

Information for : Trading Members, Clearing Members and Custodians
Date of Issue : 4th March 2010

Proposed Changes to NASDAQ Dubai Equities Market Infrastructure relating to Investor Number, Account Structure and Migration

Executive Summary

This Information Circular summarises proposed changes to NASDAQ Dubai's equities market infrastructure. The changes are subject to regulatory approval.

These changes arise from the outsourcing of trading, clearing, settlement and custody operations of NASDAQ Dubai equities and exchange traded commodities (ETCs) (referred to as ND securities) to Dubai Financial Market (DFM) and the adoption of DFM's market characteristics and operational procedures. In particular, NASDAQ Dubai will adopt DFM's model of utilizing a unique Investor Identification Number (Investor NIN).

NASDAQ Dubai Members and Custodians will need to implement the following list of changes to trade on the NASDAQ Dubai equities market, following the outsourcing arrangement with the DFM. This Circular addresses items 1 and 2 in detail, among other changes.

- 1) **Setting up Investor NINs for Client accounts:** Members may set up individual Investor NINs for individual clients. NASDAQ Dubai will assist the Member by facilitating the setting up of these client NINs with the DFM.
- 2) **Setting up Investor NINs for Proprietary accounts:** For Members conducting proprietary business they may set up Proprietary NINs. This will be facilitated by NASDAQ Dubai.
- 3) **Trading Account:** Members will need to set up Trading Accounts for the client and proprietary business. NASDAQ Dubai will facilitate the Member to set up these Trading Accounts.
- 4) **Bank Guarantees:** Members will need to either arrange for new Bank Guarantees or amend existing Bank Guarantees to allow for validation of buy trades. Bank Guarantees must name NASDAQ Dubai as a beneficiary. More information on this issue will be provided shortly by NASDAQ Dubai.
- 5) **Connection:** For any connection parameters, please refer to the NASDAQ Dubai Member Connectivity Guide. Details were released on 7th February 2010 and 22nd February 2010. If you require another copy, please contact itsupport@nasdaqdubai.com.

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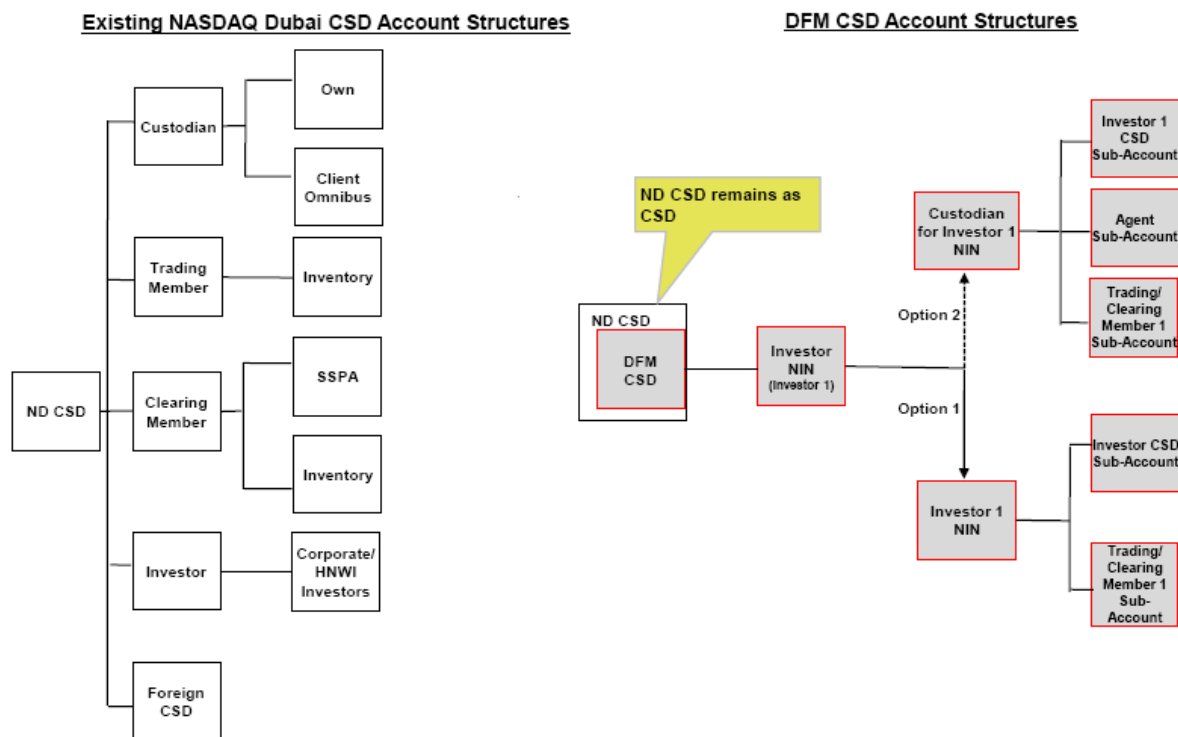
A. Impact on Membership Structure

