KINGDOM OF SAUDI ARABIA

MARKET CONDUCT REGULATIONS

English Translation of the Official Arabic Text
Issued by the Board of the Capital Market Authority
Pursuant to its Resolution Number 1-11-2004 Dated 20/8/1425H
Corresponding to 4/10/2004G Based on the Capital Market Law
issued by Royal Decree No. M/30 dated 2/6/1424H

Amended by Resolution of the Board
of the Capital Market Authority Number 10-119-2026
Dated 26/4/1448H Corresponding to 7/10/2026G

Arabic is the official language of the Capital Market Authority

Important Notice: The current version of these Regulations, as may be amended, can be found at the Authority website: www.cma.org.sa

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PART 1: PRELIMINARY PROVISIONS

Article 1: Definitions

a. Any reference to the "Capital Market Law" in these Regulations shall mean the Capital Market Law issued by Royal Decree No. M/30 dated 2/6/1424H.

b. Expressions and terms in these Regulations have the meaning which they bear in the Capital Market Law and in the Glossary of defined terms used in the Regulations and Rules of the Capital Market Authority, unless the contrary intention appears.

PART 2: PROHIBITION OF MARKET MANIPULATION

Article 2: Prohibition of manipulative and deceptive acts or practices

a. It is prohibited for any person to engage in or participate in any manipulative or deceptive acts or practices in connection with an order or transaction in a security, if the person knows or has reasonable grounds to know the nature of the act or practice.

b. It is prohibited for any person to, directly or indirectly, enter an order or execute a trade in a security for the purpose of creating any of the following:

1) a false or misleading impression of trading activity or interest in the purchase or sale of the security; or

2) an artificial bid price, ask price or trade price for the security or any related security.

c. The prohibition referred to in this Article shall apply when any person enters an order or executes a trade in a security by using any means, including using technical tools to generate and enter orders automatically based on pre-defined instructions or calculations.

Article 3: Manipulative and deceptive acts or practices

a. The following acts shall be deemed instances of manipulative or deceptive acts and practices:

1) making a fictitious trade.

2) promoting the purchase of a security for the purpose of selling that security, or arranging for another person to sell it.

3) promoting the sale of a security for the purpose of purchasing that security, or arranging for another person to purchase it.

b. In addition to the acts and practices set out in paragraph (c) of Article 49 of the Capital Market Law, the following acts and practices shall be deemed instances of manipulation or deception:

1) purchasing or entering orders for the purchase of a security at increasing prices or in a pattern of successively higher prices, when committed for the purpose of creating a false or misleading impression of trading activity in a security or interest in the purchase of the security, or for the purpose of creating an artificial ask price or trade price for a security.

2) selling or entering orders for the sell of a security at decreasing prices or in a pattern of successively lower prices, when committed for the purpose of

creating a false or misleading impression of trading activity in a security or interest in the sale of the security, or for the purpose of creating an artificial bid price or trade price for a security.

3) entering an order or orders for the purchase or sale of a security in order to:
   * establish a predetermined sale price, ask price or bid price.
   * effect a high or low opening or closing sale price, ask price or bid price.
   * affect the theoretical price of volatility auction.
   * maintain the sale price, ask price or bid price within a predetermined range.
   * entering an order or a series of orders for a security that are not intended to be executed.
   * affect the price of another security.

   And when committed for the purpose of creating a false or misleading impression of trading activity in a security or interest in the purchase or sale of the security, or for the purpose of creating an artificial bid price, ask price or trade price for a security.

c. The following acts shall not be deemed instances of manipulative or deceptive acts and practices:

1) a company buying-back its own shares, if such is in accordance with the provisions of the Regulatory Rules and Procedures issued pursuant to the Companies Law relating to Listed Joint Stock Companies;

2) a price stabilisation manager buying the shares, if such is in accordance with the provisions of the Instructions on the Price Stabilisation Mechanism in Initial Public Offerings; or

3) a market maker buying or selling securities, if such is in accordance with any regulations, rules or procedures that the Authority or the Exchange issues.

PART 3: INSIDER TRADING

Article 4: Disclosure of inside information and insider trading defined

a. For purposes of the application of Article 50 of the Capital Market Law and the provisions of this Part:

1) A security related to inside information must be a traded security.

2) A security related to inside information shall mean any security whose price or value would be materially affected if the information was disclosed or made available to the general public.

3) A person shall be considered directly trading in a security in any of the following two situations:

* if he executes a trade in the security for any account in which he has an interest; or

* if he makes a bid or offer on the Exchange for the security.

4) A person shall be considered indirectly trading in a security in any of the following situations:

* if he executes a trade as an attorney-in-fact for another person;

* if he arranges a trade to which a relative or person with whom he has a business or a contractual relationship is party; or

* if he arranges for his attorney-in-fact or any other person acting on his behalf or at his direction to trade in the related securities.

