



**Saudi Stock Exchange (Tadawul)**

## **Trading and Membership Procedures**

*Approved by the Board of the Capital Market Authority Pursuant to its Resolution Number (1-82-2018) Dated 17/11/1439H Corresponding to 30/7/2018G*

*Amended by the Board of the Saudi Stock Exchange (Tadawul) Pursuant to its Resolution by Circulation Number (19-2020) Dated 15/01/1442H corresponding to 03/09/2020G*

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

## TABLE OF CONTENTS

No	Page
Section (1): General Provisions	3
Section (2): Access to Trading System	3
Section (3): Trading Times	3
Section (4): Order Channels	4
Section (5): Order Types	5
Section (6): Order Conditions	5
Section (7): Order Validity	6
Section (8): Requirements for Transmitting Orders	6
Section (9): Order Amendment, Cancellation, and Deactivation	7
Section (10): Order Execution	8
Section (11): Fluctuation Limits	12
Section (12): Negotiated Deals	13

## 1. GENERAL PROVISIONS

- 1.1 This document specifies the Trading and Membership Procedures that Exchange Members and Registered Traders must follow to comply with the provisions of the Trading and Membership Rules.
- 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.

## 2. ACCESS TO TRADING SYSTEM

- 2.1 **Access Rights**
  - 2.1.1 Exchange Members must comply with the requirements prescribed by the Exchange from time to time when accessing the Trading System.

## 3. TRADING TIMES

- 3.1 Listed securities are traded from Sunday to Thursday, except for on official holidays in the Kingdom.
- 3.2 The Exchange will announce and publish specific calendar days for each holiday from time to time.
- 3.3 Each Trading Day follows the sequence of sessions listed in the following table:

**Table (1):**

<b>Session</b>	<b>Time Schedule (as per the official time in the Kingdom)</b>
<b>First Session: Opening Auction</b>	09:30 – 10:00
<b>Second Session: Market Open - Trading</b>	10:00 – 15:00
<b>Third Session: Closing Auction</b>	Listed securities (except for Debt Instruments and ETFs): 15:00 – 15:10
<b>Fourth Session: Trade at Last</b>	Listed securities (except for Debt Instruments and ETFs): 15:10 – 15:20
	Listed securities (except for Debt Instruments and ETFs): 15:20 – 16:00

<b>Fifth Session:</b>	Debt Instruments and ETFs: 15:00 – 16:00
<b>Market Closed</b>	

- 3.4 Exchange Members may transmit, amend, and cancel orders during the First, Second, Third, and Fourth Sessions; they may amend order validity and cancel orders during the Fifth Session; and they may deactivate outstanding orders during the Trading Day.
- 3.5 Orders at a given price level are displayed aggregated by price (market-by-price view) during the First and Third Sessions.
- 3.6 Order matching occurs at the end of the First and Third Sessions, and during the Second and Fourth Sessions.
- 3.7 The Exchange will determine the ending time for all auctions randomly within a period of 30 seconds after each auction’s scheduled time as listed in Table (1) of these procedures.
- 3.8 The Exchange will extend the First and Third sessions for two minutes, automatically, in case there are unmatched market orders or if the latest theoretical price is at the upper or lower end of the static limit.
- 3.9 The Exchange may suspend trading in a specific Debt Instrument for a maximum period of seven (7) calendar days for the purpose of coupon payment.
- 3.10 The Exchange will set a trading period for the Rights Issue as indicated by the issuer in the prospectus.

#### 4. ORDER CHANNELS

- 4.1 Orders must be submitted using only the following channels:
  - 4.1.1 T Channel: A channel specifically designed for Registered Traders to submit orders;
  - 4.1.2 I Channel: A channel specifically designed for clients to submit orders via Exchange Members’ websites and online applications;
  - 4.1.3 A Channel: A channel specifically designed for clients to submit orders via Automated Teller Machines;
  - 4.1.4 V Channel: A channel specifically designed for clients to submit orders via telephone calls;
  - 4.1.5 S Channel: A channel specifically designed for clients to submit orders via the short messages system protocol (SMS);
  - 4.1.6 G Channel: A channel specifically designed for the submission of automated orders based on pre-defined calculated instructions (Algorithmic Trading);
  - 4.1.7 M Channel: A channel specifically designed for market makers to submit orders related to their obligations as Market Makers either via Registered Traders or Direct Market Access, including automated orders based on pre-defined calculated instructions (Algorithmic Trading); and
  - 4.1.8 Any other channel as prescribed by the Exchange from time to time.