1. There will be no change to NASDAQ Dubai's membership structure as detailed in the four categories below. (For the purposes of this Circular, Custodians are included in the definition of Members.)
 - a. Trading Members
 - b. General Clearing Members (GCMs)
 - c. Individual Clearing Members (ICMs)
 - d. Custodians
2. NASDAQ Dubai will set up the appropriate membership type for each of its existing Members.
3. DFM Members who are not NASDAQ Dubai Members are encouraged to apply for membership, to allow them to trade ND securities.
4. All NASDAQ Dubai Members will require access to DFM's *Equator* system (DFM's settlement and depository system). Where a NASDAQ Dubai Member is also a Member of DFM (*i.e.*, the same legal entity), the NASDAQ Dubai Member will be treated as a common member and share the same Member code in DFM's *Equator* system. Members that are only NASDAQ Dubai Members will be assigned a new Member Code.
5. Trading Members can apply to upgrade their status to ICM status and/or discuss their options with their GCM.
6. ICMs of NASDAQ Dubai will continue to be responsible for cash and securities settlement of their business executed on ND securities. ICMs will be required to set up a Bank Guarantee. More information on this process will be provided shortly.

- GCMs will be responsible for cash settlements on behalf of Trading Members, whereas securities will move to/from Custodians. GCMs will be required to set up a Bank Guarantee for the purpose of validating its Trading Member's business on NASDAQ Dubai.

B. Operational Changes Affecting NASDAQ Dubai Members

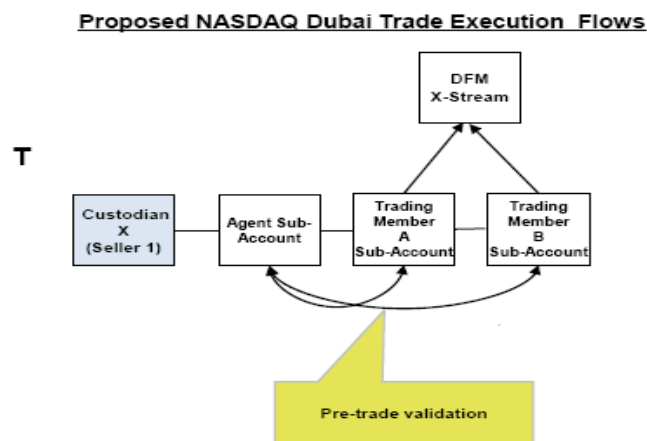
- NASDAQ Dubai Members executing trades in a proprietary capacity will be provided an Investor Number (referred to as Investor NIN) by NASDAQ Dubai.
- For the purpose of the migration NASDAQ Dubai Members will be allowed to open an Investor NIN to be used in an omnibus-like account. This omnibus-like account will stay in place until such time, as determined by NASDAQ Dubai, as the policy is reviewed and may be subject to change.
- The diagram below shows the differences between the NASDAQ Dubai depository (NASDAQ Dubai CSD) account structure and the DFM depository (DFM CSD) account structure:



