



AFCM
ARAB FEDERATION OF
CAPITAL MARKETS

Market Makers vs. Liquidity Providers

Toward a Comprehensive Framework
for Arab Exchanges

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Efficient and resilient financial markets depend fundamentally on the availability of continuous liquidity. Without sufficient liquidity, investors face wider bid-ask spreads, higher transaction costs, and greater price volatility. These frictions ultimately deter participation, weaken confidence, and impair the process of price discovery. Around the world, exchanges and regulators have addressed this challenge by developing structured models for Market Makers (MMs) and Liquidity Providers (LPs). While the concepts share a common goal of improving market quality, they differ in terms of operational mechanics, contractual relationships, and the allocation of incentives and obligations.

This working paper proposes a comprehensive Market Maker and Liquidity Provider framework tailored to the needs of Arab stock exchanges. It draws on international best practices, particularly those articulated by IOSCO and widely adopted in mature markets, while also addressing the unique gaps and challenges faced by Arab financial markets. The analysis distinguishes clearly between MMs, who contract directly with the exchange, and LPs, who contract with listed issuers. Both models are examined in terms of their comparative advantages, disadvantages, and suitability across different asset classes.

To ground the discussion in empirical evidence, the paper incorporates findings from a survey launched by the Arab Federation of Capital Markets (AFCM) across member exchanges. The survey provides a snapshot of the current landscape of liquidity provision in the region, capturing perspectives on existing practices, challenges, and expectations for reform. These results illustrate both the diversity of approaches and the common structural issues that hinder deeper market liquidity.

The paper also includes a review of global case studies, drawing lessons from leading exchanges in the United States, Europe, and Asia. These examples reveal the conditions under which MM and LP frameworks have succeeded, as well as potential pitfalls that Arab exchanges should avoid. The discussion concludes in the proposal of a harmonized framework for MMs and LPs in the Arab region, complete with incentives, obligations, performance indicators, and an implementation roadmap.

By setting forth this framework, the paper aims to provide policymakers, regulators, and exchanges in the Arab world with a practical blueprint to enhance market resilience, narrow spreads, and foster a deeper, more liquid trading environment. Such reforms are not only a matter of technical efficiency but also a prerequisite for attracting international investment and integrating Arab capital markets into the global financial system.



1.1 Background and Rationale

Liquidity is the lifeblood of any financial market. It ensures that participants can enter and exit positions without causing disruptive price movements and that securities are priced efficiently in response to information. Yet liquidity is not a naturally occurring phenomenon. It requires the active participation of intermediaries willing to absorb short-term imbalances in supply and demand. In most advanced markets, this role has been formalized through the designation of Market Makers and Liquidity Providers, who operate under contractual arrangements with either exchanges or issuers.

In the Arab region, despite notable progress in recent years, liquidity remains a persistent challenge. Many exchanges continue to exhibit relatively low turnover ratios, concentrated trading activity, and limited depth in order books. This not only affects the attractiveness of these markets to institutional and foreign investors but also constrains their ability to support local issuers and capital formation. Policymakers have therefore recognized the importance of developing structured liquidity enhancement programs, yet existing approaches remain fragmented and, in many cases, incomplete.



1.2 Objective of the Paper

The primary objective of this paper is to propose the establishment of a comprehensive Market Maker and Liquidity Provider framework for Arab exchanges. This framework seeks to align local practices with international standards, particularly the principles set out by IOSCO, while remaining sensitive to regional market structures and regulatory environments. Specifically, the paper aims to:

- Clarify the conceptual distinctions between Market Makers and Liquidity Providers.
- Assess the advantages and disadvantages of each model, including their impact on liquidity, volatility, and investor confidence.
- Review global experiences to identify best practices that may be adapted to Arab exchanges.
- Present empirical evidence from the AFCM survey to benchmark the current state of liquidity provision in the region.
- Propose a structured framework with defined incentives, obligations, and performance indicators.
- Offer an implementation roadmap to guide exchanges and regulators in adopting these reforms.

By addressing these objectives, the paper aspires to contribute not only to academic debate but also to policy design and practical implementation in Arab financial markets.

2. Conceptual Foundations and Definitions

A clear understanding of the roles of Market Makers and Liquidity Providers is essential before engaging in comparative analysis. Although both concepts revolve around the central goal of enhancing liquidity, they differ significantly in their institutional positioning, contractual arrangements, and incentive structures.

2.1 Market Makers (MMs)

Market Makers are typically trading members of an exchange who enter into formal agreements with the exchange to provide continuous two-sided quotations for designated securities throughout the trading session. Their role is to ensure that buyers and sellers can transact with minimal delay and at reasonable spreads, thereby reducing transaction costs and fostering market efficiency. In exchange for assuming this obligation, Market Makers often receive trading incentives, which may take the form of rebates, reduced fees, or other preferential arrangements.

The critical feature of Market Makers is their contractual linkage to the exchange itself. This institutional arrangement allows the exchange to enforce obligations such as maintaining minimum quote sizes, maximum spreads, and continuous presence during trading hours. As such, Market Makers function as stabilizers within the market ecosystem, absorbing temporary order imbalances and smoothing volatility. Their performance directly influences investor confidence and the perceived fairness of the trading environment.



2.2 Liquidity Providers (LPs)

Liquidity Providers (aka, designated Market Maker), while sharing the ultimate goal of enhancing market liquidity, operate under a different contractual model. Instead of contracting with the exchange, they enter agreements with listed issuers who seek to ensure orderly trading in their securities. The LP's mandate typically involves supporting liquidity in the issuer's stock by offering consistent buy and sell quotes, absorbing temporary supply-demand imbalances, and narrowing liquidity premiums or discounts. Because their contracts are issuer-driven, Liquidity Providers often have more flexibility in the scope of their activities. They may also focus more narrowly on specific securities rather than fulfilling exchange-wide obligations. Issuers, in turn, benefit by reducing the liquidity risk associated with their securities, which can improve valuations and attract broader investor participation. However, this model also introduces potential conflicts of interest, as LPs may prioritize the needs of the issuer over broader market considerations.

2.3 Distinguishing Features

The distinction between Market Makers and Liquidity Providers is therefore not merely conceptual but institutional. Market Makers serve the exchange as a whole, ensuring market-wide liquidity standards, while Liquidity Providers serve individual issuers, focusing on the micro-level dynamics of specific securities. Both models are complementary, and in many jurisdictions, they coexist within a layered framework designed to maximize both systemic liquidity and issuer-specific market quality.



