

CSDs: MCDR (Egypt)

Date: 31 Dec 2012

SMI Markets: Egypt

CMIRR Markets: Egypt

Single Settlement Cycle for Client-Side Settlements

In accordance with achieving best practices recommended by the International Organisation of Securities Commissions (IOSCO), The Misr for Central Clearing, Depository and Registry (MCDR) has conducted a meeting with local custodians and brokerage firms to discuss the introduction of a single settlement cycle of T+2 in the market for both buy and sell trades.

This would require local custodians to be direct settlement members and to operate a settlement account in one of the clearing banks. MCDR will draft a framework and hold further meetings to discuss the proposal with participants.

The implementation date of the above has not been announced. We will provide you with further updates as more information becomes available.

CSD Risk Impact

MCDR (Egypt)

CSD Rating: A+

CSD Flash Impact: Positive

Impacted Risk Type: Asset Commitment Risk

Current Rating = A

Flash Impact = On Watch

Impacted Risk Type: Liquidity Risk

Current Rating = A+

Flash Impact = On Watch

Impacted Risk Type: Counterparty Risk

Current Rating = A+

Flash Impact = Positive

The introduction of a single settlement cycle for buys and sells between custodians and brokers should lead to a true DVP process for foreign client trades under the control of the depository. Currently, custodians control client-side settlement against brokers to the disadvantage of the local broker, exposing them to Counterparty Risk. The normalisation of the exposures through MCDR controlled DVP should reduce Counterparty Risk in the market overall.

The new settlement practice will change the Asset Commitment Risk exposure as transfer timings will certainly change, however until these details have been decided the impact is designated as 'On Watch'.

The current market practice is that local brokers fund the foreign client market transaction, normally via credit lines provided by local commercial banks. This has resulted in higher trading commissions and impacts on trading volumes when bank lending has declined. The new settlement practice may provide an opportunity to address the concerns of foreign clients over funding, hence reducing credit liquidity pressures for these types of transactions. However, at the moment, the impact on Liquidity Risk has been set 'On Watch'.

Market Information Impact

Egypt

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

Infrastructure Risk Ratings Impact

Egypt

Market Rating: A

Market Flash Impact: Positive

Impacted Risk Type: Asset Commitment Risk

Current Rating = A-

Flash Impact = On Watch

Impacted Risk Type: Liquidity Risk

Current Rating = A

Flash Impact = On Watch

Impacted Risk Type: Counterparty Risk

Current Rating = A

Flash Impact = Positive

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