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مقاصة
Muqassa

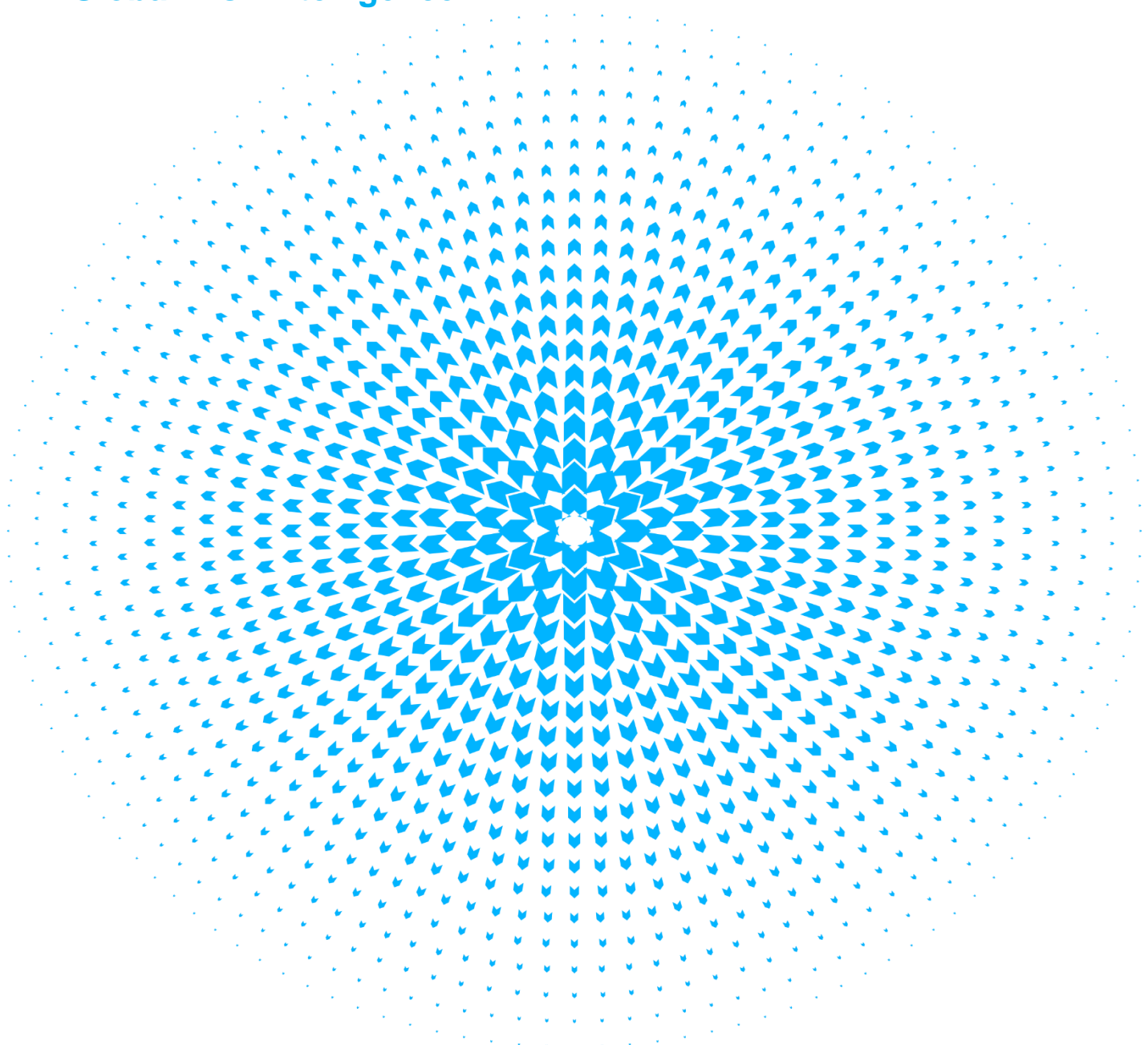
Muqassa

CPMI-IOSCO PFMI Self- Assessment

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Global Risk Intelligence



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Executive Summary

Overall	Observed
Principle 1 - Legal Basis	Observed
Principle 2 - Governance	Observed
Principle 3 - Framework for the comprehensive management of risks	Observed
Principle 4 - Credit Risk	Observed
Principle 5 - Collateral	Observed
Principle 6 - Margin	Observed
Principle 7 - Liquidity Risk	Observed
Principle 8 - Settlement Finality	Observed
Principle 9 - Money Settlement	Observed
Principle 10 - Physical Deliveries	Not applicable
Principle 11 - Central Securities Depositories	Not applicable
Principle 12 - Exchange-of-value Settlement System	Not applicable
Principle 13 - Participant-default rules and procedures	Observed
Principle 14 - Segregation and Portability	Observed
Principle 15 - General Business Risk	Observed
Principle 16 - Custody and Investment Risks	Observed
Principle 17 - Operational Risk	Observed
Principle 18 - Access and Participation Requirements	Observed
Principle 19 - Tiered Participation Arrangements	Not applicable
Principle 20 - FMI Links	Not applicable
Principle 21 - Efficiency and Effectiveness	Observed
Principle 22 - Communication Procedures and Standards	Observed
Principle 23 - Disclosure of Rules, Key Procedures and Market Data	Observed
Principle 24 - Disclosure of Market Data by Trade Repositories	Not applicable

