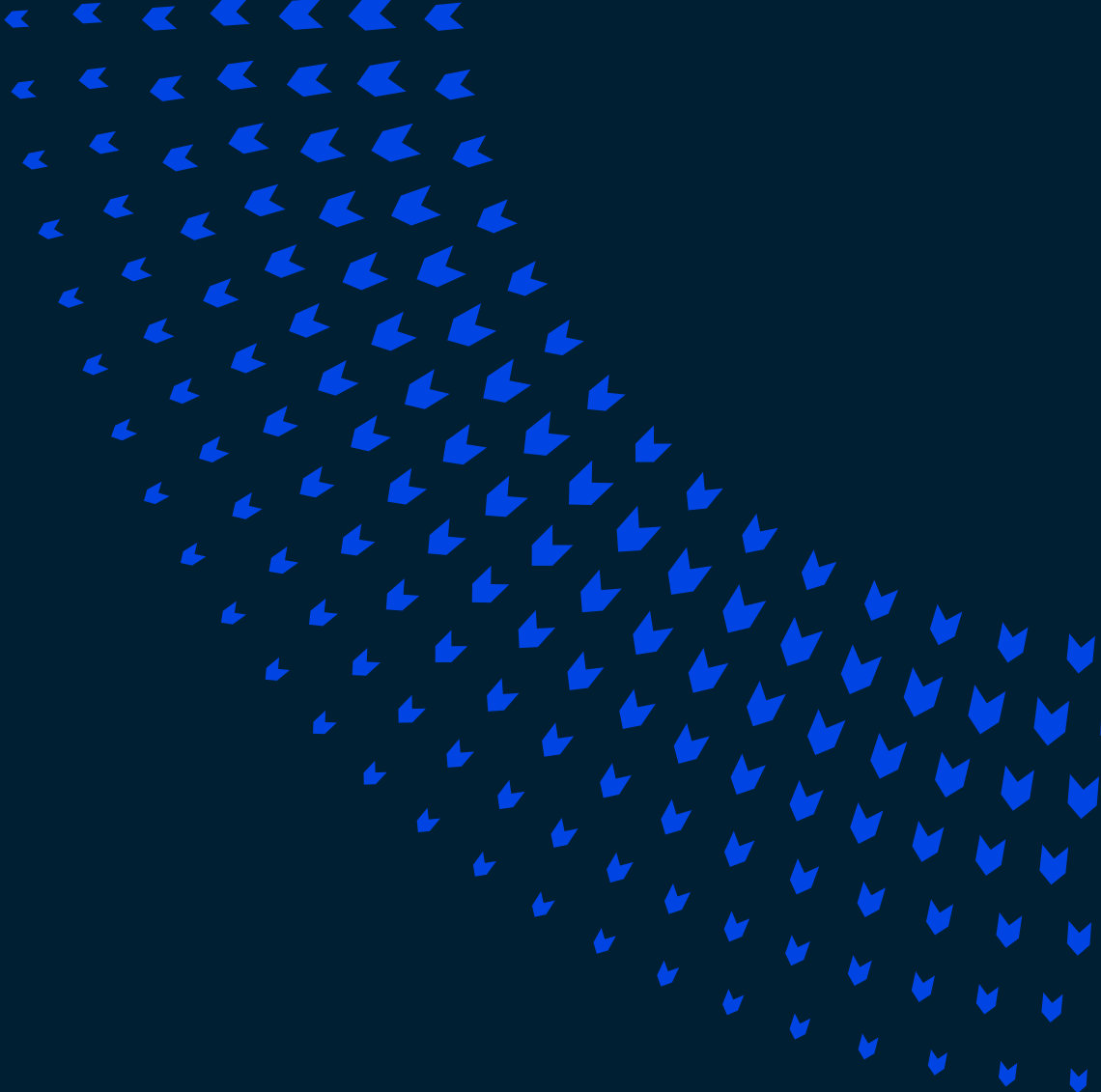


# Saudi Tadawul Group Launches a Bundle of Enhancements to Develop Post Trade Infrastructure

Saudi Tadawul Group and three of its subsidiaries, Saudi Exchange, the dedicated stock exchange, Muqassa, the securities clearing house and Edaa the Securities depository center introduce several new post trade infrastructure enhancements to deliver best-in-class services and financial instruments to local and international investors creating an attractive investment environment for all market participants.

