

CSDs: MCDR (Egypt)

Date: 24 May 2010

SMI Markets: Egypt

CMIRR Markets: Egypt

New Market Enhancing Rules from EFSA

The Egyptian Financial Supervisory Authority (EFSA) in a recent board of directors meeting, has approved the following points in order to stimulate and improve Egyptian capital market as well as trading volumes.

- New rules for organising market maker activities for Exchange Traded Funds (ETF);
- Amending the criteria determining specialised activities for actively traded securities in order to increase the number of such securities in the market;
- Reviewing the process of calculation of capital adequacy of the companies that participate in intra-day trading, and aiming to replace cash insurance with a letter of guarantee;
- Implementing new rules for approving the agendas of shareholder meetings and board of directors overlooking the meetings, with a fixed timeline to follow prior to every meeting in order to authorise the submitted requirements;
- Amending the listing rules, placing further disclosure criteria for capital increases and changes in the nominal value of shares of a given security;
- Setting new rules for OTC trading such as shortening the trading session from an hour to half an hour, allowing for OTC trades on Mondays and Wednesdays only (effective from 1 July 2010), and increasing the settlement cycle from T+2 to T+3;
- Rearranging the authorised trading activity of brokerage firm's branches.

CSD Risk Impact

MCDR (Egypt)

CSD Rating: A+

CSD Flash Impact: On Watch

Impacted Risk Type: Liquidity Risk

Current Rating = A+

Flash Impact = Positive

Impacted Risk Type: Counterparty Risk

Current Rating = A+

Flash Impact = Negative

The extension of the OTC settlement cycle from T+2 to T+3 will increase the exposure period between the buyer and the seller, and the respective counterparties will receive securities and cash one day later than what the current arrangements allow. This will have a negative effect on the Counterparty Risk. However, conversely this extended cycle should have a positive impact on Liquidity Risk, as it will give investors more time to position funds into the market, and consequently decrease the need for credit facilities.

Market Information Impact

Egypt

This information affects the data contained in the Stock Market, Proxy Voting/Corporate Governance and Settlement sections of the Securities Market Information Service.

Infrastructure Risk Ratings Impact

Egypt

Market Rating: A

Market Flash Impact: On Watch

Impacted Risk Type: Liquidity Risk

Current Rating = A

Flash Impact = Positive

Impacted Risk Type: Counterparty Risk

Current Rating = A

Flash Impact = Negative

The extension of the OTC settlement cycle from T+2 to T+3 will increase the exposure period between the buyer and the seller, and the respective counterparties will receive securities and cash one day later than what the current arrangements allow. This will have a negative effect on the Counterparty Risk. However, conversely this extended cycle should have a positive impact on Liquidity Risk, as it will give investors more time to position funds into the market, and consequently decrease the need for credit facilities.

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