 1) any change in the information provided to the Exchange in the applications they submitted for Exchange Membership;
 - 2) any changes to their business models or operations that may impact their satisfaction of the Exchange Membership requirements and/or their performance of the Exchange Member obligations listed in these Rules and the Trading and Membership Procedures; or
 - 3) any event that impacts their satisfaction of the Exchange Membership requirements, member security, business continuity, IT standards, and/or their performance of Exchange Member obligations under the Exchange Rules or their connection to the Trading System, including, but not limited to, the following:
 - a) any failure in their Technical Equipment; or
 - b) any changes or updates to their Order Management Systems.
 - 4) any other event, matter, circumstance or change relating to the Exchange Member, its affiliates, or any other persons acting on its behalf, of which the Exchange would reasonably expect notice, which would cause any information previously provided by the Exchange Member to the Exchange for any reason to be inaccurate, incomplete or superseded, or which may have a material impact on the Exchange Member's satisfaction of the Exchange Membership requirements and/or the performance of the Exchange Member's obligations under these Rules.
- d. Where Exchange Members have prior knowledge of the change or event described in paragraph (c) of this Article, they must inform the Exchange at least (30) days in advance of the proposed effective date.
- e. Where Exchange Member are unable to comply with the requirements of paragraph (d) of this Article regarding their prior knowledge of a change or a failure, they must inform the Exchange

immediately upon becoming aware of such a change or failure, or—where applicable—its proposed effective date.

- f. If the Exchange receives a notification pursuant to paragraph (a) of this Article, it will pass on said notification to the Authority immediately and may, at its own discretion, require the Exchange Member who submitted the notification to disclose the content of said notification to its clients and/or to the public.
- g. If the Exchange receives a report pursuant to paragraph (b) of this Article, it will pass on said report to the Authority immediately.

Article 16 Record Keeping

- a. Each Exchange Member must maintain, at all times, an up-to-date copy record of all books, statements, accounts, materials or other information provided by it to the Exchange or otherwise relating to the trading activities of the Exchange Member on the Exchange for at least a period of ten years. Such records should include the following:
 - 1) information on all orders, instructions and any other messages transmitted by the Exchange Member to the Trading System, including, but not limited to, instructions relating to the verification conducted or confirmation received before placing any sell order, amendment, deactivation and cancellation of orders, together with information on the time of transmission and the identity of the Exchange Registered Trader responsible for transmission;
 - 2) information on any Transactions the Exchange Member enters into on the Exchange, together with information on the time at which each such transaction is executed; and
 - 3) where the Exchange Member is acting on behalf of a Client, information on the identity of the relevant Client.
- b. In the event that any record maintained by an Exchange Member relates to any litigation or claim (including any pending litigation or threatened) or any on-going investigations, the Exchange Member must retain such record until the closure of that litigation, claim or on-going investigation.

Chapter III:

Registered Traders

Article 17 General Provisions

- a. No person may access the Trading System for the purposes of conducting trading activities unless they are an Exchange Registered Trader.
- b. Exchange Members must register those persons who are to receive access on behalf of the Exchange Member in accordance with Article 18 of these Rules.
- c. Registered Traders are responsible for conducting trading activities for the Exchange Members who employ them and said Exchange Members' clients. Exchange Members are responsible for overseeing the activities of their Registered Traders.
- d. Registered Traders must, at all times, comply with the Capital Market Law and its Implementing Regulations, the Exchange Rules, the relevant laws and regulations, and any instructions issued to the Exchange Members who employ them.

- e. The Exchange will automatically cancel the registration of a Registered Trader in the event of the cancellation of the Exchange Membership of the Exchange Member who employs them. Likewise, the Exchange will automatically suspend the registration of a Registered Trader in the event of the suspension of the Exchange Membership of the Exchange Member who employs them.
- f. Notwithstanding responsibilities arising under applicable provisions of the Capital Market Law and its Implementing Regulations as well as the Exchange Rules, Exchange Members assume full responsibility for the actions of their Registered Traders and any other persons acting on their behalf from time to time; this responsibility also extends to orders or other communications entered through Exchange Member's Technical Equipment.

