

The Impact of Applying new Settlement System (T + 2) in the Saudi Stock Market and the Possibility of Applying Financial Derivative Tools (A field study)

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ABSTRACT

This study aims at finding the impact of the applying the new settlement system (T + 2) in the Saudi financial market and possibility of applying the trading of financial derivative tools, to achieve the goals of the study the researcher designed a questionnaire commensurate with the subject of the study and its goals, and the descriptive analytical method was used to describe the study variables and test the hypotheses through Using the statistical program (SPSS) to analyze the data. The study reached a set of results, the most important one is that application of the new settlement mechanism (T + 2) under consideration led to an increase in the efficiency and revitalization of the Saudi financial market, which helped launch the trading index for financial derivatives, especially futures and options contracts, which will depend on the MSCI. Tadawul index 30) and MT30. The study also found that short selling carries two main advantages for the investor are "the opportunity to speculate, in addition to hedging the positions of purchase and risk management, and that the description of short selling that is forbidden differs from the description of short selling announced by the financial market" Tadawul ", the study recommended to fulfill With the requirements of joining the international indicators in order for the Saudi financial market to be able to move from an emerging market to an advanced one.

Keywords: financial derivative, system (T + 2), short selling.

1-Introduction:

The Saudi financial market is considered one of the largest markets in the Arab region, since it was concerned with the application of the latest electronic trading systems, which led to an increase in its absorptive and technical capabilities, which led to the addition of new types of transaction orders and the new settlement system (T + 0) that was implemented and applied for the first time in the Arab financial markets and keeping pace with that development, the Capital Markets Authority (Tadawul) has moved to make two major changes in the stock exchange, namely the implementation of the settlement system (T + 2), and short selling, in order to enhance the protection of investor assets and improve the management of investment risks other than that, with the developments and changes that the global economy is going through, financial innovations during the recent period have led to revolutionary changes in the international financial system as financial derivative markets have grown as a product of financial engineering as they have made stocks and bonds traditional tools that do not meet the requirements of economic life. This is why thinking began in the creation of modern tools and means. The shortcomings of stocks and bonds are completed and completed, especially with regard to the risks that may be exposed in the future, and in this way, I create a financial innovation known as financial derivatives, among which are derivatives options, futures and forward contracts.

To keep pace with global markets, the Saudi stock market has accepted a new stage of its life with two fundamental measures, namely the implementation of a new settlement system "T + 2", and allowing "short selling" conditional on borrowing shares, and thus approaching more than ever to join the emerging market indicators, and align with International stock exchanges, as the implementation of the new settlement mechanism (T + 2) is in line with the standards and procedures used in many global financial markets, which will support the building of a more developed and open Saudi financial market in the world, and in line with the Kingdom's vision (2030). The research problem lies in Answer these questions:

- Does applying the settlement system (T + 2) lead to the use of financial derivatives as a hedging instrument in the Saudi financial market?
- Does applying the short selling system lead to the use of financial derivatives as a hedging instrument in the Saudi financial market?
- What is the effect of trading in financial derivatives on enhancing the protection of investor assets and improving the management of investment risks.

The research seeks to achieve the following goals:

- Learn about the new settlement system (T + 2) and the benefits that it can bring to the Saudi financial market
- Knowing the purpose of implementing the short selling system in the Saudi financial market in light of the application of the settlement system (T + 2).
- The extent of the possibility of applying financial derivatives in the Saudi financial market in light of the application of the settlement system (T + 2).

The importance of scientific research is highlighted in: The fact that the research deals with important issues is the fundamental transformation of the Saudi financial market to the settlement system (T + 2) and short selling. And The Practical Importance is: shedding light on financial derivatives as hedging tools that would contribute to increasing the investment culture of dealers in the stock market, which supports the national economy. According to the researcher's knowledge, this study may be one of the first studies that shed light on the subject of the new settlement system (T + 2), short selling and the possibility of applying derivative contracts on the Saudi Stock Exchange

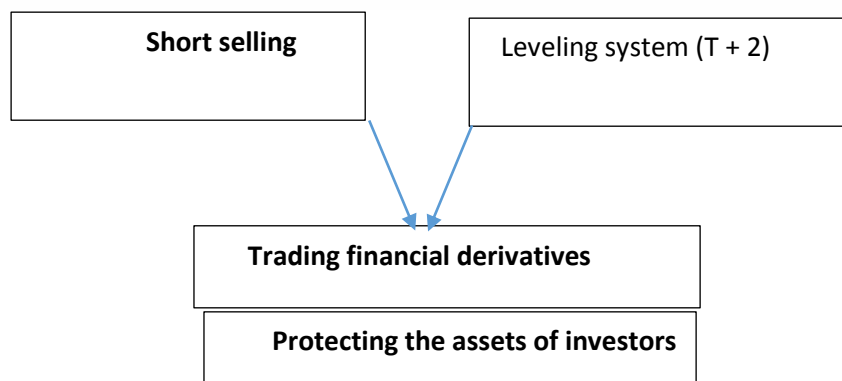
the research aims to test the validity of the following hypotheses:

- There is no statistically significant relationship between the application of the settlement system (T + 2) and the trading of financial derivatives as a tool for financial hedging.

