



**Saudi Stock Exchange (Tadawul)**

# **DERIVATIVES EXCHANGE TRADING AND MEMBERSHIP RULES**

*Approved by the Board of the Capital Market Authority Pursuant to its Resolution Number (2-137-2019) Dated 12/4/1441H Corresponding to 9/12/2019G*

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

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**PART 1**  
**Preliminary Provisions**

**Article 1 Preliminary Provisions**

- a. All references to the “Capital Market Law” in these Rules are to the Capital Market Law issued by Royal Decree No. M/30 dated 2/6/1424H.
- b. The expressions and terms in these Rules carry the same meaning as they do in the Capital Market Law and in the Glossary of defined terms used in the Exchange Rules unless the text explicitly notes an alternate meaning.
- c. Any person subject to these Rules may appeal before the Committee any decision or action that the Authority or the Exchange takes in accordance with these Rules.
- d. The provisions of the Trading and Membership Rules, the Trading and Membership Procedures, the Securities Borrowing and Lending Regulations, the Short Selling Regulations and the Securities Depository Centre Rules shall not apply on the Listed Derivatives Products.
- e. The Exchange may, after obtaining the Authority's approval, determine the eligibility of investors to trade in Listed Derivatives Products.
- f. The effect of Corporate Actions on the size and price of Listed Derivatives Products shall be in accordance with the mechanism and conditions set out in the Derivatives Exchange Trading and Membership Procedures from time to time.
- g. These Rules shall not prejudice the provisions of the Capital Market Law, its implementing Regulations, and all relevant laws.

**Article 2 Scope**

Without prejudice to the provisions of the Capital Market Law, the purpose of these Rules is to regulate:

- a. Derivatives Exchange Membership and access to the Derivatives Trading System;
- b. the registration of Derivatives Exchange Registered Traders;
- c. the disclosure of information by Derivatives Exchange Members to the Exchange; and
- d. trading in Listed Derivatives Products by Derivatives Exchange Members.

**Article 3 Waivers**

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

**Article 4 Emergency Situations**

- a. Without prejudice to the Capital Market Law and in the event of an emergency situation the Exchange has the right to:
  1. Suspend any trading session or reduce, extend, or otherwise alter the time of any trading session;
  2. suspend trading in one or more individual Listed Derivatives Products.

- b. The emergency situations covered by this provision are the actual, imminent or threatened occurrence of any of the following:
  - 1. failure of the Derivatives Trading System, or the Clearing System or any parts thereof;
  - 2. failure of the Derivatives Exchange Member's Technical Equipment or parts thereof, provided that such failure causes incorrect information to be sent to the Derivatives Trading System or affects trading integrity;
  - 3. failure of the network used to connect Derivatives Exchange Members and the Exchange or parts thereof, provided that such failure causes incorrect information to be sent to the Derivatives Trading System or affects trading integrity;
  - 4. any event that may damage the Derivatives Trading System or the Clearing System, such as a cyber-attack;
  - 5. any error during changes or updates in the Derivatives Trading System or the Clearing System;
  - 6. events that make operating the Derivatives Trading System by the Exchange or the Clearing System by the Clearing House impossible, including, natural disasters and unforeseen events; or
  - 7. any error in processing the data entered into the Derivatives Trading System or the Clearing System.
- c. In emergency situations, the Exchange will take all reasonable measures to ensure that trading continues in a fair and orderly manner, and that it addresses the situation appropriately. This includes trading on alternative temporary bases.
- d. Without prejudice to the Capital Market Law and in any situation that does not amount to an emergency as defined in paragraph (b) of this Article, the Exchange may, with the Authority's approval, suspend any of these Rules' provisions in whole or in part, or temporarily replace them with new provisions, in addition to suspending trading in whole or in part.
- e. The Exchange must make a reasonable effort to inform Derivatives Exchange Members of any measures taken in accordance with this Article as soon as possible.
- f. After removal of the cause of the failure, the Exchange will restore normal trading conditions as soon as possible and determine when such normal conditions will take effect.
- g. Derivatives Exchange Members must inform their Clients immediately of failures in their Order Management System and in the Derivatives Trading System as well as of the resumption of normal operations.

#### **Article 5 Limit of Liability**

- a. Without prejudice to the provisions of the Capital Market Law, its Implementing Regulations and these Rules, and with the exception of intentional or serious mistakes, the Exchange is not liable for any losses or damages incurred by Derivatives Exchange Members, their Clients, or Information Providers that may arise directly or indirectly as a result of:
  - 1. any procedures, orders, or transactions subject to these Rules;
  - 2. the use of the Derivatives Trading System;

3. the partial or complete suspension or cancellation of trading or of a particular transaction on, or closure of, the Exchange;
  4. the exercise by the Exchange of any of its powers under these Rules; or
  5. any service failure attributable to the Exchange due to an event outside of its control.
- b. Without prejudice to the provisions of the Capital Market Law, its Implementing Regulations, and the Exchange Rules, and with the exception of intentional or serious mistakes, the Exchange makes no guarantees and assumes no liability for the accuracy, timeliness, or completeness of market data, or any information published on its website from time to time.