- 4.2 Except for direct orders, Exchange Members must apply the two-factor authentication standard when using the channel prescribed in (4.1.2).

## 5. ORDER TYPES

### 5.1 Limit Order

- 5.1.1 The 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.
- 5.1.2 The execution price improvement mentioned in (5.1.1) of these procedures is subject to the Trading System order entry priority.
- 5.1.3 The Trading System can execute limit orders participating in all auctions at the latest Theoretical Prices. Such prices might be better than the specified limit prices of relevant orders.
- 5.1.4 The Trading System can execute limit orders during the Fourth Session at Closing Price.

### 5.2 Market Order

- 5.2.1 During the Second Session, the 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.
- 5.2.2 Market orders participate in the Theoretical Price calculations.
- 5.2.3 The market-by-price view displays market orders. Market-by-order view will not be available during the First and Third Sessions.
- 5.2.4 At the end of all auctions, unmatched parts of any market order will be converted into limit orders at the last Theoretical Price. If the Theoretical Price is not formed, the trading system will cancel any outstanding market order, .

## 6. ORDER CONDITIONS

- 6.1 Orders may bear one of the following conditions:

6.1.1 **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:

- (a) the condition is available for limit and market orders;
- (b) the condition is not available for Debt Securities; and
- (c) the condition is not available during the First and Third Sessions.

6.1.2 **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:

- (a) the condition is available for limit and market orders;
- (b) the condition is not available for Debt Instruments; and

- (c) the condition is not available during the First and Third Sessions.
- 6.1.3 **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:
  - (a) the full quantity of the Hidden Order participates in the Theoretical Prices calculations;
  - (b) the condition is available for limit orders;
  - (c) the minimum quantity of the order must be (50,000) securities; and
  - (d) the minimum disclosed portion must be (5%) of the total order quantity.

**7. ORDER VALIDITY**

- 7.1 The Trading System determines order validity according to when orders enter the system, as follows:
  - 7.1.1 **Session** means that orders are subject to full execution at the end of either the First or Third Sessions, and they should be transmitted during either the First or Third Sessions of the same day.
  - 7.1.2 **Day** means that orders are subject to full execution until the end of the Fourth Session (or the Second Session if the Fourth Session is not applicable as in the case of ETFs and Debt Instruments).
  - 7.1.3 **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.
  - 7.1.4 **Good till Date (“GTD”)** means that orders are subject to full execution until a specified expiry date. The expiry date can be set up to a maximum of (30) days from the transmission of the order.

**8. REQUIREMENTS FOR TRANSMITTING ORDERS**

- 8.1 Exchange Members must ensure that orders transmitted to the Trading System meet the following requirements:
  - 8.1.1 **Tick size:** The price of the security is a multiple of the applicable tick size according to the following table:

**Table (2):**

<b>Price Bands (except for Debt Instruments)</b>	<b>Tick Size (except for Debt Instruments)</b>
<b>Below SAR 10</b>	SAR 0.01
<b>SAR 10 to 24.98</b>	SAR 0.02
<b>SAR 25 to 49.95</b>	SAR 0.05
<b>SAR 50 to 99.90</b>	SAR 0.10
<b>At or above SAR 100</b>	SAR 0.20

## Debt Instruments

**Debt Instruments are priced in percentage terms over their par value. The applicable tick size is (0.001%).**

- 8.1.2 **Fluctuation limit:** The price of the security meets the applicable fluctuation limit as specified in Section (11) of these Procedures.
- 8.1.3 **Lot size:** The order quantity size is one security or one of its multiples.
- 8.1.4 **Ownership:** The execution of the order will not violate any regulatory restrictions and any restrictions set forth by the issuer.
- 8.1.5 Orders must follow any additional requirements published by the Exchange from time to time.