3. Comparative Analysis: Market Makers vs. Liquidity Providers

3.1 Functional Differences and Overlaps

Market Makers and Liquidity Providers share the common objective of reducing transaction costs and stabilizing price formation, but the two roles are distinguished by their institutional attachments and the scope of their obligations. Market Makers operate under a direct contractual relationship with the exchange and are therefore tasked with supporting market-wide liquidity standards for the securities they are assigned. Their activities are governed by explicit rules relating to quoted spreads, minimum quote sizes, and continuous quoting obligations during trading hours.

Liquidity Providers, by contrast, enter into contractual arrangements with issuing companies and typically focus on ensuring more orderly trading in those specific securities for the benefit of the issuer and its investors. While Market Makers have obligations that are enforceable by the exchange and often carry exchange-level incentives, Liquidity Providers rely on issuer funding or compensation structures and therefore can be more flexible in terms of contract design.

Despite these differences, the functions of MMs and LPs overlap in practice: both provide two-sided quotes, both absorb temporary supply-demand imbalances, and both act as important counterparties for investors seeking immediacy. The practical intersection of their roles means that a well-designed market infrastructure can harness the complementary strengths of both approaches, deploying Market Makers to assure baseline liquidity across the trading venue while using Liquidity Providers to shore up liquidity for less liquid or strategically important securities.

Table 1: Functional Comparison between Market Makers and Liquidity Providers

Feature	Market Maker (MM)	Liquidity Provider (LP)
Contracting Party	Exchange	Issuer
Scope of Obligation	Market-wide or by security class	Specific security or issuer's stock
Incentives	Exchange rebates, fee discounts, or priority execution	Issuer-funded compensation, tailored to agreement
Monitoring	Exchange surveillance and enforcement	Issuer oversight, often with disclosure requirements
Main Objective	Ensure systemic liquidity and stability	Support liquidity and tradability of individual securities

3.2 Advantages and Disadvantages of Each Model

Each model brings particular strengths and attendant tradeoffs. The Market Maker model benefits from exchange supervision and standardized obligations, which enable predictable minimum levels of liquidity and facilitate enforcement through exchange sanctions or incentive recalibration. Because Market Makers are integrated into the exchange's oversight architecture, their presence can enhance market integrity and provide confidence to external investors who value transparent, rule-based liquidity support.

On the other hand, contractual obligations and standardized obligations may constrain Market Makers' risk-taking capacity, particularly during periods of heightened volatility or when inventory costs rise. The Liquidity Provider model provides greater flexibility and closer alignment with issuer objectives, enabling bespoke arrangements that reflect the unique characteristics of particular securities. This tailor ability can be especially useful for small-cap issuers or for new listing segments where exchange-wide schemes may be inefficient.

Nevertheless, the issuer-driven nature of LP agreements can create potential conflicts of interest and weaker systemic safeguards, since LP obligations are typically governed by commercial contracts rather than exchange rules, and oversight mechanisms may therefore be less direct. Furthermore, reliance on issuer funding for liquidity provision can raise moral hazard concerns if issuers expect LPs to defend share prices regardless of underlying fundamentals.

These risks can be mitigated through clear safeguards, including mandatory exchange registration of issuer-LP agreements, disclosure of key contract terms, prohibition of issuer instructions on trading behavior, separation between liquidity provision objectives and possible price impact, and compensation structures linked to liquidity quality rather than share-price performance.

Table 2: Advantages and Disadvantages of Market Makers and Liquidity Providers

Aspect	Market Makers (MMs)	Liquidity Providers (LPs)
Advantages	- Transparent, exchange-supervised obligations - Consistent liquidity across assigned securities - Narrower bid-ask spreads and improved price discovery - Enhances systemic stability and investor confidence	- Flexible and tailored to issuer needs - Effective for small-cap and new listings - Reduces liquidity risk and valuation discounts - Complements Market Maker programs

Aspect	Market Makers (MMs)	Liquidity Providers (LPs)
Disadvantages	- Costly to maintain obligations in illiquid or volatile markets - Participation can drop if incentives are weak - Standardized obligations limit adaptability to unique issuers	- Potential conflicts of interest with issuers - Oversight weaker than exchange-led schemes - Impact limited to specific securities rather than system-wide



3.3 Implications for Market Liquidity, Volatility, and Investor Confidence

The choice between Market Makers and Liquidity Providers has significant implications for market quality. A robust Market Maker program administered by an exchange can lower spreads and increase depth in on-exchange order books, thereby facilitating larger trades and reducing execution costs for institutional investors. This structural improvement in liquidity tends to dampen short-term volatility and improve price discovery by ensuring that observed prices reflect active interaction between informed and uninformed traders.

International experience shows that well-designed MM and LP programs can generate measurable improvements in market quality, particularly when obligations are combined with appropriate incentives and transparent monitoring. Empirical studies of designated market maker arrangements in small and mid-cap securities have found improvements in liquidity levels, reductions in liquidity risk, and positive valuation effects for participating issuers. For example, a study of Euronext-listed firms using designated market makers found that such contracts improved liquidity and reduced liquidity risk, while generating an average cumulative abnormal return of around 3.5% for participating firms. Other market experiences also suggest that structured market-making arrangements can be associated, in some cases, with bid-ask spread reductions in the range of 20–40%, while the appointment of liquidity providers for less liquid or small-cap securities has contributed, in certain cases, to trading volume increases of two to three times compared with pre-program levels.

These figures should not be understood as automatic outcomes, as the magnitude of improvement depends on the security, market structure, incentive design, participant competition, and the quality of monitoring. However, they illustrate why MM and LP programs should be assessed not only by whether participants meet quoting obligations, but also by whether they deliver measurable improvements in spreads, turnover, depth, execution quality, and investor participation.

On the other hand, Liquidity Providers, when well-constructed and transparent, can fill gaps in segments underserved by Market Makers and can support longer-term confidence in issuers by ensuring minimum trading continuity. However, if LP arrangements lack transparency or are perceived as defensive mechanisms for issuers rather than true liquidity-enhancement arrangements, they may distort price signals and reduce investor trust. Ultimately, the most resilient market outcomes are achieved when exchanges foster a mixed ecosystem of MMs and LPs supported by clear rules, transparent incentives, measurable outcomes, and credible monitoring that aligns private incentives with public market quality objectives.