4. Each investor holding ND securities must have an Investor NIN in the DFM CSD. An investor may be identified as the name of the party who has ultimate control over the ND securities. For example, an NASDAQ Dubai Custodian's client may be a global custodian and the ND securities are held for Fund A. In this example, Fund A will be the name of the Investor NIN and not the global custodian or the numerous beneficial owners under Fund A. In a further example, in the case of a fund manager, the name of the investor NIN may be either the fund manager or the fund(s).
5. A NASDAQ Dubai Member or underlying clients can either set up an Investor NIN directly with the DFM CSD, or do so through a NASDAQ Dubai Custodian. During the migration process, NASDAQ Dubai will facilitate the opening of NINs for its Members or their underlying clients.
6. Where an Investor NIN is set up via a NASDAQ Dubai Custodian (which is not also a common DFM Custodian), this Investor NIN is restricted to holding only ND securities in the DFM CSD and cannot be used to hold DFM securities. We call these NINs 'restricted NINs'.
7. The diagram in point 3 above shows the different ways in which a NASDAQ Dubai Member or its underlying clients can set up Investor NINs:
 - a. Direct Investor NIN (see Option 1 above); or
 - b. Custodian Investor NIN (see Option 2 above), which can be maintained as:
 - i. Direct investor name; or
 - ii. Institutional investor name.
8. An investor can have one Investor NIN for each market with Custodians that are not common custodians with NASDAQ Dubai and DFM. Where the investor already has an Investor NIN with a common custodian, the investor cannot maintain two Investor NINs. This prohibition is also applicable for any omnibus-level Investor NINs maintained during the migration period.
9. The onus is on Custodians and the relevant NASDAQ Dubai Members to ensure that new Investor NINs are not opened for clients who have an existing Investor NIN.
10. There are various accounts which are mapped to an Investor NIN, including restricted NINs:
 - a. CSD account: This is a safe-keeping account where ND securities will not be pre-validated for sell orders.
 - b. Agent sub-account: (Only applicable for Custodian Investor NIN) The Agent sub-account is also a safe-keeping account and will be used for pre-validation of sell orders. The Agent sub-account will be debited for settlement of sell trades and credited for settlement of buy trades. Where the Agent sub-account has an insufficient balance of securities, it must be

funded with ND securities by the Custodian transferring ND securities from the CSD account to the Agent sub-account. (Please see Section D below, for details of transfer requirements.)

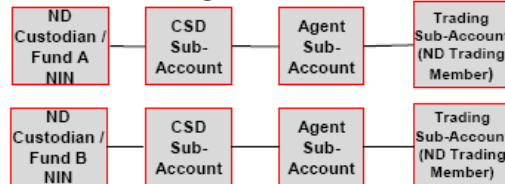
- c. Trading sub-account: An investor can have one or more Trading sub-accounts. A Trading sub-account is opened by the Trading Member via DFM's *Equator* system. Where the Investor NIN is setup as a Direct Investor NIN, pre-validation of sell orders is made in this account. If the Trading sub-account has insufficient ND securities, it must be funded with ND securities by the investor transferring ND securities from the CSD account to the Trading sub-account via the Trading Member. The Trading sub-account number is the number used to enter orders into DFM *X-Stream* to trade ND securities. The diagram below shows how a sell order will be pre-validated against the Agent sub-account under Custodian X for Seller 1 for orders placed by Trading Members A and B into DFM *X-Stream*:



