

CSDs: MCD (Oman)

Date: 24 Nov 2011

SMI Markets: Oman

CMIRR Markets: Oman

## MCD To Introduce DVP Settlement Model

Further to our previous market newsflash, Muscat Clearing and Depository (MCD) plans to implement a DVP settlement model from Q3 2012. Along with DVP settlement, the following changes will be introduced:

- Brokers will no longer have access to investors' securities held in account opened with custodians.
- Custodians will be able take part in the settlement process by becoming clearing members and will be able to reject or confirm trades.
- Settlement obligations will be passed on to broker clearing members in the case that the custodians reject the trades.
- A fails management will be introduced, including buy-in and cash close-out.

## CSD Risk Impact

### MCD (Oman)

CSD Rating: BBB

CSD Flash Impact: Positive

Impacted Risk Type: Liquidity Risk

Current Rating = BBB

Flash Impact = On Watch

Impacted Risk Type: Counterparty Risk

Current Rating = A-

Flash Impact = Positive

Impacted Risk Type: Operational Risk

Current Rating = BBB

Flash Impact = Positive

The implementation DVP settlement will have a positive impact on Counterparty Risk. Besides, by allowing custodians to reject trades, the market will also allow failed trades, i.e. brokers may not fulfil their settlement obligations on SD. Depending on the effectiveness of the fails management that will be put in place, the impact on Liquidity Risk is "On-Watch". Also, by implementing trade rejection/confirmation mechanism, custodians will have more control over the securities of their clients, having a positive impact on Operational Risk.

## 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: Positive

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

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

Impacted Risk Type: Operational Risk  
Current Rating = BBB  
Flash Impact = Positive

The implementation DVP settlement will have a positive impact on Counterparty Risk. Besides, by allowing custodians to reject trades, the market will also allow failed trades, i.e. brokers may not fulfil their settlement obligations on SD. Depending on the effectiveness of the fails management that will be put in place, the impact on Liquidity Risk is "On-Watch". Also, by implementing trade rejection/confirmation mechanism, custodians will have more control over the securities of their clients, having a positive impact on Operational Risk.

Related Flash: [CMA Issues Clearing and Settlement Regulations, 19/10/2011 \(click to view\)](#)

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