#### **Article 6 Disclosure of Information**

- a. The Exchange shall keep records of all data or information available to it under these Rules or that has been provided to it by a Derivatives Exchange Member or otherwise concerning a Derivatives Exchange Member. Such records should be maintained for at least ten years.
- b. Without prejudice to the relevant laws and regulations, the Exchange may supply any information whatsoever concerning the activities of a Derivatives Exchange Member which is subject to these Rules only to the following persons:
1. the Clearing House or any other clearing house with whom the Exchange has entered into an agreement pursuant to which the parties have agreed to exchange information as required and contemplated by these Rules;
  2. the Authority, SAMA or any other government authority which is entitled to receive or request any details or information in accordance with the relevant laws and regulations;
  3. any affiliate of the Exchange;
  4. any other person or body to which the Exchange is legally required to disclose the information in accordance with the relevant laws and regulations;
  5. any other person or body to which the Exchange has agreed to provide to them the information in connection with the activities of the relevant Derivatives Exchange Member which are subject to these Rules, including (but not limited to) any information technology providers or other outsourced service providers to the Exchange;
  6. any data repository or similar body; and
  7. any securities depository or securities settlement system.

**PART 2**  
**Derivatives Exchange Membership**

**Chapter I: Scope and Application**

**Article 7 Derivatives Exchange Membership**

Persons seeking to access the Derivatives Trading System must first become Derivatives Exchange Members.

**Article 8 Conditions for Acquiring a Derivatives Exchange Membership**

A legal person that wishes to apply for Derivatives Exchange Membership (an “applicant” for the purposes of these Rules) must meet the following conditions:

- a. satisfy one of the following requirements:
  1. be an Authorised Person, authorised by the Authority to conduct dealing activities; or
  2. have been designated as an ‘exempt’ person by the Authority for the purposes of the Securities Business Regulations.
- b. be either a Clearing Member, or a Non-Clearing Member which has entered into a Non-Clearing Member Clearing Agreement with a General Clearing Member in accordance with the Securities Clearing Centre Rules;
- c. meet the technical, technological, security, and business continuity requirements determined by the Exchange to ensure that applicants may connect to and, once connected, maintain the integrity and security of the Derivatives Trading System, and receive and transmit orders in compliance with the Capital Market Law, its Implementing Regulations, the Exchange Rules and the relevant laws and regulations;
- d. have in place robust internal risk management systems, internal audit and IT systems updated on an ongoing basis;
- e. have qualified employees with sufficient knowledge, experience, training and competence to enable applicants to comply with all requirements listed in these Rules;
- f. pay any applicable fees due pursuant to Article 23 of these Rules; and
- g. comply with any other conditions proposed by the Exchange and approved by the Authority.

**Article 9 Derivatives Exchange Member Application Procedures and the Powers of the Exchange**

- a. An applicant wishing to become a Derivatives Exchange Member must submit a written application requesting admission as a Derivatives Exchange Member to the Exchange in the form prescribed by the Exchange.
- b. Upon receipt of the application mentioned in paragraph (a) of this Article, the Exchange will review the application to determine whether the applicant meets the conditions of Article 8 of these Rules.
- c. To discharge the obligation noted in paragraph (b) of this Article (or, as the case may be, to verify that a Derivatives Exchange Member has remained in compliance with Article 8 of these Rules) on an ongoing basis, the Exchange may:

1. carry out any inquiry it considers appropriate;
  2. require the applicant (or Derivatives Exchange Member), or a representative to appear before the Exchange to answer questions, or explain any matter the Exchange considers relevant to the application for Derivatives Exchange Membership;
  3. require the applicant (or Derivatives Exchange Member), or a representative to provide any additional information the Exchange considers necessary within (10) days of the request;
  4. liaise with the Authority at any time; and
  5. verify any information supplied by the applicant (or Derivatives Exchange Member).
- d. The Exchange may determine that an applicant (or Derivatives Exchange Member) does not meet the conditions of Article 8 of these Rules when said applicant (or Derivatives Exchange Member) or any third party does not comply with the requirements or requests (as applicable) listed in subparagraphs (1), (2), and (3) of paragraph (c) of this Article.
- e. Upon receipt of all information and documents it requires, the Exchange will notify the applicant in writing of the fact that it has received all required documents and information. The Exchange will then make one of the following decisions within a maximum period of (30) days:
1. approve the application, if it determines that the applicant meets the required conditions of Article 8, with the condition that the applicant meet the relevant conditions of Article 11 and any such conditions and limitations the Exchange considers appropriate; or
  2. refuse the application, and provide its reasons.
- f. The period referred to in paragraph (e) of this Article will begin either on the date of the receipt of the complete application; or (where applicable) on the date of receipt of all additional information required under subparagraphs (1), (2), and (3) of paragraph (c) of this Article.
- g. If the Exchange resolves to grant an applicant a Derivatives Exchange Membership, it will notify the applicant of this in writing in accordance with subparagraph (1) of paragraph (e) of this Article.
- h. If the Exchange resolves to refuse the application for Derivatives Exchange Membership in accordance with subparagraph (2) of paragraph (e) of this Article, it will notify the applicant in writing.