Table 3: Impact of Market Makers vs. Liquidity Providers

Dimension	Market Makers (MMs)	Liquidity Providers (LPs)
Liquidity	- Ensure continuous two-sided quotes across assigned securities - Narrow spreads and increase order-book depth - Provide systemic liquidity across asset classes	- Support trading in specific securities (esp. small/thinly traded) - Reduce issuer-specific liquidity discounts - Strengthen tradability of less active securities
Volatility	- Stabilize markets during imbalances - Absorb short-term supply-demand shocks - Reduce extreme price swings in active securities	- Moderate volatility at issuer level - Smooth trading in less liquid stocks - Less effective for system-wide shocks
Investor Confidence	- Transparent, rule-based liquidity boosts trust - Predictable execution attracts institutions	- Improves confidence in specific issuers - Attracts retail/niche investors - Depends on disclosure and oversight

4. Global Case Studies and Best Practices

4.1 The United States: Designated Market Makers and Automated Liquidity Provision



In the United States, market making has evolved in a competitive, multi-venue landscape where designated market makers and high-frequency liquidity providers operate alongside electronic liquidity pools. The combination of exchange-designated obligations with advanced electronic matching and strict regulatory oversight has fostered deep and liquid order books in major equities. The regulatory emphasis on transparency, particularly through consolidated tape systems and post-trade reporting, has enabled more accurate measurement of liquidity provision and allowed regulators to calibrate incentives and penalties effectively.

- ▶ One of the principal lessons from the U.S. experience is the importance of transparent performance metrics and the capacity to enforce quoting obligations without undermining market stability.

Table 4: Key Features of the U.S. Model

Element	Practices in the U.S.
Market Makers	- NYSE DMMs¹ with formal quoting obligations - Ensure fair and orderly markets during volatility - Monitored directly by exchanges
Liquidity Providers	- Electronic firms (Citadel, Virtu) - Compete across venues with algorithms - Provide significant turnover
Incentives	- Maker-taker fee rebates - Reduced fees for active quoting - Order flow priority for DMMs
Oversight	- SEC and FINRA regulatory supervision - Exchange surveillance and penalties

¹ **Designated Market Makers (DMMs)** are specialized trading firms appointed by the New York Stock Exchange (NYSE) to maintain orderly markets in specific securities.

4.2 Europe: Liquidity Schemes and Regulatory Balancing

Europe has demonstrated the value of calibrated incentive schemes and harmonized rules across trading venues. European exchanges deploy a variety of liquidity enhancement mechanisms, including maker-taker fees, waived fees for designated liquidity providers, and structured auction mechanisms for ETFs and less liquid securities. European regulators have also emphasized the prevention of conflicts of interest and the need for fair access to liquidity programs.

- ▶ The key takeaways for Arab exchanges include the effectiveness of fee-based incentives combined with regulatory safeguards and the benefits of harmonizing program parameters to reduce fragmentation and complexity for market participants that operate across borders.



Table 5: Key Features of the European Model

Element	Practices in Europe
Market Makers	- Multiple designated firms per security - Obligations linked to spread/depth - Focus on ETFs and derivatives
Liquidity Providers	- Issuer-sponsored LP agreements - Mandatory disclosure of contracts - Contract terms reviewed by exchanges
Incentives	- Fee rebates and discounts - Cash incentives tied to KPIs - Preferential capital treatment in some cases
Oversight	- ESMA² guidelines and national regulators - Public KPI reporting - Sanctions for non-performance

² The European Securities and Markets Authority (ESMA) is the pan-European regulator that issues technical standards and guidelines to harmonize financial regulation across the European

4.3 Asia-Pacific: Hybrid Models and Market Structure Innovations

In Asia-Pacific markets, a range of hybrid models has emerged that blends exchange contracts, issueral liquidity agreements³, and sophisticated technology to support liquidity. Jurisdictions such as Hong Kong and Singapore have adapted their market maker programs to the characteristics of their investor base, incorporating tighter quoting obligations for liquid securities and more flexible arrangements for emerging issuers. These markets demonstrate that hybrid approaches can scale across a wide spectrum of securities if governance frameworks are strong and if incentives are aligned with measurable performance outcomes.

- ▶ For Arab exchanges, this suggests that flexibility combined with robust oversight can allow for tailoring programs to different market segments without sacrificing overall integrity.

Table 6: Key Features of the Asia-Pacific Model

Element	Practices in Asia-Pacific
Market Makers	- Mandatory for ETFs in HKEX and SGX - Obligations for large-cap securities - Continuous quoting required
Liquidity Providers	- Issuer-funded LP contracts for small caps - Disclosure through exchange filings - Expanding in REITs and niche markets
Incentives	- Direct subsidies for ETFs - Fee exemptions for active LPs - Performance-based contracts
Oversight	- Exchange-level monitoring - Public scorecards for performance - Strong regulator coordination



³ Issueral liquidity agreements refers to liquidity support arrangements that are initiated and funded by the issuer (the listed company) rather than the exchange

4.4 Lessons for Arab Exchanges

Taken together, global case studies point to several practical lessons for Arab exchanges. First, transparency in obligations and incentives enhances credibility and allows regulators to measure program effectiveness. Second, a layered approach that combines exchange-level Market Maker obligations with issuer-driven Liquidity Provider agreements can maximize both systemic liquidity and issuer-specific market quality. Third, performance measurement and enforcement are critical; incentives must be conditioned on verifiable outcomes to avoid subsidizing ineffective activity. Finally, cross-border harmonization of program rules, where feasible, reduces complexity for regional and international participants and helps attract deeper pools of liquidity. In fact, Global examples also show that liquidity programs should be assessed through before-and-after evidence, comparing spreads, turnover, depth, volatility, and execution quality before and after implementation.



Table 7: Lessons for Arab Exchanges

Area	Key Lessons
Design	- Combine MMs for systemic liquidity with LPs for issuer support - Layered frameworks improve resilience
Incentives	- Rebates and subsidies effective if tied to KPIs - Temporary incentives avoid dependency
Oversight	- Exchange–regulator coordination essential - Public reporting builds credibility
Adaptability	- Hybrid systems scale across asset classes - Flexibility vital for small-cap and ETFs

5. Current Situation in the Arab Region

5.1 Overview of AFCM Survey Methodology

The Arab Federation of Capital Markets (AFCM) launched a survey across its member exchanges to assess the status of Market Maker (MM) and Liquidity Provider (LP) frameworks in the Arab region. The survey examined whether such programs exist, the number and type of participants, the incentives provided, the obligations imposed, the monitoring mechanisms, and the key performance indicators (KPIs) tracked.

The responses covered a diverse set of exchanges. However, several markets, including Amman Stock Exchange (ASE), Beirut Stock Exchange (BSE), Damascus Securities Exchange (DSE), Palestine Exchange (PEX), and Tunis Stock Exchange (TSE), reported that MM and LP arrangements were “not applicable” in their current context. This is typically due to limited market activity, structural constraints, or early-stage development where liquidity frameworks have not yet matured.