- There is no statistically significant relationship between the application of the short selling system and the trading of financial derivatives as a tool for financial hedging.

- There is no statistically significant relationship between trading derivatives and protecting the assets of investors in the financial market.

The researcher presents the following most important variables of the exploited and dependent study through the following figure:



Data collection methods:

1- Secondary data includes books, periodicals and specialized research, especially with regard to the theoretical side.

2- Initial data With regard to the applied aspect, the study tool was represented in a questionnaire prepared in a manner that suits the objectives, problem and hypotheses of the study.

The limits of the study:

The limits of the temporal study were in the year 2020 .

Spatial study limits, the stock market in the Kingdom of Saudi Arabia.

2- Previous studies:

Said study, (2007). aimed to explain the concept of the Malaysian derivatives market, the history of its origin and its importance in economic life. The study focused on discussing the derivative instruments traded on the Malaysian Stock Exchange for limited derivatives of (futures and options contracts) and the role of these derivatives in developing financial markets. The study also examined the actual reality of operations in the Malaysian derivatives exchange, and clarification of Sharia provisions in futures and options contracts, and their juristic adaptation and their compatibility with Islamic Sharia, and found that the derivatives market is the new way to reduce the risk in investment in addition to that futures and options contracts play a role Important in the area of hedging from fluctuations in stock prices. The study recommended the necessity of working to find a market for Islamic derivatives under the Islamic capital market that is subject to Sharia supervision, in order to purify it from the forbidden financial instruments, in order to ensure its safety from legal violations and increase its effectiveness. In the Islamic financial industry.

Aim study Spyridon , (2012) to identify the extent of the use of non-financial companies in Greece for derivative contracts in the risk management process, and the researcher designed a questionnaire that was distributed to a sample of 110 non-financial companies, and then compared the results of the study to the results of a previous survey study, where The researcher found that 33.9% of non-financial companies use derivatives for risk management purposes, and the results of the study indicated that non-financial establishments use advanced methods to assess and manage risks as they do not use financial derivatives for speculative purposes because the Greek economic environment is not appropriate to use For derivatives for speculative purposes, and the study also found that small-sized companies do not use financial derivatives, due to the fact that they are not exposed to large risks such as the risks facing large-sized companies,

Asudairi Study, (2012). aimed to know the effect of preventing or prohibiting short selling in emerging and advanced financial markets. American financial markets were chosen as advanced markets and the Saudi financial market as an emerging emerging market. The researcher in the study adopted the application of a quantitative and qualitative approach to testing hypotheses and measuring the impact of short selling on the efficiency of financial markets so as to know the correlation Between the market value of stocks and the prohibition of short-selling in capital markets in the United States of America during the financial crisis of 2008, a sample of 113 companies was tested during the period of the prohibition of short-selling and using the qualitative method tools to derive As for the reasons that prevented short-selling in emerging financial markets as an investment tool, the study concluded that there is a positive relationship between the short-selling ban and the market value of stocks, as well as the short-selling ban led to a reduction in the volume of commercial operations in financial institutions.

Toney Adam Study, (2014).The study aimed to identify the role of financial options contracts in hedging against investment risks and improving investor liquidity

in the Amman Stock Exchange. The results of the statistical analysis indicated that there is a relationship between each of the financial options contracts and the needs of investors in the stock market, represented by hedging against investment risks and improving the level of liquidity. The results also indicated that there are no differences between the needs of investors in the areas of options contracts.

Sahnoun's Study (2014). aims to investigate the risks of financial derivatives and their contribution to creating financial crises and what is the goal of using financial derivative strategies. The study concluded that the goal of derivative strategies is to reduce exposure to interest rate risks, exchange rates and price fluctuations. As by entering into these contracts, banks or other institutions can cover the market risks to which they are exposed, which can be used with careful thanks. This requires looking not only at the positives of reserves, but also the risks associated with derivative instruments.

Aim study Khamisi's (2015). aims to highlight the role that the use of financial derivatives contributes to in financial markets to cover market risks by analyzing the volume of dealing in financial derivatives in the formal and informal markets. The study concluded that derivative financial instruments played a major role in overcoming most of the risks faced by investors, whether at the organized or unregulated market level, and that the risk coverage is related to its quality and the appropriate financial and derivative instrument to cover it, in addition to the type of trading market (organized and unorganized)

The most important characteristic of the study:

This study was distinguished from the rest of the previous studies, as it is the first of its kind that focused on the application of the new settlement system (T + 2) in the Saudi financial market, permitting short sale covered, and knowing whether these fundamental changes can allow the use of financial derivatives on the stock exchange Saudi stocks are new financial instruments that are used to hedge against investment risks, improve the level of liquidity of investors in the stock market, and raise the efficiency of the financial market.