#### **Article 10 Market Makers**

Derivatives Exchange Members must comply with the market making requirements (where applicable) as specified by the Exchange and approved by the Authority.

#### **Article 11 Effect of Notification of Derivatives Exchange Membership**

- a. Subject to any applicable conditions or limitations specified in the notification, applicants who receive a notification in accordance with paragraph (g) of Article 9 of these Rules may not start operating as Derivatives Exchange Members until they:
1. sign the Derivatives Exchange Membership Agreement in the prescribed form by the Exchange;



2. complete the certification process according to the guidelines and requirements specified by the Exchange; and
  3. pay all applicable fees due pursuant to Article 23 of these Rules.
- b. Upon confirming that applicants have completed the steps set out in paragraph (a) of this Article, the Exchange will:
1. consider the applicants Derivatives Exchange Members and permit them to connect to the Derivatives Trading System; and
  2. state the date on which the new Derivatives Exchange Members may begin trading within a period not exceeding (10) days.

## **Chapter II: Derivatives Exchange Member Responsibilities**

### **Article 12 Technical Requirements for Derivatives Exchange Members**

- a. Derivatives Exchange Members assume sole responsibility for the installation of suitable Technical Equipment for connection to and communication with the Derivatives Trading System.
- b. Derivatives Exchange Members must not change or update their Order Management Systems without obtaining the Exchange's written approval.
- c. Derivatives Exchange Members' Technical Equipment must undergo the certification process.
- d. The certification process for the Derivatives Exchange Members' Technical Equipment must proceed according to the Exchange's specified technical and technological tests, standards, and procedures.
- e. Derivatives Exchange Members must, at all times, ensure the reliability of their Technical Equipment, as prescribed by the Exchange.
- f. The Exchange may, as it deems appropriate, require additional certification processes for the Technical Equipment of any Derivatives Exchange Member.

### **Article 13 Obligations of Derivatives Exchange Members**

Derivatives Exchange Members must, at all times, comply with the following:

- a. the Capital Market Law and its Implementing Regulations, the Exchange Rules, any instructions issued by the Authority or the Exchange or the Clearing House and all relevant laws and regulations;
- b. any condition or limitation placed on the activities of Derivatives Exchange Members by the Authority or the Exchange;
- c. all requirements listed in the Derivatives Exchange Membership Agreement;
- d. the relevant Derivatives Exchange Membership conditions set out in Article 8 of these Rules;
- e. have at least two Derivatives Exchange Registered Traders; and
- f. have an on-site and off-site backup system for all critical data related to the services the Derivatives Exchange Member provides.

## **Article 14 Provision of Information by Derivatives Exchange Members**

Without prejudice to the Capital Market Law, its implementing Regulations, the Exchange Rules, and the relevant laws and regulations, Derivatives Exchange Members must provide, within such time period as the Exchange shall specify in its sole discretion, all records, books, statements, accounts or any other information relating to the Derivatives Exchange Member or its Clients as the Exchange may demand, including, but not limited to, any information which the Derivatives Exchange Member is required to maintain pursuant to Article 16 of these Rules.

## **Article 15 Notifications by Derivatives Exchange Members**

- a. Derivatives Exchange Members must immediately notify the Exchange, in writing, upon:
  1. becoming aware of any breach, or any circumstances that will or may lead to a breach of the Exchange Rules; or
  2. obtaining knowledge or suspicion of the occurrence of any technical or technological error or fault in their Trading Equipment or any security issues that may affect their connection to the Derivatives Trading System or the reception of orders or execution of transactions through the Derivatives Trading System.
- b. Where applicable, within three days, the relevant Derivatives Exchange Members must provide reports to the Exchange identifying the steps they have taken or the steps they will take, as well as the time they will need, to resolve any situation about which they notified the Exchange per the instructions in paragraph (a) of this Article.
- c. Derivatives Exchange Members must notify the Exchange in writing of:
  1. any change in the information provided to the Exchange in the applications they submitted for Derivatives Exchange Membership;
  2. any changes to their business models or operations that may impact their satisfaction of the Derivatives Exchange Membership requirements and/or their performance of the Derivatives Exchange Member obligations listed in these Rules and the Derivatives Exchange Trading and Membership Procedures; or
  3. any event that impacts their satisfaction of the Derivatives Exchange Membership requirements, member security, business continuity, IT standards, and/or their performance of Derivatives Exchange Member obligations under these Rules or their connection to the Derivatives Trading System, including, but not limited to, the following:
    - a. any failure in their Technical Equipment; or
    - b. any changes or updates to their Order Management Systems.
  4. any other event, matter, circumstance or change relating to the Derivatives Exchange Member, its affiliates, or any other persons acting on its behalf, of which the Exchange would reasonably expect notice, which would cause any information previously provided by the Derivatives Exchange Member to the Exchange for any reason to be inaccurate, incomplete or superseded, or which may have a material impact on the Derivatives Exchange Member's satisfaction of the Derivatives Exchange Membership requirements and/or the performance of the Derivatives Exchange Member's obligations under these Rules.