### 9. ORDER AMENDMENT, CANCELLATION, AND DEACTIVATION

#### 9.1 Order amendment:

- 9.1.1 The Trading System allows amendments to: (i) order price; (ii) total quantity; (iii) visible quantity; and (iv) duration of transmitted orders.
- 9.1.2 Amended orders must adhere to the requirements prescribed in Section (8) of these Procedures.
- 9.1.3 Amending orders, as prescribed in Section (10) of these Procedures, affects order priority in accordance with the following Table:

**Table (3):**

Amended Field	Sessions	Consequences on Priority
<b>Price</b>	The First, Second, Third and Fourth Sessions	This will lose priority
<b>Total Quantity</b>	The First, Second, Third and Fourth Sessions	- Increase will lose priority - Decrease will not lose priority
<b>Visible Quantity</b>	The First, Second, Third and Fourth Sessions	- Increase will lose priority - Refresh will lose priority - Decrease will not lose priority
<b>Duration</b>	The First, Second, Third, Fourth and Fifth Sessions	No change in priority

#### 9.2 Order Cancellation:

- 9.2.1 The Trading System allows the cancellation of outstanding orders.

- 9.3 Order Deactivation:
- 9.3.1 The Trading System allows the deactivation of outstanding orders.
  - 9.3.2 Deactivated orders cannot be executed.
  - 9.3.3 Deactivated orders will lose their assigned priority, as prescribed in Section (10) of these Procedures.
  - 9.3.4 Deactivated orders remain in the Trading System until activated by the relevant Registered Traders. Upon activation, the orders must adhere to the requirements prescribed in Section (8) of these Procedures.

**10. ORDER EXECUTION**

- 10.1 When Exchange Members transmit orders to the Trading System, the system sorts them by type (buy or sell), price, and entry time.
- 10.2 The Trading System assigns order priority based on price and time of entry to the Trading System. It gives the highest buy order prices the highest priority. Conversely, it gives the lowest sell order prices the highest priority.
- 10.3 The Trading System always gives market orders the highest priority.
- 10.4 The Trading System prioritizes orders transmitted with the same price by their time of entry into the Trading System; it executes the orders transmitted earliest first.
- 10.5 Orders transmitted during auctions will contribute to the calculation of theoretical prices during these auctions.
- 10.6 The Exchange calculates the theoretical prices as follows:
  - 10.6.1 The Trading System will assign a price at which the maximum quantity of securities might be traded.
  - 10.6.2 If the same quantity could trade at two or more prices, the Trading System will assign the price that leaves minimum residual, which is the unmatched number of securities at that price.
  - 10.6.3 If two or more prices have the same minimum residual, then the Trading System will assign the price as follows:
    - (a) the highest price if the imbalance of unmatched quantity is on the buy side only;
    - (b) the lowest price if the imbalance of unmatched quantity is on the sell side only; or
    - (c) the average price between (a) and (b) when the imbalance of the unmatched quantity is on both sides (buy and sell). The Trading System will round average price to the closest valid tick size when applicable.

**Table (4):**

The following Example is for Theoretical Price calculation (for auctions):

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 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).

- 10.7 The Exchange may, as it deems appropriate, implement the necessary amendments to the opening and closing price of the market or a specific security in the First and Third sessions.
- 10.8 During all auctions, the Exchange will disseminate each Theoretical Price together with a Theoretical Volume, meaning the quantity of securities that might be traded at that price.
- 10.9 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 Normal Trade. If no Theoretical Opening Price can be formed, the Opening Price will be the reference price as specified in paragraph (11.2) of these Procedures.
- 10.10 The last Theoretical Price of Volatility Auctions will be the newly set Static Price, provided that it is formed with orders that, when matched, result in at least one trade. If no Theoretical Price can be formed, the Static Price will be the last auction price, as specified in paragraph (11.7) of these Procedures.
- 10.11 The last Theoretical Closing Price of the Third Session will be the Closing Price, provided that it is formed with orders that, when matched, result in at least one Normal Trade. If no Theoretical Closing Price can be formed, the Closing Price will be the last traded Price of the day. If there is no last traded price of the day, the Closing Price will be the reference price as specified in (11.2) of these Procedures.
- 10.12 The Closing Price for Debt Instruments and ETFs is calculated using the last traded price.
- 10.13 The Trading System will reject orders transmitted during the matching period between the First and the Second Sessions and between the Third and the Fourth Sessions.
- 10.14 When an Exchange Member transmits a new order during the Second Session, the Trading System checks if there is an opposite order to match it with. If the order is immediately executable, the Trading System generates one or more transactions. To be immediately executable, an order must be:
  - (a) market order, with available orders on the opposite side;
  - (b) a buy limit order at a price at or above the lowest offer; or
  - (c) a sell limit order at a price at or below the highest bid.
- 10.15 The 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.

