

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

Date: 03 Feb 2010

SMI Markets: United Arab Emirates

CMIRR Markets: United Arab Emirates

NASDAQ Dubai Becomes Subsidiary of DFM - Update

In an update to our previous newsflash, NASDAQ Dubai announced some technical and settlement changes to facilitate the consolidation of NASDAQ Dubai and Dubai Financial Market (DFM). The changes are limited to equities and exchange-traded commodities (ETCs) and will not apply to debt securities or derivatives.

NASDAQ Dubai will outsource its trading, clearing, settlement and custody functions to the DFM systems and harmonise its trading arrangements and rules with DFM. The following changes will be implemented according to the consolidation project:

Trading

- NASDAQ Dubai equities and ETCs will be traded via the DFM's version of X-Stream trading platform;
- Trading hours will change from current 10.00am - 5.00pm to 10.00am - 2.00pm;
- NASDAQ Dubai equities and ETCs trading will be conducted under the DFM's pre-validation model. Equities and bank guarantees will be verified prior to trading;
- Each investor of NASDAQ Dubai will have a trading account linked to DFM. Same National Investor (NIN) number will be utilised at both exchanges.

Clearing and Settlement

- The current NASDAQ Dubai clearing and settlement model for equities and ETCs will be replaced by the DFM's clearing and settlement model. Consequently, the NASDAQ Dubai settlement cycle will reduce from T+3 to T+2.

Debt securities and Derivatives

- The changes and outsourcing arrangements will not apply to debt securities (Sukuk and conventional bonds) and derivatives. However, the futures trading will finish at 2.00pm, which is to be in line with the change of trading hours of the underlying stocks;
- The DP World futures will move to the cash settlement.

Depository

- The account holders of NASDAQ Dubai central securities depository (CSD) will be migrated to the DFM's CSD and the existing account structures of DFM's CSD will apply;
- The investor numbers for investors will be adopted in accordance with the requirements of DFM's CSD.

Regulations

- NASDAQ Dubai and DFM will continue to operate separately as two distinct markets, and to be regulated by the Dubai Financial Services Authority (DFSA) and the Securities and Commodities Authority (SCA) respectively;
- NASDAQ Dubai's own market surveillance function will continue to be governed by the Dubai International Financial Centre (DIFC) law.

Listings

- NASDAQ Dubai encourages its equity and ETC issuers to re-denominate their listing currency from USD to AED, as all DFM listed

equities are denominated in AED.

The consolidation project is subject to further regulatory approval. For more information please refer to the official publication [here](#).

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, Settlement and Other market where securities are traded 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

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Related Flash: [NASDAQ Dubai Becomes Subsidiary of DFM, 23/12/2009 \(click to view\)](#)

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