- d. Where Derivatives Exchange Members have prior knowledge of the change or event described in paragraph (c) of this Article, they must inform the Exchange at least (30) days in advance of the proposed effective date of the change or event.
- e. Where Derivatives Exchange Members are unable to comply with the requirements of paragraph (d) of this Article regarding their prior knowledge of a change or a failure, they must inform the Exchange immediately upon becoming aware of such a change or failure, or -where applicable- its proposed effective date.
- f. If the Exchange receives a notification pursuant to paragraph (a) of this Article, it will pass on said notification to the Authority immediately and may, at its own discretion, require the Derivatives Exchange Member who submitted the notification to disclose the content of said notification to its Clients and/or to the public.
- g. If the Exchange receives a report pursuant to paragraph (b) of this Article, it will pass on said report to the Authority immediately.

### **Article 16 Record Keeping**

- a. Each Derivatives Exchange Member must maintain, at all times, an up-to-date copy record of all books, statements, accounts, materials or other information provided by it to the Exchange or otherwise relating to the trading activities of the Derivatives Exchange Member on the Exchange for at least a period of ten years. Such records should include the following:
  - 1. information on all orders, instructions and any other messages transmitted by the Derivatives Exchange Member to the Derivatives Trading System, including, but not limited to, instructions relating to the amendment, deactivation and cancellation of orders, together with information on the time of transmission and the identity of the Derivatives Exchange Registered Trader responsible for transmission;
  - 2. information on any Listed Derivatives Product transactions the Derivatives Exchange Member enters into on the Exchange, together with information on the time at which each such transaction is executed; and
  - 3. where the Derivatives Exchange Member is acting on behalf of a Client, information on the identity of the relevant Client.
- b. In the event that any record maintained by a Derivatives Exchange Member relates to any litigation or claim (including any pending litigation or threatened) or any on-going investigations, the Derivatives Exchange Member must retain such record until the closure of that litigation, claim or on-going investigation.

## **Chapter III: Derivatives Exchange Registered Traders**

### **Article 17 General Provisions**

- a. No person may access the Derivatives Trading System for the purposes of conducting trading activities unless they are a Derivatives Exchange Registered Trader.
- b. Derivatives Exchange Members must register those persons who are to receive access on behalf of the Derivatives Exchange Member in accordance with Article 18 of these Rules.
- c. Derivatives Exchange Registered Traders are responsible for conducting trading activities for the Derivatives Exchange Members who employ them and said Derivatives Exchange Members' Clients. Derivatives Exchange Members are responsible for overseeing the activities of their Derivatives Exchange Registered Traders.

- d. Derivatives Exchange Registered Traders must, at all times, comply with the Capital Market Law and its Implementing Regulations, the Exchange Rules, the relevant laws and regulations and any instructions issued by the Exchange to the Derivatives Exchange Members who employ them.
- e. The Exchange will automatically cancel the registration of a Derivatives Exchange Registered Trader in the event of the cancellation of the Derivatives Exchange Membership of the Derivatives Exchange Member who employs them. Likewise, the Exchange will automatically suspend the registration of a Derivatives Exchange Registered Trader in the event of the suspension of the Derivatives Exchange Membership of the Derivatives Exchange Member who employs them.
- f. Notwithstanding responsibilities arising under applicable provisions of the Capital Market Law and its Implementing Regulations as well as these Rules, Derivatives Exchange Members assume full responsibility for the actions of their Derivatives Exchange Registered Traders and any other persons acting on their behalf from time to time; this responsibility also extends to orders or other communications entered through Derivatives Exchange Member's Technical Equipment.

#### **Article 18 Conditions for Becoming a Derivatives Exchange Registered Trader**

Any person wishing to apply to become a Derivatives Exchange Registered Trader must satisfy the following conditions:

- a. be a Saudi national; and
- b. be registered with the Authority to perform a registrable function in accordance with the relevant Implementing Regulations.

