



## Glossary of Defined Terms Used in the Exchange Rules

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**Arabic is the official language of the Saudi Exchange, Edaa and Muqassa.**

## Glossary of Defined Terms Used in the Exchange Rules

Unless the contrary intention appears, the words and expressions in this Glossary shall have the meaning herein specified:

**Acquisition:** a transaction involving the purchase and/or sale of shares of a company listed on the Exchange through an Offer or a Private Transaction.

**Adjusted Settlement Limit:** The Custody Member's adjusted Cash Settlement Limit as specified by the Centre.

**Affected Transaction:** means any Cleared Transaction or open positions in the name of a Defaulting Clearing Member, including those arising from the clearing services provided by such Defaulting Clearing Member to its Clients.

**Affiliate:** a person who controls another person or is controlled by that other person, or who is under common control with that person by a third person. In any of the preceding, control could be direct or indirect.

**Affiliated Client:** means a Client which is an Affiliate of the Clearing Member providing it with clearing services.

**Application for registration and offer:** in the Listing Rules, means any application submitted to the Authority to register and/or offer securities of any type.

**Auction:** means the auction process operated by the Clearing House with respect to Affected Transactions of a Defaulting Clearing Member.

**Auction Portfolio:** means a portfolio of Affected Transactions, as determined by the Clearing House.

**The Authority:** the Capital Market Authority, including (where the context permits) any committee, sub-committee, employee or agent to whom any function of the Authority may be delegated.

**Authorized Person:** means a Capital Market Institution.

**Authorised Persons Regulations:** means the Capital Market Institutions Regulations issued by the Board of the Authority.

**Available securities:** securities available for carrying out transactions including securities which have been purchased but not yet settled as determined by the Centre from time to time.

**Back-to-Back Obligation:** means a transaction between the Clearing Member and its Client, which is equal and opposite to the corresponding Cleared Transaction between the Clearing House and the Clearing Member. Under each Back-to-Back Obligation the rights and obligations of each Clearing Member will be at least the same as the Clearing House under the Cleared Transaction (except that the Clearing House will be replaced by the Clearing Member).

**Backtesting:** means an ex-post comparison of observed outcomes with expected outcomes derived from the use of Initial margin models.

**Banking Control Law:** means the Banking Control Law issued pursuant to the Royal Decree No. M/5 dated 22/2/1386H, and any amendment thereto.

**Bankruptcy Law:** the Bankruptcy Law issued by Royal Decree Number M/50 dated 28/5/1439H.

**Base Currency:** means Saudi Arabian Riyal, unless otherwise specified in the Clearing Procedures.

**Broker:** a Capital Market Institution Authorized to carry out the securities activity of dealing.

**Buyer:** the buyer party in a transaction.

**Buy-in process:** Means in the Trading and Membership Procedures. the mechanism specified by the Exchange for buying securities that includes optional buy-in process carried out by the Exchange Members. Means in the Clearing Procedures, the mechanism specified by the Clearing House for buying securities that includes the mandatory buy-in process carried out by the Clearing House.

**by way of security interest:** means any legal interest in security, other than by way of title transfer, created or otherwise arising by transfer, including a pledge or a mortgage.

**by way of title transfer:** means an agreement or arrangement, evidenced in writing, where:

- i. the purpose of the agreement or arrangement is to secure or otherwise cover the relevant financial obligations owed to the Collateral-taker; and
- ii. the Collateral-provider transfers legal and beneficial ownership in financial Collateral to a Collateral-taker on terms that when the relevant financial

obligations are discharged, the Collateral-taker must transfer legal and beneficial ownership of equivalent financial Collateral to the Collateral-provider.

**Calendar day:** any day, whether or not such day is a business day.

**Capital:** means the assets of a Clearing Member funded by equity which are not otherwise encumbered and freely available.

**Capital Market Institution:** a person who is authorized by the Authority to carry out Securities business.

**Capital Market Institutions Regulations:** the Capital Market Institutions Regulations issued by the Board of the Authority.

**Capital Market Law:** the Capital Market Law issued pursuant to the Royal Decree No. (m/30) date 2/6/1424H, and any amendments thereto.

**Capitalisation issue:** an offer of further shares to existing shareholders, fully paid up out of the issuer's reserves, in proportion to existing shareholders holdings.

**Capped Period:** means a period starting on the Day an Event of Default is declared, which is used to limit the replenishment of the resources used to cover a default, as further defined at Article 67 of the Securities Clearing Centre Rules.

**Carve Out:** is a type of Demerger transaction where the Listed Company sells off a portion of its assets, business or a subsidiary by transferring them as a whole, to one or several existing entities (acquiring legal entities) or to be newly formed, or

to the public in return for cash or shares in the acquiring legal entity being granted to the Listed Company.

**Cash Account:** a cash account opened at the Settlement Member for the Custody Member or any of its clients as the context permits.

**Cash Settlement:** cash settlement of transactions in accordance with the provisions of Chapter two in Section three of the Securities Depository Centre Rules.

**Cash Settlement Headroom:** means a cash limit where the Settlement Member connected to a Custody Member shall be obliged to carry out cash settlement of all transactions which have been allocated to that Custody Member up to such cash limit.

**Cash Settlement Limit:** a cash limit as determined by the relevant settlement member for each Custody Member from time to time, as specified by the Centre.

**CCP Collateral Account:** a special account opened by the Securities Central Counterparty for the purpose of collateralization in accordance with the provisions of the Securities Depository Centre Rules.

**CCP House Account:** a special account opened by the Securities Central Counterparty for the purpose of safekeeping of Securities or cash owned by Securities Central Counterparty in accordance with the provisions of the Securities Depository Centre Rules.

**CCP Settlement Pool Account:** a special account opened by the Securities Central Counterparty for the purpose of settlement in accordance with the provisions of the Securities Depository Centre Rules.

**The Centre or Depository Centre:** the Securities Depository Centre (Edaa) authorized by the Capital Market Authority as Depository Centre.

**Centre Account:** an account opened at the Centre, which securities depository, settlement of the transactions and any restriction can be executed and processed through.

**Centre Member:** a person who has obtained one of the Depository Centre membership categories in accordance with the provisions of the Securities Depository Centre Rules.