About the rating scale

CPMI-IOSCO has defined five categories concerning the degree of assessment of each Principle/Key Consideration. These are defined in Disclosure Framework and Assessment methodology published in December 2012.

<http://www.bis.org/cpmi/publ/d106.htm>.

Thomas Murray uses its experience and expertise in rating CSDs and CCPs to assess FMIs in the context of the Principles drafted by CPMI-IOSCO. Against this background, Thomas Murray has set specific ranges for each degree of observance. These are disclosed next to each definition below.

The categories of assessment defined by CPMI-IOSCO are:

Observed: The FMI observes the principle. Any identified gaps and shortcomings are not issues of concern and are minor, manageable, and of a nature that the FMI could consider taking up in the normal course of its business. (TM score range: greater than 8).

Broadly Observed: The FMI broadly observes the principle. One or more issues of concern have been identified that the FMI is encouraged to address and follow up to better manage risks or improve operations. The FMI should pursue such improvements in a defined timeline. (TM score range: greater than 5 and less or equal to 8).

Partly Observed: The FMI partly observes the principle. The assessment has identified one or more issues of concern that could become serious if not addressed in a timely manner. The FMI should accord a high priority to address these issues. (TM score range: greater than 3 and less or equal to 5).

Not Observed: The FMI does not observe the principle. The assessment has identified one or more serious issues of concern that warrant immediate action. Therefore, the FMI must accord the highest priority to address these issues in a timely manner. (TM score range: less or equal than 3).

Not Applicable: The principle does not pertain to the type of FMI being assessed because of the particular legal, institutional, structural, or other characteristics of the FMI.

The criteria described above will also apply to each Key Consideration.

About this assessment exercise

Muqassa commissioned Thomas Murray to assist in the CPMI-IOSCO self-assessment of the Principles for Financial Market Infrastructures (PFMIs) as part of the Kingdom of Saudi Arabia's efforts to comply with mandates set by G-20 authorities. Thomas Murray, as an independent capital markets expert, conducted an analysis of Muqassa's practices and arrangements in the context of the assessment methodology defined by CPMI-IOSCO.

The approach taken by Thomas Murray is based on its well-established methodology designed to assess FMI risk in the context of best global practices. The Thomas Murray methodology has been employed to assess CCPs and CSDs worldwide for the last 25 years.

Muqassa's assessment consisted of three stages: data collection, due diligence visits and remote analysis. During the first stage Muqassa delivered to Thomas Murray several documents covering the full extent of Muqassa's operations, governance, and finances. These also included copies of the legal framework governing Muqassa's operations and any other supporting material needed for the assessment.

Classification: Public

The data was analysed, and a preliminary report was generated prior to conducting the due diligence in November 2025. During the due diligence, Thomas Murray held discussions with all of Muqassa's departments, market participants, and the regulator. The third stage consisted of analysis of the data collected in the first two parts of the assessment. The findings from this process are documented in this paper.

The document follows the structure of the PFMI as published by CPMI-IOSCO. Accordingly, there is a section for each Principle. Each section contains a summary of the Principle, which is a high-level description of Muqassa's arrangements in the context of the topic addressed in that Principle. In addition, there is an indication of the degree of observance of the Principle.

In the chart, "observed" items appear as green, "broadly observed" appear as yellow, "partly observed" appear as orange, and "not observed" appear as red. Any item that is "not applicable" is not displayed at all in the chart.

About Muqassa

Saudi Tadawul Group ('the Group' or 'STG') was established in March 2021 as a Holding Company and became a listed company on Dec 2021 with a portfolio of four subsidiaries: Saudi Exchange, a dedicated stock exchange business (previously known as the Saudi Stock Exchange Company (Tadawul), the Securities Clearing Centre Company (Muqassa), the Securities Depository Centre Company (Edda) and Tadawul Advanced Solutions Company (WAMID).