#### **Article 19 Application for Registration**

- a. Applicants must submit the application for registration as a Derivatives Exchange Registered Trader in the form prescribed by the Exchange.
- b. Applicants may submit Derivatives Exchange Registered Trader applications at the same time as the application for Derivatives Exchange Membership or at any point after becoming Derivatives Exchange Members but in all cases prior to the Employee accessing the Derivatives Trading System.
- c. Upon approval of an application, the Exchange will provide Derivatives Exchange Registered Traders with user identification information in writing to enable them to access the Derivatives Trading System.

#### **Article 20 Cancellation of Registration**

- a. If a Derivatives Exchange Registered Trader ceases to perform the job of a Derivatives Exchange Registered Trader or ceases their employment or association with the relevant Derivatives Exchange Member, the Derivatives Exchange Member must immediately notify the Exchange in writing of that fact. Upon receipt of the notice, the Exchange will cancel the registration of the Derivatives Exchange Registered Trader.
- b. The Exchange has the power to cancel the registration of Derivatives Exchange Registered Traders if the Derivatives Exchange Registered Traders violate any provision of the Capital Market Law and its Implementing Regulations, the Exchange Rules, these Rules or the relevant laws and regulations.

- c. If the Exchange cancels a Derivatives Exchange Registered Trader's registration, the responsible Derivatives Exchange Member must ensure that said Derivatives Exchange Registered Trader immediately ceases to access the Derivatives Trading System.

#### **Chapter IV: Suspension and Cancellation of Derivatives Exchange Member's Membership**

##### **Article 21 Suspension of Derivatives Exchange Member's Membership**

- a. The Exchange may, at its own discretion, suspend a Derivatives Exchange Member's membership in circumstances that necessitate immediate suspension to protect the safety of the Derivatives Trading System. These circumstances are:
  - 1. if the Derivatives Exchange Member no longer satisfies any of the requirements for Derivatives Exchange Membership set out in these Rules (including, but not limited to, those set out in Part 2 of these Rules);
  - 2. if any error occurs in the Technical Equipment of the Derivatives Exchange Member that affects the safety of its connection to the Derivatives Trading System or the transactions executed through it;
  - 3. if the continuation of the Derivatives Exchange Member's connection to the Derivatives Trading System threatens the safety of the Exchange or the interests of other Derivatives Exchange Members or Clients;
  - 4. if the Derivatives Exchange Member has its Clearing Membership suspended; or
  - 5. upon the suspension of the Clearing Membership of the Clearing Member through whom the Derivatives Exchange Member clears its transactions.
- b. Without prejudice to the provisions of the Capital Market Law and paragraph (c) of this Article, the Exchange may also suspend a Derivatives Exchange Member's membership in the following circumstances:
  - 1. if the Derivatives Exchange Member breaches any of its obligations under these Rules or the Derivatives Exchange Membership Agreement; or
  - 2. if the Derivatives Exchange Member fails to pay any applicable fees to the Exchange.
- c. Upon becoming aware of any of the circumstances set out in paragraph (b) of this Article, the Exchange will write to the Derivatives Exchange Member to describe the issue and ask the Derivatives Exchange Member to establish a reasonable timetable, subject to the Exchange's approval, for it to take remedial actions. The Exchange may suspend the memberships of Derivatives Exchange Members who fail to rectify the issue within the established timetable.
- d. The Exchange will immediately notify the Authority of suspensions of Derivatives Exchange Members' memberships in accordance with paragraphs (a) and (b) of this Article.
- e. Derivatives Exchange Members may request that the Exchange lift suspensions imposed under paragraphs (a) or (b) of this Article and provide evidence that supports lifting the suspensions. The Exchange may, acting in its sole discretion and after reviewing such requests, lift or maintain the suspensions.
- f. The Exchange will immediately notify the Authority of the lifting of suspensions of Derivatives Exchange Memberships in accordance with paragraph (e) of this Article.

- g. The Exchange will immediately suspend the memberships of Derivatives Exchange Members if instructed to do so by the Authority.
- h. The Exchange will lift suspensions imposed according to the Authority's instructions as outlined in paragraph (g) of this Article based on instructions issued by the Authority. Derivatives Exchange Members may request that the Authority lift their suspensions and provide evidence that supports lifting their suspensions through the Exchange. The Authority may, after reviewing such requests, direct the Exchange to lift or maintain the suspensions.
- i. The Exchange will notify Derivatives Exchange Members in writing of any suspension imposed under this Article and provide reasons.
- j. Derivatives Exchange Members must immediately notify their Clients in writing of the suspension of their Derivatives Exchange Memberships upon receiving notice of said suspensions.
- k. The Exchange may take any action or request that Derivatives Exchange Members take any action or comply with any requirement to ensure that the suspensions of their Derivatives Exchange Memberships do not negatively affect the Exchange or the interests of other Derivatives Exchange Members or Clients.
- l. Without prejudice to paragraph (k) of this Article, Derivatives Exchange Members must not provide any services associated with their memberships or otherwise represent themselves as capable of providing such services during the suspension of their Derivatives Exchange Membership .
- m. Fees and commissions incurred by the Derivatives Exchange Member pursuant to Article 23 of these Rules will continue to accrue and become payable during the period of suspension.

