

Liquidity Provider Activity

Article 1

Definitions

The following terms shall have the meaning ascribed to the term as set out below, unless the context indicates otherwise:

Liquidity Provider Activity	:	an activity to enhance the market liquidity of Admitted Securities by appointing one or more Liquidity Providers that agree to provide quotes in one or more Admitted Securities in a manner specified in a Liquidity Provider Agreement.
Liquidity Provider	:	an Exchange member financial services company licensed to exercise Liquidity Provider Activity.
Liquidity Provider Rules	:	the rules and conditions adopted by the Authority which a Liquidity Provider shall act as such.
Liquidity Provider Agreement	:	an agreement entered into between an Exchange and a Liquidity Provider setting forth the terms and conditions under which the Liquidity Provider shall act as such.
Liquidity Provision Agreement	:	an agreement entered into between a Liquidity Provider and an issuer setting forth the terms and conditions under which the Liquidity Provider shall act as such in respect of the Issuer will improve shares cash.

Article 2

- 1- The Authority may approve on the Exchange application to implement and administrate a Liquidity Provider Activity.
- 2- Acting a Liquidity Provider Activity shall be considered as one of the financial services activities subject to regulation by the Authority under Article 4 of the QFMA Financial Services Rulebook.
- 3- Liquidity Provider Activity shall be practiced only by a member in the Exchange.
- 4- A Liquidity Provider shall comply with all regulations organizing the Exchange as well as its duties as a Liquidity Provider.
- 5- The markets rules of the Liquidity Provider shall include:
 - a- A Liquidity Provider shall sign the Liquidity Provider Agreement with the Exchange before starting the activity practice.
 - b- A Liquidity Provider shall sign the Liquidity Provision Agreement with the Issuer adopted to trade securities.
 - c- The terms and requirements, that a company must meet in order to be appointed to practice Liquidity Provider Activity, shall be specified, including those in respect of:

- The capability, systems and controls required by a person acting in the capacity of Liquidity Provider;
 - Any additional requirements of capital adequacy the Exchange may impose for practicing Liquidity Provider Activity;
 - The systems, procedures and controls to be applied by the firm in respect of the risks associated with its activities as Liquidity Provider;
 - The internal controls to be applied by the Liquidity Provider to manage conflicts of interest associated with its activities as a Liquidity Provider including appropriate arrangements for the segregation of the firm's activities as Liquidity Provider and its activities as a Broker entering orders on behalf of clients;
 - Minimum requirements regarding training and competency of firm personnel involved in Liquidity Provider Activities;
 - Record keeping and reporting in respect of Liquidity Provider Activities; and
- d- The Exchange shall be provided with the power to suspend or terminate a Liquidity Provider Agreement entered into between the Exchange, the Liquidity Provider and the Issuer adopted to trade securities; and to take effective disciplinary action in circumstances where the Liquidity Provider has been in breach of any conditions of Liquidity Provider Agreements or Provision Agreements where such action is required in the interest of the market.

For avoidance of doubt, an liquidity provider rules of the Exchange may:

- (a) include rules that are generally applicable to the trading activities of member firms, provided such rules satisfy the requirements specified in this Rule; and
- (b) include notices issued by the Exchange.

Provided, however, that all such rules and notices relevant to activity conducted under the Exchange's Liquidity Activity shall be considered as a part of Liquidity Provider rules issued by the Exchange.

- 6- The form of Liquidity Provider Agreement between the Exchange and a Liquidity Provider shall be approved by the Authority.
- 7- The form of the Liquidity Provision Agreement between a Liquidity Provider and the securities Issuer shall be approved by the Authority.
- 8- The Exchange shall sign Liquidity Provider Agreement with the member before starting the tasks of Liquidity Provider. The Liquidity Provider Agreement between the Exchange and the Liquidity Provider must also, at minimum:
 - a- Specify the Admitted Securities in respect of which Liquidity Provider has been appointed to act as such;
 - b- Specify the Liquidity Provider obligations in respect of providing quotes for the relevant Admitted Securities, including but not limited to :
 - Specify the circumstances under which the Liquidity Provider shall provide a quote and if it is continuously or upon request.
 - Specify the types of quotes if it is bid, ask, or two-sided;
 - Specify the minimum number of shares to be quoted;

- Specify the time period during trading of Liquidity Provider in respect of increasing its liquidity;
 - Clarify the actions will be taken by the Exchange if a Liquidity Provider fails to perform its obligations;
 - The facilities and privileges given to a Liquidity Provider
 - A Liquidity Provider and the Exchange shall commit to any obligations or amendments on Liquidity Provider Activity by the Authority.
- 9- The Liquidity Provider shall comply with conditions and terms of Liquidity Provider Agreement.
 - 10- The Exchange shall provide the form of Liquidity Provider Agreement and Liquidity Provision Agreement, notify the Authority of any suspension, cancelation or amendment for these forms and work under the guidance of the Authority in this regard.
 - 11- The Exchange shall update the list of appointed Liquidity Providers and Admitted Securities and disseminate them on the Exchange website.
 - 12- The Exchange may exempt the Liquidity Provider during liquidity provision acting from paying buying and selling fees for limited time after the Authority's approval.
 - 13- Except as the Authority may otherwise expressly permit, Liquidity Provider orders and quotes must be treated equally with non- Liquidity Provider orders and must be maintained in the Exchange's order book and executed according to the Exchange's general price-time priority matching algorithm.
 - 14- The Authority may suspend or terminate the Liquidity Provider Agreement and Liquidity Provision Agreement with the member in case of non-compliance with any of agreements conditions or any breach of the law provisions No. 33of 2005 regarding QFMA, as amended, the regulations, rules and decisions issued in implementation thereof, or rules organizing work of the market.
 - 15- The Exchange may suspend or terminate the Liquidity Provider Agreement and Liquidity Provision Agreement with the member in case of non-compliance with any of agreements conditions or any breach of the law provisions No. 33of 2005 regarding QFMA, as amended, the regulations, rules and decisions issued in implementation thereof, or rules organizing work of the market, that the Authority shall be notified of the measures taken against the offending member.
 - 16- The Authority may, from time to time by written notice to the Exchange, direct the Exchange to cause to be amended, rescinded or supplemented the terms of the Liquidity Provider Rules or any or all Liquidity Provider Agreement or Liquidity Provision Agreement then in effect.

Article 3

The Exchange shall mainly take the supervision of the activities of Liquidity Provider through the following:

- 1- Ensure that a Liquidity Provider activities are conducted in accordance with the regulations and rules set forth this regard.
- 2- Prepare a list of any measures may be imposed on Liquidity Providers.

- 3- Provide the Liquidity Providers with supervisory framework and a list of adopted penalties and sanctions.
- 4- Inform the Authority with any obligations' breach, misconduct, or fraud made by Liquidity Provider.
- 5- Collect the data relating to the activities of Liquidity Providers in order to assess the performance by such parties of their obligations under the Liquidity Provider Rules and the Liquidity Provider Agreement and to determine the benefits due to the Liquidity Provider in the relevant period in respect of its role as a Liquidity Provider.

Article 4

- 1- The Authority may suspend or terminate the Liquidity Provider and Liquidity Provision Activities in order to maintain the integrity of securities trading.
- 2- The Authority may take any actions deemed to be necessary and required to perform the Liquidity Provider Activity.

