

## Consolidation of NASDAQ Dubai securities market on the Dubai Financial Market platform

Further to our Marketflashes M10001 (dated 4 February 2010), M10004 (dated 24 February 2010) and M10009 (dated 14 April 2010), Clearstream would like to provide you with further key details regarding the consolidation of selected NASDAQ Dubai securities on the Dubai Financial Market (DFM) platform, of which the exact date of implementation is still to be confirmed by the local market authorities.

### Background

Following the announcement by NASDAQ Dubai that it would outsource the trading, clearing, settlement and custody of ordinary shares, depository receipts (DRs) and exchange traded commodities (ETCs) to the DFM for an undefined period (hereafter referred to as the "outsourcing arrangement"), Clearstream has been working with its sub-custodian, Deutsche Bank Amsterdam, on an adaptive solution to ensure that an omnibus account can be maintained for the safekeeping and custody of customers securities.

We advise you that there is no change to the current structure for the safekeeping and custody of debt securities and collective investment funds listed on NASDAQ Dubai. The safekeeping and custody of these securities will not be outsourced to the DFM as part of this initiative and the current Clearstream services and procedures for these instruments will remain in place.

We remind you that under the new structure, NASDAQ Dubai will continue to operate as a separate market and will retain its own business rules, listing rules and its "Official List of Securities". NASDAQ Dubai will continue to be regulated by the Dubai Financial Services Authority (DFSA) and all transactions will continue to be governed under Dubai International Financial Centre (DIFC) law.

In order to document the new market model, NASDAQ Dubai has drafted revised business rules. Although still subject to change, NASDAQ Dubai has developed two rulebooks for its members:

1. Rulebook 1 for members who will trade equity securities and ETCs;
2. Rulebook 2 for members who will trade derivatives, debt securities, structured products and collective investment funds.

These rulebooks are currently under review and will be available in due course from [www.nasdaqdubai.com/regulation/business\\_rules.html](http://www.nasdaqdubai.com/regulation/business_rules.html).

### Current situation

Currently, Clearstream settles OTC transactions for NASDAQ Dubai listed securities on behalf of its customers, internally or domestically via an omnibus securities account opened with Deutsche Bank Amsterdam. Deutsche Bank Amsterdam maintains a participant securities account at NASDAQ Dubai on behalf of all of its customers at NASDAQ Dubai. Via this link both free of payment (FOP) and against payment transactions are supported. The nominee concept is recognised for participant accounts at NASDAQ Dubai.

Once NASDAQ Dubai securities are outsourced to and consolidated at the DFM, the current sub-custody link will not be possible because the DFM platform does not permit OTC trading for exchange members and free of payment transactions. In addition, local custodians will be required to fulfil the separate requirements of the DFM CSD in order to operate securities safekeeping accounts (for example, the establishment of National Investor Number (NIN) investor IDs).

Customers are encouraged to contact their brokers for further details of the changes relating to the trading process for NASDAQ Dubai securities.

## Adapted set-up

Clearstream's sub-custodian, Deutsche Bank Amsterdam, will apply for a NIN and open an omnibus account for NASDAQ Dubai securities (ordinary shares, DRs and ETCs) at DFM.

The account set-up will include the linked custody and trading accounts in order to conform to the standard DFM structure and operating model. Please refer to the Settlement section below for further details. Clearstream customers are nevertheless reminded that standard provisioning rules will continue to be applied.

Deutsche Bank Amsterdam will operate a NIN in the name of Deutsche Custody NV (DCNV) and will designate Deutsche Bank DCS Dubai as its local custodian to operate the DFM account and the NIN itself. This will ensure that the account will operate in accordance with DFM rules and that the movement of securities to the trading sub-account in preparation for trade settlement will be managed locally.

Under DFM regulations, OTC transactions for exchange members may be negotiated off-exchange but the resulting trade must take place on-exchange. Therefore, Clearstream customers will be required to cross external transactions on the DFM trading platform via their brokers. Brokers will also be required to report these transactions to the exchange.

However, under the solution to be put in place, Clearstream customers will be permitted to execute Internal and Bridge settlement without the requirement for the trade to be crossed on the exchange.

## Operating model following launch of the outsourcing arrangement

### Trading

Trading hours for NASDAQ Dubai securities will change. Following the consolidation with the DFM, trading hours will be:

10:00 to 14:00 (Dubai time)                      Sunday to Thursday

There will not be a closing auction, as this is not supported by the DFM platform.

Trading rules will continue to be governed by the Business Rules of NASDAQ Dubai (see above), although stop orders and iceberg orders will no longer be permitted following the launch of the outsourcing arrangement.