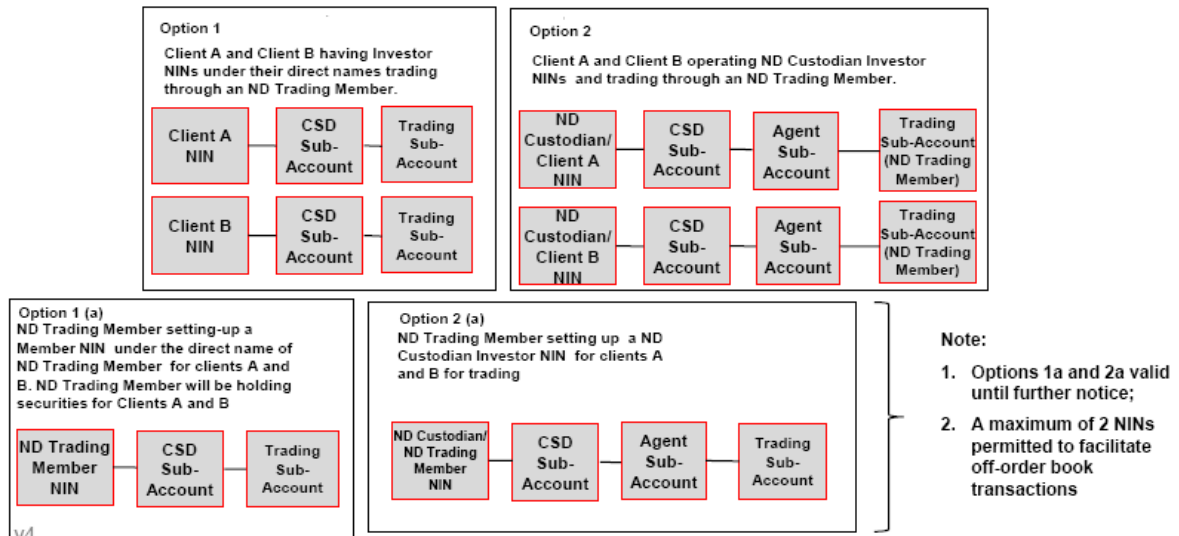
Total balances are calculated at the Investor NIN-level, *i.e.*, balances in the CSD account and Agent sub-account (for Custodian Investor NIN only) and the Trading sub-accounts (for Direct Investor NINs only) will be aggregated, together with any other applicable sub-accounts, to arrive at the total holdings of the investor.

11. The following are examples of how Investor NINs can be set up:

Scenario1: Fund A and Fund B custodizing with XYZ Ltd as Global Custodian which uses a NASDAQ Dubai (ND) Custodian as local custodian. Managers of Fund A and Fund B trade with an ND Trading Member



Scenario 2: Clients A and B trading with NASDAQ Dubai (ND) Trading Member



12. In order to create restricted NINs through NASDAQ Dubai Custodians, Custodians will need to contact NASDAQ Dubai to facilitate the opening of Investor NINs on behalf of their underlying clients. Custodians have an obligation to conduct adequate due diligence on the underlying clients to ensure that they do not have existing Investor NINs with the DFM CSD. Custodians must ensure that the relevant supporting documents are readily available for inspection by NASDAQ Dubai.

13. For the creation of Investor NINs directly with the DFM CSD :

a. Custodian Investor NINs for Common Custodians

The procedures as outlined in the existing NIN Agreements signed by the Custodians with DFM will apply. Custodians will assign their own Investor NINs and submit this list together with the relevant supporting documents outlined in the NIN Agreement to DFM. As an interim measure, Custodians are given a one month grace period to procure the relevant supporting documents from investors for the creation of Investor NINs by DFM. Custodians must ensure that these documents are readily available for submission to DFM within three business days upon request after the expiration of the one month grace period, failing which