As a result, the analysis below focuses on the exchanges that have adopted or are in the process of developing such frameworks: Abu Dhabi Securities Exchange (ADX), Dubai Financial Market (DFM), Bahrain Bourse (BHB), Qatar Stock Exchange (QSE), Muscat Stock Exchange (MSX), Saudi Exchange (Tadawul), the Egyptian Exchange (EGX), Boursa Kuwait (BK), and Casablanca Stock Exchange (CSE).

5.2 Tables of Results and Analytical Commentary

A- Existence of MM and LP Programs

Exchange	Market Maker Program	Liquidity Provider Program
ADX	Yes	Yes
BHB	Yes	Yes
CSE	Yes (Broker-Issuer Contract)	No (CSE Contract Model)
DFM	Yes	Yes
EGX	Yes	No
BK	Yes	No
MSX	Yes	Yes
QSE	Yes	Yes
Tadawul	Yes	No

Analysis:

The data reveals a regional split. On one side, Gulf markets like ADX, DFM, BHB, QSE, and MSX are emerging as regional leaders, embedding both MM and LP frameworks. Their dual approach ensures continuity in liquidity provision during both normal and stressed conditions. This reflects a strong policy priority to enhance investor confidence and attract international flows.

On the other side, EGX, BK, and Tadawul have adopted MM programs but have yet to complement them with LP frameworks. In Tadawul's case, this is particularly notable given its status as the region's largest and most liquid market; the absence of a formal LP scheme suggests a reliance on MM alone, which may leave certain instruments underserved. CSE illustrates an older, less centralized approach, depending on bilateral broker, issuer contracts rather than exchange-led arrangements.

- This divergence underscores the broader reality that while Gulf exchanges are aligning with IOSCO-inspired global standards, others remain in partial or fragmented frameworks.

B- Number of Designated Participants

Exchange	Market Makers	Liquidity Providers
ADX	6	4
BHB	3	2
CSE	3	N/A
DFM	5	5
EGX	1	N/A
BK	9	N/A
MSX	2	2
QSE	4	4
Tadawul	5	N/A

Analysis:

The range of participation reflects both market size and regulatory design. ADX, DFM, and Tadawul each sustain five market makers and/or liquidity providers, striking a balance between sufficient competition and manageable oversight. QSE and BHB are distinctive in assigning both MMs and LPs, showing an intent to diversify liquidity roles.

In contrast, EGX's reliance on a single market maker is problematic. Concentration risk is high, and liquidity could collapse if that actor withdraws. This limits market resilience and discourages foreign participation. On the other end of the spectrum, BK's nine market makers reflect broad voluntary participation, though without LPs. While high numbers may increase market depth, voluntary models raise concerns about consistency and adherence to obligations. MSX provides a middle-ground approach, with smaller numbers but balanced across MMs and LPs. This demonstrates that smaller exchanges can still achieve structural completeness.

- ▶ In short, Gulf markets are building competitive pools, while others face either scarcity (EGX) or over-reliance on voluntary models (BK).

C- Types of Market Makers

Exchange	Type of Market Makers
ADX	Designated
BHB	Designated voluntary
CSE	Designated
DFM	Designated
EGX	Designated
BK	Voluntary
MSX	Designated & Voluntary
QSE	Voluntary
Tadawul	Designated, Voluntary & High-Frequency

Analysis:

The majority of exchanges (ADX, DFM, EGX, CSE) rely on designated models, ensuring obligations are contractually enforceable. This creates predictability and aligns with global best practice. By contrast, BK and QSE rely heavily on voluntary structures. While this lowers entry barriers, it risks fragility: voluntary participants may scale back during volatile periods, weakening market resilience. MSX uses a hybrid approach, combining designated and voluntary market makers to balance inclusivity with enforceability.

Tadawul is the clear outlier, integrating designated, voluntary, and high-frequency participants. This reflects an advanced model similar to major international markets, where algorithmic and high-frequency traders play a central role in liquidity. However, it also requires robust surveillance and risk management, which Tadawul appears well positioned to provide.

- This diversity illustrates that Arab markets are experimenting with different regulatory philosophies: Gulf exchanges prioritize structure and enforcement, while others lean on flexibility.

D- Incentives

Exchange	Market Maker Incentives	Liquidity Provider Incentives
ADX	Fee rebates	No incentives
BHB	Commission rebates	Commission rebates
CSE	None (issuer pays)	None
DFM	Fee rebates	Direct market access option
EGX	Bid–Ask spread	None
BK	Free rebates	Not applicable
MSX	Fee rebates (1-year renewable)	Free rebates
QSE	Free rebates	Free rebates
Tadawul	Free rebates	Cash incentives

Analysis:

Incentives are uneven across the region. ADX and DFM use fee rebates, a common global practice to encourage consistent quoting. BHB and QSE extend these to both MMs and LPs, signaling stronger alignment with international frameworks. MSX adds a performance-based element, offering rebates for a fixed duration and reviewing after one year, creating accountability.

Tadawul is notable for offering cash incentives to LPs, which is rare regionally and globally, highlighting its flexibility in adapting models to local market needs. By contrast, CSE and EGX provide little or no exchange-backed incentives, instead expecting issuers or market conditions to sustain participation. This weakens the attractiveness of participation and may explain smaller numbers of actors in those markets.

- ▶ The lack of regional consistency in incentives highlights a key policy challenge: exchanges that fail to provide attractive packages may struggle to attract or retain market makers, especially when competing for international participants.

E-Quoting Obligations

Exchange	Market Maker Obligations	Liquidity Provider Obligations
ADX	Minimum presence time, spread width; minimum value; max positions	Not applicable
BHB	Time-in-market; spread; size	Same as MM
CSE	Frequency; min volume	Not applicable
DFM	Spread; time-in-market; quote size	Same as MM
EGX	Regulated spread & size	Not applicable
BK	Minimum presence; max spread	Not applicable
MSX	Continuous quoting	Same as MM
QSE	Spread; size; time presence	Same as MM
Tadawul	Spread; size; time presence	Not applicable

Analysis:

The survey shows a clear pattern of structured obligations in Gulf markets. ADX, DFM, QSE, and Tadawul enforce requirements on spread width, minimum quote size, and presence time, ensuring reliable liquidity support. MSX goes further, requiring continuous quoting throughout the session, a strict obligation that enhances reliability.

BHB ensures parity between MMs and LPs, imposing identical obligations on both, reinforcing consistency. In contrast, EGX relies on static regulatory tables, which may lack flexibility to adapt to real-time market dynamics. CSE and BK apply lighter obligations, focusing on presence and frequency rather than strict performance measures.

