

## **DFM introduces the “Allocation Account” in a first step of its kind in the region**

- **The new mechanism enables brokers to execute transactions through a combined account and allocate the proceedings into clients' accounts within 45 minutes from the end of the trading session**
- **H/E Essa Kazim: “Allocation Account has created a proficient and transparent electronic tool for trading activities of international funds and will further promote their participation on the market”**

**Dubai, 17 January 2018:** In a first step of its kind amongst regional markets, Dubai Financial Market (DFM) today launched the Allocation Account mechanism as part of its continuous efforts to create the mechanisms and services that support the trading activity of various market participants. The Allocation Account enables brokerage firms to use a combined account with the clearinghouse in order to execute buy and sell transactions of securities on behalf of their clients, provided that such transactions shall be allocated to the clients' accounts during the allocation period.

The new service creates a unique and transparent solution that caters for the requirements of international fund managers and paves the way for further participation from their side on the market. As part of this mechanism, brokerage firms will be able to implement the orders of clients through this account and allocates the quantities to each investors account based on the average price of the transactions. Allocation Account is exclusively used for Delivery versus Payment (DvP) clients and any other cases accepted by the DFM and approved by the Securities and Commodities Authority (SCA).

His Excellency Essa Kazim, Chairman of DFM said: “DFM is at the forefront of regional exchanges in terms of attracting international funds and this leading position has further strengthened with the UAE classification as an Emerging Market by MSCI. Accordingly, the DFM has developed this unique mechanism for the first time to facilitate the mission of international funds that trade on behalf of several investors. The service has created a proficient electronic interface for trading activities of such funds enabling them to implement their daily transactions and allocate the proceedings to investors’ accounts in a fair and transparent way based on the average price. We believe that this significant step will further facilitate market accessibility for international funds and further promote their participation especially that it complies with their way of doing business.”

“The DFM has prepared comprehensive regulation that governs this new mechanism in line with international best practices. The regulation clearly identifies the responsibilities of brokerage firms utilizing the Allocation Account as well as timeframes of allocating the transactions after the trading session in addition to market actions in case of having unallocated securities or failed transactions. It also addresses the ownership limits for different nationality categories. The brokerage firms have widely welcomed this step as they realize its benefits and two companies are in the final stages to open Allocation Account soon after the completion of technical testing with DFM,” H/E Essa Kazim added.

Brokerage companies looking to obtain DFM’s approval to use Allocation Account must be a trading and clearing member that have the necessary technical, administrative and financial capabilities.

As per the Allocation Account’s regulations, the brokerage firm has to allocate the securities from the Allocation Account to the clients’ account within 45 minutes from the end of the trading session. Once the allocation period is over and in case the brokerage firm fails to conclude the process, the market will automatically allocate securities that have been rejected by the custodian,



or have not been allocated during the allocation period to the “Automatic Allocation Account” with the clearinghouse for the brokerage company. The Automatic Allocation Account is classified into sub accounts including; "Automatic Local", "Automatic GCC" and "Automatic Foreign" based on the investor’s nationality, noting that the brokerage firm has to breakdown the allocation account accordingly to honor the ownership limits.

The regulations enable brokerage firms to open one Allocation Account only for all clients; however, they may open more than one Allocation Account in case the client is a foreign broker or a fund manager.

On the other hand, investors can open an Allocation Account with more than one brokerage firm and the broker shall sign an agreement with each client willing to use an Allocation Account and link the allocation account with the Investor Number of the client for allocation purposes.

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**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](http://www.dfm.ae)

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