3- Theoretical framework:

To achieve the objectives of the research and test the validity of the hypotheses, the research was divided into the following axes:

The first axis: the concept, importance and advantages of implementing the settlement system

1- **What is meant system (T + 2)?** The settlement of the security is intended to transfer the executed securities of its deals from the seller's investment portfolio to the buyer's investment portfolio, as well as the cash settlement means the transfer of the price of the executed securities from the buyer's cash account to the seller's cash account with members of the market, and (T + 2) means the settlement of the time period The incident between executing the transaction and registering the transfer of ownership of the security and the actual payment of the transaction, which is estimated at two business days. This new settlement time period will be applied to all securities deals listed in the market. The Latin letter (T) symbolizes the term (Trade),

meaning any deal. The number added to it indicates the time required to complete the settlement of the transaction

(<http://www.anbinvest.com.sa/Default.aspx?tabid=1894&language=ar-SA>). While some see the settlement system means that the time limit that is given to the seller in order to deliver the security, and for the buyer of the paper until he pays the amount due from the process n and the application of the (T + 2) settlement system provides that the investor is given two days to settle the deal, meaning that the time limit for implementing the sale and purchase process is increased

2- The objectives of adjusting the time for settlement of securities deals for two working **days** :

- i. Raising the level of investor assets protection, which allows the field to verify the validity of the deal and deal with errors contained therein, if any
- ii. The consistency of international standards applied in other markets regarding settlement procedures, which increases the chances of the Saudi market being included in the indicators of global markets
- iii. Developing the investment environment to stimulate institutional investment, taking into account the necessary needs to adapt to future changes
- iv. Providing the principle of short selling, conditional on borrowing shares.
- v. Activating the role of market makers in the stock market.

What securities does the new settlement mechanism apply to settle securities deals?

The new settlement mechanism (T + 2) applies to all listed securities deals in the market (stocks, bonds, bonds, ETFs, priority rights) in addition to transactions executed outside the platform.

(<http://www.anbinvest.com.sa/Default.aspx?tabid=1894&language=ar-SA>)

The second axis: the concept of short selling:

Short selling is not new in the world of stock markets, but has a history spanning centuries. It was created with the aim of creating new financial products and investment tools to facilitate work and as a way to pump money to companies and finance some projects, and as a mediator to create a bridge of liquidity between troubled or declining companies and between investors and companies that have liquidit (<https://www.trend-cast.com/blog>)

A short sale is defined as selling a borrowed security in the hope that its price will decrease. If the price drops, the investor will buy the security that he sold and returned it to its owner (Al-Qari, 70) Some believe that short selling is to borrow securities that were sold for certain prices in the hope of buying them at certain lower prices and then return them to the borrower. Thus, the investor made a profit if the market prices responded to his expectations, and he may incur a loss when he violates his expectations. (Tekina, 2005), as some see that short selling is a name given to the process of selling an ,asset without actually owning it as the investor expects that the price of this asset will decrease ,so that he can repurchase it at a lower price, and thus

he has made a profit from the difference between the price Who sold the original for it and the price he paid to buy again.: (<https://www.syr-res.com/article/9022.htm>) .

A short sale is defined as the sale of a security before it is acquired with a view to buying it later at a lower value and thus achieving a profit equal to the difference between the short sale price and the purchase price minus the interest the investor pays for borrowing the security in the period between buying and selling “www.investopedia.com” Between the two cases in which what is not owned and the sale of shares were borrowed as stated in the following definition: "Short selling is the sale of a security that is not owned by the seller, or that the seller has borrowed.

(<https://www.maaal.com/archives/20170513/91578>)

From the foregoing, the researcher believes that short selling is done according to the following methods:

- The uncovered sale in which the sale of the security is executed before the investor acquires it.

- The covered sale in which the security deal is executed after the investor has acquired and enables it with one of the permissible ownership contracts, whether it was actually acquired or arranged for that.

The researcher believes that the second image is made available by the Saudi Capital Markets Authority (Tadawul), which is to allow short selling after the investor has acquired the financial paper that is being sold, and thus the Market Authority has removed a lot of clipping and juristic controversy that revolves around the legitimacy of allowing the short sale application. This opinion is supported by what was mentioned by Al-Hamid, Assistant Undersecretary of the Saudi Stock Exchange to market institutions, that the short sale that is expected to be applied in the local market is covered and will not take place before borrowing shares and creates a market balance and gains in the event of a decline in shares, as it is one of the means in managing the investors' failures to settle deals in a system Al-Hamid added, “This step joins important steps recently taken by the authority to develop the market, increase its alignment with international markets, which included easing restrictions on qualified foreign institutions, restructuring market sectors, and launching a parallel market alongside the main market.”