Article 18 Conditions for Becoming a Registered Trader

Any person wishing to apply to become a Registered Trader must satisfy the following conditions:

- a. be a Saudi national;
- b. be registered with the Authority to perform a registrable function in accordance with the relevant provisions of the Capital Market Institutions Regulations; and
- c. pass the qualification examinations required by the Exchange for Registered Traders.

Article 19 Application of Registration

- a. Applicants must submit the application for registration in the form prescribed by the Exchange.
- b. Applicants may submit Registered Trader applications at the same time as the application for Exchange Membership or at any point after becoming Exchange Members but in all cases prior to the Employee accessing the Trading System.
- c. Upon approval of applications, the Exchange will provide Registered Traders with user identification information in writing to enable them to access the Trading System.

Article 20 Cancellation of Registration

- a. If Registered Traders cease to perform the job of Registered Trader or cease their employment or association with Exchange Members, the Exchange Members must immediately notify the Exchange in writing of that fact. Upon receipt of the notice, the Exchange will cancel the registration of the Registered Trader.
- b. The Exchange has the power to cancel the registration of Registered Traders if the Registered Traders violate any provision of the Capital Market Law and its Implementing Regulations or the Exchange Rules, or these Rules or the relevant laws and regulations.
- c. If the Exchange cancels a Registered Trader's registration, the responsible Exchange Member must ensure that said Registered Trader immediately ceases to access the Trading System.

Chapter IV:

Suspension and Cancellation of Exchange Member's Membership

Article 21 Suspension of Exchange Member's Membership

- a. The Exchange may at its own discretion, suspend an Exchange Member's membership in circumstances that necessitate immediate suspension to protect the safety of the Trading System. These circumstances are:
- 1) if the Exchange Member no longer satisfies the requirements for Exchange Membership set out in these Rules (including, but not limited to, those set out in Section Two of these Rules);
 - 2) if any error occurs in the Technical Equipment of the Exchange Member that affects the safety of its connection to the Trading System or the transactions executed through it;
 - 3) if the continuation of the Exchange Member's connection to the Trading System threatens the safety of the Exchange or the interests of investors;
 - 4) if the Exchange Member has its Clearing Membership suspended;
 - 5) upon the suspension of the Clearing Membership of the Clearing Member through whom the Exchange Member clears its transactions;
 - 6) if the Exchange Member has its Custody Membership suspended;
 - 7) upon the suspension of the Custody Membership of the Custody Member through whom the Exchange Member settles its transactions; or
 - 8) Upon the instruction received from the Clearing House or the relevant General Clearing Member (where applicable) in accordance with Article 31 of these Rules.
- b. Without prejudice to the provisions of the Capital Market Law and paragraph (c) of this Article, the Exchange may also suspend an Exchange Member's membership in the following circumstances:
- 1) if the Exchange Member breaches any of its obligations under these Rules or the membership agreement; or
 - 2) if the Exchange Member fails to pay any applicable fees to the Exchange.
- c. Upon becoming aware of the circumstances set out in paragraph (b) of this Article, the Exchange will write to the Exchange Member to describe the issue and ask the Exchange Member to establish a reasonable timetable, subject to the Exchange's approval, for it to take remedial actions. The Exchange may suspend the memberships of Exchange Members who fail to rectify the issue within the established timetable.
- d. The Exchange will immediately notify the Authority of suspensions of Exchange Members' memberships in accordance with paragraphs (a) and (b) of this Article.
- e. Exchange Members may request that the Exchange lift suspensions imposed under paragraphs (a) or (b) of this Article and provide evidence that supports lifting the suspensions. The Exchange may, after reviewing such requests, lift or maintain the suspensions.