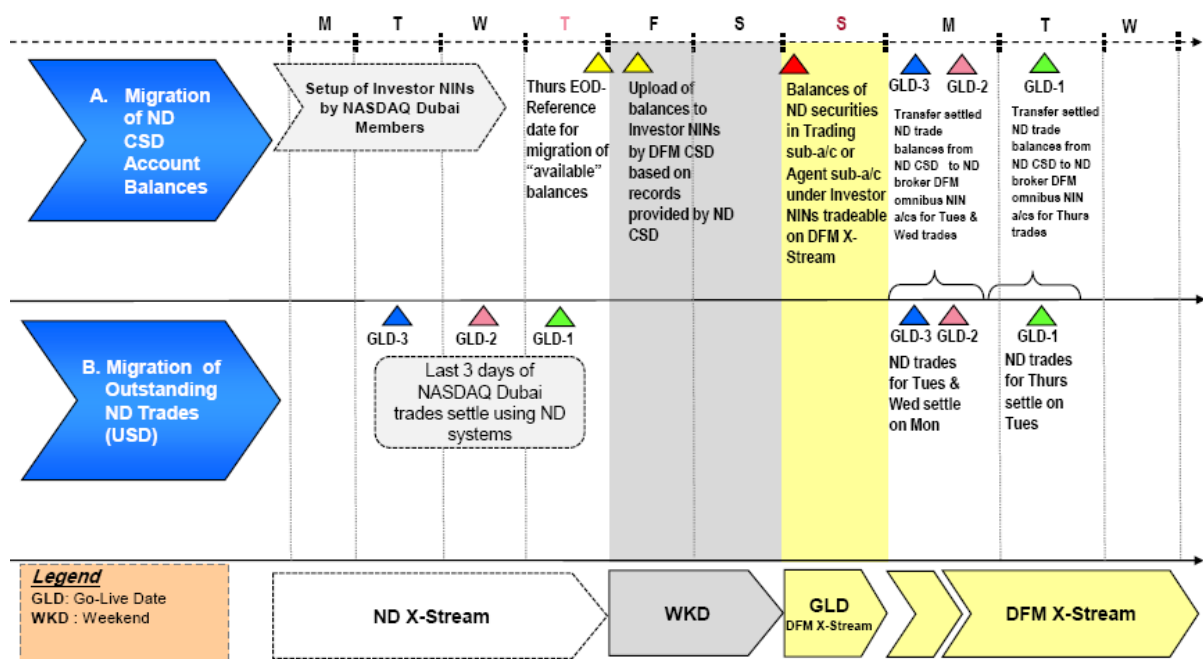
the Custodian must ask DFM to freeze the Investor NIN until the documents have been procured.

b. Direct Investor NINs

The investor is required to complete the appropriate applications forms through its Trading Member or directly to the DFM CSD. NASDAQ Dubai Trading/Clearing Members can begin to apply for their own and/or clients' Investor NINs from a date to be decided shortly.

C. Migration of NASDAQ Dubai CSD Account Structure to DFM CSD Account Structure

1. The key milestones of the Migration Plan for the implementation of the outsourcing of clearing, settlement and custody functions are summarized in the chart below:



2. The Migration Plan will be implemented using an “over the weekend” strategy.

3. Depository

a. All existing NASDAQ Dubai CSD account holders (*i.e.*, NASDAQ Dubai Members and Custodians) will be assigned one DFM omnibus Investor NIN and one CSD account for the purposes of migration (together referred to as the DFM omnibus NIN account). This assignment will be effective as of the Thursday before the Go Live Date (GLD). The GLD is the day on which the trading, clearing, settlement and custody functions will switch to DFM’s systems. The DFM omnibus NIN account will exist only for the purpose of migrating the ND securities.

- b. During migration, a NASDAQ Dubai Member may have Investor NINs either:
 - i. At the investor-level, *i.e.*, identifying the investor; or
 - ii. At an omnibus-level as currently practiced at NASDAQ Dubai, *i.e.*, in the name of the NASDAQ Dubai Member and/or Custodian, without identifying the investor.
- c. Where the omnibus-level option is preferred, NASDAQ Dubai Members and/or Custodians may maintain omnibus-level Investor NINs as follows:
 - i. One omnibus-level Investor NIN for proprietary holdings (where applicable) of ND securities with the name of such Investor NIN duly highlighted as “house”.
 - ii. A maximum of two omnibus-level Investor NINs for holdings of ND securities belonging to clients duly highlighted as “clients”. Two NINs are required if the NASDAQ Dubai Trading Member (where applicable) intends to conduct Off Order Book transactions.
 - iii. This exemption for the maintenance of omnibus-level Investor NINs is applicable to NASDAQ Dubai Members and/or Custodians only and not to their clients.
- d. The omnibus-level option will stay in place until such time, as determined by NASDAQ Dubai, as the policy is reviewed and may be subject to change whereby Members will be required to set up Investor NINs identifying the investor name.
- e. Members regulated by a jurisdiction that does not mandate a segregation of client accounts will not be issued an omnibus-level Investor NIN, unless the Member has received an endorsement by its regulator.
- f. Balances in the NASDAQ Dubai CSD accounts of NASDAQ Dubai Members as at Thursday before GLD will be migrated into the DFM omnibus NIN account over the intervening weekend. This includes ND securities balances of registered shareholders held with NASDAQ Dubai Registry.
- g. Only “available” balances can be migrated to DFM CSD. This means balances which constitute settlement obligations for trades carried out on NASDAQ Dubai system prior to GLD shall not be migrated.
- h. On Thursday before GLD, NASDAQ Dubai Members have the following two migration options:
 - i. Migrate all the balances in the NASDAQ Dubai CSD accounts to DFM omnibus NIN accounts. Where this option is taken, NASDAQ Dubai Members will be responsible for transferring ND securities to the relevant CSD account under client Investor NINs later. (Please refer to Section D below for transfer procedures);