**CEO:** the chief executive officer, being any individual who heads the operations of any person and includes the managing director, the chief executive, the president of the company or equivalent.

**CFO:** any natural person who manages the financial affairs of any person, whether under the name of chief financial officer or finance manager or equivalent.

**Cleared Transaction:** means a transaction between the Clearing House and a Clearing Member arising in accordance with the Securities Clearing Centre Rules.

**Clearing Documentation:** means the Securities Clearing Centre Rules, the Clearing Procedures and the Membership Agreement, as each such document is amended from time to time.

**The Clearing House:** means the Securities Clearing Centre Company (Muqassa) authorised by the Authority as a Clearing Centre.

**Clearing House Account:** means the Position Account and the corresponding Collateral Account for each Relevant Transaction Type.

**Clearing House Applicable Percentage:** has the meaning given to it in Article 76 of the Securities Clearing Centre Rules.

**Clearing House Capital:** means the assets of the Clearing House funded by equity (including common stock, disclosed reserves or other retained earnings) which are not otherwise encumbered and freely available to cover the risks of operating as a Clearing House, which shall be disclosed by the Clearing House and which may change from time to time.

**Clearing House Failure to Pay:** has the meaning given to it in Article 74 of the Securities Clearing Centre Rules.

**Clearing House's Skin-in-the-Game:** means a dedicated capital pool set aside by the Clearing House from its own resources, which is used in an Event of Default.

**Clearing Member:** means a Direct Clearing Member or a General Clearing Member.

**Clearing Membership:** means having the status of a Direct Clearing Member or a General Clearing Member.



**Clearing Member Trading Limit:** means, with respect to each Clearing Member, the limit imposed by the Clearing House on the transactions they may clear which have been traded on the Exchange.

**Clearing Organisation:** means any clearing organisation other than the Clearing House.

**Clearing Procedures:** means the procedures emerging from the Securities Clearing Centre Rules as amended from time to time.

**Clearing System:** means all electronic systems used by the Clearing House to clear Securities or any supporting system thereof.

**Client:** a person who potentially or actually receives services from a Capital Market Institution. And means in the Securities Clearing Centre Rules, any natural or legal person that is not a Clearing Member and has a contractual relationship with a Clearing Member which enables that person to clear its trades with the Clearing House.

**Client Account:** means a Client Position Account or a Client Collateral Account.

**Client Clearing Agreement:** means the agreement in prescribed form between a Clearing Member and its Client regulating the terms of the clearing service offered through the Clearing House.

**Client Collateral Account:** means an Individual Client Collateral Account or an Omnibus Client Collateral Account.

**Client Collateral Account Balance:** means the balance of the relevant Client Collateral Account held by the relevant Clearing Member on behalf of such Client, as adjusted by any payments made or received under the relevant Affected Transactions by the Clearing House during the period between the occurrence of the relevant Event of Default and the time immediately prior to porting of such Affected Transactions to a Replacement Clearing Member.

**Client Position Account:** means an Individual Client Position Account or an Omnibus Client Position Account.

**Closed-Ended Investment Traded Funds:** a Closed-Ended Investment Traded Funds which its units are publicly offered pursuant to the Closed-Ended Investment Traded Funds Instructions and for which an application for listing is submitted to the Exchange or where its units are listed on the Exchange.

**Closed-Ended Investment Traded Funds Instructions:** the Closed-Ended Investment Traded Funds Instructions issued by the Board of the Authority.

**Close-out period:** The time period from the last exchange of variation margin with a defaulted member until the defaulted member's positions are closed out.

**Closing Price:** The last price that a Security is traded for on the trading day, in accordance with the mechanism detailed in the Trading and Membership Procedures or the Derivatives Exchange Trading and Membership Procedures (where applicable).

**Collateral:** money or assets which have been paid for in full by a client and which are held by the Capital Market Institution or under its charge, either for its own

account or under the terms of a deposit, pledge or other pledge arrangement. And means in the Securities Clearing Center Rules, money, securities and other assets (including third-party commitments) which the Clearing House may designate from time to time as permissible to satisfy Margin or Default Fund Contribution demands and secure the positions of the Clearing Member.

**The Committee:** the Committee for the Resolution of Securities Disputes.

**Companies Law:** the Companies' Law issued by Royal Decree Number M/3 dated 28/1/1437H.

**Control:** means the ability to influence the actions or decisions of another person through, whether directly or indirectly, alone or with a relative or Affiliate:

- i. holding 30% or more of the voting rights in a company; or
- ii. having the right to appoint 30% or more of the members of the governing body

“Controller” shall be construed accordingly.

**Convertible Securities:** a security that entitles its holder the right against its issuer to be exchanged for another security.

**Corporate actions:** in the Security Depository Centre Rules, actions taken by the issuer which lead to:

- i. increasing or decreasing the number of its issued securities or changing its nominal value; or

ii. any distributions of cash.

and other than in the Security Depository Centre Rules, actions taken by an issuer which lead to increasing or decreasing the number of its issued securities or changing its nominal value.

**Current Contracts:** The contract that expires in the nearest date.

**Custodian:** a Capital Market Institution who is authorised under the Capital Market Institutions Regulations to conduct the securities activity of custody.

**Custody:** the securities activity specified in paragraph (5) of Article 2 of the Securities Business Regulations.

**Custody Member:** a Capital Market institution who has obtained the Centre membership of custody category.

**Custody Member Account:** a Centre Account opened through a Custody Member for the member or its clients.

**Day:** a business day in the Kingdom in accordance with the official working days of the Exchange.

**Daily Limit:** is maximum increase or decrease in a Security price during a trading session, based on previous day closing price or listing price.

**Debt Instrument:** a tradable instrument creating or acknowledging indebtedness issued by companies, the government, public institutions or public organizations.

**Default Fund:** means the resources available to the Clearing House comprised of assets contributed by Clearing Members that may be used by the Clearing House in certain circumstances during the Default Management Process to cover losses or liquidity pressures resulting from Events of Default relating to Clearing Members. To the extent more than one Default Fund is established, the resources of each Default Fund shall be available to cover the Relevant Transaction Type.