- f. The Exchange will immediately notify the Authority of the lifting of suspensions of Exchange Member memberships in accordance with paragraph (e) of this Article.
- g. The Exchange will immediately suspend the memberships of Exchange Members if instructed to do so by the Authority.
- h. The Exchange will lift suspensions imposed according to the Authority's instructions as outlined in paragraph (g) of this Article based on instructions issued by the Authority. Exchange Members may request that the Authority lift their suspensions and provide evidence that supports lifting their suspensions through the Exchange. The Authority may, after reviewing such requests, direct the Exchange to lift or maintain the suspensions.
- i. The Exchange will notify Exchange Members in writing of any suspension imposed under this Article and provide reasons.
- j. Exchange Members must immediately notify their clients in writing of the suspension of their Exchange Memberships upon receiving notice of said suspensions.
- k. The Exchange may take any action or request that Exchange Members take any action or comply with any requirement to ensure that the suspensions of their memberships do not negatively affect the Exchange or the interests of investors.
- l. Without prejudice to paragraph (k) of this Article, Exchange Members must not provide any services associated with their memberships or otherwise represent themselves as capable of providing such services during the suspension of their memberships.
- m. Fees and commissions incurred by the Exchange Member pursuant to the provisions of Article 23 of these Rules will continue to accrue and become payable during the period of suspension.

Article 22 Cancellation of Exchange Member's Membership

- a. The Exchange may, at its own discretion, cancel the membership of Exchange Members and terminate their connections to the Trading System in the following circumstances:
 - 1) if the Exchange Member breaches any of its obligations under these Rules or the Exchange Membership Agreement;
 - 2) if the Exchange Member's membership remains suspended, pursuant to Article 21 of these Rules, for (6) months without any resolution of the cause of the suspension;
 - 3) if the Exchange Member does not transmit any orders to the Trading System for at least (12) months;
 - 4) the Exchange Member has its Clearing Membership cancelled (where applicable);
 - 5) the Exchange Member has its Custody Membership cancelled (where applicable); or
 - 6) if the Exchange Member submits an application to the Exchange cancelling its membership in the form prescribed for this purpose. The Exchange may, at its own discretion, reject such applications if the cancellation of a membership could negatively impact the interests of investors, other Exchange Members, or the Exchange.
- b. The Exchange will cancel the memberships of Exchange Members and terminate their connections to the Trading System if the Authority instructs the Exchange to do so.

- c. The Exchange will immediately notify the Authority of the cancellation of an Exchange Member's membership in accordance with paragraph (a) of this Article.
- d. The Exchange will notify Exchange Members in writing of the cancellation of their memberships and explain the reasons when it issues its cancellation decisions.
- e. Upon receiving a notice of cancellation of their Exchange memberships, Exchange Members must immediately notify their clients in writing of the cancellations of their Exchange Memberships and the fact that they may no longer execute any order on the trading system or provide any other services that depend on their Exchange Memberships.
- f. The Exchange may take any action or request that Exchange Members take any action or comply with any requirement to ensure that the cancellations of their memberships do not negatively affect the Exchange, other Exchange Members or the interests of investors.

Chapter V:

Fees and Commissions

Article 23 Fees and Commissions

Each applicant and Exchange Members must pay all applicable fees and commissions, in accordance with these Rules, to the Exchange as determined by the Exchange and approved by the Authority.

SECTION THREE

The Trading System

Article 24 Access to the Trading System

Without prejudice to Article 32 of these Rules, Exchange Members may only access the Trading System through their Registered Traders in accordance with these Rules and any other requirements specified by the Exchange from time to time.

Article 25 Trading Sessions

- a. Trading on the Exchange will take place on business days during pre-defined trading sessions as detailed in the Trading and Membership Procedures and as the Exchange announces from time to time.
- b. Each Trading Day will include an Opening Price calculation, Trading Sessions, and a Closing Price calculation, as specified in the Trading and Membership Procedures for each class of security.
- c. The Exchange may suspend the trading of particular securities for the purposes of maintenance as specified in the Trading and Membership Procedures.
- d. The Exchange may amend trading times for specific securities on the first trading day of the relevant securities.

Article 26 Securities Pricing

- a. The Exchange will establish the method used to set and publish the Opening Prices, Intra-Day Prices, and Closing Prices for relevant classes of securities in the Trading and Membership Procedures.
- b. The Exchange will establish the Tick Sizes for each security in the Trading and Membership Procedures.