The Securities Clearing Centre Company "Muqassa" was established in 2018 as a closed joint stock company fully owned by the Group. The establishment and operation of Muqassa is one of the key initiatives in the Financial Sector Development Program 2020 (FSDP). In addition, it is an important component in the future market infrastructure to enhance market efficiency and has been a required step for the Saudi market expansion to new products and services such as derivatives.

Muqassa began operations in the second half of 2020 and has developed infrastructure, rules, processes and procedures that are in accordance with international best practices and standards. Muqassa began operations clearing Stock Index Futures on the MT30 index and then Single-Stock Futures and will eventually clear a variety of derivative instruments. In April 2022, Muqassa launched central counterparty clearing services for all securities traded on the Saudi Exchange & REPO. As one of the top 20 exchanges in the world by market capitalisation and its inclusion into the major indices (MSCI, FTSE and S&P), Saudi Exchange's aim has been to provide additional risk management techniques to remove systemic risks from the Saudi Capital Market as part of the Financial Sector Development Program.

Muqassa has regularly performed assessments of CPMI-IOSCO compliance. An initial report was commissioned from independent consultants in 2019 during the development stage of the project, which was updated in May 2021 following go-live of the index futures market. In 2023, Muqassa commissioned Thomas Murray to update the report to reflect changes in Muqassa procedures and operations resulting from the commencement of cash market & REPO clearing. After performing a self-assessment in 2024, Muqassa commissioned Thomas Murray to update the report in 2025 to capture changes to methodologies and procedures and ahead of the launch of several new post-trade enhancements, including repo with prenovation, swaps clearing, securities borrowing and lending, among others. These updates comply with CPMI-IOSCO recommendations for updating the assessment either every two years or where material changes have occurred to operations or risks within the entity.

The audience for this report will again primarily be Muqassa’s Board, Management and its Operational Functions; however, its findings will be shared with Saudi Tadawul Group’s Senior Management and the Capital Markets Regulator, CMA, where required and published on the Muqassa website.

Changes to Muqassa since previous assessment

Since the previous self-assessment in 2024, Muqassa has started accepting non-SAR cash collateral, and has adapted its methodologies and procedures to include provisions for the clearing of swaps.

Assessment

Principle 1: Legal

Observed

An FMI should have a well-founded, clear, transparent, and enforceable legal basis for each material aspect of its activities in all relevant jurisdictions.

Principle Summary

The Capital Market Law regulates the capital markets in the Kingdom of Saudi Arabia. Articles 4, 5 and 6 of the Capital Market Law define the establishment, responsibilities and powers of the Capital Market Authority (CMA). The CMA’s Implementing Regulations include the Securities Central Counterparties Regulations, 2019, which specify the provisions related to the licensing of the Clearing Centre and the requirements for licensing and maintaining such license across all markets. The CMA’s oversight framework and approach are defined in the Oversight of the Capital Market Infrastructure Institutions. Further, the Securities Exchanges and Depository Centers Regulations 2022, cover linkages between the Exchange or Depository Center and a Central Counterparty (CCP). Certain key concepts have been identified and defined in the Capital Market Law, Implementing Regulations and the Muqassa Rulebook (Securities Clearing Centre Rules) including finality, collateral arrangements, default procedures, clearing and netting.

As per the provisions of Article 23 of the Capital Market Law, Muqassa is required to put in place the required rules and regulations for its operations, and any amendments undergo a market consultation and require CMA approval.

The relevant laws, regulations, and resolutions for its activities are available on Muqassa’s website. Furthermore, Muqassa advises participants of any change to the pertinent regulation and procedures via market engagements and electronic means.

Principle 2: Governance

Observed

An FMI should have governance arrangements that are clear and transparent, promote the safety and efficiency of the FMI, and support the stability of the broader financial system, other relevant public interest considerations, and the objectives of relevant stakeholders.

Principle Summary

Muqassa maintains governance arrangements which are clear and transparent, and prioritise safety, efficiency, stability, and public interest considerations.

Muqassa's Articles of Association (AoA) and By-laws govern areas such as Muqassa's objectives, governance arrangements for the Board of Directors and Audit Committee, audit details and the liquidation of Muqassa. The STG By-Laws reference the management of its subsidiaries and the provision of any necessary support, including financial support.

Article 15 of the Securities Central Counterparties Regulations requires Muqassa to maintain documented governance arrangements. This includes the composition of the Board and its committees and their responsibilities, the structure of Management, reporting lines, and policies and procedures. The governance arrangements are required to be disclosed to the clearing members and the public. Furthermore, it defines the minimum number of committees that need to be established. Muqassa operates the following dedicated Board committees: Audit Committee, Compliance Committee, Risk Management Committee, Information Technology Committee and the Regulatory Policy and Oversight Committee. The established committees are responsible for overseeing the governance framework and each of the committees mentioned have their own charter which outlines their roles and responsibilities. In addition, the Nomination and Remuneration Committee and Investment Committee are centralised at the Group level, resulting in a total of seven committees.