**Default Fund Account:** has the meaning given to it in Article 34 of the Securities Clearing Centre Rules.

**Default Fund Contribution:** means, with respect to each Default Fund and each Clearing Member which participates in such Default Fund, the aggregate of the Upfront Default Fund Contribution and the Supplemental Default Fund Contribution.

**Default Fund Determination Date:** means any of the following:

- i. the day when the relevant Default Fund is recalculated by the Clearing House, in accordance with the Clearing Procedures; and
- ii. the Day that occurs during the Capped Period with respect to such Default Fund.

save that if an Event of Default has occurred on or prior to such time the Default Fund Determination Date shall be adjusted to be a date no earlier than the date on which the Capped Period in respect of such Event of Default has ended.

**Default Interest Rate:** means, with respect to a relevant currency, the relevant rate determined by the Clearing House in accordance with the Clearing Procedures.

**Default Management Committee:** has the meaning given to it in Article 64 of the Securities Clearing Centre Rules.

**Default Management Committee Member(s):** The members of the Default Management Committee composed in accordance with the Securities Clearing Centre Rules.

**Default Management Process:** has the meaning given to it in Article 64 of the Securities Clearing Centre Rules.

**Defaulting Clearing Member:** has the meaning given to it in Article 66 of the Securities Clearing Centre Rules.

**Demerger:** a transaction where a Listed Company wishes to effect the separation or divestiture of a subsidiary, an asset or a business wholly or partly within its existing group whether through a separate listing of such subsidiary, asset or business on the Exchange (including the main market or the parallel market, as defined in the Parallel Market Listing Rules) or without listing. A Demerger could take the form of a Spin-Off, a Split-Off or a Carve Out.

**Demerged Entity:** the entity that is the subject of a Demerger transaction resulting in it being Spun-Off, Split-Off or Carved Out from the Listed Company.

**Deposited Securities:** Securities deposited in the Depository and Settlement System.

**Depository Bank:** a financial institution of legal personality authorised to issue and cancel Depository Receipts out of the Kingdom, appointed by the Issuer in accordance with the provisions of the Instructions on Issuing Depository Receipts out of the Kingdom.

**Depository Receipts:** Financial instruments listed and traded in a foreign market, issued by the Depository Bank for shares issued in the Kingdom and Listed in the Exchange, or for shares issued in the Kingdom and its Issuer has made the necessary arrangements for Listing them in the Exchange.

**Depository and Settlement System:** all electronic systems used by the Centre to deposit and settle Securities or any supporting system thereof.

**Derivatives:** A Security traded on the Exchange whose value is based on the value of an underlying asset, such as stocks. The term “derivatives product” is interpreted accordingly.

**Derivatives Exchange Member:** means a person who has obtained a Derivatives Exchange Membership in accordance with the Derivatives Exchange Trading and Membership Rules.

**Derivatives Exchange Membership Agreement:** means the agreement in a prescribed form by the Exchange entered into by a Derivatives Exchange Member and the Exchange, regulating the terms and conditions of such Derivatives Exchange Member’s membership of the Exchange.

**Derivatives Exchange Registered Trader:** means a person registered with the Exchange and who is responsible for conducting trading activities for the

Derivatives Exchange Member and its Clients by accessing the Derivatives Trading System.

**Derivatives Exchange Trading and Membership Procedures:** means the Derivatives Exchange Trading and Membership Procedures approved by the Board of Directors of the Exchange and emerging from the Derivatives Exchange Trading and Membership Rules.

**Derivatives Exchange Trading and Membership Rules:** means the Derivatives Exchange Trading and Membership Rules proposed by the Board of Directors of the Exchange and approved by the Board of the Authority.

**Derivatives Register:** means a register that shows all Derivatives cleared by the Clearing House.

**Derivatives Trading System:** means all electronic systems used by the Exchange for trading Listed Derivatives Products or any supporting system thereof.

**Designated Securities and Transactions:** means Securities and/or transactions in respect of which the Clearing House has issued a notice designating such Securities and/or transactions as not benefitting from its clearing service.

**Designated Securities and Transactions Effective Date:** has the meaning given to it in Article 41 of the Securities Clearing Centre Rules.

**Direct Market Access:** means in the Derivatives Exchange Trading and Membership Rules an arrangement where a Derivatives Exchange Member permits its Client to submit orders for Listed Derivatives Products directly into its Order Management System. And means in the Trading and Membership Rules, an



arrangement where an Exchange Member permits its Client to submit orders for Securities directly into its Order Management System.

**Direct Clearing Member:** means a Clearing Member whose participation in the Clearing House is limited to Securities which it has traded in its capacity as an Exchange Member or a Derivatives Exchange Member, including Securities it has traded on its own account and on behalf of its Clients.

**Director:** in relation to a joint stock company, includes a member of the board of directors and in relation to any other company includes any manager or other senior executive who makes and implements the company's strategic decisions.

**Disclosure forms:** forms issued or approved by the Authority to determine the contents of the disclosures or reports required to be published by the issuer pursuant to the relevant rules and instructions.

**Early Termination Date:** means the date designated in accordance with paragraphs (b) and (c) of Article 74 and paragraph (b) of Article 75 of the Securities Clearing Centre Rules.

**Eligibility Requirements:** means, with respect to an OTC Derivatives Transaction submitted for registration with the Clearing House the eligibility requirements applicable to such OTC Derivatives Transaction as set out in the Clearing Procedures.

**Employee:** in relation to a person, includes a director or manager of a company, a partner in a partnership or any other individual who is employed under a contract

of service or contract of service and whose services are placed at the disposal of and under the control of that person.

**End Beneficiary:** means the Client of the Omnibus Account Holder who benefits from Non-Convertible Debt Instruments in the Omnibus Account.

**Event of Default:** has the meaning given to in Article 65 of the Securities Clearing Centre Rules.

**The Exchange:** The Saudi Exchange Company, or the Saudi Stock Exchange, as the context permits.

**Exchange Traded Fund:** an index fund, the units in which are traded on the Exchange or on another securities exchange which is recognized by the Authority.

**Exchange Member:** a person who has obtained an Exchange membership, in accordance with the Trading and Membership Rules.