## Muqassa Enhancements

| Enhancements   | Benefits  | Additional information  |
|--|---|---|
| <b>Extension of clearing services to cover all securities traded on the Saudi Exchange</b>   | <ul style="list-style-type: none"> <li>Clearing is a post-trade activity that includes determining the obligations of each party prior to settling trades in the market, which in turn reduces the risk of counterparty default.</li> <li>Following best international practice, Muqassa is extending clearing services to cover equities, sukuk and bonds and traded funds markets to adopt a more comprehensive risk framework and facilitate the introduction of new products and services for clearing members. New post-trade services include rectifying trade before settlement, average price trades or split price trade and other enhancements and services.</li> <li>The changes performed by Muqassa will not affect the trading cycle for investors.</li> <li>Muqassa acts as a legal counterparty to each participant, providing a guarantee to honor the terms of the original transaction, even if one of the parties defaults before the fulfillment of their obligation.</li> </ul> | <ul style="list-style-type: none"> <li>Muqassa extends its clearing services to cover all securities traded complementing the exchange traded Derivatives clearing services launched in 2020.</li> <li>The Clearing services will facilitate the introduction of new products and services to the market and ultimately increasing the market's attractiveness to local and foreign investors.</li> <li>The introduction of clearing services will further align the Saudi capital market with international securities clearing standards, as they aim to foster financial stability and integrity.</li> <li>Muqassa will enhance liquidity on the Saudi capital market and facilitate the introduction of new products and services, increasing the market's attractiveness to all types of investors.</li> </ul>   |
| <b>Enabling Capital Market Institutions (CMI) and banks to benefit from an enhanced degree of clearing service offering Muqassa membership</b> | <ul style="list-style-type: none"> <li>Capital Market Institutions (CMI) &amp; banks will benefit from an enhanced degree of clearing service offering, enabling them to select the model that best fits their business alongside enhanced services provided by Muqassa.</li> <li>All Exchange members must either become direct clearing members or non-clearing members.</li> <li>Banks can participate in cash market clearing by becoming a general clearing member, and non-clearing members must appoint a general clearing member to trade in the market.</li> </ul>   | <ul style="list-style-type: none"> <li>An applicant wishing to apply for a General Clearing Membership must meet the minimum capital requirements: <ul style="list-style-type: none"> <li>From 1 to 3 Non-Clearing Members, the Minimum Capital Requirement is 100,000,000 Saudi Riyals</li> <li>From 4 to 7 Non-Clearing Members, the Minimum Capital Requirement is 200,000,000 Saudi Riyals</li> <li>Above 7 Non-Clearing Members, the Minimum Capital Requirement is 300,000,000 Saudi Riyals Subject to Clearing House's approval</li> </ul> </li> <li>Clearing Member can request the Clearing House to open the standard account structure as a part of the membership application process or any additional account outside of the standard account structure in specific cases.</li> <li>Clearing Member is solely responsible for validation and consistency of the Identification Number provided to the Clearing House.</li> </ul>  |
| <b>Extended post-trade services</b>  | <ul style="list-style-type: none"> <li>Capital Market Institutions now have access to extended post-trade services including the ability to rectify trade, average price trades or split price trade.</li> <li>Muqassa facilitates multilateral netting for its members, which reduces the number of settlements in the market; providing major operational benefits for the market and participants.</li> </ul>  | <ul style="list-style-type: none"> <li>Split trade can be used for splitting the quantity of one trade into multiple trades. The quantity and corresponding settlement amount of the original trade is split proportionally by specifying the following attributes for each resulting trade: trading Account, End-Client, quantity.</li> <li>Average price trade can be used to combine a group of trades into one trade. The quantity of the resulting trade is the sum of the quantities of the group of trades. The settlement amount of the resulting trade is the sum of the settlement amounts of the group of trades. The price of the resulting trade is the volume-weighted average price of the group of trades. To average price a group of trades, the group of trades must share the same attributes: trading account, end-client, security, order type (buy/sell), transaction date, settlement date.</li> <li>Rectifying trade will enable Market Institutions to correct potential mistakes made during their order entry, under certain conditions.</li> </ul> |
| <b>Adoption of a comprehensive risk management framework</b>   | <ul style="list-style-type: none"> <li>Clearing members are obliged to provide collateral against their margin and default fund requirements.</li> <li>Muqassa's credit risk assessment framework will be used to assess, quantify and monitor the level of credit risk that each counter party is exposed to.</li> <li>Through its risk management mechanisms, Muqassa will be able to guarantee settlement between its members and the obligations fulfillment of each party prior to settlement</li> </ul>   | <ul style="list-style-type: none"> <li>Muqassa has a low-risk appetite for financial, liquidity, operational, market and credit concentration risk.</li> <li>Muqassa's risk management policy, procedures, systems and controls have been developed to meet both CPMI-IOSCO's Principles for Financial Market Infrastructures (PFMIs) and international best practices.</li> <li>Muqassa conducts daily stress testing to ensure that its financial resources are sufficient to cover risk exposures under extreme but plausible market conditions.</li> </ul>  |



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