Muqassa's Board of Directors Charter is approved by the CMA and amongst others, details the composition, responsibilities and authorities of the Muqassa Board, as well as the duties and responsibilities of the Board Member.

At a Group level, Strategy 3.0 was published in June 2023, which states STG's mission of becoming a global financial hub. The Strategy states 7 key objectives, from which key objectives 4 and 5 are related to Muqassa. The Strategy is reviewed annually at a Group level.

STG maintains a Code of Conduct which governs conflicts of interest. In addition, Article 1 of the Board Charter maintains provisions for conflicts of interest.

Principle 3: Framework for the Comprehensive Management of Risks

Observed

An FMI should have a sound risk-management framework for comprehensively managing legal, credit, liquidity, operational, and other risks.

Principle Summary

Risks are identified at STG and Muqassa level. Muqassa has a Risk Management Committee, a designated risk department headed by the Chief of Risk Management. Muqassa has its own Enterprise Risk Management (ERM) framework, risk policy and KRIs. Business Continuity Plan (BCP) and cybersecurity is a shared service and undertaken by STG. A service line agreement (SLA) for shared services is in place between STG and Muqassa.

The ERM Policy framework contains clearly defined processes for the identification, measurement, monitoring and management of risks, and a clear structure for updating and reviewing the framework, policies, and accompanying controls. Muqassa reviews its ERM framework on an annual basis with its latest review in Q3 2025.

Seven key risk categories have been identified within the risk management framework, these being, Operational Risks, Technology Risks, Financial Risks, Business Environment Risk, Information Security Risks, Business Continuity Risks, and Corporate Risks.

Furthermore, Muqassa employs a three-line defence approach to identify and manage risks to provide a clear governance framework for risk management. The Board oversees and validates the effectiveness of all risk management measures. The first line of defence is the business and operational units who own and directly manage risks and controls on a day-to-day basis. The second line is represented by the Risk department, which supports the first line by providing expertise, monitoring, and guidance on risk control practices. The third line is the internal audit function, which delivers independent and objective assurance that the risk management system is adequate and operating effectively.

Muqassa monitors identified risks using KRIs, which are established in accordance with pre-determined risk appetites. The ongoing monitoring of risk and control performance is monitored manually. In addition, it has identified various scenarios that could prevent it from being able to provide services as a going concern, as part of a detailed recovery plan that is reviewed annually by the Board.

Principle 4: Credit Risk

Observed

An FMI should effectively measure, monitor, and manage its credit exposure to participants and those arising from its payment, clearing, and settlement processes. An FMI should maintain sufficient financial resources to cover its credit exposure to each participant fully with a high degree of confidence. In addition, a CCP that is involved in activities with a more-complex risk profile or that is systemically important in multiple jurisdictions should maintain additional financial resources sufficient to cover a wide range of potential stress scenarios that should include, but not be limited to, the default of the two largest participants and their affiliates that would potentially cause the largest aggregate credit exposures to the CCP in extreme but plausible market conditions. All other CCPs should maintain, at a minimum, total financial resources sufficient to cover the default of the one participant and its affiliates that would potentially cause the largest aggregate credit exposures to the CCP in extreme but plausible market conditions.

Principle Summary

Muqassa maintains a well-documented range of policies, methodologies and procedures designed to effectively identify, calculate, validate, and manage credit exposures faced by the CCP for its derivatives, cash and repo clearing services, as well as the financial resources to cover these exposures. Credit risk is ultimately managed by the Board and enacted by the Risk Management department through use of the Credit Risk Assessment Framework (CRAF).

As CCP for the cash, fixed income, repo and derivatives markets, Muqassa's main exposure is to its General and Direct Clearing members. Capital and other membership requirements control the quality of members on entry and on a continuous basis via quarterly monitoring. Sufficient financial resources are maintained by Muqassa to cover at least the two largest clearing members that would potentially cause the largest loss in extreme but plausible market conditions. All of the financial resources are pre-funded, with around 99% in cash and the remainder accessible on a T+2 basis (sukuk). Stress testing is conducted on a daily basis to examine the sufficiency of the financial resources, with reverse testing monthly. The tests are based mainly on one historical and one hypothetical scenario.

Principle 5: Collateral

Observed

An FMI that requires collateral to manage its or its participants' credit exposure should accept collateral with low credit, liquidity, and market risks. An FMI should also set and enforce appropriately conservative haircuts and concentration limits.