**Exchange Member Settlement Pool Account:** a special account opened by the Exchange Member through the Custody Member for the purpose of settlement in accordance with the provisions of the Securities Depository Centre Rules.

**Exchange Member's Clients Settlement Pool Account:** a special account opened by the Exchange Member for its clients through the Custody Member for the purpose of settlement in accordance with the provisions of the Securities Depository Centre Rules.

**Exchange Rules:** the regulations, rules, procedures and instructions proposed by the Board of Directors of the Exchange or Board of Directors of the Depository

Centre or Board of Directors of the Clearing Centre and approved by the Board of the Authority.

**Failure to Pay Grace Period:** means the period from (but excluding) the day on which the Clearing House receives notice pursuant to Article 70 of the Securities Clearing Centre Rules, that it has failed to make a payment or delivery when due under the Clearing Documentation to (and including) the Day which is 21 Days after such notice is received by the Clearing House.

**Foreign Depository Centre:** the Depository Centre in the market at which the foreign security is primarily issued.

**Foreign Security:** the security that is primarily issued in a foreign market and listed and traded on the Exchange.

**Fund manager:** for the purpose of listing units of investment funds, means a Capital Market Institution that is responsible for the management of the assets of an investment fund and for offering units of the investment fund.

**Future Contracts:** means standardized contracts whose price is derived from an Underlying Assets bought and sold in the Exchange for future settlement.

**General Clearing Member:** a Clearing Member who may, but is not required to be, an Exchange Member or Derivatives Exchange Member. A General Clearing Member is permitted to clear Securities:

1. to the extent it is an Exchange Member or Derivatives Exchange Member, it has traded in its capacity as an Exchange Member or Derivatives

Exchange Member either on its own account or on behalf of its Client(s);  
and

2. to the extent it is not an Exchange Member or Derivatives Exchange Member, on behalf of its Clients including Non-Clearing Members.

**Haircut:** a risk control measure applied to financial instruments and/or securities whereby the value of those assets is calculated as the market value of the assets reduced by a certain percentage (the “haircut”).

**Hedging:** means one or more derivatives transactions entered into by the Clearing House in order to mitigate or reduce market risk associated with the occurrence of an Event of Default of a Clearing Member.

**Holding Settlement:** means where a Custody Member or the Depository Centre or the CCP hold settlement instructions.

**House Collateral Account:** has the meaning given to it in Article 33 of the Securities Clearing Centre Rules.

**House Position Account:** has the meaning given to it in Article 32 of the Securities Clearing Centre Rules.

**Identification Number:** a special number for every investor identified in the Depository and Settlement System.

**Implementing Regulations:** any regulations, rules, instructions, procedures and orders issued by the Board of the Authority relating to the implementation of the Capital Market Law.

**Implementing Regulations of Companies Law:** a set of rules, instructions and procedures issued by the Authority relating to the implementation of the Companies Law.

**Individual Client Collateral Account:** has the meaning given to it in Article 33 of the Securities Clearing Centre Rules.

**Information Provider:** A person who enters into an agreement with the Exchange to re-distribute the Trading Data or the calculation of the Exchange index.

**Initial Margin:** Means in the Derivatives Exchange Trading and Membership Rules, the margin that is collected to cover potential changes in the value of each Client position (that is, potential future exposure) in the appropriate close-out period in the event that Client defaults. Means in the Securities Clearing Centre Rules, the margin that is collected to cover potential changes in the value of each Clearing Member's position (that is, potential future exposure) over the appropriate close-out period in the event that Clearing Member defaults.

**Intra-day Price:** The price on which a Security is traded during the trading day, in accordance with the mechanism specified in the Trading and Membership Procedures or the Derivatives Exchange Trading and Membership Procedures (where applicable).

**Investment fund:** a collective investment scheme aimed at providing investors therein with an opportunity to participate collectively in the profits of the scheme which is managed by a fund manager for specified fees.

**Investor:** a natural or legal person who owns or intends to own securities, including Deposited Securities.

**In writing:** in legible form and capable of being reproduced on paper, irrespective of the medium used.

**Issuance Account:** a special account opened by the Depository Centre for the purpose of issuance securities in accordance with the provisions of the Securities Depository Centre Rules.

**Issuance programme:** a programme under which a single prospectus under the Rules on the Offer of Securities and Continuing Obligations is produced pursuant to which a number of debt instruments or convertible debt instruments may be issued in the future, as stated in the prospectus.

**Issuer:** a person issuing or intending to issue securities.

**Kill Switch:** a tool used under extraordinary circumstances offered under Trading System that's enables the Clearing House or the relevant General Clearing Member to issue a kill switch instruction on the Exchange Member in accordance with Securities Clearing Centre Rules and Trading and Membership Rules.

**Kingdom:** the Kingdom of Saudi Arabia.

**Lending Agent:** a Custody Member or Broker entering into an SBL transaction as a lending agent in accordance with paragraph (a) of Article 9 of the SBL Regulations.

**Limit Order:** An Order to buy or sell a security at a specified price limit or better.

**Listed:** in relation to any type of securities, means the securities approved to be listed on the Exchange.

**Listed Derivatives Product Specification:** means those terms and conditions of a Listed Derivatives Product as specified by the Exchange after receiving a non-objection notification from the Authority.

**Listed Funds:** funds listed in accordance with the provisions of the Listing Rules.

**Listing:** listing securities on the Exchange either on the Main Market or on the Parallel Market, or, where the context permits, the application to the Exchange for listing securities.

**Listing Rules:** the Listing Rules proposed by the Board of the Exchange and approved by the Board of the Authority.

**Local Bank:** means an institution that has received a license to engage in banking business in accordance with the Laws of the Kingdom.

**Main Market:** the market of the Exchange in which securities, that have been registered and offered pursuant to Part 4 of the Rules on the Offer of Securities and Continuing Obligations and have been admitted to listing pursuant to Part 3 of the Listing Rules, are traded.

**Managing:** the securities activity specified in paragraph (3) of Article 2 of the Securities Business Regulations.

**Margin:** means Initial Margin and any applicable Variation Margin and any additional margin determined in accordance with the Securities Clearing Centre Rules.

