



Futures Contract

The Saudi Stock Exchange (Tadawul) announces the launch date of the Derivatives Market will be on Sunday, 30 August 2020. This will mark the beginning of trading in the Index Futures Contracts.

It is a futures financial contract that obliges both parties to execute the transaction at a predetermined price at a specified time in the future, and futures contracts specify the amount of the underlying asset and are standardized contracts to facilitate trading on the futures exchange, and it is a type of a “Financial Derivatives”, which is a financial instrument that derives its value from the underlying asset such as (Oil, Wheat, Stocks...etc).

There are two types of traders for the futures contracts:

1. Hedger: this type of trader uses futures contracts to hedge against price volatility
Example: It is known that wheat prices change continuously. Therefore, Wheat farms use futures contracts to ensure a predetermined price for their wheat to sell and ensure profits in the future (they hedged against wheat price volatility).
2. Speculator: this type of trader seeks to predict the future prices of the assets, and purchase or sell the futures contract based on their prediction.

One of the main features of the futures contracts is the leverage, the trader will place an initial margin of the total contract value. Hence, that provides the trader with higher chances to profit. However, it will increase the level of risk.

Risks associated with futures trading:

- Margin trading increases the level of risk.
- Profit/Loss are unlimited were the trader might lose more than his initial margin.

Futures contracts in Saudi Arabia

MT30 INDEX FUTURES				
Contract Code	SF30			
Underlying Instrument	MT30 (MSCI Tadawul 30 Index)			
Contract Size	SF30 multiplied by SAR 100			
Minimum Price Fluctuation–Tick	0.5 points valued at SAR 50			
Daily Price Limits	20%			
Daily Margin/Premium Settlement	<ul style="list-style-type: none"> All outstanding positions are Mark to Market based on daily settlement price at the end of the day T+0 Variation margins has to be settled by the clearing members to Muqassa by next day (T+1) by a prescribed time as outlined in Muqassa Procedure 			
Daily Settlement Price	Daily settlement price of the futures contract shall be based on: <ul style="list-style-type: none"> The VWAP(volume weighted average price) of last 10 minutes of the trading day, subject to a minimum of 10 trades in last 10 minutes. And if there are less than 10 trades in last 10 minutes then the Exchange shall use the Theoretical Futures Price (TFP)¹ to compute the fair value of the contract at the market close 			
Final Settlement	T+0 ²			
Final Settlement Price	The Final Settlement Price shall be the average value, rounded to the nearest 0.5 of an index point (values of 0.25 or 0.75 and above being rounded upwards), taken at every 15 seconds or at such intervals as may be determined by the Exchange from time to time from 14:00 to 15:00 plus one value after 15:10:30 of the MT30 on the Final Trading Day excepting the 3 highest and 3 lowest values.			
Speculative Position Limit	<ul style="list-style-type: none"> Maximum number of net long or net short position to be held for all months combined 10,000 Qualified hedgers can hold positions beyond 10,000 contracts subject to Exchange approval upon submission of relevant documents of owning the underlying assets 			
Price Decimals	2			
Contract Months	Current month, next month and the next two quarters			
Negotiated Deals	Yes			
Market Making	Yes			
Trading Hours	Pre-open(opening auction): 9:00 - 9:30 Market Open(trading): 9:30 – 15:30			
Contract Expiration	Third Thursday of the expiry month. If it is a holiday then expiry will move backward to the previous trading day			
Margin Multiplier	Type of client	Institutions*	Tier 1 Individual**	Tier 2 Individual**
	Margin Multiplier	100%	133%	200%

1: For more details on TFP calculation please visit Tadawul website – Knowledge center

2: Mark to market (MTM) is T+0 and payment is T+1

***Institutions:** all institutional and corporate clients as well as Individual DPMs

***Individual DPMs:** Saudi individual investment account in which the manager (Authorized Person) makes the buy/sell decisions for its client without referring to the account owner (based on to the agreed terms between them).

****Tier 1 Individuals:** Individual Qualified Client is a natural person who fulfills any of the following criteria:

- Conducted transactions not less than SAR 40m, and not less than 10 transaction in each quarter during last 12 months
- Have an average portfolio size of SAR 5m for the preceding 12 months
- Worked for at least 3 years in financial sectors in a job related to securities' investments.
- Hold General Securities Qualification Certificate which is recognized by the Authority.
- Holds professional certificate that is related to securities business and accredited by an internationally recognized entity

*****Tier 2 Individual:** Clients who are not under any of the other categories.

Margin Multiplier: Is the number by which the minimum percentage margin, required by the Muqassa, have to be multiplied to form the margin required by the clearing member from his clients for newly entered position.

We note that before opening a “financial derivatives” trading account, the investor must carefully review the conditions that regulate margin loans, and it is important to fully understand the risks involved in using margin, so that the investor may in some cases incur losses that exceed the initial margin amounts and the amount secured by the granted loan. For various reasons.

How to buy and sell Futures contracts through Derayah Financial. The investor must have a futures investment account with Derayah, and must read the terms and conditions carefully and deposit the required funds to invest in the futures investment portfolio. For more information, please speak to your relationship manager or call us on 920024433.