- ii. Migrate some of the balances in the NASDAQ Dubai CSD accounts to the CSD account of client Investor NINs based on Investor NINs set up prior to Thursday before GLD. Unallocated balances will remain in the DFM omnibus NIN accounts.
 - i. NASDAQ Dubai will facilitate the migration of balances from DFM omnibus NIN accounts provided the NASDAQ Dubai CSD Members provide a list of all their clients' Investor NINs and their relevant balances to NASDAQ Dubai CSD. DFM CSD transfer fees will be waived. The facilitation and fee waiver by DFM apply only during this transition period until a deadline of which Members will be notified in due course after the GLD.
 - j. If a client of a NASDAQ Dubai Custodian wishes to use its existing Custodian Investor NIN of a different custodian, the client will have to notify its NASDAQ Dubai Custodian to initiate a transfer from the DFM omnibus NIN account to the CSD account under the Custodian Investor NIN. DFM CSD transfer fees will not be waived.
4. Settlement of Outstanding NASDAQ Dubai Trades
- a. All outstanding NASDAQ Dubai trades before GLD will be settled using NASDAQ Dubai's TCS BaNCS system. NASDAQ Dubai trades on Tuesday and Wednesday before GLD will be due for settlement on Monday after GLD whereas trades on Thursday before GLD will settle on Tuesday after GLD.
 - b. Only "available" balances for ND securities can be migrated to DFM CSD at the end of Thursday before GLD. Balances of trades pending settlement on Monday and Tuesday after GLD must be retained as balances in NASDAQ Dubai CSD for settlement under NASDAQ Dubai's TCS BaNCS system. Failure to comply will result in fail delivery of ND securities for trade settlement on Monday and Tuesday after GLD.
 - c. All fail delivery of ND securities for trade settlement on Monday and Tuesday after GLD will be settled by way of a mandatory cash settlement based on the following methodology:

The Cash Settlement Replacement Amount shall be the greater of (i) the highest traded price of the Admitted Securities in question from the date of the Transaction and the day prior to the close out day, and (ii) the Closing Price of the Admitted Securities in question on the day prior to close out day plus a fixed percentage (20%) charge, plus all fees, costs, expenses and penalties incurred and imposed by NASDAQ Dubai. Members are also advised that Failing Sellers shall remain liable for the delivery of all financial benefits received by the Failing Seller on the Admitted Securities which are the subject of the Settlement Fail.
 - d. ND securities settled on Monday and Tuesday after GLD will be credited first into the NASDAQ Dubai CSD accounts of NASDAQ Dubai Members using NASDAQ Dubai's TCS BaNCS system and subsequently migrated to the NASDAQ Dubai Members' DFM omnibus NIN account with DFM CSD on that Monday and Tuesday after GLD.

- e. NASDAQ Dubai trades settled on Monday and Tuesday after GLD may not be sold by clients on DFM *X-Stream* unless the settled securities are transferred from the DFM omnibus NIN account to the Trading sub-accounts under the clients' Investor NINs.
- f. Further allocation from the NASDAQ Dubai Members' DFM omnibus NIN account arising from trade settlement on Monday and Tuesday after GLD may be undertaken by DFM if details of the relevant CSD account under clients' Investor NINs are provided by the NASDAQ Dubai Members to NASDAQ Dubai CSD.
- g. NASDAQ Dubai Members may also transfer out these settled ND securities to CSD accounts under clients' Investor NIN on their own accord via DFM's transfer mechanism as explained in Section D below. DFM transfer fees will be waived.
- h. DFM CSD will commence clearing and settlement of NASDAQ Dubai trades in ND securities on GLD with the first settlement of NASDAQ Dubai trades on the Tuesday after GLD.