Short sale goals: Short selling aims to increase the level of cash flow and to activate the role of the stock market, as it aims to achieve a percentage of profits for investors during short sales operations. It also motivates the long-term investor to maintain his investment capabilities and the continued presence of his money in the market as long as possible, which drives the economy and works to maintain balance in the economy if appropriate measures are taken, and works to increase investment opportunities for financial brokerage firms, and among the advantages is to give an opportunity Better risk management, capital management and investment portfolio. In addition to increasing the possibility of profit from stock markets in

Short selling features (AVA Trade Ltd B.V.I Financial Services Commission. Ava Capital

Short sale carries two main advantages for the investor, as it can represent the opportunity to speculate and benefit from different market conditions, whether high or

low, in addition to using short selling to hedge the positions of purchase and risk management in the event of a drop in the price of assets that you own and do not want to give up. This can be explained as follows:

i. Speculation using short selling:

Speculation using short selling is considered a common method that provides the trader with the ability to benefit from different market conditions, whether the market rises or falls, and many speculators resort to short selling in the belief that the decline is usually more rapid than the rise in the financial markets as a result of the work of fear outperforming The hope factor of the trader, which makes the opportunity to benefit from the decline and achieve higher profits, holds more possibilities for investors.

ii. Hedging using short selling Here, investors who wish to benefit from the stages of the rebound in the market while remaining in their positions can resort to short selling, which gives them opportunities to benefit from the rebound in the price in the short term while staying within the auxiliary direction in the long term, as well as resorting to short selling in order to Hedging is spread in the periods in which important news is desired that may affect the markets and thus the investor will resort to short selling in order to reduce the risks in the event of a rapid price drop when a certain news is issued without his ability to close his selling positions.

The most important risks of the short sale uncovered:

- There are very high risks due to the lack of sufficient cash balance to cover the short sale transaction, and not owning them, and therefore in the event of a rise in the stock price, the speculator is obligated to the direction of the broker and the owner of the shares to recover the value of these shres and the commission in addition to the moral loss..

- In the event that the investment company sells short for the purpose of hedging, the company shall pay the debt of the value of the periodic cash dividends to its shareholders in the company.

It can be a reason to manipulate investor hopes in the event of loss and lead to the collapse of the stock market in the event of lack of financial supervision or lack of financial controls. (<https://www.trend-cast.com/blog>) .:

the possibility of applying derivative contracts in the Saudi financial marke

The Capital Market Authority revealed its intention to conduct a preliminary study to provide some advanced investment tools to the Saudi stock market that included financial derivatives (such as option contracts, future contracts, etc.) and short sale that we touched on in the previous axis in order to develop the financial market and diversify the product base available to investors who trade Currently only ordinary shares will trade in bonds and bonds very soon. The CEO of Tadawul said that the launch of financial derivatives is one of the initiatives of the Financial Sector Development Program within the Kingdom's Vision 2030 and the launch of the market reflects Tadawul's commitment to To work on developing new opportunities for investors and their efforts to increase the participation of institutional investors in

the Saudi Stock Exchange (Saudi Stock Exchange - Tadawul) (<https://arabic.arabianbusiness.com/348683-2019>).

The concept and definition of derivatives:

Financial derivatives are defined as future sub-contracts that derive from basic contracts for investment instruments (foreign currencies, securities), to derive from these sub-contracts investment tools derived within the framework of the so-called Financial Engineering ((Al Shaib, 2013). It is also defined as financial instruments whose value depends on the value of another asset, in other words that the return generated by it is on the direction of the price of another asset (Hinidi, 2006)

As for the Bank for International Settlements, it defines financial derivatives as contracts whose financial value depends on the prices of the financial assets subject to the contract but does not require or require the use of the financial asset itself as a contract between two parties that includes exchanging payments on the basis of prices or returns (Samir, 2005).

Futures B - Futures C - Options - D - Swap Contracts Futures Contracts : A futures contract is a standard contract for the sale and purchase of goods or financial assets that will be received at a specified time in the future, and its price is determined at the time the contract is entered into a regular financial market for this purpose, as it represents the most desirable mechanisms or tools for financial derivatives, as its value is derived from a basic asset , Represents a physical good, a stock index, or foreign exchange interest or currencies (Al-Sharida, 2016). A future contract is an obligation that arises as soon as the contract is signed, buying or selling a specific currency at a specific price and a known date, and the basic idea of covering against the risk of exchange in the future market is to try to reach a position change in the future contrary to the current exchange situation .

Forward The forward contract represents a pledge or commitment to buy or sell a certain amount of materials or commodities at a price that is determined immediately at the date of the conclusion of the contract, provided that the process is completed in the future, and therefore, in the event of high prices for these contracts or commodities, the buyer makes a profit from the term contract, either in the event of a price drop Loss. (Feryal, 2014).

Contracta Options: The options were used decades ago by the professionals but they were not characterized by the diversity, size and sophistication that they are now after allowing all dealers to benefit from them, and the dealings were entered into it on the Chicago Stock Exchange (CBT) in 1972. The options are known as the basic contracts for investment instruments (foreign currencies, Securities) to derive from these subcontracts investment tools derived within the framework of the so-called Financial Engineering, and between two parties, one of which is the option buyer and the other the option seller, according to which the first party the option buyer can buy if he desires from the second party a specific asset at a price Given and on a date Appointed or during a period of time according to the agreement and that match the

amount of a certain non-refundable pay the second party as compensation or reward is called the price of the option (the Shipp 2013).

Types of options:

There are two main types of options available for transactions in the financial markets: Put **Option and Call Option.**

Purchase option: It is a contract that gives the investor the right to buy and not obligate the original of what is the subject of the contract at a specified price and date in return for a reward paid by the editor, where the investor will buy this type of option when he expects the stock price to rise in the market.