**Market Maker:** means in the Listing Rules, for an exchange traded fund, the Capital Market Institution appointed by the fund manager to act as a market maker in accordance with the Investment Funds Regulations. Means in the Trading and Membership Rules and the Derivatives Exchange Trading and Membership Rules and the Market Making Regulations, an Exchange Member or Derivatives Exchange Member (where applicable) that continuously enters buy and sell orders for the relevant listed security during the market open session for the purpose of providing liquidity for that listed security in accordance with the Market Making Regulations.

**Market Order:** An Order to buy or sell listed securities at the best available price.

**Maturities:** the available four maturities for trading Listed Derivatives Products (current month, next month, and next two quarters).

**Membership Agreement:** means the agreement in prescribed form between a Clearing Member and the Clearing House regulating the terms and conditions of such Clearing Member's membership of the Clearing House.

**Membership Termination Date:** means any of the following:

- i. the date on which a non-defaulting Clearing Member has its Clearing Membership cancelled in accordance with Article 19 of the Securities Clearing Centre Rules; or



- ii. the Resignation Effective Date where a non-defaulting Clearing Member notifies the Clearing House that it no longer intends to clear the Relevant Transaction Type to which such Default Fund relates in accordance with Article 20 of the Securities Clearing Centre Rules.

**Merger:** a transaction, however its nature, involving an offeree company listed on the exchange and resulting in any of the following:

- 1) the absorption of that offeree company by another company listed on the exchange.
- 2) the absorption of that offeree company by a company that is not listed on the exchange.
- 3) the formation of a new legal entity by merging two companies or more (including the offeree company).

**Merger and Acquisition Regulations:** the Merger and Acquisition Regulations issued by the Board of the Capital Market Authority.

**Net Position:** The difference between a single account or member's open long (bought) contracts and open short (sold) contracts in any one product.

**Nominee Account:** a special account opened by the Custody Member under the Depository Banks's name for the purpose of depositing the shares of the Depository Receipts holders, against the Depository Receipts issued out of the Kingdom.

**Non-Clearing Member:** any Exchange Member or Derivatives Exchange Member but which is not a Clearing Member and must clear through a General Clearing Member.

**Non-Clearing Member Clearing Agreement:** means the agreement in prescribed form between a Non-Clearing Member and the Clearing House regulating the terms of conditions of such Non-Clearing Member's access to services provided by the Clearing House.

**Non-Clearing Member Trading Limit:** means, with respect to each Non-Clearing Member, the limit imposed by their General Clearing Member on the transactions such Non-Clearing Member may trade on the Exchange.

**Normal Trade:** Means in the Parallel Market, a trade with a value of (2,500) SAR or above.

**offer:** means in the Merger & Acquisition Regulations, a general tender offer, other than the offers provided by the offeree company itself, that is subject to the Merger & Acquisition Regulations, made to all holders of the shares carrying voting rights in the offeree company for any of the following purposes:

- 1) purchase shares carrying Voting Rights in the offeree company or
- 2) to effect a merger of the offeree company.

Any reference in the Merger & Acquisition Regulations to the term "offer" or "potential offer" shall be construed as the following:

- 1) a merger or potential merger;

2) an offer or partial offer for takeover, or a potential offer or partial offer for takeover; or

3) partial offer or potential partial offer, not intended for takeover

**Offeror:** any person makes an offer or invites a person to make an offer which, if accepted, would give rise to the issue or sale of Securities by such person or by another person who made arrangements for the issuance or sale of Securities.

**Omnibus Account:** means a special account opened by the Custody Member under its name for the Omnibus Account Holder's Clients in accordance with the provisions of Article 56 of the Securities Depository Centre Rules.

**Omnibus Account Holder:** means a Capital Market Institution which the Omnibus Account is opened for its Clients by the Custody Member and the Capital Market Institution is responsible for managing, monitoring and dealing with the account on behalf of End Beneficiaries of the Omnibus Account.

**Omnibus Client Account:** means the Omnibus Client Position Account and the corresponding Omnibus Client Collateral Account.

**Omnibus Client Collateral Account:** has the meaning given to it in Article 33 of the Securities Clearing Centre Rules.

**Omnibus Client Position Account:** has the meaning given to it in Article 32 of the Securities Clearing Centre Rules.

**Onward Lending:** a transfer of borrowed Securities from a Broker or Custody Member or Qualified Foreign Investor (lender) to its client (borrower) for any of

the purposes stipulated in subparagraph (3) of paragraph (b) of Article (3) of the Securities Borrowing and Lending Regulations, using any type of agreements that complies with the minimum requirements for SBL agreement stipulated in Annex (1) of the Securities Borrowing and Lending Regulations.

**Open Offer Eligibility Criteria:** means the open offer eligibility criteria set out in the Securities Clearing Centre Rules.

**Open Position:** any aggregation, conducted in accordance with the Clearing Procedures, of traded contracts or securities balances that has been captured by Clearing system and not been settled or closed out. **Opening price:** The initial price that a Security is traded for on the opening of a trading day, in accordance with the mechanism specified in the Trading and Membership Procedures or the Derivatives Exchange Trading and Membership Procedures (where applicable).

**Order Management System:** The software system used by the Exchange Member or Derivatives Exchange Member to communicate electronically with the Exchange for sending, amending, canceling or deactivating of orders and receiving the responses from Exchange.

**Ordinary Fund Resolution:** means a resolution requiring an affirmative vote of the holders of more than 50% of the units in the investment fund present or represented by proxy at a meeting of unitholders or by modern means of technology.

**OTC Derivatives Transactions:** means an OTC derivatives originally entered into between two Clearing Members, a Clearing Member and a Client or two Clients,

and that is submitted for registration with the Clearing House in accordance with the Securities Clearing Centre Rules.

**Over the Counter:** outside the Trading System.

**Ownership Controls:** means Securities ownership restrictions and limits imposed by the Authority or any Regulatory Body in accordance with the provisions of the Securities Depository Centre Rules and the relevant Laws and Regulations.

**Ownership Limits:** means the percentages which represents the maximum limits on the ownership of an Investor or group of Investors in a security or type of securities imposed by the Authority or any other Regulatory Bodies where such investors of group of investors may exceed.