- 10.16 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 Trading System might execute the remaining portion at a later stage before its expiry.
- 10.17 The following examples concern price determination in the Second Session:
  - 10.17.1 **Scenarios with sufficient volume on the opposite side:**

**Table (5):**

The following scenario exemplifies full execution at best price level:

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

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

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

**Table (6):**

This scenario exemplifies full execution at different price levels:

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

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

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

**10.17.2 Scenarios with insufficient volume on the opposite side:**

**Table (7):**

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

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

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

**Table (8):**

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

**New order to sell (2,000) securities at SAR (82)**

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

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) shares on the sell side at SAR (82).

- 10.18 Only Normal Trades update the daily trading information: high, low, average price, opening price and the closing price. All trades (Normal and Small) update the daily information: number of trades, volume and value of trades.
- 10.19 The Exchange will calculate the right's indicative value and use the indicative price as the reference price on the first day of listing the rights. Each right entitles its holder to subscribe to a new share at the offering price; the new share's indicative price will be based on the difference between the share's current price and the offering price using the following formula:

$$\text{Tradable Right's indicative value} = \text{Share's current price} - \text{New share's offering price}$$

## 11. FLUCTUATION LIMITS

- 11.1 Subject to the requirements prescribed in Section (10) of these Procedures, the Exchange only allows order execution on listed securities (except for Debt Instruments) at a price within the applicable fluctuation limits. The Exchange sets daily fluctuation limits against the reference price and they remain valid during the trading day. The Exchange may set static fluctuation limits, these are set against the static price.
- 11.2 The reference price is the previous trading day's closing price, including any other adjustments, when applicable. Absent a previous closing price, the Trading System uses the listing price as the reference price. Static price is the last auction price or, during a volatility auction, the price that triggered the auction.
- 11.3 The Trading System sets the upper and lower daily fluctuation limits before the start of the First Session using preconfigured percentages.
- 11.4 The Trading System sets the static price for the upper and lower static limit before the start of the First Session, at the end of the First Session, at the start of a volatility auction and at the end of a volatility auction, using preconfigured percentages.
- 11.5 The Trading System sets fluctuation limits for Main Market listed securities as follows:
- (a)  $\pm 30\%$  daily limit and  $\pm 10\%$  static limit for the first three days of trading for newly listed Securities;
  - (b)  $\pm 10\%$  daily limit from the fourth day of trading the newly listed Securities onwards.
- 11.6 The Trading System sets fluctuation limits for Parallel Market listed securities as follows:
- (a)  $\pm 30\%$  daily limit and  $\pm 10\%$  static limit.
  - (b) The Trading System calculates and sets the fluctuation limit percentage for tradable rights based on the absolute price movement of shares that Exchange Members may subscribe to, using the following formula:  
*Right's issue daily fluctuation limit = Right's indicative value at closing  $\pm$  (value of the variation of share price)  $\div$  Right's closing price - 1;* and
  - (c) the minimum daily limit of the of tradable Rights is  $\pm 1\%$ .

### 11.7 Volatility Auctions

- 11.7.1 Volatility auctions are triggered intraday for 5 minutes (during the Second session), whenever an order (regardless of its size) can potentially match an opposite side order at the upper end of the static limit or lower end of the static limit ( $\pm 10\%$ ).
- 11.7.2 The order that triggers the volatility auction is not executed and moves to participate in the volatility auction (meaning, the trade does not take place).
- 11.7.3 The trigger price becomes the new static price for the Volatility Auction, where the order is entered and the order book enters into volatility auction.
- 11.7.4 At the end of the volatility auction, trades are executed at the last Theoretical Price and trading will be resumed.