Principle Summary

Muqassa has a clearly documented policy for collateral eligibility, management, and valuation, and has documented procedures on handling deposited collateral. In addition, Muqassa's clearing rules include provisions for the reuse of collateral. Muqassa's policy is compliant with the regulatory requirements as set out by the Capital Market Authority (CMA). CMA's regulations closely follow the PFMI's thus ensuring close alignment with the principle.

Muqassa accepts only cash in SAR as collateral for the clearing of derivatives contracts, while it accepts both cash (in SAR and non-SAR) and non-cash collateral (only in SAR) for cash market and repo clearing activities. Default fund contributions are strictly made in cash in SAR. By way of regulation, Muqassa must ensure that it only accepts non-cash collateral that has a low risk profile and the CCP has opted for Saudi government bonds of varying maturities, with most eligible securities being of short-to-medium term maturity. The non-cash collateral is subject to strict concentration limits and haircuts that are adjusted and tested regularly.

Principle 6: Margin

Observed

A CCP should cover its credit exposures to its participants for all products through an effective margin system that is risk-based and regularly reviewed.

Principle Summary

An effective margining system is a key risk-management tool for a CCP to manage the credit exposures posed by its participants' open positions. Muqassa uses a margin methodology provided by Nasdaq, which is compatible with the internationally recognised and widely used SPAN methodology. Muqassa calculates and collects initial and variation margin and issues frequent margin calls during the day and at a minimum at the end of the clearing day. The CCP establishes margin levels by considering the risks and attributes of the cleared products, price volatility and correlation, as well as lack of historical data. The parameters used in the initial margin model are conservative and the CCP offers offsets for closely correlated and with an offset floor that is in line with international practices. Muqassa uses anti-procyclicality buffers integrally in its margin model. The CCP runs daily back tests and monthly sensitivity analysis across various scenarios. Muqassa has a separate, documented Model Validation Policy that is approved by the Board and reviewed frequently.

Principle 7: Liquidity Risk

Observed

An FMI should effectively measure, monitor, and manage its liquidity risk. An FMI should maintain sufficient liquid resources in all relevant currencies to effect same-day and, where appropriate, intraday and multiday settlement of payment obligations with a high degree of confidence under a wide range of potential stress scenarios that should include, but not be limited to, the default of the participant and its affiliates that would generate the largest aggregate liquidity obligation for the FMI in extreme but plausible market conditions.

Principle Summary

Muqassa has an appropriately sharp focus on liquidity, which is a primary area of concern for a CCP managing derivatives exposure or even in a cash securities environment with a short, deferred settlement period. There is a well-defined and documented liquidity management framework (Liquidity Policy and Liquidity Methodology) which outlines the appropriate powers, responsibilities and controls to ensure Muqassa maintains sufficient liquidity resources to settle its payment obligations in a timely manner. The Risk Management Division provides a quarterly Liquidity Plan report.

The main liquidity risk identified would be from the timely close-out of a defaulting clearing member's portfolio. As a matter of prudence, Muqassa's margin and default fund resources in the waterfall are kept as cash on deposit with SAMA. Currently, the liquidity risk is entirely in SAR. However, the framework permits SAR, USD, EUR and convertible currencies deposited at a local bank, as eligible liquidity resource currencies in the Cash market. Liquidity resources are designed to cover the default of the two largest clearing members and their affiliates. The resources are tested from a liquidity perspective as part of the daily stress testing exercises and evidence has been provided to confirm their sufficiency.

As part of a vertical silo, Muqassa has good information on trading conditions just upstream from the clearing process and has insight into members cash positions with an alert system should there be issues with a member's funding position.

Principle 8: Settlement Finality

Observed

An FMI should provide clear and certain final settlement, at a minimum by the end of the value date. Where necessary or preferable, an FMI should provide final settlement intraday or in real time.

Principle Summary

Settlement Finality is defined in Muqassa's Securities Clearing Centre Rules Article 38 as well as in the CMA's Securities Central Counterparties Regulations Article 46. An instruction to transfer money or securities is irrevocable once it is recorded in the Muqassa system.

Principle 9: Money Settlement

Observed

An FMI should conduct its money settlements in central bank money where practical and available. If central bank money is not used, an FMI should minimise and strictly control the credit and liquidity risk arising from the use of commercial bank money.

Principle Summary

This principle describes the risk related to money settlement, i.e. when participants settle their payment obligations for various purposes. Money settlement can be conducted via central bank or commercial bank money, but Muqassa utilises exclusively the central bank money settlement at SAMA. This is considered as the safest method to settle cash

as opposed to using commercial banks who bear credit and liquidity risks and is also known as best practice. The use of commercial bank money settlement can be detrimental to a CCP as it would need to introduce more controls and monitoring to minimise against the commercial bank's liquidity or capital issues. Muqassa holds payment accounts directly with SAMA for all money settlements, so has no exposure to commercial banks, either from a credit or liquidity perspective.