5) Trading shall constitute insider trading, if it is directly or indirectly effected in a security related to inside information.

b. For greater certainty, insider means any of the following:

1) a director, a senior executive or an employee of the issuer of a security related to inside information;

2) a director, a senior executive or an employee of a capital market institution related to inside information;

3) an authorised signatory or an attorney-in-fact over an account for which the orders, entered or to be entered, constitute inside information;

4) a person who obtains inside information through a family relationship, including from any person related to the person who obtains the information;

5) a person who obtains inside information through a business relationship, including obtaining the information:

* from the issuer of a security related to inside information;

* from a capital market institution related to inside information;

* from a person who owns an account for which the orders, entered or to be entered, constitute inside information;

* from any person who has a business relationship with the person who obtains the information; or

* from any person who is a business associate of the person who obtains the information.

6) a person who obtains inside information through a contractual relationship, including obtaining the information:

* from the issuer of a security related to inside information;

* from a capital market institution related to inside information;

* from a person who owns an account for which the orders, entered or to be entered, constitute inside information; or

* from any person who has a contractual relationship with the person who obtains the information.

c. For greater certainty, inside information means information that fulfils the following:

1) information that relates to a security or orders entered or to be entered for it;

2) that has not been disclosed to the general public, and that is not otherwise available to the general public; and

3) that a normal person would realise that, in view of the nature and content of the information, disclosing it or making it available to the public would have a material effect on the price or value of the security.

Article 5: Prohibition of disclosure of inside information

a. An insider is prohibited from disclosing any inside information to any other person where he knows or should have known that it is possible that such other person may trade in the security related to the inside information.

b. A person who is not insider is prohibited from disclosing to any other person any inside information obtained in whatever manner, where he knows or should have known that it is possible that such other person to whom the disclosure has been made may trade in the security related to the inside information.

c. Without prejudice to the provisions of Part 2 of these Regulations and paragraph (a) of this Article, a capital market institution and a registered person may disclose the client's orders for the purpose of negotiating a private transaction for such client, provided the following:

1) the disclosure is in the client's interest to complete the transaction.

2) the client's prior approval has been obtained and documented.

Article 6: Prohibition of insider trading

a. An insider is prohibited from engaging in insider trading.

b. A person who is not insider is prohibited from engaging in insider trading where he knows or should have known, that the information is inside information.

PART 4: UNTRUE STATEMENTS

Article 7: Prohibition of untrue statements

A person is prohibited from making an untrue statement of material fact verbally or in writing or from failing to make a statement required to be made under the Capital Market Law, the Implementing Regulations, or the rules of the Exchange or the Depositary Center, including the financial data, if the statement is made, or the person fails to make the required statement, for the purpose of influencing the price or value of a security, inducing another person to purchase or sell a security, inducing him to exercise or refrain from exercising rights under a security, or any other manipulative or deceptive purpose.

Article 8: Rumours

a. A person is prohibited from circulating, directly or indirectly, an untrue statement of material fact or a statement of opinion for the purpose of influencing the price or value of a security or for any manipulative or deceptive purpose.

b. The prohibition in paragraph (a) applies to a statement made by the person who circulates the statement or to a statement made by another person.

Article 9: Untrue statements defined

a. A person makes an untrue statement of material fact in any of the following circumstances:

   1) if he makes a statement that is false or inaccurate in a material respect;

   2) if he procures another person to make a statement that is false or inaccurate in a material respect;

   3) if he makes a statement that contains a misrepresentation of a material fact;

   4) if he procures another person to make a statement that contains a misrepresentation of a material fact; or

   5) if he omits a material fact when making a statement.

b. A material fact is any information relating to a security which, if the investor knew about, would have materially affected the price or value at which the investor purchased or sold the security.

Article 10: Responsibility for untrue statements

For the purposes of application of Article 56 of the Capital Market Law and the provisions of this part:

a. A person shall be liable for damages to a claimant if he makes an untrue statement of material fact and the statement is made:

1) for the purpose of profit or commercial benefit; and

2) in relation to the purchase or sale of a security.

b. A claimant for damages under paragraph (a) of this Article must establish that:

1) he was not aware that the statement was untrue;

2) he would not have purchased or sold the security in question if he was aware of the untrue statement, or that he would not have purchased or sold the security at the price at which such security was purchased or sold; and

3) the person who made the untrue statement knew, or knew that there was a substantial likelihood, that the statement was untrue in relation to a material fact.

c. A person shall be liable for damages to a claimant, if he is obliged under the Capital Market Law, the Implementing Regulations, or the rules of the Exchange or the Depositary Center to make a statement and fails to do so provided that:

1) the claim for damages is in relation to the purchase or sale of a security; and

2) what has been omitted relates to a material fact.

d. A claimant for damages under paragraph (c) of this Article must establish that:

1) he was not aware of the failure to make the statement; and

2) he would not have purchased or sold the security in question had he known in advance that the statement was omitted, or that he would not have purchased or sold the security at the price at which such security was purchased or sold.