The securities account (with a linked trading account), to be opened by Deutsche Bank Amsterdam in the name of DCNV that will be covered by the NIN code in the same name, will be used to cover the trading activity for Clearstream customers. Please refer to the Settlement section below for further details.

Clearstream customers will be required to inform their brokers for NASDAQ Dubai securities of Deutsche Bank Amsterdam's NIN and securities account number (see below). Local brokers will require these details in order to place trades on the DFM's X-Stream trading platform.

Customers are encouraged to contact their brokers for further details of the changes relating to the trading process for NASDAQ Dubai securities.

### Settlement

Although Sunday will be a trading day, settlement will not be possible on this day for USD-denominated instruments. AED-denominated securities will settle on Sunday, however, as this is a non-business day for CBL, related messages will be issued on the following business day.

In order to access NASDAQ Dubai securities via the DFM, Clearstream's sub-custodian, Deutsche Bank Amsterdam, maintains a main securities account with the CSD. This securities account is covered by a

NIN in the DFM system and is opened in the name of "Deutsche Custody NV" (DCNV). Responsibility for activities related to the NIN is also assigned to a local custodian - Deutsche Bank DCS Dubai.

The Deutsche Bank Amsterdam/DCNV securities account has three sub-accounts - a custody account, (multiple) trading account(s) and a CDS account:

1. The custody account is also known as the "agent" account and is only accessible to the custodian and the CSD itself (that is, not the broker). The account is used for the safekeeping of securities. Clearstream customers are required to advise their brokers of the custody account (effectively the NIN) number when opening a trading account (see below) with a broker.
2. The trading account. Purchased securities are received onto this account before the sub-custodian transfers them to the safekeeping account. Likewise, securities to be sold are transferred onto this account from the custody account in order for the transaction to take place.

There is one trading account per investor/NIN holder, per broker (unique per investor / broker combination) that is, if an investor/NIN holder uses multiple brokers it has multiple trading accounts.

Brokers will need to know the NIN under which an investor's securities are held in order to execute the transaction at NASDAQ Dubai/DFM.

Under the arrangement that Clearstream has in place with its sub-custodian, customers should ensure that:

- i. their brokers have a trading account opened under DCNV's NIN and;
  - ii. their brokers have appointed Deutsche Bank as a General Clearing Member for NASDAQ Dubai/DFM exchange.
3. The CDS account is an 'internal' account per investor (NIN) and is mandatory for all clients. It is typically used for IPO allocations and corporate action events where securities need to be blocked (for example, bonus issues) and can also be used for pledges and/or off market transfers for example, within the family.

Although there may still be some instances when shares are posted to this account by DFM, Deutsche Bank Amsterdam will then automatically transfer the shares to the custody account without the need for an instruction from the client or custodian.

Customers should bear in mind that securities are not available for trading while they are held in this account.

### Settlement Account Details

Deutsche Bank Amsterdam BIC	DEUTNL2A
DCNV NIN No.	DB00043804 <sup>a</sup>
CBL Account number with Deutsche Bank Amsterdam	265305500
Five-digit account number of counterparty at CBL	For example, 12345

- a. The DCNV NIN applied for by Deutsche Bank Amsterdam, still requires final confirmation from the appropriate market authorities.

The settlement cycle for DFM securities is T+2. Therefore customers will be required to respect revised settlement instruction deadlines for ordinary shares and DRs.

The settlement of net cash obligations will take place via the cash account of Deutsche Bank Amsterdam at the settlement banks of the DFM.

## Allowed countervalue difference

A maximum difference in countervalue of USD 25 or AED 100 (for AED-denominated securities) is allowed for transactions with domestic counterparties. If there is a discrepancy, the cash amount of the delivering party will prevail. Customers should note that there is no official market tolerance level in place at the DFM and that the levels quoted above are based on Clearstream's service offering via its sub-custodian.

## Settlement times

Customers should note that the following settlement instruction deadlines will be applicable for all trades with a Settlement Date (SD) on or after the designated launch date.

The deadlines shown below are valid provided that the customer's instructions are complete, accurate and eligible for straight-through processing (STP) in CBL and in the local market. Customers must also ensure that any necessary provision is available. If any of these criteria are not met, CBL cannot guarantee timely settlement.