D. Transfer of ND Securities between CSD account and Agent sub-account or Trading sub-account

(I) Custodian Investor NINs

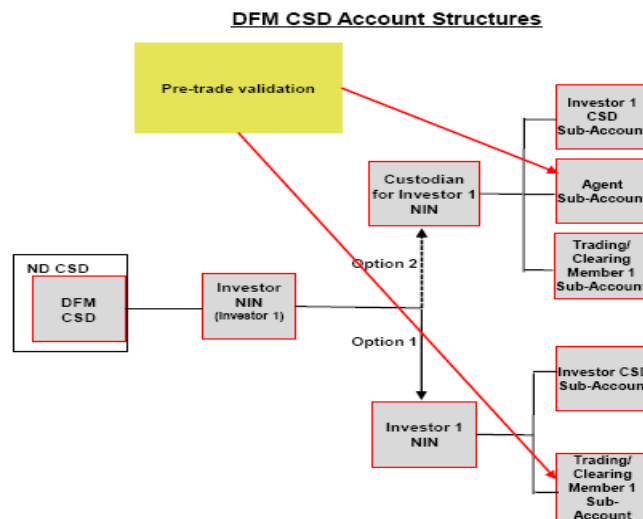
1. The investor must request its Custodian to transfer ND securities from the CSD account to the Agent sub-account before a sell order can be placed by the investor via its Trading Member, if there are insufficient balances in the Agent sub-account. Once such a request is received from the investor, the NASDAQ Dubai Custodian will complete the transfer.
2. The investor has an option of leaving ND securities in the Agent sub-account – this is typically the approach taken if the investor trades actively. Sell orders (including any possible unauthorized orders) from any Trading Member can be successfully pre-validated against balances left in the Agent sub-account.
3. For settlement of buy trades, ND securities will be credited directly into the Agent sub-account. The investor can request the Custodian to transfer the purchased ND securities from the Agent sub-account to the CSD account for safekeeping.
4. There is no prescribed form required by NASDAQ Dubai for communication between the investor and the Custodian.

(II) Direct Investor NINs

1. In the case of insufficient balances in the Trading sub-account, the investor must request its Trading Member to transfer ND securities from the CSD account to the Trading sub-account before a sell order can be placed by the investor via its Trading Member. There is a CSD form prescribed for such transfer purpose. Once such a request is received from the investor, the Trading Member will initiate the transfer and forward the transfer form to the DFM CSD for approval and completion.

- For settlement of buy trades, ND securities will be credited directly into the relevant Trading sub-account. The investor can transfer the ND securities from the Trading sub-account back to the CSD account for safekeeping, by completing the same form for transfers after the settlement date.