Selling option: It is the option that gives its owner the right to sell an asset at a predetermined price and date, and it is a non-binding option for the bearer, who has the option to implement or not to implement according to the price development in the market.

4- The field study:

4-1 The Saudi Stock Market:

The Saudi financial market, Tadawul, is the largest financial market in the Gulf region and the Middle East, with a market value of more than 450 billion US dollars, and the Saudi financial market is ranked eighth as the largest stock market at the level of emerging markets. The Saudi Stock Exchange Company “Tadawul” understands that the financial market is at the heart of the Kingdom’s 2030 vision, and with the unprecedented economic transformation in the Kingdom of Saudi Arabia, it was necessary to support the development of the market in line with this ambitious vision, which would open new horizons for the potential of the national economy And, during the past period, Tadawul worked closely with all concerned parties and investors to develop the market by increasing liquidity in the market, increasing the confidence of the local investor, facilitating market access, enhancing its efficiency, increasing the level of transparency, and attracting foreign investment, in order to open up to various segments locally and regionally. Globally, it represents «trading» of the volume and liquidity in the global Saudi financial market. To that, Tadawul has accomplished a number of important developments, including, but not limited to, including the following: Implementing the Global Sectors Standard (GICS) in the Saudi Stock Market in January 2017, to enable all investors to analyze, evaluate and compare investment performance indicators between sectors The Saudi financial market and its counterparts from the sectors in the global financial markets, as well as the launch of real estate investment funds traded (REITs) in November 2016 with the aim of diversifying and increasing investment opportunities for all dealers in the market, and so far 6 real estate investment funds in circulation have been listed (Al-Jazeera 10/10/2017).

in the past two years, it has been announced that the Saudi Stock Exchange has joined the MSCI, FTSE Russell and S and P emerging markets, and this is a clear indication of the maturity and depth of the financial market in terms of level. Efficiency, governance and applied regulatory frameworks. The addition of the Kingdom to the follow-up list and its anticipated accession to emerging market indicators will contribute to increasing the volumes of liquidity flowing by investors in these

indicators, which will benefit the financial market and the companies listed there and investors alike.

The Saudi Stock Exchange "Tadawul" is the only entity authorized to act as a market for "market" securities in the Kingdom, as it lists and trades securities, and it is ranked 26th as the largest stock market among 67 members of the World Federation of Stock Exchanges, as it is the largest market on The level of the Gulf Cooperation Council countries, where they constitute 48 percent of the total market value of the Gulf Cooperation Council countries and 73 percent of the traded value, and the Saudi financial market comes in the eighth position as the largest stock market at the level of emerging markets. (Al-Jazeera 10/10/2017).

4-2 Research Methodology:

To achieve the objectives of the study and for the purposes of testing hypotheses and answering the questions of the study sample, the researcher relied on the mixed approach, as it was relied on the inductive approach that relies on gathering information related to the main elements of the study, analyzing, interpreting and building the theoretical framework for it, by relying on the literature that dealt with the subject of settlement systems in the financial markets The financial derivatives as well as the deductive approach that depends on the design of a questionnaire. The researcher prepared a special questionnaire for this study based on the theoretical framework and the results of previous studies, which are of five dimensions from the worst It consists of three groups, the first group measures the extent of the importance of applying the settlement system (T + 2), while the second group of questions relates to financial derivatives and their role in financial hedging while the third group includes the short selling system and its impact on the financial market, where the researcher distributes Survey lists on a sample of financial intermediaries accredited to the financial market, as well as a sample of representatives of companies listed on the stock market, similarly to a sample of department managers in the financial market, and a sample of financial analysts, and a package of the SPSS program will be used to analyze the answers received from You sample it a study.

4-3 Results of the field study analysis .

This part of the research includes field study procedures, which are represented in the method of data collection and statistical processing and interpretation, and conducting stability and validity tests to ensure their validity, in addition to a description of the community and sample of the study and the statistical methods by which the data was analyzed and the study hypotheses tested, as follows:

4-4 description of the study population and sample:

The study population consists of financial intermediaries accredited to the Saudi financial market, as well as representatives from companies listed on the stock market, managers of departments in the financial market, financial analysts, and accountants, and the research sample vocabulary was chosen from the study community described in the previous paragraph by random sample which is one of the samples The probability that the researcher chooses from the study community in a way that provides equal opportunities for selection for all the vocabulary of the community under study. The researcher distributed 70 questionnaires to individuals in

a sample and 65 were retrieved with a response rate of%. The researcher also conducted some personal interviews with the operator of the Capital Market Authority and Tadawul.

Through the general data collected on the respondents by the first part of the research form, and using statistical iterations, the characteristics of the study sample were determined in order to identify the characteristics of the respondents' society in terms of the scientific and practical composition.

4-5 methods of statistical analysis used in the study:

Data analysis and hypothesis testing, the following statistical tools were used:

(1) Conducting a stability test for the questionnaire questions using the following:

(A) Virtual honesty test. (B). Honesty and consistency tests

(2) Descriptive statistics methods: to describe the characteristics of the study sample vocabulary through:

(A) iterative distribution of expressions of questionnaires

This is to identify the repetitive distribution of the respondents' responses to the study hypotheses.

