

DFM PLANS TO INTRODUCE CENTRAL COUNTERPARTY (CCP) CLEARING IN LINE WITH INTERNATIONAL BEST PRACTICE

- The DFM will begin consultation on its new clearing model in the second quarter of 2017 and plans to commence the CCP Company's operations early 2019
- His Excellency Essa Kazim: "significant market enhancement in order to well- position the market for sustained growth, as the introduction of a CCP reduces risk and improves liquidity"
- Maryam Fekri: "The CCP Company will be an independent subsidiary fully owned by DFM, as part of comprehensive restructuring of Post-trade services in line with international best practices"

Dubai, 31 January 2017 –Dubai Financial Market (DFM) today announced its intention to launch Central Counterparty (CCP) clearing as part of its constant efforts to further reinforce market structure based on international best practices. The CCP is a specialized clearing entity that will novate trades on

DFM for settlement and it is expected to be part of a new DFM post-trade wholly owned subsidiary, which will consolidate all DFM post-trade business.

This initiative is also in line with the CCP regulations issued last year by the Securities and Commodities Authority (SCA), wherein DFM played a pivotal role with the market regulator in the fruition of the CCP regulation.

His Excellency Essa Kazim, Chairman of DFM said; “Financial markets globally recognize the need for a CCP to better manage risks associated with clearing and settlement especially more so for DFM being a listed entity. Accordingly, we are delighted to announce this significant market enhancement as part of DFM growth strategy, in order to well- position the market for sustained growth, as the introduction of a CCP reduces risk, and improves liquidity. DFM has thus far operated like a CCP and provides outsourcing services to the CCP services of its subsidiary Nasdaq Dubai. With the support of the new CCP regulations, DFM is ready to embark on the next phase of improving its legal and operational market infrastructure to ensure that DFM remains at the



forefront of the regional exchanges and further strengthened Dubai’s leading position as international capital markets hub.”

With the specialized CCP clearing entity, DFM expects to not only better ring-fence risks associated with clearing and settlement of trades but also ensure that there is more efficient use of collateral by market participants thereby creating room for potential increment of market liquidity.

Market participants generally are required to ensure 100% collateral value for purchase trades, which under CCP clearing will be rationalized in accordance with internationally recommended best practice of margining. In line with this development, the specialized clearing entity will also be creating a settlement default fund consistent with market best practice.

DFM will begin consultation of the new DFM clearing model in the second quarter of 2017 and plans to commence the CCP Company’s operations early 2019.



Maryam Fekri, Chief Operation Officer (COO) and Head of Clearing, Settlement and Depository Division, DFM said; “The launch of the Central Counterparty (CCP) clearing will extremely enhance risk management of clearing and settlement of transactions. The CCP will be the buyer from each seller and the seller to each buyer; hence no contractual relationship between the two sides as their relation will be solely with the CCP, which ensures the settlement of all transactions even in case of a failure of any of the two sides through the calculation of net outstanding amounts from and to clearing members. The new CCP Company will be an independent subsidiary fully owned by DFM, as part of a comprehensive restructuring of Post-trade services in line with international best practices, which includes also separating settlement tasks from clearing centre tasks.”

- Ends-

About Dubai Financial Market: Dubai Financial Market (DFM) was established as a public institution with its own independent corporate body. DFM operates as a secondary market for the trading of securities issued by public shareholding companies, bonds issued by the Federal Government or any of the local Governments and public institutions in the country, units of investment funds and any other financial instruments, local or foreign, which are accepted by the market. The DFM commenced operations on March 26, 2000 and became the first Islamic Shari’a-compliant exchange globally since 2007. Following its initial public offering in November 2006, when DFM offered 1.6 billion shares, representing 20 per cent of its paid-up capital of AED 8 billion, DFM became a public joint stock company and its shares were listed on 7 March 2007 with the trading symbol (DFM). . Following the IPO, the Government of Dubai retained the remaining 80 per cent of DFM Company through Borse Dubai Limited. www.dfm.ae



For media inquiries, please contact:

Atef Fathy

Vice President - Media & Public Relations

Dubai Financial Market

Tel: 04-3055334

Email: afathy@dfm.ae