



Saudi Stock Exchange (Tadawul)

Short Selling Regulations

Approved by the Board of the Capital Market Authority Pursuant to its Resolution

Number (1-28-2017) Dated 16/6/1438H corresponding to 15/3/2017G

Arabic is the official language of the Saudi Stock Exchange

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PART 1 PRELIMINARY PROVISIONS

Article 1 Preliminary

The purpose of these Regulations is to set out the framework for short selling activities in respect of listed securities in the Kingdom.

Article 2 Definitions

- a. Any reference to the "Capital Market Law" in these Regulations shall mean the Capital Market Law issued by Royal Decree No. M/30 dated 2/6/1424H.
- b. Expressions and terms in these Regulations have the meaning which they bear in the Capital Market Law and in the Glossary of Defined Terms Used in the Exchange Rules, unless the contrary intention appears.

PART 2 SHORT SELLING

Article 3 Short selling transactions

- a. A short selling transaction means any sale of the listed security which the seller has borrowed pursuant to a securities borrowing and lending transaction in accordance with the SBL Regulations.
- b. A person must not enter into as seller, and an Exchange Member must not execute as an agent or principal, a short selling transaction in respect of a listed security unless all of the following conditions are met:
 - 1) the seller is an eligible participant as specified in Article 4 of these Regulations;
 - 2) the short selling transaction is entered into in respect of eligible listed securities as specified in Article 5 of these Regulations;
 - 3) before the execution of the sale, the seller has borrowed the relevant security and the relevant security has been transferred to the seller's short selling account opened in accordance with the Securities Depository Centre Rules;
 - 4) the price of selling the security, underlying the transaction, is higher than the price of the best sale offer of that security; and
 - 5) the transaction shall not result in breaching the investment limits which the Exchange specifies in this regard.
- c. The following trades do not constitute short selling transactions for the purposes of paragraph (a) of this Article:
 - 1) a sale of a listed security where the seller has entered into a corresponding purchase transaction in respect of those securities that settles on or before the settlement date of the sale; or
 - 2) a securities borrowing and lending transaction in a listed security which is entered into in accordance with the SBL Regulations.

Article 4 Eligible participants

- a. Entering into a short selling transaction as seller is limited to:
 - 1) legal persons;
 - 2) investment funds; or
 - 3) clients of a person authorized by the Authority to conduct managing activities provided that:
 - a. the Authorized Person has been appointed as an investment manager on terms which enable it to make a decision to enter into a short selling transaction on behalf of its client without obtaining prior approval from that client; and
 - b. the decision to enter into a short selling transaction was made by the Authorized Person on behalf of its client.
- b. Each Exchange Member who executes a short selling transaction on behalf of a client in accordance with this Article must ensure, before executing the short selling transaction, that the client meets the eligibility criteria described in sub-paragraphs (1), (2) or (3) of paragraph (a) of this Article.

Article 5 Eligible listed securities

A short selling transaction may only be entered into in respect of listed securities which the Exchange specifies, after notifying the Authority.

PART 3 POWERS OF THE AUTHORITY

Article 6 Powers of the Authority

- a. The Authority may prohibit or suspend short selling transactions in respect of a specific security, or may prohibit or suspend all short selling transactions in the Kingdom, at any time and as it deems fit, including but not limited to the following circumstances:
 - 1) there are adverse events or developments which constitute a serious threat to financial stability or to market confidence;
 - 2) for the protection of investors;
 - 3) for the maintenance of an orderly market; or
 - 4) where the aggregate sum of short positions in an eligible listed security across the market has reached a level where the Authority considers it necessary to exercise such powers.
- b. The Exchange will publish on its website any action taken by the Authority pursuant to its powers under paragraph (a) of this Article.

PART 4 REPORTING AND RECORD KEEPING REQUIREMENTS

Article 7 Reporting of short selling transactions

An Exchange Member who has entered into a short selling transaction as an agent or principal must report complete and accurate details of such transactions to the Exchange as prescribed by the Exchange from time to time.

Article 8 Public disclosure of information

The Exchange may disclose any information in respect of short selling transactions and the related positions as it deems fit.

Article 9 Record keeping

- a. An Exchange Member who has entered into a short selling transaction as an agent or principal must record and retain sufficient information about its short selling activities to demonstrate compliance with the Capital Market Law, its Implementing Regulations, the Exchange Rules in general and these Regulations in particular.
- b. Records required to be maintained by these Regulations must be retained for a period of at least ten years from the date of the short selling transaction unless the Exchange specifies otherwise. In the event such records relate to any litigation or claim (including any potential litigation) or any on-going investigations, the Exchange Member must retain such records until the conclusion of that litigation, claim or on-going investigation.
- c. In addition to its powers under the Capital Market Law, the Exchange may request to inspect the records of an Exchange Member directly or through a person it appoints for that purpose upon giving reasonable prior notice in the context of the request to the Exchange Member.
- d. Records made by an Exchange Member may be recorded in any form, but must be capable of reproduction in hard printed form. If the Exchange requires records to be produced in a particular electronic or other format, it shall give the Exchange Member a reasonable period of time in the context to meet that request.

PART 5 GENERAL PROVISIONS

Article 10 Limit of liability

- a. Without prejudice to the provisions of the Capital Market Law, its Implementing Regulations and the Exchange Rules, the Exchange and the Centre shall not be held liable for any losses or damages incurred by any participant referred to in Article 4 of these Regulations, their clients or any other person that deals with the Depository and Settlement System which may arise directly or indirectly as a result of:
- 1) any procedures, orders or transactions that are subject to these Regulations;
 - 2) the use of the Depository and Settlement System for short selling activities;
 - 3) the partial or complete suspension or prohibition of short selling transactions, or the interruption of activities and services provided by Exchange or the Centre;
 - 4) the exercise by the Exchange or the Centre of any of their relevant powers under these Regulations, the Capital Market Law, its Implementing Regulations and the Exchange Rules; or
 - 5) any service failure attributable to the Exchange or the Centre by reason of an event outside of their control.
- b. Without prejudice to the provisions of the Capital Market Law, the Exchange and the Centre shall have no liability in respect of the accuracy or completeness of short selling transaction reports or any other information published on its website from time to time.

Article 11 Waivers

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

Article 12 Publication and entry into force

These Regulations shall be effective as per its approval resolution.