(B) Weighted Arithmetic mean:

This statistical method has been adopted to describe the opinions of the sample members on the study variables as one of the central tendency measures, and it is considered a special case of the weighted mean when all the vocabulary is viewed with the same importance (weight).

C / standard deviation

This scale was used to find out the extent of respondents' dispersion with a weighted average.

3) Kay squared test to indicate the differences.

This test was used to test the statistical significance of the differences at the 5% level of significance, which means that if the value (such as any squared) calculated at the level of significance is less than 5%, it means that there are differences of significant significance and the paragraph is positive. Either if the value of (such as squared) at the level of significance is greater than 5%, that means there are no statistically significant differences and the paragraph is negative.

Third: An analysis of the personal data of the individuals in the research sample according to their different characteristics.

Gender: The respondents were asked about sex and their responses were as shown in Table (1):

percentage	response	Repetition
72.2	39	Male
27.8	15	Female
100.0	54	Total

Table (1)

Source: Survey data, prepared by the researcher, Saudi Arabia, 2020.

Table (1) shows that 72.2% of the respondents are male and 27.8% of females, which indicates that the age group can be relied upon in answering the questionnaire questions and relying on their opinions.

Age: The respondents were asked about the age and their responses came as shown in Table (2).

percentage	response	Repetition
68.5	37	Less than 30 years old
22.2	12	From 30 and under 40 years old
5.6	3	From 40 and less than 50 years old
1.9	1	4
98.1	53	Total

Table (2)

Source: Survey data, prepared by the researcher, Saudi Arabia, 2020.

Table (2) shows that 68.5% of the sample population ranges between 20 years and less than 30 years, 22.2% ranges between 30 and less than 40 years, and 5.6% ranges between 40 years and less than 50 years, It indicates that the age group can be relied upon to answer the survey questions and rely on their opinions.

Qualification: The respondents were asked about the qualification and their responses came as shown in Table (3):

Table (3)

percentage	response	Repetition
81.5	44	BA
16.7	9	M.A.
1.9	1	Other
100.0	54	Total

Source: Survey data, prepared by the researcher, Saudi Arabia, 2020

Table (3) shows that 81.5% of respondents have academic qualifications with a bachelor's degree, 16.7% of masters degrees and 1.2% of other qualifications holders, which indicates that the sample that questionnaires were distributed to has a large degree of awareness and understanding, which makes their opinions Reliable and reliable in answering the survey questions.

Specialization: The respondents were asked about the specialization and their responses came as shown in Table (4):

Table (4)

percentage	response	Repetition
42.6	23	Business Administration
22.2	12	Financial management
14.8	8	Accounting
3.7	2	Economic
16.7	9	Others
100.0	54	Total

Source: Survey data, prepared by the researcher, Saudi Arabia, 2020

Table (4) shows that 42.5% of the sample individuals have scientific specialization in business administration, 22.2% in finance, 14.8% in accounting, 3.7% in economics and 16.7% in other, and this indicates that there is a diversity in the scientific

disciplines of the sample that was distributed Questionnaires on them, which makes them able to understand the questions of the questionnaire and answer them logically. **The position : The respondents were asked about the position and their responses came as shown in Table (5):**

Table (5)

Percentage	response	Repetition
14.8	8	Financial Analyst
1.9	1	Financial intermediation
1.9	1	External auditor
81.5	44	Other
100.0	54	Total

Source: Survey data, prepared by the researcher, Saudi Arabia, 2020 .

Table (5) shows that 14.8% of respondents have their job position, 14.8 financial analysts, 1.9% financial mediation, 1.9 external auditor, and 81.5 others, which indicates that the sample to which questionnaires were distributed has a large degree of awareness and understanding of methods The extremes in financial markets, which makes them able to understand the questions of the questionnaire and answer them logically.

Experience: The respondents were asked about the position and their responses came as shown in Table (6):

Percentage	response	Repetition
7.4	19	Less than 5 years
35.2	24	From 5 and less than 10 years
5.6	3	From 10 and under 15 years old
44.4	4	From 15 and under 20 years old
7.4	4	20 years and over
100.0	54	Total

Table (6)

Source: Survey data, prepared by the researcher, Saudi Arabia, 2020 .

Table (6) shows that 44.4% of respondents have their practical experience of more than 15 years, which indicates that the sample to which the questionnaires were distributed has practical experience, which makes them a large degree of awareness and understanding of the methods applied in the financial market, which makes them able to understand Questionnaire questions and answer them logically.

