



The Main Inquiries Received by the Capital Market Authority on the Authorisation Applications to Carry Out the Securities Exchange Activities as an Alternative Trading System in the Kingdom

Disclaimer: This document has been prepared for the purpose of allowing those interested in this field to be informed about the different aspects related to the authorisation to carry out the securities Exchange activities as an ATS in the Kingdom, sharing the knowledge between the interested parties in the Saudi capital market. The CMA would like to confirm on the importance of referring to Capital Market Law and its related implementing regulations to be fully informed about all authorisation requirements to carry out the activities of Exchange as ATS in the Kingdom.



In reference to the announcement of the Capital Market Authority (“CMA”) dated 24/03/1445H corresponding to 09/10/2023G, about the commencement of the submission period for the authorisation applications to carry out the Securities Exchange activities as an Alternative Trading System (“ATS”) in the Kingdom ([Announcement’s Link](#)), in which has mentioned that the CMA’s Market Infrastructure Institutions Supervision Department will receive the submitted inquiries by those interested in carrying out the Securities Exchange activities as an ATS in the Kingdom, until the date of November 30th, 2023 as mentioned in the document titled “The Authorisation to Carry Out Securities Exchange Activities as an Alternative Trading System in the Kingdom” included in the announcement, which has also mentioned that the CMA will publish the answers to the received inquiries on its website by beginning of January 2024.

Therefore, this document includes the main inquiries received by the CMA on the authorisation applications to carry out the securities Exchange activities as an ATS in the Kingdom, and the CMA’s answers to these inquiries, for the purpose of allowing those interested in this field to be informed about the different aspects related to the authorisation to carry out the securities Exchange activities as an ATS in the Kingdom, and sharing the knowledge between the interested parties in the Saudi capital market.

The expressions and terms in this document have the meaning that they bear in the Capital Market Law issued by the Royal Decree No. M/30 dated 02/06/1424H, and the Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority, unless the context indicates otherwise. The Capital Market Law, the Securities Exchanges and Depository Centers Regulations (“the SEDC Regulations”), and the Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority, which are published on the CMA’s website, can be accessed through the following links:

- [Capital Market Law](#)
- [Securities Exchanges and Depository Centers Regulations](#)
- [Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority](#)

1. What is an ATS?

An Exchange authorized by the CMA to carry out trading in specific types of securities, for specific categories of investors.



2. What is the required license to be obtained from CMA to operate as an ATS in the Kingdom?

The license to carry out the Exchange activities in the Kingdom as an ATS.

3. What are the categories under the license of the Exchange activities in the Kingdom?

- a) Primary Exchange: An Exchange authorized to carry out trading in securities in the Kingdom.
- b) ATS: An Exchange authorized by the CMA to carry out trading in specific types of securities, for specific categories of investors.

4. What are the authorisation requirements to carry out the Exchange activities as an ATS in the Kingdom?

The SEDC Regulations have specified the authorisation requirements. For example, the authorisation requirements to carry out the Exchange activities (including the ATS related requirements) are specified in Article 6 of the regulations, in addition to Article 7 which stipulates additional requirements for authorisation of Exchanges established out of the Kingdom. An applicant for authorisation should ensure to fulfill all the requirements stipulated in Capital Market Law and the SEDC Regulations, submit to CMA all information and documents required pursuant to the authorisation requirements, and the filled-out request form for obtaining the authorisation to carry out Exchange activities as an ATS in the Kingdom ([Link](#)). It is worth mentioning that the provisions specifically addressed to the “Primary Exchange” are not applicable to the ATS. As an illustration, the provisions of Article 6(c)(1) of the SEDC Regulations, are not applicable to ATSs.

5. Can a legal person established as a joint stock company out of the Kingdom apply to obtain authorisation to carry out exchange activities as an ATS in the Kingdom?

Yes, legal persons that are established as a joint stock company out of the Kingdom can apply to obtain authorisation to carry out Exchange activities as an ATS in the Kingdom. The provisions of Article 7 of the SEDC Regulations, have specified the additional requirements for the authorisation of Exchanges established out of the Kingdom, (it is important to note that exchanges that are established out of the Kingdom are required to comply with the authorisation requirements that are specified in Article 6 of the SEDC regulations, in addition to the authorisation requirements that are specified in Article 7).



6. What is the minimum paid-up capital required on the applicant of the authorisation to carry out the activities of an Exchange in the form of ATS?

The SEDC Regulations have not specified minimum paid-up capital for the applicant of the authorisation to operate an exchange as an ATS; however, the ATS's paid-up capital has to be commensurate with the nature and scale of its business at the discretion of CMA pursuant to the provisions of Article 6(c)(2) of the SEDC Regulations, based on the submitted information by the authorisation applicant within its submitted application to CMA to obtain the authorisation to carry out the Exchange activities an ATS in the Kingdom. Furthermore, Exchanges (including ATSs) are required to comply with the provisions related to general business risk management stated in Article 53 of the regulations, such as the requirements connected to the Liquid Net Assets.