Principle 10: Physical Securities

N/A

An FMI should clearly state its obligations with respect to the delivery of physical instruments or commodities and should identify, monitor, and manage the risks associated with such physical deliveries.

This principle does not apply to Muqassa as all securities are in dematerialised form in the Saudi market, and Muqassa does not clear derivatives contracts requiring fully physical delivery (e.g. physical commodities warehousing).

Principle 11: Central Securities Depositories

N/A

A CSD should have appropriate rules and procedures to help ensure the integrity of securities issues and minimise and manage the risks associated with the safekeeping and transfer of securities. A CSD should maintain securities in an immobilised or dematerialised form for their transfer by book entry

This principle does not apply to Muqassa.

Principle 12: Exchange-of-value Settlement System

N/A

If an FMI settles transactions that involve the settlement of two linked obligations (for example, securities or foreign exchange transactions), it should eliminate principal risk by conditioning the final settlement of one obligation upon the final settlement of the other.

This principle does not apply to Muqassa.

Principle 13: Participant-default Rules and Procedures

Observed

An FMI should have effective and clearly defined rules and procedures to manage a participant default. These rules and procedures should be designed to ensure that the FMI can take timely action to contain losses and liquidity pressures and continue to meet its obligations.

Principle Summary

Default management is a critical component of a CCP's responsibilities, given the mutualised nature of loss sharing and the potential for a clearing member default to impact both other participants and the CCP itself. Consequently, default management arrangements must support the timely containment of losses, the orderly management and close-out of a defaulting member's positions, and enable the CCP to continue meeting its ongoing obligations.

Muqassa's default management framework is underpinned by clearly defined governance arrangements, documented rules and procedures, appropriate public disclosures, and regular testing involving clearing members, consistent with the PFMI's expectations for default preparedness, operational effectiveness, and transparency. Decision-making authority is clearly allocated to the Default Management Committee (DMC), whose mandate, authority, and scope of decision-making are formally established within Muqassa's rules, policies, and procedures. The DMC is authorised to take decisions in a default scenario, including determinations regarding the use of default management tools for the timely liquidation of a defaulting participant's proprietary portfolio and client assets. Muqassa's rules further define the order and use of financial resources within the default waterfall to cover losses arising from a participant default. Default management arrangements are reinforced through regular industry-wide

Classification: Public

and Muqassa-led fire drill exercises, which support the ongoing testing of Muqassa's operational preparedness, and facilitate structured participant engagement and feedback.

Principle 14: Segregation and Portability

Observed

A CCP should have rules and procedures that enable the segregation and portability of positions of a participant's customers and the collateral provided to the CCP with respect to those positions.

Principle Summary

Segregation is a key concept that requires cash, securities and any other assets belonging to clearing members, their participants or third-party claimants be held in a legally distinct, ring-fenced arrangement that is separate from the CCP's own books. This segregation mitigates asset safety risk exposure and prevents a knock-on effect to other members in the case of a default. This allows for clear ownership and audit trails for assets and limits credit-risk for non-defaulting members, as a CCP maintains accounts for positions and collateral purposes. Furthermore, a CCP should have portability arrangements in place to allow the transfer of assets from one clearing member to another to reduce systemic risk and improve market resilience.

Muqassa clearly defines portability in its Securities Clearing Rules in Article 68, where Muqassa allows individual segregation as well as omnibus accounts but mandates that clearing member assets must always be segregated from clients'. This would allow Muqassa to readily identify client's positions and collateral, a key factor in porting positions to another clearing member in an accurate and timely fashion. The Default Management Committee (DMC) is charged with overseeing the process and can elect to close out the positions if porting is unsuccessful or significantly delayed.

Principle 15: General Business Risks

Observed

An FMI should identify, monitor, and manage its general business risk and hold sufficient liquid net assets funded by equity to cover potential general business losses so that it can continue operations and services as a going

concern if those losses materialise. Further, liquid net assets should at all times be sufficient to ensure a recovery or orderly wind-down of critical operations and services.

Principle Summary

General business risks are a critical consideration for an FMI, as they may directly affect the financial viability of the entity and its ability to continue providing critical services without disrupting the wider market.

Muqassa manages general business risks through an enterprise-wide risk management framework that supports the systematic identification, assessment, and ongoing monitoring of risks. As part of this framework, Key Risk Indicators (KRIs) are used to provide early warning of emerging pressures on Muqassa's financial position and operating environment, supporting defined and timely escalation and management action where risk thresholds may be approached. Muqassa also maintains a Recovery Plan which is designed to support the continuity of critical operations, protect the interests of market participants, and minimise systemic disruption to the wider Saudi market.