Second: Presenting and discussing the results related to the study hypotheses:

1- The first hypothesis: There is no statistically significant relationship between the application of the settlement system (T + 2) and the trading of financial derivatives:

In order to verify this hypothesis, a number of relationships between the dependent variable (circulation of financial derivatives) and a set of independent variables associated with the independent variable of the hypothesis (settlement system T + 2) have been tested. Table (7) shows the results of the relationships of this hypothesis:

Table (7) There is no statistically significant relationship between the application of the settlement system (T + 2) and the trading of financial derivatives

Table No (7)

It shows the arithmetic means and standard deviations of the respondents' responses about the financial derivatives

	Phrase	U	STD	Chi	D.F	Sig	approval level
1-	Promotes increased levels of investor asset protection	1.79	0.40	46.284 ^a	1	0.000	I agree
2-	It helps in improving investment risk management	1.90	0.70	37.255 ^a	2	0.000	not agree
3-	It leads to stimulating and encouraging domestic and foreign institutional investment	2.30	1.01	40.869 ^a	3	0.000	not agree
4-	It conforms to most international standards applied in the financial markets	1.79	0.40	14.917 ^a	1	0.000	not agree
5-	It allows the field to verify the validity of the deal and deal with the errors mentioned, if any	4.46	1.05	8.620 ^a	2	0.000	I agree
6-	It helps borrow covered shares	1.43	2.04	34.505 ^a	2	0.000	I agree
7+	It increases the volume of foreign liquidity, as the new settlement is attractive to foreign investors	1.88	0.44	40.869 ^a	3	0.000	not agree
8-	It enhances the liquidity of the Saudi financial market and the level of efficiency and transparency.	2.22	0.24	44.814 ^a	1	0.000	not agree
9-	Promotes increased levels of investor asset protection	1.77	1.26	46.284 ^a	2	0.000	not agree
Total score for all paragraphs		3.01	1.03	198.453		0.000	not agree

Source: prepared by the researcher from the outputs of the (SPSS) package.

When taking into account what was included in the descriptive statistics of the relationships between the two variables under study, that the existence of indicators for the existence of a relationship between the dependent variable (trading of financial derivatives) and a set of independent variables associated with the independent variable of the hypothesis (application of the settlement system (T + 2) and trading of financial derivatives), depends on the statistics Inferential It is the Chi square that gives some methodological basis for making sure the relationship is correct. The test is based on the assumption of nothingness, and it is (there is no statistically significant relationship between the application of the settlement system (T + 2) and the trading of financial derivatives). To verify this relationship, Table (7) shows the values of chi², and significant levels whose values ranged between 0.000 and 0.071 so it is possible To say that there is a significant relationship if the level of significance is less than 0.05, i.e. with a confidence degree of more than 0.95. It is clear that there is a significant correlation between the partial variables of the independent variable of the study (axis variables) and the dependent variable of the study (derivative circulation) and from the data of the previous table, the results of the partial relationships of the hypothesis were significant except for a relationship that is compatible with most of

the international standards applied in the financial markets, and a relationship that allows the field To verify the validity of the deal and deal with the incoming errors, if any, and thus there is a moral relationship where he refuses to impose the nothingness and accept the alternative assumption that there is a statistically significant relationship between the application of the settlement system (T + 2) and the trading of financial derivatives in the Saudi financial market.

The second hypothesis there is no statistically significant relationship between the application of the short-selling system and the trading of financial derivatives as an instrument of hedging:

In order to verify this hypothesis, a number of relationships between the dependent variable (circulation of financial derivatives) and a set of independent variables associated with the independent variable of the hypothesis (allowing short sale) were tested. Table (8) shows the results of the relationships of this hypothesis.

Table No. (8) There is no statistically significant relationship between the application of permitting short selling and trading of financial derivative

Table No .(8)

It shows the arithmetic means and standard deviations of the respondents' responses about the short selling and trading

	Phrase	U	STD	Chi	D.F	Sig	approval level
1-	t increases the efficiency and revitalization of the Saudi financial market	1.95	0.40	21.691 ^a	6	0.000	I agree
2-	Lead to the activation of trading in financial derivatives	1.95	0.70	25.533 ^a	6	0.000	not agree
3-	It helps in restructuring the Saudi financial market sectors	1.95	1.01	12.951 ^a	6	0.000	not agree
4-	It helps in developing the performance of the Saudi financial market and increasing its compatibility with international markets	1.95	0.40	5.141 ^a	6	0.000	not agree
5-	It leads to the easing of restrictions on qualified financial institutions	1.95	1.05	21.642 ^a	6	0.000	I agree
6-	Helps establish a parallel market next to the main market	1.95	2.04	18.749 ^a	6	0.000	I agree
7+	Increases the level of cash flow	1.95	0.44	36.518	6	0.000	not agree
8-	Achieves a high percentage of profits for investors	1.95	0.24	38.885 ^a	6	0.000	not agree
9-	Assists in managing investment related risks	1.95		32.192 ^a	6		
10-	Lead to investor failure management	1.95	1.26	15.908 ^a	6	0.000	not agree
Total score for all paragraphs		3.01	1.03	198.453		0.000	not agree

Source: prepared by the researcher from the outputs of the (SPSS) package.