Article 27 Transmitting Orders

- a. Exchange Members will conduct trading activity by transmitting orders that fulfil the requirements for orders set out in the Trading and Membership Procedures.
- b. Before transmitting orders, Exchange Members must ensure that they have taken all steps necessary to meet applicable requirements for final settlements. Those necessary steps include but are not limited to:
 - 1) verifying that a client (the seller) has sufficient available securities on account or, receiving from the client a confirmation that he has sufficient available securities on account, as specified by the Exchange, and that no registered restrictions prevent the sale of said securities, before transmitting a sell order for said client. For the purpose of such verification or confirmation (where applicable), a client may be deemed to have sufficient available securities on account in one of the following cases:
 - a. securities are in another account of the client (whether held with the same or a different Custody Member) and capable of being transferred to the relevant account prior to settlement;

- b. the client has possession of Convertible Securities which provide for conversion prior to settlement; or
 - c. the client has entered into derivative transaction(s) or SBL agreement or any other agreements which provide for the delivery of the securities to the relevant account prior to settlement.
 - 2) verifying or receiving from the client a confirmation (where applicable) that such client will satisfy the cash requirements prior to settlement, before transmitting a buy order for said client; and
 - 3) the agreement with any client must include the essential rights and obligations of each party which contains –including but not limited to- the confirmation received from the client stipulated in sub-paragraphs (1) and (2) of paragraph (b) of this Article.
- c. Before transmitting orders, Exchange Members must monitor that they are not transmitting orders that exceed the Trading Limits set by Clearing House or General Clearing Members (where applicable) in accordance with the Securities Clearing Centre Rules and Procedures.
 - d. Before transmitting orders, Exchange Members must ensure that they submit orders using the channel appropriately suited to their purposes as specified in the Trading and Membership Procedures.
 - e. Exchange Members must not transmit any orders:
 - 1) prohibited under the Capital Market Law and its implementing regulations, or the Exchange Rules, or the relevant laws and regulations; or
 - 2) that do not satisfy the requirements set out in the Trading and Membership Procedures.
 - f. Exchange Members must have written policies and procedures in place to ensure they comply with paragraph (d) of this Article.
 - g. The Exchange may reject orders that fail to meet the requirements established in these Rules or the Trading and Membership Procedures.
 - h. Exchange Members retain responsibility for any orders they transmit to the Trading System.

Article 28 Order Execution

- a. The Trading System will fully or partially execute orders the Exchange fully or partially matches. The Exchange will treat the resulting transactions as binding and irrevocable by the parties upon their execution. Following execution in the Trading System, the Exchange will confirm such transactions with each relevant Exchange Member and deal with them according to the Securities Clearing Centre Rules Securities Depository Centre Rules. To avoid doubt, the Trading System does not consider the unmatched portions of partially matched orders executed and Exchange Members may amend or cancel said portions.
- b. The Exchange will match orders in accordance with the price and time priority procedures established in the Trading and Membership Procedures.

Article 29 Amendment, Deactivation, and Cancellation Instructions

- a. Exchange Members may transmit instructions to the Trading System to amend, deactivate, or cancel orders. For such instructions to take effect, Exchange Members must validly transmit

them to the Trading System before the execution of relevant orders as specified in the Trading and Membership Procedures.

- b. Amendments to or deactivation of any order may impact the application of the Price and Time Priority Rules as specified in the Trading and Membership Procedures.
- c. The Exchange may cancel all outstanding orders in the Order Management System before the application of the relevant Corporate Actions.

Article 30 Trading Limits

The Exchange will reject all transmitted orders by the Exchange Members which breaches the Trading Limits imposed on them by the Clearing House or the relevant General Clearing Members (where applicable), in accordance with Securities Clearing Centre Rules.

Article 31 Kill Switch

- a. The Exchange will execute kill switch on Exchange Members upon the instruction received from the Clearing House or the relevant General Clearing Member (where applicable).
- b. Upon receiving kill switch instructions in accordance with the provisions of paragraph (a) of this Article, the Exchange will cancel all outstanding orders and reject all transmitted orders by the Exchange Members, and may suspend the Exchange Member' membership in accordance with Article 21 of these Rules.