### CET times - throughout the year

Instruction	Provisioning				Deadline for receipt of valid instruction		Expected settlement results			
	start		end				from	to	value	
<b>AP=Against payment FOP=Free of payment SD=Settlement date (rtp)=Real-time processing</b>										
<b>Ordinary shares and depository receipts (DRs)</b>										
<b>Receipts</b>	AP-AED	21:00	SD-2	11:55	SD-1	<b>11:55</b>	<b>SD-1</b>	SD (rtp)	21:00 SD	
	AP-USD	21:00	SD-1	11:55	SD-1	<b>11:55</b>	<b>SD-1</b>	SD (rtp)	21:00 SD	SD
<b>Deliveries</b>	AP-AED	21:00	SD-2	11:55	SD-1	<b>11:55</b>	<b>SD-1</b>	SD (rtp)	21:00 SD	
	AP-USD	21:00	SD-1	11:55	SD-1	<b>11:55</b>	<b>SD-1</b>	SD (rtp)	21:00 SD	SD

**Note:** Securities eligible in NASDAQ Dubai can only be settled in CBL from Monday to Thursday.

## Settlement flow - omnibus account solution for Clearstream customers via the DFM operating platform

All times stated are in Dubai time.

After NASDAQ Dubai outsource trading, clearing, settlement and custody of ordinary shares and DRs to the DFM, the following settlement flow will be applicable to customers holding NASDAQ Dubai securities via Clearstream.

The flow differs from standard market settlement process for NASDAQ Dubai securities. FOP transfers involving a change of beneficial owner (CBO) are not permitted. FOP transfers following the change of local custodian are permitted, but require specific transfer documentation to be completed following the submission of settlement instructions.

Internal and Bridge transactions are permitted and do not require crossing via NASDAQ Dubai/DFM.

<b>TD</b>	<p>Investors purchase or sell securities via their broker. Their broker or underlying local brokers are required to be members of NASDAQ Dubai and maintain a NASDAQ Dubai clearing account with Deutsche Bank Dubai.</p> <p>Brokers execute their trades on the DFM's X-Stream trading platform. When placing their orders, brokers are required to quote the NIN of their customer on their instructions. An investor's NIN is linked to a securities trading account and a safekeeping account in the books of DFM. Investors apply for a NIN via a local custodian and thereby appoint a local custodian access over the NIN and associated accounts.</p> <p>Clearstream customers are required to provide their brokers with the NIN belonging to Clearstream's sub-custodian, Deutsche Bank Amsterdam, and its underlying entity Deutsche Custody NV (DCNV). DCNV's safekeeping account (and NINs) at NASDAQ Dubai/DFM, is operated by Deutsche Bank Dubai.</p> <p>Designated brokers have access to their specific trading account at Clearstream's sub-custodian for the purposes of executing trades. Following trade execution, brokers receive confirmations from X-Stream and these are provided back to their customers.</p> <p>At the close of trading at 14:00, NASDAQ Dubai/DFM clearing members receive a "Broker File" report detailing all transactions for their customers. Local custodians receive "Trade Files" detailing securities movements and cash obligations for the NINs for which they are responsible.</p> <p>Securities are flagged as "sold" in the NIN of the investor in the NASDAQ Dubai/DFM system.</p> <p>NASDAQ Dubai/DFM acts as a central counterparty (CCP) to all trades executed on-exchange.</p> <p>The appointed general clearing agents (or the broker itself) derive a broker's obligations following a comparison of trade details between the "Broker File" and the "Trade Files" received by local custodians.</p>
<b>T+1</b>	Local custodians receive settlement instructions from the investor via Clearstream. Local custodians, Deutsche Bank Dubai and the local clearing agent compare records in order to correctly determine the broker's obligations.
<b>SD<sup>a</sup> until 10:30</b>	<p>The local custodian will provision their cash account for settlement at the Cash Settlement Bank (CSB). The total provision made by a local custodian is determined by the "Trade Files" received on TD and is made on a net basis of these obligations.</p> <p>Once provisioned, the CSB confirms execution of the cash payments to NASDAQ Dubai/DFM.</p>
<b>after 10:30</b>	NASDAQ Dubai/DFM releases "Securities Files" to local custodians confirming the transfer of securities from the NIN to the CCP.

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a. T+2 = SD (Settlement date)

### Settlement flow - debt securities and other collective investment funds

The process for the debt securities remains the same as the current NASDAQ Dubai process. These instrument types will not be outsourced to the DFM platform and Clearstream's sub-custodian will continue servicing these securities as per the existing arrangements.

## Safekeeping

The nominee concept is not recognised under the DFM's operating model. Therefore outsourced NASDAQ Dubai securities will be held in Deutsche Bank Amsterdam's securities account (in DCNV's name) on behalf of Clearstream Banking Luxembourg customers. DCNV is recognised by the DFM to be an entity that holds assets on behalf of a third party and is not, therefore, the beneficial owner of securities held in its name.

## Transfers with no change of beneficial owner (NCBO)

Customers wishing to transfer NASDAQ Dubai securities into Clearstream from their existing custody arrangement on a FOP basis may do so, provided that specific documentary requirements are fulfilled. Customers should contact their Relationship Manager for further details.