**Ownership Restrictions:** means the restrictions imposed on an Investor or group of Investors by the Authority or any other Regulatory Bodies to own in a security or type of securities.

**Parallel Market:** the market of the Exchange in which shares, that have been registered and offered pursuant to Part 7 of the Rules on the Offer of Securities and Continuing Obligations and have been admitted to listing pursuant to Part 8 of the Listing Rules, are traded.

**Parallel Market Offer:** an offer of shares for the purpose of listing and trading such shares on the Parallel Market made by an issuer to Qualified Investors or shareholders of that issuer who owned the shares in that issuer before they were listed.

**Partial Offer:** an offer (except for offers made by the same offeree company) subject to the Merger & Acquisition Regulations, made to all holders of the shares carrying voting rights in the offeree company to purchase a certain percentage of shares in the offeree company.

**Participant Account:** the Participant's Centre Account.

**Pass Through Service:** means a service which may be offered by the Clearing House in respect of Designated Transactions and Securities and traded transactions which do not satisfy the Open Offer Eligibility Criteria listed in Article 29 of the Securities Clearing Centre Rules, to facilitate their settlement without providing clearing services as detailed in Chapter VII of Part 3 of the Securities Clearing Centre Rules.

**Payment System - SAMA:** the Saudi Arabian riyal interbank express (SARIE) system or any other replacement thereto.

**Person:** any natural or legal person recognised as such under the laws of the Kingdom.

**Pledge:** any form of a security interest recognised under the laws of the Kingdom capable of taking effect in relation to a security.

**Porting Instructions:** means the instructions to the Clearing House, in such form as the Clearing House may require from time to time, provided by a Client and the Replacement Clearing Member appointed by such Client, which evidences the consent of such parties thereto to terminate all Affected Transactions in the name of the original Clearing Member in respect of the Client Position Account relating

to such Client and re-establishing the same with the Replacement Clearing Member.

**Position Account:** means a Client Position Account or House Position Account.

**Position Limit:** has the meaning given to that term in paragraph (a) of Article 32 of the Derivatives Exchange Trading and Membership Rules.

**Private Transaction:** transaction involving the purchase and/or sale of shares carrying Voting Rights in any company listed on the Exchange, negotiated between the Offeror and selling shareholder(s) of the Offeree Company without making an Offer or involving the other shareholders or directors of the Offeree Company.

**Prospectus:** the document required to offer securities in the Main Market or in the Parallel Market in accordance with the Capital Market Law and the Rules on the Offer of Securities and Continuing Obligations.

**Prudential Rules:** the Prudential Rules issued by the Board of the Authority.

**Public:** means in the Listing Rules persons other than the following:

- 1) affiliates of the issuer;
- 2) substantial shareholders of the issuer;
- 3) directors and senior executives of the issuer;
- 4) directors and senior executives of affiliates of the issuer;
- 5) directors and senior executives of substantial shareholders of the issuer;
- 6) any relative of persons described at (1), (2), (3), (4) or (5) above;
- 7) any company controlled by any persons described at (1), (2), (3), (4), (5) or (6) above; or

- 8) persons acting in concert, with a collective shareholding of (5%) or more of the class of shares to be listed.

**Qualified Investor:** for the purpose of Part 8 of the Listing Rules and the Securities Borrowing and Lending Regulations, any of the following:

- 1) Capital Market Institutions acting for their own account.
- 2) Clients of a Capital Market Institution authorised by the Authority to conduct managing activities provided that this Capital Market Institution has been appointed as an investment manager on terms which enable it to make decisions concerning the acceptance of an offer and investment in the Parallel Market on the client's behalf without obtaining prior approval from the client.
- 3) The Government of the Kingdom, any government body, any supranational authority recognised by the Authority or the Exchange, and any other stock exchange recognised by the Authority or the Depository Center.
- 4) Government-owned companies either directly or through a portfolio managed by a Capital Market Institution authorised to carry out managing activities.
- 5) Companies and funds established in a member state of the Cooperation Council for the Arab States of the Gulf.
- 6) Investment Funds.
- 7) Non-resident foreigners permitted to invest in the Parallel Market and who meet the requirements stipulated in the Guidance Note for the investment of Non-Resident Foreigners in the Parallel Market.



- 8) Qualified foreign financial institutions.
- 9) Any other legal persons allowed to open an investment account in the Kingdom and an account at the Depository Center.
- 10) Natural persons allowed to open an investment account in the Kingdom and an account at the Depository Center, and fulfill any of the following criteria:
  - (a) has conducted transactions in security markets of not less than 40 million Saudi riyals in total, and not less than ten transactions in each quarter during the last twelve months.
  - (b) his net assets is not less than 5 million Saudi Riyals.
  - (c) works or has worked for at least three year in the financial sector.
  - (d) holds the General Securities Qualification Certificate which is recognised by the Authority.
  - (e) holds professional certificate that is related to securities business and accredited by an internationally recognized entity.
- 11) Any other persons prescribed by the Authority.

**Real Estate Investment Traded Fund:** a real estate investment fund which its units are publicly offered pursuant to the Real Estate Investment Traded Funds Instructions and for which an application for listing is submitted to the Exchange or where its units are listed on the Exchange.

**Real Estate Investment Traded Funds Instructions (REIT):** the Real Estate Investment Traded Funds Instructions issued by the Board of the Authority.

**Registered Restriction:** restriction registered in the Depository and Settlement System in accordance with the provisions of the Securities Depository Centre Rules, which restricts the ownership of Deposited Securities or conducting any action on them, whether such restriction is contractual, regulatory, judicial or otherwise.

**Registered Trader:** A person registered with the Exchange who is responsible for conducting trading activities for the Exchange Member and its clients by accessing to the Trading System.

**Registration:** the registration of securities with the Authority, or where the context permits, the application to the Authority for registration and offer of securities.

**Regulatory Body:** any regulatory body in the Kingdom.

**Related party:** 1) In relation to senior executives or directors or a single shareholder holding majority of the shares, a related party means any of the following:

(a) Husband, wife and minor children (shall be jointly referred to as “person’s family”); or

(b) Any company that a person or any member or more of the person’s family has an interest in, or that a person and any member or more of the person’s family are jointly interested in, whether directly or indirectly, which enables them to:

- Vote or control the votes of 30% or more of the voting rights in the general assembly in relation to all or most of the issues presented therein; or

- Appoint or dismiss directors having the majority of the voting rights in the board meetings in relation to all or most of the issues presented therein.