Article 32 Direct Market Access

- a. Without prejudice to Article 27 of these Rules, Exchange Members may enable their clients to submit orders directly into their Order Management systems.
- b. Exchange Member and the Client must satisfy any relevant requirements determined by the Exchange.
- c. Exchange Members that provide Direct Market Access to their Clients must assess (and continue to assess) the suitability of the channels for order submission made available to their clients.
- d. Exchange Members that provide Direct Market Access must ensure that they put appropriate procedures, arrangements and controls in place, including but not limited to:
 - 1) having in place effective systems, procedures and arrangements to ensure that appropriate criteria are set and applied regarding the suitability of Clients to whom Direct Market Access services may be provided, including (but not limited to) criteria relating to the legal status of the Client, any previous sanctions imposed on them, the expected level of trading activity the Client will be undertaking, and the adequacy of the Client's pre- and post-trade controls and real time monitoring;
 - 2) ensuring that the Client has adequate technical capacity and resiliency and continuity procedures to be connected to the Order Management System;
 - 3) conducting, and periodically reassessing, due diligence on Clients wishing to receive Direct Market Access services to ensure they are able to comply with the conditions set out in sub-paragraphs (1) and (2) of this paragraph on an ongoing basis;
 - 4) implementing appropriate pre- and post-trade controls on Client's trading activity including controls which prevent orders and/or suspend trading when pre-set limits are

exceeded, such as limits relating to price, volume, number of messages transmitted, and maximum short or long positions;

- 5) having arrangements in place to provide real-time monitoring of the activity of Clients using Direct Market Access services in order to identify and prevent the placing, modification or cancelling of orders or execution of transactions in a way which contributes to disorderly trading conditions;
 - 6) having arrangements in place to automatically block or cancel orders where a Client's trading activity exceeds the relevant pre- and post-trade controls or is identified as potentially contributing to disorderly trading conditions and to suspend or cancel the provision of Direct Market Access services to a Client in the case of non-compliance with the requirements of the Exchange Member, these Rules or such other requirements of the Exchange; and
 - 7) being able to identify to the Exchange, by means of flagging, orders generated by Direct Market Access, and the relevant Clients initiating those orders and that information shall be available to the Exchange upon request.
- e. Exchange Members must enter into a binding written agreement with any Client to whom they provide Direct Market Access, setting out the essential rights and obligations of each party relating to the provision of Direct Market Access.
- f. Exchange Members providing Direct Market Access services to Clients shall be responsible for all orders and trades executed using the Direct Market Access service.
- g. The Exchange may require Exchange Members to suspend the transmission of their clients' direct orders at any time and as it deems fit, including (but not limited to) in the following circumstances:
- 1) for the protection of other Exchange Members and the investors; and
 - 2) for the maintenance of an orderly market.

Article 33 Negotiated Deals

Exchange Members may transmit orders to execute transactions through the Trading System in listed securities regarding which they negotiated and reached agreements outside the Trading System, in accordance with the mechanism and conditions detailed in the applicable Trading and Membership Procedures.

Article 34 Clearance and Settlement of Transactions

- a. The Clearing House will clear all transactions executed through the Trading System in accordance with the Securities Clearing Centre Rules.
- b. The Depository Centre will settle all transactions executed through the Trading System in accordance with the Securities Depository Centre Rules.

Article 35 Trading Records

The Exchange must register in its records all orders and instructions transmitted to it. Such records will prevail over any evidence.

SECTION FOUR
General Provisions

Article 36 General Powers

- a. To ensure compliance with the provisions of these Rules, the Exchange may:
 - 1) require persons subject to these Rules to undertake or refrain from undertaking certain activities within the scope of Exchange Membership;
 - 2) request information and reports relevant to the provisions of these Rules; and
 - 3) request that Exchange Members appoint independent organizations, in accordance with qualification criteria determined by the Exchange, to validate their compliance with the provisions of these Rules.
- b. The Exchange may establish necessary technical procedures, as it deems appropriate, to implement the provisions of these Rules.

Article 37 Publication and Entry into Force

These Rules shall be effective as per its approval resolution.