#### **Article 22 Cancellation of Derivatives Exchange Member's Membership**

- a. The Exchange may, at its own discretion, cancel the Derivatives Exchange Membership of Derivatives Exchange Members and terminate their connections to the Derivatives Trading System in any of the following circumstances:
  - 1. if the Derivatives Exchange Member breaches any of its obligations under these Rules or the Derivatives Exchange Membership Agreement;
  - 2. if the Derivatives Exchange Member's membership remains suspended, pursuant to Article 21 these Rules, for (6) months without any resolution of the cause of the suspension;
  - 3. if the Derivatives Exchange Member does not transmit any orders to the Derivatives Trading System for at least (12) months;
  - 4. if the Derivatives Exchange Member has its Clearing Membership terminated (where applicable); or
  - 5. if the Derivatives Exchange Member submits an application to the Exchange cancelling its membership in the form prescribed for this purpose. The Exchange may, at its own discretion, reject such applications if the cancellation of a Derivatives Exchange Membership could negatively impact the interests of Clients, other Derivatives Exchange Members, or the Exchange.

- b. The Exchange will cancel the Derivatives Exchange Memberships of Derivatives Exchange Members and terminate their connections to the Derivatives Trading System if the Authority instructs the Exchange to do so.
- c. The Exchange will immediately notify the Authority of the cancellations of a Derivatives Exchange Member's membership in accordance with paragraph (a) of this Article.
- d. The Exchange will notify Derivatives Exchange Members in writing of the cancellations of their memberships and explain the reasons when it issues its cancellation decisions.
- e. Upon receiving a notice of cancellations of their Derivatives Exchange Membership, Derivatives Exchange Members must immediately notify their Clients in writing of the termination of their Derivatives Exchange Membership and the fact that they may no longer execute any order on the Derivatives Trading System or provide any other services that depend upon on their Derivatives Exchange Membership.
- f. The Exchange may take any action or request that Derivatives Exchange Members take any action or comply with any requirement to ensure that the cancellations of their Derivatives Exchange Memberships do not negatively affect the Exchange, other Derivatives Exchange Members or the interests of investors.

## **Chapter V: Fees and Commissions**

### **Article 23 Fees and Commissions**

Each applicant and Derivatives Exchange Member shall pay all applicable fees and commissions, in accordance with these Rules, to the Exchange, as determined by the Exchange and approved by the Authority.

**PART 3**  
**The Derivatives Trading System**

**Article 24 Access to the Derivatives Trading System**

Without prejudice to Article 34 of these Rules, Derivatives Exchange Members may only access the Derivatives Trading System through their Derivatives Exchange Registered Traders in accordance with these Rules and any other requirements specified by the Exchange from time to time.

**Article 25 Listed Derivatives Product Specifications**

- a. The Exchange will ensure that all Listed Derivatives Products comply with these Rules, both on issuance and on an ongoing basis, including (but not limited to) the following Listed Derivatives Product Requirements:
  1. Listed Derivatives Products should have Underlying Assets which meet the following criteria:
    - a. where the asset comprises of securities, such securities should be listed on a regulated trading venue;
    - b. where the asset is not securities, such asset should be liquid and pricing information on the relevant asset should be available on the Exchange's website; and
    - c. where the asset involves indices or benchmarks, the relevant indices or benchmarks should be determined by means of a transparent, reliable and accurate methodology, and subject to adequate governance and control framework.
  2. Listed Derivatives Product Specifications must be transparent and available on the Exchange's website.
- b. The Exchange will make Listed Derivatives Products available to Derivatives Exchange Members for trading on the Exchange.
- c. The Exchange will fulfil all responsibilities for the adoption of Listed Derivatives Product Specifications.
- d. The Exchange will adopt Listed Derivative Product Specifications after receiving a non-objection notification from the Authority.
- e. The Exchange will publish all Listed Derivative Product Specifications as prescribed in the Derivatives Exchange Trading and Membership Procedures.
- f. The Exchange may suspend or restrict trading in the relevant Listed Derivatives Product for the purpose of the protection of investors or the maintenance of an orderly market.
- g. The Exchange may remove or modify the relevant Listed Derivatives Product Specification after receiving a non-objection notification from the Authority.

**Article 26 Margin Requirements**

- a. Derivatives Exchange Members shall require Margin from their Clients in such amounts as at least equal to any amounts which the Derivatives Exchange Member is required to provide to the Clearing House pursuant to the Securities Clearing Centre Rules. If the Derivatives Exchange Member is a Non-Clearing Member, such amount is required to be provided to the relevant General Clearing Member.