## Cash funding

There are no changes foreseen to the current cash funding requirements, its deadlines or to the cash correspondent details for USD and AED.

## Disclosure requirements

Local laws and regulations may require CBL to disclose securities holding information and the identity of the final beneficial owners of certain securities. Generally, CBL will provide its sub-custodian with the required information upon receipt of a request to do so. Please refer to the Clearstream Banking Guide to Disclosure Requirements, which is an appendix to the Creation Market Guide

## Custody

There are no changes foreseen to the entitlement rules, payment dates and payment procedures for income events, corporate actions and proxy voting events.

## Further information

You may wish to refer to the following sources of primary information:

[Questions and Answers for NASDAQ Dubai members](#)

[NASDAQ Dubai Consolidation with DFM](#)

[Questions & Answers for NASDAQ Dubai International Investors](#)

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## Consolidation of NASDAQ Dubai securities market on the Dubai Financial Market platform

Further to our Announcement (A10074) and Marketflashes (M10001, M10004, M10009 and M10018), Clearstream would like to provide you with further key details regarding the consolidation of selected NASDAQ Dubai securities on the Dubai Financial Market (DFM) platform on

**11 July 2010**

### Handling of transaction discrepancies - revised procedures

Following feedback from market participants and custodians regarding the process put in place by Clearstream's sub-custodian (Deutsche Bank Amsterdam), NASDAQ Dubai has developed draft procedures to address the potential problem of transaction discrepancies (errors, mismatched and unconfirmed transactions) executed by local brokers for a specific omnibus National Investor Number (NIN)<sup>1</sup>.

Under the revised proposals put forward by NASDAQ Dubai, the requirement to appoint Deutsche Bank as a General Clearing Agent is no longer mandatory for operating via Clearstream, as previously announced in Announcement A10074 dated 11 May 2010.

All NASDAQ Dubai trading members will have access to the Deutsche Custody NV (DCNV) NIN under which securities for Clearstream customers are held in safekeeping. Broker access to the DCNV NIN is conditional and dependent on the acceptance of a signed SLA between Deutsche Bank and the local broker.

It is expected that the procedure will be implemented immediately once the consolidation of NASDAQ Dubai services at DFM takes place.

NASDAQ Dubai proposes that protection for investors safekeeping securities via an omnibus NIN would be assured via the following means:

- The terms and conditions signed and put in place between all custodians and NASDAQ Dubai (CSD terms and conditions for custodians);
- The terms and conditions signed and put in place between all trading and clearing members and NASDAQ Dubai (CSD terms and conditions for trading and clearing members);
- A draft version of Formal "Procedures for Managing Discrepancies on Custodian Client Transactions" is available now and will be issued officially via NASDAQ Dubai notice. This document outlines the process that will be employed by the NASDAQ Dubai to recover securities sold erroneously.
- A letter of undertaking to be entered into by clearing members (brokers) and the settlement agent /local custodian. (Undertaking to NASDAQ Dubai by Clearing Member in relation to the Settlement Agent);

1. For Clearstream customers, the trading, clearing, settlement and custody of ordinary shares, depository receipts (DRs) and exchange traded commodities (ETCs) on the NASDAQ Dubai market is to be conducted via a NIN opened in the name of Deutsche Custody NV (DCNV) - please refer to Customer Announcement A10074 for further details.

- Deutsche Bank Dubai - the appointed custodian for the DCNV NIN - will enter into signed SLAs with those brokers, who would like to trade on the DCNV NINs.

Deutsche Bank Dubai will put in place bi-lateral service level agreements (SLAs)<sup>1</sup> with all local brokers that stipulate the undertakings and indemnities owed by the broker to Deutsche Bank in the event of broker default.

All documents have been drafted by NASDAQ Dubai and reviewed by market participants where appropriate.

For brokers that have appointed Deutsche Bank Dubai as clearing agent, Deutsche Bank will continue to be able to recover securities that may have been "oversold" or made erroneously as indicated previously in Customer Announcement A10074.

## Further information

In order to document the new market model, NASDAQ Dubai has drafted revised business rules which have now been approved by the DFSA:

1. Rulebook 1 for members who will trade equity securities and ETCs;
2. Rulebook 2 for members who will trade derivatives, debt securities, structured products and collective investment funds.

These rulebooks are available from [www.nasdaqdubai.com/regulation/business\\_rules.html](http://www.nasdaqdubai.com/regulation/business_rules.html).

You may also wish to refer to the following sources of primary information:

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1. These SLAs will constitute an additional guarantee for the protection that Deutsche Bank can offer to Clearstream's assets, but will not modify nor supersede the SLA and Custody Agreement signed between CBL and Deutsche Bank.



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