

CSDs: DFM (United Arab Emirates), NASDAQ Dubai (United Arab Emirates)

Date: 23 Dec 2009

SMI Markets: United Arab Emirates

CMIRR Markets: United Arab Emirates

NASDAQ Dubai Becomes Subsidiary of DFM

The Dubai Financial Market (DFM) has reached an agreement with the Borse Dubai Limited (Borse Dubai) and NASDAQ OMX Inc. (NASDAQ OMX) to acquire 66.7% and 33.3% share capital of NASDAQ Dubai respectively. As a result, NASDAQ Dubai will become a wholly-owned subsidiary of DFM.

According to the agreement, the following arrangements have been concluded in relation to the new ownership structure of NASDAQ Dubai:

- NASDAQ OMX will receive 1% share capital of DFM;
- NASDAQ OMX will maintain the right to nominate a director of NASDAQ Dubai;
- NASDAQ Dubai will continue to be regulated by the Dubai Financial Services Authority (DFSA) while DFM will still be under the supervision of the Securities and Commodities Authority (SCA);
- NASDAQ OMX's current technology and trademark licensing agreements with Borse Dubai and NASDAQ Dubai will remain unchanged.

In addition, the trading and depository systems of NASDAQ Dubai and DFM are expected to be consolidated by 31 March 2010 through the following plans:

- The current omnibus account structure of NASDAQ Dubai will be optional for institutional investors, while retail investors may be required to obtain a National Investor (NIN) account at NASDAQ Dubai (existing DFM NIN account may be extended to NASDAQ Dubai account);
- NASDAQ Dubai is to reduce the current settlement cycle from T+3 to T+2;
- NASDAQ Dubai is to implement a new mechanism to prevent failed trades by introducing the pre-validation of stocks prior to trading. All trades executed are expected to be irrevocable.

The implementation of the new ownership structure of NASDAQ OMX will be subject to the DFSA approval. The official announcements can be accessed via the [DFM Press Release](#) and [NASDAQ Dubai Press Release](#).

CSD Risk Impact

DFM (United Arab Emirates)

CSD Rating: A-

CSD Flash Impact: On Watch

Impacted Risk Type: Financial Risk

Current Rating = A-

Flash Impact = On Watch

The acquisition of NASDAQ Dubai by DFM should have a significant financial impact on both entities. However, the overall impact, and any future state of exchange regulation and clearing/settlement structures for the NASDAQ Dubai entity, will remain unknown until the structural and operational changes are being implemented. Thus, financial risk is placed 'On Watch'.

NASDAQ Dubai (United Arab Emirates)

CSD Rating: A
CSD Flash Impact: On Watch

Impacted Risk Type: Liquidity Risk
Current Rating = A-
Flash Impact = On Watch

Impacted Risk Type: Counterparty Risk
Current Rating = AA-
Flash Impact = On Watch

Impacted Risk Type: Financial Risk
Current Rating = A-
Flash Impact = On Watch

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Furthermore, the implementation of a new mechanism to enhance the fails management at NASDAQ Dubai should increase the settlement liquidity and reduce the risk of failed trades in the market, while the reduction in the settlement cycle from T+3 to T+2 for the trades at NASDAQ Dubai will shorten the length of counterparty risk exposure by allowing buyers/sellers to receive securities/cash one day earlier.

However, the risk impacts have been placed "On Watch" as there are insufficient details disclosed at this stage to fully assess the net impact of these developments.

Market Information Impact

United Arab Emirates

This information affects the data contained in the Stock Market, Local Market Administrative Organisations and 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

Impacted Risk Type: Counterparty Risk
Current Rating = A-
Flash Impact = On Watch

Impacted Risk Type: Financial Risk
Current Rating = BBB
Flash Impact = On Watch

The acquisition of NASDAQ Dubai by DFM should have a significant financial impact on both entities. However, the overall impact, and any future state of exchange regulation and clearing/settlement structures for the NASDAQ Dubai entity, will remain unknown until the structural and operational changes are being implemented. Thus, financial risk is placed 'On Watch'.

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