- 11.7.5 If the last Theoretical Price is at the end of the current static limit price range, the volatility auction will not be triggered again.
- 11.7.6 If at the end of the volatility auction there is no Theoretical Price, the static price reverts back to the previous static price.
- 11.8 The Exchange may adjust the fluctuation limit parameters.

## **12. NEGOTIATED DEALS**

### **12.1 Introduction**

- 12.1.1 Negotiated Deals occur when both sellers and buyers determine the quantity and price of the listed securities involved in the transaction.
- 12.1.2 Negotiated Deals are calculated according to the number of Exchange traded transactions and the number and price of the traded securities.
- 12.1.3 Negotiated Deals are not included in the calculation of the last transaction price, the highest and lowest security price, the opening and closing prices, as well as the calculation of the Exchange and sectors indexes.

### **12.2 Negotiated Deal Execution Mechanism**

- 12.2.1 The transaction may be executed during the Second Session and at Closing Price in the Fourth Session. Such transactions are not permitted during all auctions.
- 12.2.2 If the buyer and seller are clients of two different Exchange Members, the following steps must be followed:
- (a) The seller's Exchange Member will transmit an order to execute the transaction to the Trading System, as determined by the Exchange.
  - (b) The seller's Exchange Member must immediately notify the Exchange, as determined by the Exchange, after placing the order mentioned in sub-paragraph (a) of this paragraph.
  - (c) The buyer's Exchange Member will receive a notification to accept the order mentioned in sub-paragraph (a) of this paragraph in the Trading System.
  - (d) The buyer's Exchange Member must immediately notify the Exchange, as determined by the Exchange, after accepting the order received as per the notification mentioned in sub-paragraph (c) of this paragraph.
- 12.2.3 If the buyer and seller are clients of the same Exchange Member, the following steps must be followed:
- (a) The Exchange Member will transmit an order to execute the transaction for the seller and buyer in the Trading System, as determined by the Exchange.
  - (b) The Exchange Member must immediately notify the Exchange, as determined by the Exchange, after submitting the order mentioned in sub-paragraph (a) of this paragraph.
- 12.3 **Negotiated Deal Execution Notification:**
- 12.3.1 Exchange Members will receive a confirmation through the Trading System upon the execution of the transaction.
- 12.3.2 The Exchange's website will display the executed transaction information.

## 12.4 Negotiated Deal Requirements:

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

- (a) the transaction value is at least one million Saudi Riyals for Securities listed on the Main Market (except for shares and REITs units) or 300 thousand Saudi Riyals for Securities listed on the Parallel Market.
- (b) the minimum transaction value for shares and REIT units listed on the Main Market is determined in accordance with the following table:

**Table (9):**

The table shows the minimum transaction value for shares and REIT units listed on the Main Market based on the Average Daily Traded value “ADTV” in the previous six months:

#	ADTV Lower End	Criteria	ADTV Upper End	Minimum transaction value
1	50,000,000	$\leq$ Average Daily Traded Value		5,000,000 SAR
2	5,000,000	$\leq$ Average Daily Traded Value $<$	50,000,000	3,000,000 SAR
3	1,000,000	$\leq$ Average Daily Traded Value $<$	5,000,000	1,000,000 SAR
4		Average Daily Traded Value $<$	1,000,000	300,000 SAR

- (c) for newly listed Securities on the Main Market, the transaction value shall be at least one million Saudi Riyals, until the completion of full six months from the date of its listing.
- (d) the transaction complies with the daily fluctuation limits of the underlying security; and
- (e) the requested transaction is real and not for the purpose of pledge, warranty, or direct or indirect restriction on the securities relevant to the transaction (the Exchange Member and its client are fully liable if proven otherwise).
- (f) the Exchange may review and update the minimum value mentioned in sub-paragraphs (b) and (c) of this paragraph on a semi-annual basis.

12.4.2 The 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 Trading and Membership Rules and the Trading and Membership procedures.