- b. The Exchange may prescribe, generally or otherwise, that no Derivatives Exchange Member shall trade in Listed Derivatives Products for any Client until and unless the Derivatives Exchange Member has received from that Client collateral adequate to cover that Client's Margin requirements as required under this Article.
- c. Derivatives Exchange Members are obliged to monitor continuously their and their Client's ability to meet Margin requirements and their ability to satisfy any financial obligations in relation to Listed Derivatives Products.
- d. Without prejudice to paragraphs (a), (b), and (c) of this Article, Derivatives Exchange Members may cover its Client's Margin requirements.

#### **Article 27 Trading Sessions**

- a. Trading on the Exchange will take place on Days during pre-defined trading sessions as set out by the Exchange in the Derivatives Exchange Trading and Membership Procedures from time to time.
- b. Each Trading Day will include an Opening Price calculation, trading sessions, and a Closing Price calculation for each Listed Derivatives Product as set out by the Exchange in the Derivatives Exchange Trading and Membership Procedures.
- c. The Exchange may suspend the trading of particular Listed Derivatives Products for the purposes of maintenance as set out by the Exchange in the Derivatives Exchange Trading and Membership Procedures.

#### **Article 28 Listed Derivatives Product Pricing**

- a. The Exchange will establish the method used to set and publish the Opening Prices, Intra-Day Prices, and Closing Prices for each Listed Derivative Products as set out by the Exchange in the Derivatives Exchange Trading and Membership Procedures.
- b. The Exchange will establish the Tick Sizes for each Listed Derivatives Product as set out by the Exchange in the Derivatives Exchange Trading and Membership Procedures.

#### **Article 29 Transmitting Orders**

- a. Derivatives Exchange Members will conduct trading activity by transmitting orders that fulfil the requirements for orders as set out by the Exchange in the Derivatives Exchange Trading and Membership Procedures.
- b. Before transmitting orders, Derivatives Exchange Members must ensure that they submit orders using the channel appropriately suited to their purposes as set out by the Exchange in the Derivatives Exchange Trading and Membership Procedures.
- c. Derivatives Exchange Members must not transmit any orders:
  - 1. prohibited under the Capital Market Law or its Implementing Regulations or the Exchange Rules, or the relevant laws and regulations;
  - 2. that do not satisfy the requirements as set out by the Exchange in the Derivatives Exchange Trading and Membership Procedures.
- d. Derivatives Exchange Members must have written policies and procedures in place to ensure they comply with paragraph (c) of this Article.

- e. Derivatives Exchange Members retain responsibility for any orders they transmit to the Derivatives Trading System.

### **Article 30 Order Execution**

- a. The Derivatives Trading System will fully or partially execute orders the Exchange fully or partially matches. The Exchange will treat the resulting transactions as binding and irrevocable upon their execution. Following execution in the Derivatives Trading System, the Exchange will confirm such transactions with each relevant Derivatives Exchange Members and deal with them according to the Securities Clearing Centre Rules. To avoid doubt, the Derivatives Trading System does not consider the unmatched portions of partially matched orders executed and Derivatives Exchange Members may amend or cancel said portions.
- b. The Exchange will match orders in accordance with the price and time priority procedures as set out by the Exchange in the Derivatives Exchange Trading and Membership Procedures.

### **Article 31 Amendment, Deactivation, and Cancellation**

- a. Derivatives Exchange Members may transmit instructions to the Derivatives Trading System to amend, deactivate, or cancel orders. For such instructions to take effect, Derivatives Exchange Members must validly transmit them to the Derivatives Trading System before the execution of relevant orders as set out by the Exchange in the Derivatives Exchange Trading and Membership Procedures.
- b. Amendments to or deactivation of any order may impact the application of the price and time priority rules as set out by the Exchange in the Derivatives Exchange Trading and Membership Procedures.

### **Article 32 Position Limits**

- a. The Exchange, acting in its discretion, may prescribe (and Listed Derivatives Product Specifications may also set out) the maximum gross positions and/or net long or net short positions in any Listed Derivatives Products held by a Derivatives Exchange Member (whether for its own account or on behalf of a Client).
- b. The means of calculating the Position Limit under this Article shall be in accordance with the Derivatives Exchange Trading and Membership Procedures.
- c. Derivatives Exchange Members may not engage in any transactions if this would result in exceeding a Position Limit.
- d. The Exchange may direct that a Derivatives Exchange Member reduces its position, or adjusts its trading, in its Listed Derivatives Products, where the Exchange considers it is necessary to ensure the proper functioning of the market for Listed Derivatives Products.
- e. If a Derivatives Exchange Member transmits an order to trade a Listed Derivatives Product which would, if processed, breach the Position Limit, the Exchange may suspend some or all of the trading activities of the Derivatives Exchange Member until such time as determined by the Exchange acting in its discretion.

### **Article 33 Monitoring Open Positions**

- a. The Exchange may in its discretion, as set out by the Exchange in the Derivatives Exchange Trading and Membership Procedures, request the number of open Listed Derivatives Products carried or held by a Derivatives Exchange Member.