7. What types of securities are allowed to be traded on the ATS?

The securities allowed to be traded on an ATS depend on the list of types of securities approved by the CMA based on the applicant's proposal. As per the provisions of Article 6(f) of the SEDC Regulations, an applicant to conduct the business of an ATS in the Kingdom must submit a list of the types of securities proposed to carry out trading in them and the categories of investors proposed to enable them to trade. Note that the CMA's aim at the current application period related to the type of securities to carry out trading in them, is the sukuk and debt instruments.

8. What are the categories of investors that will be qualified to trade at the ATS?

CMA approval of categories of investors that are allowed to trade on the ATS will depend on the proposal received from the applicant. As per the provisions of Article 6(f) of the SEDC Regulations, an applicant to conduct the business of an ATS in the Kingdom must submit a list of the types of securities proposed to carry out trading in them and the categories of investors proposed to enable them to trade.

9. What are the ATS's membership/participation requirements to enable companies that are interested in trading the financial instruments available in the ATS?

ATSs shall stipulate the terms and requirements for their membership pursuant to Capital Market Law and SEDC Regulations. For illustration, Article 27 of the regulations requires ATS's board of directors to suggest rules and instructions that are necessary for the ATS to carry out its activities, including its Membership Rules. These instructions and rules shall be submitted to CMA for approval as per to the provisions of Article 23 of the Capital Market Law, and Article 26 of the SEDC Regulations.



10. What is the difference between the license for an ATS and the license to carry out security businesses.?

Licensing for ATS in the Kingdom allows the license holder to practice market business in the Kingdom by trading specific types of securities for specific categories of investors. As for the license to practice securities business, it allows the license holder to practice the securities activities stipulated in Article Two of the Securities Business Regulations.

11. Does the securities exchanges and depository centers regulations require an ATS that is established out of the Kingdom to have a physical presence in the Kingdom in order to operate as an ATS in the Kingdom?

The authorisation requirements to carry out the Exchange activities as an ATS established outside the kingdom, do not include a requirement to have a physical presence in the Kingdom. However, the CMA emphasizes the importance of the ATS having a physical presence in the Kingdom to support the services provided in the Kingdom and facilitate its procedures with the players and investors in the Saudi capital market. Noting that if the CMA deems it appropriate to impose any additional licensing requirements, conditions, or specific restrictions on the license applicant as a market established outside the Kingdom, it may do so based on Paragraph (H) of Article Six and Paragraph (C) of Article Seven of the SEDC Regulations. In all cases, the license applicant must fulfill all licensing requirements per the capital market law and the SEDC Regulations in a way that makes it capable and suitable to practice the business for which he is licensed for in the Kingdom.

12. Is the authorisation applicant to carry out the Exchange activities in the form of ATS in the Kingdom, required to finalize all the incorporation procedures for having a physical presence in the Kingdom at the submission of the authorisation application?

Finalizing all the incorporation procedures is not required at the authorisation stage. After obtaining the authorisation to operate as an ATS in the Kingdom, the licensed ATS must fulfill the requirements for commencement of business stipulated in the Second item of Annex (1) of the SEDC Regulations before commencing business, in accordance with the provisions of paragraphs (e) and (g) of Article 8 of the SEDC Regulations. The authorized ATS will be granted a period of (12) months from the authorisation date, to satisfy the requirements for commencement of business stipulated in the second item of Annex (1) of the SEDC Regulations. The information



and documents required for business commencement, stipulated in the second item of Annex (1) of the SEDC Regulations, include the final incorporation documents.

13. What are the trading hours for the ATS?

The provisions of the SEDC Regulations do not specify required hours of operation. The applicant in its Main Services Delivery Policies and Procedures that will be included in its authorisation application, must specify the suggested hours of operation and clarify the rationales for these suggested hours.

14. Is the ATS required to link with the CCP and Depository Center in the Kingdom for the clearing and settlement activities?

The SEDC Regulations do not require the ATS to directly link with the CCP and Depository Center in the Kingdom for the clearing and settlement activities. In fact, the CMA emphasizes the importance of clarifying the proposed clearing and settlement arrangements for the securities traded for the ATS (the authorisation applicant), in the business plan that is required to be submitted to CMA with its authorisation application. Moreover, as per the provisions of Article 23(a) of the SEDC Regulations, the Exchange is allowed to link to an Exchange, a Depository Center, a CCP or any other entity inside or outside the Kingdom, provided that preventive arrangements shall be made, including the clear documentation of the linkage scope and limits, along with identifying and managing the risks that may be posed from such linkage. In addition, such arrangements shall be on a clear legal basis that supports linkage and provides protection to all relevant Exchanges, Depository Centers, and CCPs.

15. What are the record-keeping requirements applicable to the ATS?

The provisions of Article 55 of the SEDC Regulations have included the details of the record-keeping requirements of the Exchange. Note that the “Exchange” term includes the ATS.

16. What are the reporting requirements to CMA that are applicable to the ATS?

The provisions of Article 58 and Article 59 of the SEDC Regulations have included the details of the periodic reports required to be submitted by the Exchange to CMA. In addition, the Exchange must provide to CMA, without delay, with any information, records, or documents that the CMA may require for the purpose of implementing the Capital Market Law and its Implementing Regulations, pursuant to the provisions of Article 3(a) of the SEDC Regulations. Note that the “Exchange” term includes the ATS.



Thank you