Principle 16: Custody and Investment Risks

Observed

An FMI should safeguard its own and its participants' assets and minimise the risk of loss on and delay in access to these assets. An FMI's investments should be in instruments with minimal credit, market, and liquidity risks.

Principle Summary

Muqassa's investment strategy is clearly documented within the Risk Resources Investment Policy, which defines the principles, eligible instruments, counterparty criteria, and concentration limits governing the investment of both the CCP's own resources and clearing members' collateral. In accordance with the Investment Policy, investments can be held only with SAMA-governed entities or highly rated banks. Investments are limited to time deposits and money market funds, consistent with Muqassa's low risk appetite and, based on their contractual terms and short maturity periods, would allow for their timely access when required.

Principle 17: Operational Risk

 Observed

An FMI should identify the plausible sources of operational risk, both internal and external, and mitigate their impact through the use of appropriate systems, policies, procedures, and controls. Systems should be designed to ensure a high degree of security and operational reliability and should have adequate, scalable capacity. Business continuity management should aim for timely recovery of operations and fulfilment of the FMI's obligations, including in the event of a wide-scale or major disruption.

Principle Summary

Muqassa has put in place an extensive operational risk framework that addresses threats from both internal processes and external events. The firm relies on robust systems, detailed procedures, clear policies and strong controls to identify, assess and mitigate these risks. This approach ensures resilient and secure operations across the organisation. Operational risk is identified as a crucial aspect and is defined in a comprehensive way. Muqassa's operational risk management strategy uses a 'three lines of defence' model for risk identification, five-point risk control effectiveness scoring system, and a 25-point risk scoring methodology for evaluation.

Muqassa ensures operational procedures are meticulously documented, reviewed, and updated, further bolstering risk management. The company also has a dedicated Internal Audit Division (IAD) that reports directly to the Board of Directors, conducting rigorous audits based on a rolling three-year audit strategy. This strategy encompasses all departments and their risk self-assessments, ensuring comprehensive risk evaluation. In terms of external audits, Muqassa follows a coordinated approach aligned with the company's internal audit function.

Muqassa safeguards its IT infrastructure through a comprehensive blend of physical and information security controls with two geographically separated, fully active data centres that deliver continuous, redundant service, and rigorously enforced security policies covering access management, network segmentation, encryption, and real-time monitoring. Complementing this foundation is a meticulous Business Continuity Plan (BCP) and Disaster Recovery (DR) strategy, both continuously updated and validated by automated failover tests and realistic scenario simulations that stress test the firm's ability to maintain critical operations even under extreme disruptions.

Muqassa has a systematic approach to identifying and managing risks posed by key participants, other FMIs, and service providers, captured in a dedicated risk register. The use of Key Risk Indicators (KRIs) allows Muqassa to monitor its risk landscape continually and respond proactively to emerging threats.

An annual assessment of each member is complemented by continuous due-diligence on all linked FMIs, which keeps Muqassa's risk management process current and highly responsive. On the financial side, the firm monitors participants' liquidity and exposure levels daily, enabling rapid detection and mitigation of financial risk. Cybersecurity receives equal focus, with stringent, uniformly applied controls imposed on every affiliated entity.

Overall, Muqassa's approach to operational risk management is comprehensive and robust, leveraging advanced techniques and best practices to ensure consistent operational reliability and compliance across its operations.

Principle 18: Access & Participation Requirements

 Observed

An FMI should have governance arrangements that are clear and transparent, promote the safety and efficiency of the FMI, and support the stability of the broader financial system, other relevant public interest considerations, and the objectives of relevant stakeholders.

Principle Summary

This principle relates to the criteria established for clearing members to use the CCP's services and whether they are fair and allow for open access. The criteria should typically be risk-based and monitored continuously. In line with most CCPs, Muqassa has direct participants and indirect ones. General Clearing Members (GCMs) and Direct Clearing Members (DCMs) have a direct access to the CCP whereas Non-Clearing Members (NCMs) use a GCM to clear their trades.

In this regard, Muqassa has adequate membership requirements as it requires clearing members to hold a SAMA and/or CMA license; banks must also obtain a non-objection letter from SAMA. Members must have sufficient financial resources, including a minimum capital of SAR 50 million for DCMs, and Muqassa may demand extra capital for larger GCMs. At present the membership pool consists of 9 GCMs, 10 DCMs and 23 NCMs.

Principle 19: Tiered Participation

 N/A

An FMI should identify, monitor, and manage the material risks to the FMI arising from tiered participation arrangements.

This principle does not apply to Muqassa.

Principle 20: FMI Links

N/A

An FMI that establishes a link with one or more FMIs should identify, monitor, and manage link-related risks.

This principle does not apply to Muqassa.