PART 5: CAPITAL MARKET INSTITUTIONS' CONDUCT

Article 11: Conduct in case of market manipulation and insider trading by clients

a. A capital market institution and a registered person must not accept or execute a client order if any of them has reasonable grounds to believe that the client:

1) is engaging in market manipulation or insider trading;

2) would be engaging in market manipulation or insider trading in another market if these Regulations applied to that market; or

3) would be considered in breach of the Capital Market Law, regulations or rules applicable in the relevant market.

b. Where a capital market institution or registered person has decided not to accept or execute an order under paragraph (a) of this Article, the circumstances of, and reasons for, such decision must be documented in writing, and the capital market institution must notify the Authority of the decision within three days.

c. Without prejudice to the provisions of this Article, if a capital market institution or a registered person accepts or executes a client's order, then became aware of reasonable grounds to believe the client is in violation of the Capital Market Law, the Implementing Regulations or the Exchange's Rules, the capital market institution must notify the Authority of such within three days from the date of becoming aware of these grounds.

d. A capital market institution must retain the records in relation to any decision under this Article for ten years from the date of the decision.

Article 12: Clients priority

A capital market institution or a registered person must execute client orders for a security before executing any order on the same security for any of their own accounts.

Article 13: Timely execution

If a capital market institution accepts a client order or decides in its discretion to execute a client order, it must execute the order as soon as is practical in the circumstances.

Article 14: Best execution

a. Where a capital market institution deals with or for a client, it must provide best execution.

b. A capital market institution is considered to provide best execution if:

1) acting as an agent, it ensures that the order is executed at the best prevailing price in the relevant market or markets for the size of the order; or

2) acting as a principal, it executes the transaction at a better price for the client than it would have obtained if it executed the order in accordance with the preceding paragraph.

Article 15: Timely allocation

A capital market institution who executes a transaction based on a client order must ensure that the transaction is promptly allocated to the account of that client. A capital market institution who executes a discretionary transaction must ensure that the transaction is promptly allocated to the account of the client for whom the capital market institution decided to transact.

Article 16: Churning

A capital market institution must not advise or solicit a client to deal or deal or arrange a deal in the course of managing for a client if the dealing would reasonably be regarded as contrary to the interest of the client, having regard to the number and frequency of trades relative to the client's investment objectives, financial situation and the size and character of his account.

Article 17: Aggregation of client orders

a. A capital market institution must not aggregate a client's orders with those of other clients or with the capital market institution's own orders if the order is for a security traded on the Saudi Stock Exchange, unless such aggregation is performed in accordance with any regulations, rules or procedures the Authority or the Exchange issues.

b. If the order is for a security that is not traded on the Saudi Stock Exchange, a capital market institution may aggregate a client's orders with those of other clients or with the capital market institution's own orders if the following is fulfilled:

1) the capital market institution has provided a written explanation to the client of the advantages and disadvantages of aggregation and obtained written consent from the client to aggregate orders;

2) the capital market institution ensures that no client will be disadvantaged by aggregation of his orders; and

3) all clients' orders that are aggregated receive the average price of execution for all of the orders that are executed.

c. A capital market institution must establish a written policy setting out its method of allocating trades to client and principal orders.

Article 18: Dealing ahead of research

a. Where a capital market institution intends, or knows that an affiliate intends, to issue to a client or clients an investment recommendation, or a research, study or analysis relating to a security, subject to paragraph (b) below, the capital market institution must not knowingly make a trade for its own account in the security concerned or in any related security until the clients for whom the recommendation or research was intended have had a reasonable opportunity to react to it.

b. A capital market institution may make a trade for its own account if the recommendation, research, study or analysis could not reasonably be expected to affect the price of the security concerned or any related security.

Article 19: Prohibition of dealing contrary to a recommendation

Where a capital market institution or any of its affiliates issues an investment recommendation, research, study or analysis relating to a security it is prohibited from:

1) providing advice to a client or making a trade for a client that is contrary to the recommendation unless the capital market institution, prior to providing the advice or making the trade, discloses to the client the recommendation and the potential conflict of interest between the capital market institution and the client; or

2) making a trade for its own account in the security that is contrary to the recommendation unless reasonable grounds exist to make the trade.

PART 6: LIABILITY FOR ACTS OF OTHERS

Article 20: Liability for acts of others

Where a person is found to have violated the provisions of the Capital Market Law or the Implementing Regulations on market manipulation, insider trading or untrue statements while acting on behalf of another person and at the direction of the person on whose behalf the relevant act is carried out, that other person is liable and is subject to any sanctions to which the person carrying out the relevant acts is subject unless the person on whose behalf the act is carried out:

1) took reasonable steps to prevent the violation of the provisions of the Capital Market Law and its Implementing Regulations; and

2) did not authorise the acts in question.

PART 7: PUBLICATION AND ENTRY INTO FORCE

Article 21: Publication and entry into force

These Regulations shall become effective upon their publication.