When taking into account what was included in the descriptive statistics of the relationships between the two variables under study, that the existence of indicators for the existence of a relationship between the dependent variable (trading of financial derivatives) and a set of independent variables related to the independent variable of the hypothesis (allowing short selling and trading of financial derivatives), depends on the inferential statistics which is the chi square which It gives some methodological basis for making sure the relationship is correct. The test is based on the assumption of nonexistence, and it is (there is no statistically significant relationship between the application of allowing short selling and trading of financial derivatives. To verify this relationship, Table (8) shows the values of χ^2 , and the levels of significance ranged between 0,000 and 0.001, it can be said that there is a relationship Moral if the significance level is less than 0.05, i.e. with a confidence degree of more than 0.95. It is clear that there is a significant relationship between the partial variables of the independent variable of the study (axis variables) and the variable dependent on the study (derivative circulation) and from the data of the previous table, the results of the partial relationships of the hypothesis came out the results Moral except for relationship "leads to Reducing restrictions on qualified financial institutions and thus there is a moral relationship where he rejects the imposition of nothingness and we accept the alternative assumption that there is a statistically significant relationship between allowing short selling and trading derivatives in the Saudi financial market.

The third hypothesis is that there is no statistically significant relationship between protecting the assets of investors or trading financial derivatives:

In order to verify this hypothesis, a number of relationships between the dependent variable (circulation of financial derivatives) and a set of independent variables associated with the independent variable of the hypothesis (protecting the assets of investors) have been tested. Table (9) shows the results of the relationships of this hypothesis.

Table No. (9) There is no statistically significant relationship between trading derivatives and protecting the assets of investors.

Table No .(8)

It shows the arithmetic means and standard deviations of the respondents' responses about (protecting the assets of investors)

	Phrase	1.95	STD	Chi	D.F	Sig	approval level
1-	Provides advantage for speculative hedging purposes	1.95	0.40	15.021 ^a	4	.005	I agree
2-	Help create new securities	1.95	0.70	6.652 ^a	4	.0.00	not agree
3-	Leading to the regional and global markets	1.95	1.01	14.112 ^a	4	.000	not agree
4-	Leading to the development of the financial sector within the Kingdom's vision (2030)	1.95	0.40	13.917 ^a	4	.008	not agree
5-	It plays an important role in the field of financial hedging and speculation	1.95	1.05	22.827 ^a	4	.000	I agree

6-	Reduces exposure to bad investment	1.95	2.04	28.590 ^a	8	.000	I agree
7+	Reduces exposure to equity price risk	1.95	0.44	20.352 ^a	6	.000	not agree
8-	It leads to increased creation of new opportunities for institutional investors	1.95	0.24	5.035 ^a	2	.000	not agree
9-	It is an important motivation for hedging against the risks of declining the market value of stocks	1.95		23.276 ^a	4	.000	I agree
10-	It provides the advantage of improving the liquidity ratio by increasing the volume	1.95	1.26	22.727 ^a	6	0.000	not agree
Total score for all paragraphs		3.01	1.03	198.453	6	0.000	not agree

Source: prepared by the researcher from the outputs of the (SPSS) package

When taking into account what was included in the descriptive statistics of the relationships between the two variables under study, that the presence of indicators for the existence of a relationship between the dependent variable (trading of financial derivatives) and a set of independent variables associated with the independent variable of the hypothesis (protecting the assets of investors and trading of financial derivatives), depends on the inferential statistic which is the chi square of that It gives some methodological basis for making sure the relationship is correct. The test is based on the imposition of nothingness, and it is (there is no statistically significant relationship between protecting the assets of investors and trading derivatives. To verify this relationship, Table (9) shows the values of chi ², and the levels of significance ranged between 0.000 and 0.008 then we can say that there is a significant relationship if The level of significance was less than 0.05, i.e. with a degree of confidence greater than 0.95. It is clear that there is a significant relationship between the partial variables of the independent variable of the study (axis variables) and the dependent variable of the study (derivative circulation) and from the data of the previous table, the results of the partial relationships of the hypothesis were significant. There is a moral relationship where P rejects Satisfaction with nothingness and accept the alternative hypothesis that there is a statistically significant relationship between protecting the assets of investors and trading financial derivatives in the Saudi financial market.

5- Conclusion:

- The application of the settlement system (T + 2) enhances the liquidity of the Saudi financial market and the level of efficiency and transparency and harmonizes most of the international standards applied in the financial markets. The application of the settlement system (T + 2)) increased the efficiency and revitalization of the Saudi financial market, which helped launch the index of trading derivatives in the last quarter of 2018. Applying the settlement system (T + 2)) helped in applying financial

derivatives, especially futures and options contracts, which will be based on the MSCI Tadawul 30 index and (MT30).

The launch of future traded index contracts will expand the scope of opportunities for investors within the largest economy and the largest financial market in the region (Capital Market Company, Tadawul). Short selling carries two main advantages for the investor: "the opportunity to speculate and benefit from different market conditions, whether high or low, in addition to hedging positions and managing risk." Although some jurists consider that it is not permissible to sell short, but the description of short selling that is prohibited differs from the description of short selling that was announced by the financial market "Tadawul", which may affect the ruling and lead to Islamic banks benefiting from it

6-Recommendations:

Through the field study conducted by the researcher and in the light of analyzing the results, the researcher presents the most important recommendations:

- Awareness and spreading the culture of trading derivatives and using them as a tool for financial hedging and speculation.
- Benefiting from the experience of launching the derivatives market for futures contracts and options from applying futures and swap contracts.
- Fulfilling the requirements of joining the international indicators so that the Saudi financial market will be able to move from an emerging market to an advanced one.

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