

SMI Markets: **United Arab Emirates**

Date: 01 Aug 2008

CMIRR Markets: **United Arab Emirates**

DIFX to Revise Its Business Rules - Update

Further to our previous newflash, DIFX also issued a "Proposed Settlement Fails Memorandum" describing the fails management policy which is in line with the proposed framework for settlement failures.

In the event that a trade fails to settle on T+3, the failing seller has up to the next business day (+1) to rectify such fail. During the period of settlement fail, DIFX may levy daily penalties upon the failing seller as follows:

| Actual Settlement Date | Penalty Amount |
|--|---|
| S (T+3 day) | Up to the greater of (1) USD 500 and (2) the failing seller's fail obligation value multiplied by 0.05% |
| S+1 (T+4 day until the actual settlement date) | Up to the greater of (1) USD 2,500 and (2) the failing seller's fail obligation value multiplied by 0.25% |

In the event a settlement fail remains outstanding as of completion of all fails settlement transactions on S+1 (T+4), DIFX will deliver a written notice to the failing seller, and initiate the buy-in procedures. The buy-in agent appointed by DIFX will be required to notify DIFX whether or not the securities were procured by S+3 (T+6). If the buy-in is successful within the period, the transaction will be settled under the normal settlement cycle, and the securities delivered to the aggrieved party on S+6 (T+9), at the latest. The failing seller may be subject to disciplinary action, and shall be liable to fees, costs, penalties and expenses associated to the application of the buy-in procedures.

In the event the buy-in agent is unable to purchase and deliver the securities on behalf of a failing seller on or prior to S+6, the DIFX shall commence compulsory cash settlement procedures for the delivery obligation on S+6. The cash settlement amount will be the greater of (1) the highest trade price of the relevant securities from the date of the transaction and the day prior to the close-out day, and (2) the closing price of the relevant securities on the day prior to close-out day plus 20%, plus all the fees, expenses, costs and penalties imposed by DIFX and the buy-in agent.

In all cases, the failing seller will also be liable to deliver to the aggrieved party all the financial benefits related to the relevant securities.

Market Information Impact

United Arab Emirates

This information affects the data contained in the Settlement sections of the Securities Market Information Service.

Infrastructure Risk Ratings Impact

United Arab Emirates

Market Rating: BBB

Market Flash Impact: On Watch

Impacted Risk Type: Liquidity Risk

Current Rating = BBB

Flash Impact = On Watch

The planned improvement in the management of fails, which includes the introduction of penalties, buy-ins and cash settlement, will help deter the input of late instructions and consequently reduce the number of failed trades; hence having a positive impact on Liquidity Risk. However, until the details are finalised and implemented, the outlook is set 'On-Watch'.

Related Flash: [DIFX to Revise Its Business Rules, 14/07/2008 \(click to view\)](#)

For further information contact:

Barry Morales - Americas, Middle East

Peter Katz - Asia Pacific, Eastern Europe

Jim Micklethwaite - Western Europe, Africa

Tel: (+44) 20 7830 8300 | Fax: (+44) 20 7287 1549
Email: cmiqueries@thomasmurray.com

Whilst reasonable care has been taken in the compilation of this information, neither Thomas Murray, its affiliates or information contributors shall have any liability for any errors, omissions, delays or inadequacies in the information or for any loss or damage however occasioned (whether arising directly or indirectly), to any person or company relying on this information, or any decision made, action or inaction taken by any party in reliance upon this information (except to the extent permitted by law).

© Thomas Murray Ltd. 2008