2) In relation to a company holding a majority of the shares, a related party means any of the following:

(a) Any other company that is a subsidiary, holding, or affiliate that is owned by the same parent company;

(b) Any company in which the directors are used to take instructions from the company that holds a majority of the shares; or

(c) Any company that falls within the scope of both paragraphs (a) and (b), and any company that the company which holds a majority of the shares is interested in its capital, whether directly or indirectly, which enables it to:

- Vote or control the votes of 30% or more of the voting rights in the general assembly in relation to all or most of the issues presented therein; or

- Appoint or dismiss directors having the majority of the voting rights in the board meetings in relation to all or most of the issues presented therein.

**Relative:** husband, wife and minor children.

**Releasing Settlement:** means where a Custody Member or the Depository Centre or the CCP remove a hold from pending settlement instructions.

**Relevant Transaction Type:** means, with respect to each Default Fund, the Cleared Transactions that are attributable to such Default Fund as detailed by the Clearing House from time to time in the Clearing Procedures.

**Replacement Clearing Member:** means, in relation to a Client and clearing services, the Clearing Member appointed by a Client who will be acting as a replacement Clearing Member in the event of the occurrence of an Event of Default with respect to such Client's original Clearing Member.

**Request to Cancel:** means where a Custody Member or the CCP request to cancel settlement instructions as specified in the Depository Centre Procedures.

**Resignation Effective Date:** has the meaning given to it in Article 20 of the Securities Clearing Centre Rules.

**Restricted Account:** an account opened at the Centre, which Securities trading cannot be executed through, except upon instructions from the Authority.

**Reverse takeover:** it shall mean where a listed company makes an offer of new shares in itself to the shareholders of an unlisted company on the Exchange for their shares and these new shares will represent more than 50% of the listed company voting shares after the acquisition.

**Rights issue:** an offer of additional shares to existing shareholders which enables those shareholders to subscribe in proportion to their existing holdings.

**Risk Limit:** means the limit on the credit exposure the Clearing House can accept with respect to each Clearing Member. Risk Limit is a concentration management tool to assist the Clearing House in monitoring and mitigating the credit risk of each Clearing Member.

**Rules for Special Purposes Entities:** the Rules for Special Purposes Entities issued by the Board of the Capital Market Authority

**Rules on the Offer of Securities and Continuing Obligations:** the Rules on the Offer of Securities and Continuing Obligations issued by the Board of the Authority.

**SAMA:** the Saudi Central Bank.

**Securities:** in accordance with Article 2 of the Capital Market Law, Securities shall mean:

- a. convertible and tradable shares of companies;
- b. tradable debt instrument issued by companies, the government, public institutions or public organisations;
- c. investment units issued by investment funds;
- d. any instruments representing profit participation rights, any rights in the distribution of assets or either of the foregoing; and
- e. any other rights or instruments which the Board of the Authority determines should be included or treated as Securities.

**Securities Borrowing and Lending Regulations or SBL Regulations:** the Securities Borrowing and Lending Regulations proposed by the Board of Directors of the Exchange and approved by the Board of the Authority.

**Securities borrowing and lending transaction or SBL transaction:** a transaction in the form specified in paragraph (b) of Article 3 of the SBL Regulations and entered into in accordance with the conditions set out in the SBL Regulations.

**Securities Business Regulations:** means the Securities Business Regulations issued by the Board of the Authority.

**Securities Central Counterparty (CCP):** Securities Central Counterparty authorised by the Authority.

**Securities Clearing Centre Rules:** means the Securities Clearing Centre Rules proposed by the Board of Directors of the Clearing House and approved by the Board of the Authority.

**Securities Depository Centre Rules:** The Securities Depository Centre Rules proposed by the Board of Directors of the Depository Centre and approved by the Board of the Authority.

**Securities Ownership Register:** a register that shows the identity of the owners of a certain category of the issuer's Securities.

**Seller:** the seller party in a transaction.

**Senior executives:** any natural person to whom the governing body of the firm, or a member of the governing body of the firm, has given responsibility, either alone or jointly with others, for management and supervision and either reports to:

- 1) the governing body directly;
- 2) a member of the governing body; or
- 3) the CEO.

**Settlement Instructions:** means instructions issued by one of the following persons:

- 1) The Securities Central Counterparty House (CCP) in relation to settlement transactions;
- 2) The Depository Centre in relation to rights subscription; or
- 3) Custody Member in relation to ownership transfer without executing transaction or SBL agreements.

**Settlement Member:** a person who has obtained the Centre membership of settlement category.

**Share:** a share of any company, wherever incorporated. The definition of "share" includes every instrument having the characteristics of equity.

**Shareholders' circular:** the document required in the context of certain capital alterations of an issuer pursuant to the Rules on the Offer of Securities and Continuing Obligations to enable the shareholders to make an informed vote at the relevant general assembly.

**Short Selling Regulations:** the Short Selling Regulations proposed by the Board of Directors of the Exchange and approved by the Board of the Authority.

**Short selling transaction:** a transaction in the form specified in paragraph (b) of Article 3 of the Short Selling Regulations and entered into in accordance with the conditions set out in the Short Selling Regulations.

**Small Trade:** Means in the Parallel Market, a trade with a value less than (2,500) SAR.

**Special Account:** a Centre Account opened for a special purpose in accordance with the provisions of the Securities Depository Centre Rules.

**Special purposes entity:** means an entity established and licensed to issue debt instruments under the Rules for Special Purposes Entities.

**Spin-Off:** a type of Demerger where all or a portion of the shares in the spun-off entity/new entity to be formed to hold the asset, are distributed on a pro-rata basis to the Listed Company's shareholders as dividend, resulting in a full separation of the two entities in a single transaction. In a Spin-Off transaction a portion of the shares of the spun-off entity/ new entity to be formed to hold the asset, may be offered to the public through a public offering and listing on the Exchange.