- ▶ The outcome is a mixed landscape: Gulf markets are adopting robust, enforceable standards, while others lag with lighter or less adaptable frameworks. This variation reduces the potential for regional harmonization, making it harder to align cross-border practices.

F- Monitoring

Exchange	Monitoring Approach
ADX	Market surveillance systems
BHB	Market presence checks
CSE	Market surveillance tools
DFM	Manual monitoring
EGX	Licensing & performance review
BK	In-house monitoring
MSX	Real-time surveillance; reporting
QSE	System control
Tadawul	Daily monitoring via trading engine

Analysis:

Monitoring frameworks range from manual and compliance-driven models to advanced real-time surveillance. ADX, CSE, and MSX use surveillance systems, with MSX combining this with periodic reporting, demonstrating a commitment to continuous oversight. Tadawul's reliance on trading engine data represents an advanced and automated method consistent with its scale and sophistication.

By contrast, DFM relies partly on manual checks, which may be resource-intensive and less efficient, while EGX focuses on licensing, obligations, ongoing data reviews and real-time trade surveillance rather than direct market monitoring. BK uses in-house modules, which provide flexibility but may lack transparency and standardization.

- This divergence again mirrors the digitalization gap across Arab markets. Gulf exchanges are investing in surveillance technology, while others remain dependent on more traditional or fragmented methods.

G- KPIs

Exchange	Key KPIs
ADX	Compliance obligations, presence 80%, spread width; minimum value; refresh time
BHB	Spread width; order value; max positions
CSE	Presence; volume; max position
DFM	Spread; volume; uptime
EGX	Licensing; operational obligations
BK	Presence (80%); max spread
MSX	Spread; refresh time; presence
QSE	Spread; size; time presence
Tadawul	Spread; size; time presence

Analysis:

KPIs highlight another layer of divergence. ADX, DFM, QSE, and Tadawul track spread widths, order sizes, and time presence, reflecting alignment with global benchmarks for liquidity performance. BHB and CSE add maximum position limits, focusing also on risk exposure.

MSX introduces order refresh time, highlighting responsiveness as a key performance metric, which is advanced for a smaller exchange. BK applies looser standards such as an 80% presence requirement, reflecting its voluntary model. EGX is unique in focusing on licensing and operational criteria rather than performance metrics, indicating a regulatory-heavy rather than market-driven approach.

- ▶ The lack of harmonization across KPIs makes benchmarking difficult. While some Gulf exchanges are highly performance-oriented, others rely more on compliance, limiting comparability across the region.



5.3 Key Findings from Arab Exchanges

The survey highlights a dual-speed trajectory in the evolution of liquidity provision frameworks across Arab capital markets. On one side, Gulf exchanges, notably ADX, DFM, BHB, QSE, MSX, and Tadawul, are moving steadily toward convergence with international best practices. These markets have adopted structured Market Maker (MM) programs, and in several cases have introduced Liquidity Provider (LP) arrangements to complement them. Their frameworks are supported by:

- **Broader participation:** typically, four to five designated market makers, and in some cases LPs as well, reducing concentration risk and increasing competition.
- **Formal obligations:** Gulf exchanges impose enforceable requirements around spread maintenance, minimum presence, and order size, bringing them closer to IOSCO-aligned norms.
- **Performance monitoring:** exchanges such as ADX, MSX, and Tadawul employ surveillance systems and trading engine data to track compliance in real time.
- **Structured incentives:** fee rebates and commission reductions are widely used, while Tadawul introduces cash-based incentives for LPs, highlighting innovation.
- **Quantitative KPIs:** Gulf markets increasingly track compliance rates, spread widths, and order volumes, establishing a metrics-driven evaluation of performance.

Collectively, these characteristics indicate that the Gulf is emerging as the regional leader in liquidity provision, setting benchmarks that smaller and less advanced markets may look to match.





In contrast, a second group of exchanges, EGX, BK, and CSE, have only partially adopted liquidity frameworks. They rely mainly on MM programs but lack parallel LP schemes, or operate under looser, less enforceable models. Their challenges are distinct:

- **Limited numbers of participants:** EGX, for example, has only one designated market maker, raising concerns of concentration and fragility.
- **Voluntary arrangements:** BK and QSE incorporate voluntary participation, which broadens engagement but risks inconsistency during periods of volatility.
- **Minimal incentives:** EGX and CSE offer limited or no direct incentives, reducing the attractiveness of participation.
- **Monitoring gaps:** oversight remains compliance-based rather than technology-driven, constraining transparency and enforcement.

Finally, the survey underscores that several exchanges remain in nascent stages, with no formal MM or LP frameworks in place. This reflects:

- **Structural limitations** such as small market capitalization, low liquidity, and limited product diversity.
- **Institutional constraints**, where regulatory or technical capacity may not yet support advanced liquidity programs.
- **Investor base characteristics**, with thin trading volumes and concentrated participation discouraging the introduction of structured liquidity provision.

In brief, the picture that emerges is one of fragmentation and uneven maturity. Gulf markets are positioning themselves closer to global norms, while other regional exchanges remain transitional or underdeveloped. For the region as a whole, this dual-speed trajectory poses challenges for regional integration, cross-border investment, and harmonization of practices, but also highlights clear opportunities for knowledge transfer, capacity building, and policy alignment led by the more advanced exchanges.

5.4 Identified Gaps and Opportunities

Gaps:

- Absence of formal MM/LP frameworks in several smaller markets.
- Over-reliance on MMs without LPs in larger markets (e.g., Tadawul, EGX, BK).
- Fragmented and inconsistent incentive schemes, weakening attractiveness.
- Significant variation in obligations, monitoring tools, and KPI design.
- Limited regional harmonization, reducing integration potential.



Opportunities:

- Gulf exchanges can act as regional benchmarks, sharing know-how with others.
- Smaller exchanges can adopt phased approaches starting with voluntary models, then moving to designated frameworks.
- Harmonizing KPI and monitoring standards could strengthen transparency and support cross-border investment.
- Introducing LP frameworks where absent could significantly deepen liquidity resilience.

6. Proposed MM/LP Framework for Arab Exchanges

Arab exchanges face persistent liquidity gaps. A strong framework must address both systemic market-wide liquidity and issuer-specific needs. A dual structure, Market Makers (MMs) working under exchanges and Liquidity Providers (LPs) contracted by issuers, offers the flexibility to serve both purposes.

6.1 Operating Model and Governance

The operating model recommended for Arab exchanges combines the strengths of exchange-designated Market Makers and issuer-driven Liquidity Providers in a layered architecture designed to enhance market depth while preserving transparency and minimizing conflicts of interest. At the first tier, exchanges will establish Market Maker programs for securities that meet objective liquidity and capitalization thresholds. Market Makers operating under exchange contracts will be required to meet minimum quoting obligations, which are calibrated by security class and traded volume, and they will be subject to exchange enforcement including fines, suspension, or removal for persistent non-compliance.

