

CSDs: MCD (Oman)

Date: 19 Oct 2011

SMI Markets: Oman

CMIRR Markets: Oman

## CMA Issues Clearing and Settlement Regulations

The Capital Market Authority (CMA) issued Decision 05/2011 on clearing and settlement regulations. The regulations were published in the official Gazette volume no. 940 dated 1 August 2011. The main points are listed below:

- Trade amendment/confirmation:
  - Trade amendment will be allowed until 10.00am on T+1 for bonds and until the end of T+1 for shares. The amendment fee will be OMR 20 per trade order, subject to a maximum of OMR 200 for each security.
  - Custodians shall confirm trades by 9.00am on T+1 for bonds and by 9.30am on T+2 for shares.
  
- Pending Trades:
  - Trades shall be deemed pending in case of non-settlement of trades due to a deficit in the balance of traded securities (including the case where transactions are rejected by the custodians).
  - Pending trades will be notified by MCD and the defaulting member shall rectify such trades by T+1 for bonds and by T+2 for shares.
  - If the defaulting member fails to cover the deficit, MCD shall apply the required procedures to cover the deficit within 7 trading days of the date of the pending trade.
  - The Settlement Guarantee Fund may be used to for the resolution of pending trades and compensation and penalties will be borne by the defaulting member. The penalties will be 1% of the market value on TD, with a minimum of OMR 50 and a maximum of OMR 2,000 for each security.
  - The trade shall be deemed cancelled if the Fund fails to cover the deficit in securities on behalf of the defaulting member.
  
- Cash Settlement:
  - Cash settlement will take place by 11.00am on T+1 for bonds and by 11.00am on T+3 for shares.
  - Each clearing member must open a cash settlement account with licensed commercial banks for the purpose of cash settlement.
  - MCD must open a cash clearing account with the Central Bank for the purpose of clearing cash settlement obligations between clearing members. This account shall maintain a zero balance at the end of each day.
  
- Settlement Guarantee Fund:
  - Capital adequacy of the Fund shall be assessed every quarter by the Fund Committee.
  - If a member has failed to pay and the Fund has intervened to pay on his behalf, and if the deficit is greater than the member's contribution, then the Fund has the right to own the securities that the member has bought.
  
- FOP transfers (effective immediately)
  - Transfer of securities from a depository account with one custodian to a depository account with another custodian: MCD will charge 0.06% of the market value, with a minimum of OMR 5 per transfer.

The regulations may allow custodians to become clearing members. In addition, by allowing custodians to reject/confirm trades, the market will introduce failed trades. Accordingly, a new fails management regime will be put in place. Furthermore, an enhanced DVP settlement is also expected to be implemented in Oman. The timeframe for the implementation of these initiatives is yet to be announced.

More details here: [Clearing and Settlement Regulations](#).

## CSD Risk Impact

### MCD (Oman)

CSD Rating: BBB  
CSD Flash Impact: Stable

Impacted Risk Type: Liquidity Risk  
Current Rating = BBB  
Flash Impact = Stable

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

The implementation of the initiatives such as allowing custodians to become clearing members, trade confirmation by the custodians, new fails management regime as well as enhanced DVP settlement will have an impact on Liquidity Risk and Counterparty Risk. At this stage, there is no clear indication as to when these initiatives will be implemented. Furthermore, details on these initiatives are yet to be confirmed by MCD. Hence, the impact has been set as "Stable" for the respective risks.

## Market Information Impact

### Oman

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

## Infrastructure Risk Ratings Impact

### Oman

Market Rating: BBB  
Market Flash Impact: Stable

Impacted Risk Type: Liquidity Risk  
Current Rating = BB  
Flash Impact = Stable

Impacted Risk Type: Counterparty Risk  
Current Rating = BBB  
Flash Impact = Stable

The implementation of the initiatives such as allowing custodians to become clearing members, trade confirmation by the custodians, new fails management regime as well as enhanced DVP settlement will have an impact on Liquidity Risk and Counterparty Risk. At this stage, there is no clear indication as to when these initiatives will be implemented. Furthermore, details on these initiatives are yet to be confirmed by MCD. Hence, the impact has been set as "Stable" for the respective risks.

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