- b. The Exchange may request from the Derivatives Exchange Member to close out a specific Open Position as set out by the Exchange in the Derivatives Exchange Trading and Membership Procedures.

#### **Article 34 Direct Market Access**

- a. Without prejudice to Article 29 of these Rules, Derivatives Exchange Members may enable their Clients to submit orders directly into their Order Management systems.
- b. Derivatives Exchange Member and the Client must satisfy any relevant requirements determined by the Exchange.
- c. Derivatives Exchange Members that provide Direct Market Access services to their Clients must assess (and continue to assess) the suitability of the channels for order submission made available to their Clients.
- d. Derivatives Exchange Members that provide Direct Market Access must ensure that they put appropriate procedures, arrangements and controls in place, including but not limited to:
  - 1. having in place effective systems, procedures and arrangements to ensure that appropriate criteria are set and applied regarding the suitability of Clients to whom Direct Market Access services may be provided, including (but not limited to) criteria relating to the legal status of the Client, any previous sanctions imposed on them, the expected level of trading activity the Client will be undertaking, and the adequacy of the Client's pre- and post-trade controls and real time monitoring;
  - 2. ensuring that the Client has adequate technical capacity and resiliency and continuity procedures to be connected to the Order Management System;
  - 3. conducting, and periodically reassessing, due diligence on Clients wishing to receive Direct Market Access services to ensure they are able to comply with the conditions set out in sub-paragraphs (1) and (2) of this paragraph on an ongoing basis;
  - 4. implementing appropriate pre- and post-trade controls on Client's trading activity including controls which prevent orders and/or suspend trading when pre-set limits are exceeded, such as limits relating to price, volume, number of messages transmitted, and maximum short or long positions;
  - 5. having arrangements in place to provide real-time monitoring of the activity of Clients using Direct Market Access services in order to identify and prevent the placing, modification or cancelling of orders or execution of transactions in a way which contributes to disorderly trading conditions;
  - 6. having arrangements in place to automatically block or cancel orders where a Client's trading activity exceeds the relevant pre- and post-trade controls or is identified as potentially contributing to disorderly trading conditions and to suspend or cancel the provision of Direct Market Access services to a Client in the case of non-compliance with the requirements of the Derivatives Exchange Member, these Rules or such other requirements of the Exchange; and
  - 7. being able to identify to the Exchange, by means of flagging, orders generated by Direct Market Access, and the relevant Clients initiating those orders and that information shall be available to the Exchange upon request.

- e. Derivatives Exchange Members must enter into a binding written agreement with any Client to whom they provide Direct Market Access, setting out the essential rights and obligations of each party relating to the provision of Direct Market Access.
- f. Derivatives Exchange Members providing Direct Market Access services to Clients shall be responsible for all orders and trades executed using the Direct Market Access service.
- g. The Exchange may require Derivatives Exchange Members to suspend or cancel the Direct Market Access services to their Clients at any time and as it deems fit, including (but not limited to) in the following circumstances:
  - 1. for the protection of other Derivatives Exchange Members and the investors; and
  - 2. for the maintenance of an orderly market.

#### **Article 35 Negotiated Deals**

Derivatives Exchange Members may transmit orders to execute transactions through the Derivatives Trading System in Listed Derivative Products regarding which they negotiated and reached agreements outside the Derivatives Trading System, in accordance with the mechanism and conditions as set out in the Derivatives Exchange Trading and Membership Procedures.

#### **Article 36 Clearance and Settlement of Transactions**

- a. The clearing and settlement of all transactions in Listed Derivatives Products must be executed in accordance with the Securities Clearing Centre Rules, through the Derivatives Trading System.
- b. The Exchange through the Clearing House provides an open offer to Derivatives Exchange Members to clear their trades pursuant to the Securities Clearing Centre Rules. A Cleared Transaction in Listed Derivatives Products occurs at the time of entry into the Clearing System in accordance with the Securities Clearing Centre Rules.

#### **Article 37 Trading Records**

The Exchange must register in its records all orders and instructions transmitted to it. Such records is conclusive, and will prevail over any evidence.

**PART 4**  
**General Provisions**

**Article 38 General Powers**

- a. To ensure compliance with the provisions of these Rules, the Exchange may:
  - 1. require persons subject to these Rules to undertake or refrain from undertaking certain activities within the scope of the Derivatives Exchange Membership;
  - 2. request information and reports relevant to the provisions of these Rules; and
  - 3. request a Derivatives Exchange Member to appoint independent organization, in accordance with qualification criteria determined by the Exchange, to validate their compliance with the provisions of these Rules.
- b. The Exchange may establish necessary Technical Procedures it deems appropriate to implement the provisions of these Rules.

**Article 39 Publication and Entry into Force**

These Rules shall be effective from the date of its publication.