

CSDs: DFM (United Arab Emirates)

Date: 18 Jun 2009

SMI Markets: United Arab Emirates

CMIRR Markets: United Arab Emirates

## SCA Approves Regulations on Custody Services and Allows Proprietary Trading for Brokers

The Securities and Commodities Authority (SCA) has approved new draft regulations for custody services in order to ensure transparency and alignment in the local markets. The regulations specify the following requirements for entities wishing to provide custody services:

1. Obtain a licence from the Central Bank of UAE
2. Have a paid-up capital of not less than AED 50 million
3. Have a signed depository participant services agreement with clients
4. Have a non-conditional banking guarantee to SCA with a minimum of AED 20 million

The requirements have to be fulfilled by 3 January 2010.

The SCA has also permitted brokerage firms to obtain an investor number (NIN) for proprietary trading on the Abu Dhabi Securities Exchange (ADX) and Dubai Financial Market (DFM). Brokers' assets will be segregated from the respective clients' assets.

### CSD Risk Impact

#### DFM (United Arab Emirates)

CSD Rating: A-

CSD Flash Impact: Positive

Impacted Risk Type: Counterparty Risk

Current Rating = A

Flash Impact = Positive

The requirements of the SCA should improve the quality of participants in the market. This reduces the risk of default of participants and helps mitigate systemic risk. The segregation of brokers' assets from clients' assets will prevent the misuse of clients' assets by their brokers. Accordingly, these will have a 'Positive' impact on counterparty risk.

### 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: Positive

Impacted Risk Type: Counterparty Risk

Current Rating = A-

Flash Impact = Positive

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