E. Pre-validation Methodology



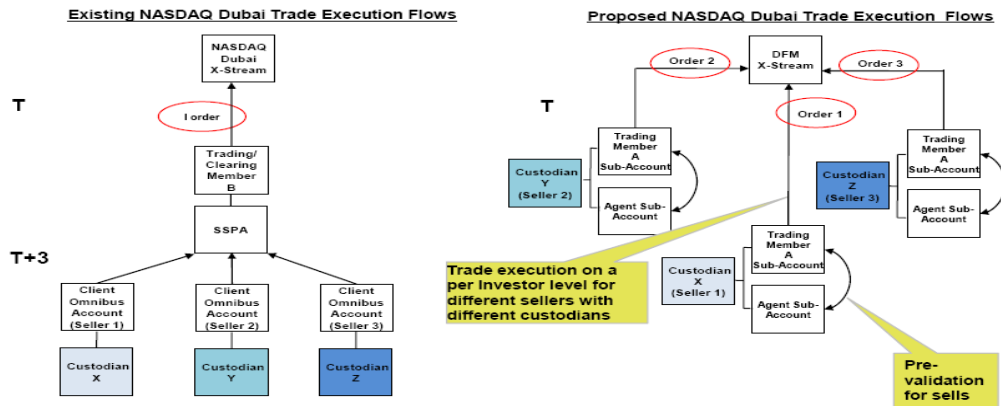
- The above is a DFM CSD account structure diagram illustrating the pre-validation of sell orders.
- For pre-validation of sell orders, all sell orders will be validated against “available balances” in either the Agent sub-account (in the case of Custodian Investor NIN) or the Trading sub-account (in the case of Direct Investor NIN) before a sell order becomes a confirmed order. Available balances means free balance of ND securities plus purchase positions pending settlement.
- For pre-validation of buy orders, the DFM model applies a settlement cap methodology which is monitored by DFM *X-Stream*; this will replace the margining model currently in place at NASDAQ Dubai.
- The DFM settlement cap methodology is as follows:
 - At the start of a trading day, the value of the settlement cap comprises the AED equivalent value of Bank Guarantees and/or cash;
 - For GCMs clearing for more than one Trading Member, the settlement cap will be applied on a general cover basis across all Trading Members for buy orders on a first-in, first matched basis;
 - During a trading day, the settlement cap is adjusted on a real-time basis as: Value of Bank Guarantees and/or cash plus value of all sell trades minus value of all buy trades;

- d. Where the settlement cap value is less than the value of the new buy order(s) or if the settlement cap becomes zero, the new buy order(s) will be rejected. Any negative settlement cap must be repaired as soon as possible before next business day;
- e. Generally, the settlement cap will be refreshed on the next day to the original value of the Bank Guarantee and/or cash as at the start of the previous trading day. However, NASDAQ Dubai maintains its discretion to vary this methodology on a member-specific basis from time to time.

F. Trade Execution

1. Trading Members must ensure that their clients have been assigned the necessary Investor NINs before a Trading sub-account can be opened by the Trading Member using DFM's *Equator* System.
2. Where the NASDAQ Dubai Trading Member is a separate legal entity from an existing DFM Trading Member but part of the same corporate group, the NASDAQ Dubai Trading Member will be set up as a separate member from the DFM Trading Member in the DFM systems. Consequently, separate Trading sub-accounts need to be opened by the NASDAQ Dubai Trading Member for its clients.
3. A NASDAQ Dubai Trading Member may not appoint more than one Clearing Member. Where the NASDAQ Dubai Trading Member is also an existing DFM Trading Member, the NASDAQ Dubai Trading Member cannot appoint a Clearing Member which is different from its existing Clearing Member on the DFM.
4. Since the pre-validation of sells is conducted at Investor NIN levels, a Trading Member may no longer be able to aggregate multiple orders from clients with different Investor NINs and execute these multiple orders as one sell order in DFM *X-Stream*. Trading Members must take note of the following impact in trade execution for different clients custodizing with different Custodians as detailed in the diagram below:

IMPACT ON TRADE EXECUTION (MULTIPLE CUSTODIANS, ONE TRADING MEMBER)



G. Settlement

1. SWIFT messaging will not be available for NASDAQ Dubai Members for ND securities traded on the DFM systems.
2. Trading Members and Custodian Members must put in place an agreed operational process for trade allegation and confirmation.
3. NASDAQ Dubai will make available the relevant reports to NASDAQ Dubai Members via emails. Details of these reports will be provided in due course.

H. Safeguarding of Assets

1. Where ND securities are held under the name of a NASDAQ Dubai Custodian Investor NIN on the DFM CSD, the current Custodian arrangements with NASDAQ Dubai CSD will apply, whereby the legal owner of ND securities remains NASDAQ Dubai Guardian Limited as the bare nominee, while the investor is the beneficial owner, pursuant to the outsourcing agreement in place between NASDAQ Dubai and DFM.
2. Where ND securities are held under the name of the Direct Investor NIN, the legal owner of ND securities will be NASDAQ Dubai Guardian Limited as the bare nominee, while the investor is the beneficial owner, pursuant to the outsourcing agreement in place between NASDAQ Dubai and DFM.