Principle 21: Efficiency and Effectiveness

Observed

An FMI should be efficient and effective in meeting the requirements of its participants and the markets it serves.

Principle Summary

Muqassa promotes the efficient and effective provision of its clearing services through a participant-centric approach to the design and ongoing development of its clearing arrangements. Clearing members are formally consulted prior to the introduction of new products, services, or material enhancements to systems, thereby supporting informed decision-making and ensuring that proposed developments are closely aligned with the operational realities of members.

On the technical and operational side, Muqassa prepares detailed Impact Documents to complement the development of significant system releases, which are issued whenever material system changes, new services, or the clearing of new markets are proposed. These documents set out the relevant technical, operational, and procedural requirements of participants, while enabling clearing members to assess the implications for their own systems and operations, and provide informed feedback where relevant.

Furthermore, each team within Muqassa maintains its own set of KPIs, which are used to support the organisation-wide assessment of efficiency and effectiveness. The monitoring of KPIs provides senior management with quantifiable insight into performance trends, facilitates the identification of areas of improvement, and supports oversight of operational performance across the organisation.

In terms of its strategic objectives, Muqassa considers emerging market developments, macro-level regulatory initiatives led by the CMA, and implements the group-level strategic direction and priorities established by the STG. These formal considerations are translated into longer-term strategic initiatives, such as the development of an active derivatives market, the enhancement of operational processes to efficiently accommodate domestic and international market requirements, the expansion of capabilities to clear non-domestic products, and alignment with international standards.

Principle 22: Communication Procedures and Standards

Observed

An FMI should use, or at a minimum accommodate, relevant internationally accepted communication procedures and standards in order to facilitate efficient payment, clearing, settlement, and recording.

Principle Summary

Muqassa utilises internationally accepted communication standards to ensure efficient, secure, and reliable payment, clearing, settlement, and record-keeping arrangements. Communication with clearing members is primarily conducted via FIXML, enabling the exchange of structured and near real-time operational and risk information, including the status of positions, balances, margin requirements, trading limits, and collateral sufficiency. The integration of FIXML is supported by a formal certification and testing framework to support connectivity and message compliance. While Muqassa does not currently use SWIFT messaging in communicating with clearing members, the CCP remains engaged with prevailing international communication standards and industry developments. As part of its ongoing monitoring of international communications standards, Muqassa would assess the relevance of standards such as ISO 20022 in line with any future evolution of its operating model or cross-border requirements.

Principle 23: Disclosure of Rules, Key Procedures And Market Data

Observed

An FMI should have clear and comprehensive rules and procedures and should provide sufficient information to enable participants to have an accurate understanding of the risks, fees, and other material costs they incur by participating in the FMI. All relevant rules and key procedures should be publicly disclosed.

Principle Summary

Muqassa demonstrates its commitment to transparency by maintaining clear, comprehensive, and publicly accessible rules and procedures governing its clearing operations. These rules and procedures provide participants with a consistent and authoritative framework through which their rights, obligations, and expectations are defined, while establishing a defined basis upon which participants may assess the risks associated with their participation.

To support the determination of whether its rules and procedures are clear and comprehensive to members, Muqassa actively engages with participants through ongoing interactions, market consultations, and training sessions. Feedback gathered through bilateral meetings, workshops, and ad-hoc enquiries is used to assess participants' understanding of applicable requirements and to identify areas where further clarification or guidance may be beneficial. The involvement of multiple functional teams within Muqassa, including Operations, Business, and Risk Management, in participant workshops and training sessions ensures that participants' understanding, feedback, and requests for clarification are addressed across operational, product, and risk dimensions in a coordinated manner.

Muqassa supports participants' understanding of its system design and operations through the structured disclosure of operational procedures, technical specifications, and system 'help files'. These materials provide participants with insight into key elements of the clearing system's functional architecture, processing flows, and other technical considerations, supporting their ability to understand the operational environment in which they participate and to practically assess the risk management implications of participation.

Muqassa maintains transparency in its fee structure, established through international benchmarking and market surveys, and publicly discloses fees for individual services and any discount policies. Proposed changes to the fee structure are communicated to affected members following approval from the CMA.

Muqassa is committed to regular self-assessment, in line with promoting transparency and adherence to financial market infrastructures standards. This commitment is demonstrated by undertaking its fourth CPMI-IOSCO PFMI assessment and publishing the report on its website. Additionally, Muqassa discloses a variety of transaction details, including trading volumes and values, changes in rules, market onboarding data, and more, ensuring participants have access to critical market information.

Principle 24: Disclosure of Market Data by Trade

N/A

Repositories

[An FMI that establishes a link with one or more FMIs should identify, monitor, and manage link-related risks.](#)

This principle does not apply to Muqassa.