

## إشعار السوق (006) Market Notice

### QE launches a Liquidity Provider scheme

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The Exchange announces the launch of a Liquidity Provider scheme for QE 20 index constituent securities. The scheme is now open for Member applications. Liquidity Providing will be governed by:

- (i) the QFMA's Liquidity Provider Activity rules, available on the website of the QFMA under [http://www.qfma.org.qa/mritems/streams/2012/7/19/1\\_426\\_1\\_11.pdf](http://www.qfma.org.qa/mritems/streams/2012/7/19/1_426_1_11.pdf), and
- (ii) Chapter 4 of the QE Rulebook (see Annex 1)

Under the scheme, Liquidity Providers will have an obligation to provide double-sided (bid/offer) orders in the relevant security (or securities) subject to minimum presence requirements and in accordance with agreed spreads and sizes. Liquidity Providers will enjoy a rebate on trading fees, provided that the obligations are met. Within the price/origin/time matching algorithm of the Central Order Book, Liquidity Provider orders will be treated with the same origin priority as Client orders.

Any trading business executed by the Member in its capacity of Liquidity Provider will be strictly segregated using a separate NIN account which will be opened for the sole purpose of Liquidity Providing.

For details with respect to the rights and obligations of Liquidity Providers and the selection method please refer to Annex 2. Please note that the Exchange may, whether or not at the direction of the Authority, at any time amend and/or supplement the criteria applicable to Liquidity Provider activity, or (partially) suspend or terminate the Liquidity Provider scheme for any or all securities.

As a condition to become active as a Liquidity Provider, Members need to obtain a Liquidity Provider license from the QFMA. The licensing process requires the candidate to be provisionally nominated by the Exchange. For this, an LP application needs to be submitted to the Exchange which will be sent to the QFMA for licensing, including the following supporting documentation:

- Business plan: the candidate's business plan relative to the LP activity
- System documentation: functional description of systems that are used to support the LP activity
- Staff: preferably an org chart, highlighting the department or section undertaking the activity and highlighting staff/managers that are involved in the LP activity and their duties/ responsibilities/ reporting lines and job descriptions
- Internal Controls: document describing internal controls relative to the LP activity and how risk management relative to the LP activity is organized. The controls should cover segregation of the LP (own account) business and client business.

Once a license from the QFMA is obtained, the Liquidity Provider will sign a Liquidity Provider agreement with the Exchange. Members should hold a QFMA license for own account trading to be eligible to apply for the Liquidity Provider license.

Please note that the Liquidity Provider will have to certify, among other conditions, that it satisfies and will continue to satisfy appropriate levels of expertise and technical, operational and risk management capabilities. As part of the application process, the Exchange may request that the candidate provides information or it may conduct on-site inspections.

The Exchange will publish and regularly update a list of Liquidity Providers.

For additional information, please contact the Sales & Marketing Department, Mr Muffadal Kagalwala, at +974 44333129, or via email: [muffadal.kagalwala@qe.qa](mailto:muffadal.kagalwala@qe.qa)

**CHAPTER 1**  
**DEFINITIONS AND GENERAL PROVISIONS**  
**Part One: Definitions**

**Liquidity Provider Agreement:** A written agreement entered into between the Exchange and a Liquidity Provider or otherwise pursuant to the Rules;

**Liquidity Provision Agreement:** A written agreement entered into between an Issuer and a Liquidity Provider pursuant to the Rules

**CHAPTER 4**  
**TRADING RULES FOR SECURITIES**  
**Part One: General Provisions**

**Liquidity Providers**

**4.1.7.** The Exchange may enter into one or more agreements whereby one or more Members assume the role of Liquidity Provider for the relevant Admitted Security. The Exchange shall determine the minimum and maximum number of Liquidity Providers for the relevant Admitted Security.

A Liquidity Provider shall obtain a license from the Authority to conduct the activity of acting as a Liquidity Provider.

**Liquidity Provider's Appointment**

**4.1.9** A Liquidity Provider is appointed by the Exchange pursuant to a Liquidity Provider Agreement it shall enter into with the Exchange in the manner to be determined by the Exchange. The Liquidity Provider Agreement shall include the commitments of the Liquidity Provider to provide double-sided quotes, in minimum quote sizes and with-maximum spreads.

**4.1.10** In addition to the Liquidity Provider Agreement, Liquidity Providers may, subject to the Authority's approval and pursuant to a form of contract approved by the Exchange, enter into Liquidity Provision Agreements with the Issuers.

#### **4.6.6. Matching Algorithm**

The matching algorithm is used to match orders in the Central Order Book in the following sequence:

- (i) Orders with the best price are selected first;
- (ii) If applicable within the same price, orders are matched according to the following origin priority principle:
  - a) Client Orders and Liquidity Provider quotes;
  - b) Members' own account business, other than Liquidity Provider quotes;
  - c) Qatar Exchange staff or Member staff Orders;
  - d) Orders of the executives of the Issuers of the securities to which the order relates;
- (iii) Thirdly within the same origin, oldest orders are matched first.

## ANNEX 2

### **SELECTION PROCEDURE**

The liquidity provider scheme is open for applications. The Exchange will provisionally select liquidity providers on the basis of the spread and size obligations applicants are willing to commit to in the relevant security, and the number of securities the applicant is willing to support. The Exchange will provisionally select liquidity providers with a view to get the best market quality across the largest number of securities. Please note that appointment of liquidity providers is subject to the applicant having obtained a license for liquidity providing from the QFMA.

### **REBATES**

The rebates for liquidity providers will be based on the contribution to market volume in the relevant security, in accordance with the schedule set out below. For example, if an LP's monthly trading volume (in absolute numbers of traded securities) is 5% of the total market volume, the rebate will be 30%. Please note that the rebate will be conditional upon the liquidity provider having met its obligations.

<b>volume %/security/ month</b>	<b>rebate</b>
1 %	5%
2%	10%
3%	15%
4%	20%
5%	30%
6%	40%
7%	50%
8%	60%
9% and up	75%