

FACTSHEET FOR POST TRADE TRANSFORMATION PROGRAM

Introduction

In line with the objectives of the Kingdom's Vision 2030 to establish a sophisticated, advanced, diverse, and technologically integrated capital market that strengthens the Group's position as a leading regional company and an attractive investment destination, the Saudi Tadawul Group launched the second phase of the Post-Trade Transformation Program. Building on the first phase of enhancements launched in 2022, this next phase aims to further expand investment opportunities, enhance access to a variety of financial instruments, and introduce new products, facilitating the participation of both local and international investors in the Saudi capital market.

How do these advancements benefit the Saudi capital market?

- Contribute to the development of new and innovative products and services.
- Diversify offerings and investment opportunities for local and foreign investors.
- Improve the Saudi capital market's infrastructure as they aim to reduce systemic risks and enhance market efficiency.
- Facilitate market stability by providing an improved governance and regulatory framework to ensure seamless and secure post-trade activities.
- Create an attractive investment environment conducive to the needs of domestic and international investors.
- Increase the attractiveness of the Saudi capital market among international investors by aligning the Saudi capital market with global best practices.



What are the enhancements?

Saudi Tadawul Group has implemented a second phase of enhancements across its subsidiaries: the Saudi Exchange, the Securities Clearing Center Company (Muqassa), and the Securities Depository Center Company (Edaa).

These enhancements aim to provide increased investment opportunities and access to a diverse range of financial instruments and products.

Saudi Exchange



The Saudi Exchange is introducing enhancements that will provide the Saudi capital market with an efficient and dynamic mechanism for market participants. They align the Exchange with best-in-class peers globally, reinforcing its position as a global market leader and attractive investment destination.

The enhancements are for the Derivatives Market and Market Making, enabling market makers and high-frequency traders to benefit from the same trading functionalities in both Cash and Derivatives Markets, enhancing liquidity and market efficiency. These changes aim to unify market services and improve transparency.

Saudi Exchange enhancements:

- Introduction of an order flagging mechanism for automated order cancellation if an Exchange Member is disconnected from trading engine.
- Introduction of, a reporting service to facilitate the monitoring of trade and order activities by Exchange Members.
- Synchronization of bid/ask quotes for Market Makers, enabling more efficient quoting activity.
- Allowing members to use their order management system to place and accept bilateral trades.

Muqassa



Muqassa is introducing post-trade enhancements, aligning with global central counterparty clearing house (CCP) best practices. The changes aim to improve operational efficiency, reduce costs and increase transparency while trading on the Saudi Exchange.

These enhancements streamline the reconciliation process and enable real-time trade reconciliation with custodians. Enhancements in trading limits for derivatives and covered call margining increase efficiency for market members, ensuring robust and secure handling of post-trade activities, with this development, the market will connect to a single clearing engine that supports multiple asset classes—including equities, bonds, and derivatives—an achievement offered by only a few markets worldwide.

Muqassa enhancements:

- Enhancements to the Financial Information exchange Markup Language (FIXML) feature available to Muqassa members.
- Updated minimum margin requirements that will help reduce costs due to increased efficiency.
- Implementation of short sell rectification.
- Upgrades to the trading limit, strengthening pre-trade risk management.
- Migration to multi-asset clearing engine:
 - This technological advancement brings about a unified platform where all markets (Cash, Fixed Income, Over the Counter "OTC" and Derivatives) transactions are cleared through Muqassa. This not only increases operational efficiency for members but also ensures robust and secure handling of post-trade activities.
 - For options, such as a covered call, members can also deposit non-cash collateral to cover their margins, serving as an effective risk management tool.

Edaa



Edaa has upgraded its post-trade infrastructure, bolstering market efficiency and stability through improved governance, creating a seamless and secure post-trade environment that attracts both domestic and international investors by aligning with global best practices.

Key enhancements include support for the new ISO 20022 messaging standard, expanded functionality for Transfer of Title Pledge, and enhanced reporting capabilities. These improvements, aligned with international standards, elevate the experience for capital market institutions, custodians, settlement agents, and investors.

Edaa enhancements:

Upgrading to messaging protocols and reporting processes to further develop its advanced post-trade infrastructure.