At the second tier, issuers may enter into Liquidity Provider agreements where supplemental liquidity support is necessary or desirable, but such agreements will be required to be registered with the exchange and subject to disclosure rules that align incentives and reduce the possibility of concealed conflicts. The governance framework will define a clear allocation of responsibilities among exchanges, regulators, and market participants, and it will require standardized reporting from both MMs and LPs to enable effective monitoring and transparency.

► In brief, the framework begins with governance. Exchanges are the natural home for Market Makers, while issuers rely on Liquidity Providers for targeted support. Regulators supervise the overall system to ensure alignment with investor protection and international standards.

- Exchanges should appoint MMs under enforceable contracts and monitor systemic liquidity.
- Issuer-LP contracts must be registered and disclosed to ensure transparency.

Table 8: Proposed Operating Model

Actor	Role	Governance Features
Exchange	Appoints MMs, sets obligations, monitors performance	Enforceable contracts, KPI reporting, IOSCO alignment
Issuer	Contracts LPs for specific securities	Exchange registration, disclosure of contracts
Regulator	Oversees program integrity	Independent oversight, regular reviews

6.2 MM Incentives and Obligations

A credible Market Maker program must balance obligations with meaningful, performance-contingent incentives. Incentives may take the form of fee rebates, prioritized order matching, or explicit subsidy payments in markets where initial liquidity is particularly thin. However, all incentives should be transparent and conditional on meeting predefined KPIs such as maximum quoted spread, minimum quote size, and percentage of trading hours with maintained quotes.

Obligations should be tiered to the different assets classes to reflect the liquidity profile of securities; large-cap stocks may have more stringent requirements and correspondingly smaller incentives, while small-cap or newly listed securities might receive larger incentives for a limited period to help establish a market. Enforcement mechanisms should include graduated sanctions, and incentives should be clawback-ready to address instances of intentional market manipulation or failure to perform.

Market-making frameworks should also clearly define the treatment of quoting obligations during exceptional or stressed market conditions. Obligations may be temporarily relaxed during trading halts, volatility interruptions, circuit-breaker events, or other circumstances in which orderly quoting is not reasonably possible. Any exemption should be governed by transparent, predefined criteria, subject to exchange oversight, and applied consistently across market makers.

- ▶ In brief, Market Makers are central to systemic liquidity. Their effectiveness depends on a balance between well-defined obligations and meaningful incentives.
 - Obligations should include continuous two-sided quoting, spread limits, and minimum quote sizes.
 - Incentives should take the form of trading fee rebates, queue priority, or temporary subsidies for illiquid securities.
 - Quoting obligations may be temporarily relaxed under predefined rules during exceptional or stressed market conditions.

6.3 Economics of Liquidity Provision

A successful MM/LP framework should recognize that liquidity provision is not only a regulatory or contractual obligation, but also an economic activity. Market Makers and Liquidity Providers commit capital, technology, balance sheet capacity, and risk-management resources in order to provide immediacy to other investors. Their willingness to quote continuously depends on whether the expected economics of the activity compensate for the risks and costs they assume.

Key cost and risk components include inventory risk, volatility risk, adverse selection risk, funding costs, securities borrowing costs, technology and connectivity costs, and regulatory capital requirements. If quoting obligations are too strict relative to the attainable spread, trading volume, and incentive package, participants may technically comply in normal conditions but reduce their activity during periods of stress, or may avoid participating altogether.

Therefore, exchanges should calibrate spread limits, minimum quote sizes, and presence requirements according to the liquidity profile and risk characteristics of each security. Obligations should be economically feasible, especially for small-cap, newly listed, or highly volatile securities. Incentives should be designed to bridge the gap between the public benefit of improved liquidity and the private cost borne by the liquidity provider.

The key policy question should not only be whether a participant can quote inside a required spread, but whether the participant can do so sustainably while managing inventory, volatility, funding, borrowing, technology, and capital costs. This requires regular consultation with market participants and periodic recalibration of obligations and incentives based on actual market conditions.

Table 9: Key Economic Factors Affecting Liquidity Provision

Economic Factor	Why It Matters	Policy Implication
Inventory risk	MM/LP may accumulate unwanted positions while absorbing order imbalances	Allow risk limits, position management, and realistic quote sizes
Volatility risk	Sharp price movements increase the cost of continuous quoting	Permit wider spreads or adjusted obligations during volatile periods
Adverse selection risk	Liquidity providers may trade against better-informed investors	Calibrate incentives to compensate for information risk
Funding cost	Liquidity provision requires capital and balance sheet capacity	Rebates or subsidies should reflect the cost of committed capital
Securities borrowing cost	Short-side liquidity may require access to stock borrowing and lending	Support securities lending frameworks where appropriate
Technology and connectivity cost	Effective quoting requires systems, data, and connectivity	Consider fee reductions, connectivity support, or data incentives
Regulatory capital	Capital requirements affect the ability to allocate resources to market making	Align obligations with the capital intensity of the activity

6.4 LP Agreements with Issuers: Structure and Safeguards

Liquidity Provider agreements with issuers can be a powerful complement to exchange-driven programs when they are structured with careful safeguards. Issuers and LPs should be required to disclose material terms of liquidity arrangements, including compensation levels, duration, and any exclusivity clauses.

To ensure that LP activity contributes to genuine market functioning, agreements should avoid arrangements that directly tie LP remuneration to absolute price levels and instead focus on performance metrics such as the maintenance of two-sided quotes, quantifiable improvements in spread and depth, and adherence to transparent behavioral rules. Exchanges should have the authority to review and, where necessary, moderate the terms of LP contracts to ensure they are consistent with market integrity and investor protection principles.

LP agreements should clearly identify the role of the LP should be limited to improving tradability through two-sided quoting, order-book depth, and execution continuity within transparent and pre-defined rules. LPs should not be mandated, encouraged, or compensated to support, stabilize, defend, or influence the issuer's share price.

Issuers should also be prohibited from instructing LPs on the timing, direction, size, or price of orders. LPs should make trading decisions independently, based on market conditions, risk limits, and their contractual liquidity obligations. Any communication between issuers and LPs should be limited to administrative, reporting, and contractual matters, and should not involve trading instructions or price-related objectives.

LP compensation should be linked to objective liquidity-quality indicators, such as quoted spreads, order-book depth, turnover contribution, execution quality, and compliance with agreed obligations. It should not be linked to the issuer's share price level, share-price performance, market capitalization, or valuation targets.