**Split-Off:** a type of Demerger transaction where the Listed Company makes an offer to its shareholders to exchange their parent shares which will be acquired by the Listed Company as treasury shares, in exchange for all or a portion of the shares of the spun-off entity/ new entity to be formed to hold the asset.

**Sponsor:** the person responsible for sponsoring the special purposes entity in accordance with the Rules for Special Purposes Entities.

**Static Limit:** upper and lower price limits that triggers a volatility auction once reached.

**Submitting Orders:** Submitting orders in the specified channels as specified in the Trading and Membership Procedures or the Derivatives Exchange Trading and Membership Procedures (where applicable).

**Supplemental Default Fund Contribution:** means the resources which the Clearing House may call upon during a Capped Period to be given by each non-



defaulting Clearing Member with respect to each Default Fund in which they participate to support the obligations of the Clearing House, as further defined at Article 62 of the Securities Clearing Centre Rules.

**Target:** the subject of a Reverse Takeover, consisting of either businesses, assets or an unlisted company.

**Technical Equipment:** An Exchange Member's or Derivatives Exchange Member's hardware and software, including the Order Management System, that are used for conducting trading activities on the Trading System or Derivatives Trading System (where applicable) and for connecting the Exchange Member thereto.

**Technical Procedures:** The mechanisms relevant to listing and trading securities to execute transaction including settlement, clearing, ownership registration, transfer and deposit of securities including, but not limited to, the following:

1. Exchange procedures emerging from the Exchange Rules to regulate securities trading, listing and post trade procedures including the registration, depositing and settlement of securities;
2. The procedures of listed securities classification and the standards of market sectors identification, and setting up the necessary amendments in accordance with the practices used in this area;
3. The procedures of continuously amending reference price of the cross listed securities;
4. The procedures of cancelling the transmitted orders resulting from technical error in the trading system;

5. The procedures of trading suspension of a specific security in emergency situations and lifting the trading suspension in accordance with the provisions of the Trading and Membership Rules;
6. Providing and cancelling Market Maker status and specifying the maximum number of market makers on a specific security and apply requirements for all mechanisms relevant to market making;
7. The procedures relevant to indices including implementing, amending and cancelling a new index and approve the calculation methodology of the relevant index and the standards of inclusion and exclusion of a certain securities from the calculation of the index; and
8. The procedures relevant to information security and connection requirements to all the Exchange, Depository Centre and Clearing Centre systems for beneficiaries of market services.

**Temporary trading halt:** the suspension of trading in the securities during the trading period.

**Tick size:** The minimum price movement for a listed security as specified in the Trading and Membership Procedures or the Derivatives Exchange Trading and Membership Procedures (where applicable).

**Tradable Rights:** Tradable securities that entitle right holders to subscribe to new shares offered during a capital increase.

**Traded:** in relation to Securities, it shall mean Securities traded in the Exchange.

**Trade Management:** trade management is a post-trade activities offered under Clearing System that enable to average pricing, splitting and rectifying trades.

**Trading Account:** means an account established by each Clearing Member and Non-Clearing Member with the Clearing House, which will reflect the trading activity of such party on the Exchange.

**Trading and Membership Procedures:** The Trading and Membership Procedures approved by the Board of Directors of the Exchange emerging from the Trading and Membership Rules.

**Trading and Membership Rules:** The Trading and Membership Rules proposed by the Board of Directors of the Exchange and approved by the Board of the Authority.

**Trading Day:** A Day where trading is available as determined by the Exchange from time to time.

**Trading Limits:** means trading limits imposed by the Clearing House or the relevant General Clearing Member on the Exchange Member in accordance with Securities Clearing Centre Rules.

**Trading System:** all electronic systems used by the Exchange for trading in Listed Securities or any supporting system thereof.

**Transaction:** Means in the Exchange Rules, a purchase or sell transaction executed through the Trading System or over the counter on Deposited Securities. Means in the Derivatives Exchange Trading and Membership Rules, a purchase or sell transaction of derivatives product executed through the Derivatives Trading System.

**Transfer Account:** means a special account opened by the Custody Member under the Capital Market Institution's name, in accordance with the provisions of Article 49 of the Securities Depository Centre Rules.

**Transferor Clearing Member:** has the meaning given to it in paragraph (a) of Article 40 of the Securities Clearing Centre Rules.

**Transferee Clearing Member:** has the meaning given to it in paragraph (a) of Article 40 of the Securities Clearing Centre Rules.

**Transmitting Orders:** Sending Orders to the Trading System or Derivatives Trading System (where applicable) through the Exchange Member's or Derivatives Exchange Member's systems.

**Underlying Asset:** are the assets or indices upon which a derivative's price is based.

**Unitholder:** a person who owns units in an investment fund.

**Unitholders from the public:** for the purpose of the Real Estate Investment Traded Funds and the Closed-Ended Investment Traded Funds, means unitholders who own units in the fund other than the following:

- 1) any unitholder owning (5%) or more of the fund's units.
- 2) the fund manager and its affiliates.
- 3) the fund's board of directors.

**Unlisted:** in relation to Securities, it shall mean Securities that are unlisted in the Exchange.

**Upfront Default Fund Contribution:** means the pre-funded resources given by each Clearing Member with respect to each Default Fund in which they participate to support the obligations of the Clearing House with respect to Relevant Transaction Type to which such Default Fund relates, as further defined at Article 61 of the Securities Clearing Centre Rules.

**Variation Margin:** means in the Derivatives Exchange Trading and Membership Rules, the margin that is collected to cover the current exposure resulting from actual changes in market prices for each client's position. To calculate variation margin, open positions and transactions are marked to current market prices and collaterals are typically collected from (or paid to) a client to settle any losses (or gains) on those positions. Means in the Securities Clearing Centre Rules, the margin that is collected to cover the current exposure resulting from actual changes in market prices for each Clearing Member's position. To calculate variation margin, open positions are marked to current market prices and Collateral is typically collected from (or paid to) a Clearing Member to settle any losses (or gains) on those positions.

**Wrong-Way Risk:** means the risk arising from exposure to a counterparty or issuer when the collateral provided by that counterparty or issued by that issuer is highly correlated with the credit quality of that counterparty or issuer.