To reinforce transparency and market integrity, issuer-LP agreements should be filed with the exchange and subject to appropriate disclosure. Exchanges and regulators should have the authority to review LP contracts, monitor LP trading activity, require periodic reporting, and intervene where activity appears inconsistent with market integrity or resembles artificial price support.

- ▶ In brief, Liquidity Providers complement Market Makers by ensuring that less liquid securities remain tradable. However, LP arrangements must be governed by clear safeguards to avoid conflicts of interest and prevent any perception of artificial price support.
 - Issuer-LP agreements should be filed with the exchange, with appropriate disclosure of scope, duration, covered securities, and the nature of compensation.
 - LPs should act independently from issuers and should not receive instructions regarding the timing, direction, size, or price of trades.
 - Compensation must be tied to measurable improvements in liquidity quality, such as spreads, depth, and execution quality, rather than share-price performance or valuation objectives.
 - Exchanges and regulators should monitor LP activity to ensure that liquidity support remains consistent with market integrity and does not resemble price stabilization or market manipulation.



Table 10: Proposed LP Agreement Structure

Element	Recommended Practice
Contract	Standardized template filed with the exchange
Compensation	Issuer-funded and linked to liquidity-quality KPIs
Disclosure	Public summary of terms, scope, duration, covered securities, and nature of compensation
Oversight	Exchange monitoring of compliance and trading activity
Conflict-of-Interest Safeguards	LPs must act independently from issuers; issuers may not instruct trading direction, timing, size, or price; compensation should be linked to liquidity quality rather than share-price performance; the exchange should review and monitor the agreement

6.5 Key Performance Indicators (KPIs) and Reporting Requirements

KPIs for MM and LP programs should be chosen to capture both the quality and consistency of liquidity provision. Recommended KPIs include time-weighted average quoted spread over specified intervals, average depth at top-of-book levels, percentage of trading time with active two-sided quotes, fill rates for displayed orders, and contribution to market turnover as a percentage of total executed volume.

Reporting mechanisms should require daily or weekly submission of KPI data, with aggregated monthly and quarterly public reports that enable market participants to assess program effectiveness. For regulatory oversight, the exchange should maintain access to tick-level data and be capable of reconstructing performance histories for each MM and LP. KPIs must be precisely defined to avoid ambiguity in measurement and to allow for consistent cross-exchange comparison.

► In brief, KPIs provide the objective benchmarks needed to measure effectiveness. Both MMs and LPs should be assessed through a balanced framework that captures not only quoted liquidity, such as spread, size and presence, but also executed liquidity, such as actual traded volume, passive fills, turnover contribution, and price-impact reduction.

- Market Makers should be assessed on both their contribution to systemic quoted liquidity.
- Liquidity Providers should demonstrate measurable improvements compared to baseline issuer performance, including improvements in spreads, depth and execution quality.

Table 11: Sample KPIs

KPI Category	Market Makers	Liquidity Providers
Quoted Spread	Stay within exchange-defined thresholds	Show reduction versus issuer baseline
Quote Presence	Maintain two-sided quotes during required trading hours	Maintain agreed presence based on issuer liquidity profile
Depth	Minimum order size at best bid/ask and selected order-book levels	Depth improvement versus pre-contract baseline
Price Impact	Reduction in execution cost and market impact for larger orders	Lower price impact compared to pre-LP period
Stress Performance	Continuity of quoting during volatile periods	Liquidity support during abnormal order imbalances
Compliance Quality	Fulfilment of obligations without manipulative or superficial quoting	Fulfilment of contract without price support or issuer influence

6.6 Impact Assessment and Monitoring

A robust monitoring and impact assessment regime is integral to ensure that MM and LP programs deliver intended benefits without unintended side effects. Monitoring should combine automated surveillance tools with periodic manual reviews and should be linked to a transparent enforcement policy.

Impact assessment should include baseline measurement before program implementation and successive periodic evaluations that consider changes in spreads, market depth, volatility, turnover, and investor participation. Assessments should also examine whether incentives create distortions, such as layering of quote displays or superficial quoting that withdraws during periods of stress. Exchanges should commit to publishing impact assessment summaries to maintain confidence and to enable constructive policy evolution over time.

- ▶ In brief, monitoring ensures that liquidity programs are credible and effective. Exchanges track obligations in real time, while regulators assess program integrity periodically. Transparency through reporting is essential to build confidence.
 - Exchanges should publish quarterly KPI reports to the public.
 - Regulators should conduct annual reviews and recalibrate obligations or incentives where needed.

To operationalize this assessment, exchanges may adopt a set of pre- and post-implementation indicators covering both quoted, as shown below.

Table 12: Impact Assessment Metrics for MM/LP Programs

Impact Area	Suggested Measurement	Purpose
Bid-ask spread	Change in average quoted and effective spreads before and after MM/LP appointment	Measures reduction in transaction costs
Market depth	Average value available at best bid/ask and top 5 levels	Measures' ability to absorb larger orders
Execution quality	Fill ratio, passive fills, average execution cost	Measures usefulness of displayed liquidity
Volatility	Change in intraday volatility and price impact	Measures whether liquidity improves market stability
Investor participation	Number of active accounts, institutional participation, foreign activity	Measures broader market confidence

Summary

This section proposes a dual-layer liquidity framework for Arab exchanges, combining exchange-appointed Market Makers with issuer-contracted Liquidity Providers. Market Makers are tasked with systemic obligations, continuous two-sided quoting, spread control, and minimum depth, backed by incentives such as fee rebates and order-flow priority. Liquidity Providers, in turn, support individual issuers through transparent contracts filed with exchanges, with compensation tied to measurable improvements in spreads and turnover rather than price levels. In fact, the framework relies on clear governance roles for exchanges, issuers, and regulators, standardized Key Performance Indicators (KPIs), and transparent public reporting. Robust monitoring ensures that both models contribute credibly to market resilience, investor confidence, and alignment with IOSCO principles.



The success of a Market Maker (MM) and Liquidity Provider (LP) framework in Arab exchanges depends on phased implementation. By moving gradually, short, medium, and long term, exchanges can test, refine, and scale programs while building trust with market participants.

7.1 Short-Term Actions (1 – 2 years)

In the initial implementation phase, exchanges should focus on designing standardized contractual templates for Market Makers and Liquidity Providers, establishing clear KPI definitions, and piloting the program on a targeted set of securities that are representative of different market segments.

Regulatory stakeholders should issue guidance on disclosure obligations for LP agreements and set the legal authority for exchange oversight. Capacity building is critical during this phase, including investment in surveillance infrastructure and training for exchange staff on performance measurement and enforcement. Pilot programs should be closely monitored, and adjustments should be made rapidly in response to empirical findings and market feedback.

Table 13: Short-Term Priorities

Area	Actions
Programs	Launch pilots with selected large-cap stocks and ETFs
Capacity	Train exchange staff on surveillance and KPI reporting
Governance	Issue standard MM and LP contracts with clear disclosure



7.2 Medium-Term Actions (3 – 5 years)

During the medium term, the program should be scaled to a broader set of securities, and incentive structures should be refined to reflect evidence from the pilots. Regional coordination among Arab exchanges should be encouraged to harmonize program parameters and reduce complexity for market participants operating across borders.

Exchanges and regulators should publish impact assessments and work with market participants to iterate on contractual terms and measurement methodologies. Technology investments made in the short term should be leveraged to automate KPI reporting and enforcement actions, and the regulatory framework should be updated to incorporate lessons learned during the pilot and scale phases.



Table 14: Medium-Term Priorities

Area	Actions
Scaling	Expand MM/LP coverage to mid-cap equities and derivatives
Incentives	Adjust rebates and fees based on KPI outcomes
Regional Coordination	Align standards across Arab exchanges via AFCM

7.3 Long-Term Objectives (beyond 5 years)

In the long term, Arab exchanges should aim for institutionalization of MM/LP programs with stable funding mechanisms and regional interoperability where feasible. The objective should be to foster deeper, more liquid markets that can attract significant institutional and international investment.

Long-term priorities also include continuous improvement of surveillance capabilities, ongoing research into market microstructure developments, and the potential introduction of advanced liquidity mechanisms such as centralized quoting incentives for ETFs and derivatives. The success of long-term objectives will be measured by sustained improvements in spreads, market depth, turnover ratios, and investor diversity.

Table 15: Long-Term Priorities

Area	Actions
Institutionalization	Embed MM/LP programs into permanent exchange rules
Global Integration	Attract international providers and foreign institutional investors
Regional Interoperability	Develop cross-market liquidity pools for ETFs and dual listings

Summary

In the short term, exchanges should launch pilot programs on selected securities, supported by standardized contracts and enhanced monitoring capacity. The medium term focuses on scaling coverage to more asset classes, recalibrating incentives based on performance, and harmonizing rules through regional coordination under AFCM. In the long term, liquidity frameworks should become permanent features of exchange regulation, attract international participants, and support regional interoperability through cross-listed securities and ETFs, positioning Arab exchanges as globally competitive and resilient markets.



8. Conclusion and Policy Recommendations

Liquidity is the foundation of efficient and resilient capital markets. Without it, investors face wide bid–ask spreads, limited trading opportunities, and higher costs of execution. For Arab exchanges, addressing liquidity challenges is not only a technical reform but also a strategic priority for attracting institutional investors, integrating into global markets, and supporting local economic development. The evidence presented in this paper underscores the importance of a structured Market Maker (MM) and Liquidity Provider (LP) framework that blends international best practices with regional realities.

The dual-layer model proposed, where MMs contract with exchanges and LPs contract with issuers, offers a balanced approach to strengthening both systemic liquidity and issuer-specific depth. Market Makers bring stability by maintaining continuous quotes and narrowing spreads across asset classes, while Liquidity Providers ensure that smaller or less liquid issuers can maintain tradability, visibility, and investor confidence. Together, these roles can transform the liquidity landscape of Arab markets if properly governed, incentivized, and monitored.

The analysis of global case studies highlights the key elements Arab exchanges must adopt: the U.S. system's dual structure of designated obligations and competitive liquidity provision, the European model's emphasis on transparency and regulatory balance, and the Asia-Pacific region's flexibility and hybrid approaches. Lessons from these markets point to the necessity of harmonized obligations, performance-based incentives, and transparency in both exchange-driven and issuer-driven liquidity programs.

Equally important is the empirical evidence from Arab markets themselves. The AFCM survey reveals that current liquidity schemes are fragmented, with inconsistent application of KPIs, varying levels of exchange involvement, and limited coordination across jurisdictions. By harmonizing rules and aligning with IOSCO principles, Arab exchanges can move beyond piecemeal solutions and establish a regionally coherent framework that attracts both domestic and international investors.

Policy recommendations from this study emphasize four priority areas:

- **Framework Design:** Adopt a layered system where MMs are accountable to exchanges and LPs operate under transparent issuer contracts registered with the exchange.
- **Incentives and Obligations:** Balance strict quoting obligations with performance-based incentives, ensuring that providers are rewarded for genuine and economically sustainable liquidity contributions, including executed liquidity rather than quote presence alone.
- **Monitoring and Transparency:** Develop standardized KPIs covering both quoted and executed liquidity, enforce compliance with real-time surveillance, and publish aggregated performance reports to build market confidence.
- **Regional Coordination:** Through AFCM, align program parameters across Arab exchanges, reduce complexity for cross-border participants, and promote regional liquidity pools, especially for ETFs and dual listings.

In the long run, a well-designed MM/LP framework will do more than narrow spreads or increase turnover. It will build trust in Arab exchanges, enhance price discovery, and strengthen resilience against volatility. Most importantly, it will position Arab markets to compete more effectively on the global stage, attract institutional flows, and support the broader agenda of economic diversification and capital market development across the region.

Author

Dr. Fadi Kanso

Secretary General

Arab Federation of Capital Markets (AFCM)

Email: **fadi.kanso@arab-exchanges.org**

Saeed Frayha Street, Hazmieh Square Building, 4th Floor, Hazmieh, Lebanon

www.arab-exchanges.org

Contributor

Saker Asllan

Chief Exchange Operations Officer

Abu Dhabi Securities Exchange

Chairman of Market Development Committee

Arab Federation of Capital Markets (AFCM)

Email: **AsllanS@adx.ae**

Landmark Tower, Al Hisn Street - Al Markaziyah West, Corniche - Abu Dhabi

www.adx.ae/en

Contributor

Joe Hachem

Senior Research Analyst

Arab Federation of Capital Markets (AFCM)

Email: **joe.hachem@arab-exchanges.org**

Saeed Frayha Street, Hazmieh Square Building, 4th Floor, Hazmieh, Lebanon

www.arab-exchanges.org

Design & Layout

Ahmad El-Ezmerly

Art Director

Arab Federation of Capital Markets (AFCM)

Email: **ahmad.ezmerly@arab-exchanges.org**

Saeed Frayha Street, Hazmieh Square Building, 4th Floor, Hazmieh, Lebanon

www.arab-exchanges.org



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