

Information for : Members and Issuers  
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## Corporate Action Handling Process for NASDAQ Dubai Equities Post-Outsourcing Arrangement with DFM

This document explains the changes that will take place in the way Corporate Action events will be processed on the NASDAQ Dubai equities market as a result of the outsourcing of NASDAQ Dubai Central Securities Depository (CSD) operations to Dubai Financial Market (DFM).

All references to DFM, DFM CSD or DFM system in the document are in their role as an outsourced service provider for and on behalf of NASDAQ Dubai CSD. These procedures will apply only in respect to NASDAQ Dubai equities which migrate to the DFM platform.

**Note: For Corporate Action events where the Record date for determining eligibility takes place prior to migration to DFM, the corporate action benefits will be processed by NASDAQ Dubai CSD via its usual methods (i.e., for cash: SWIFT payment instructions to NASDAQ Dubai Members/Custodians settlement bank accounts; for securities: a credit to NASDAQ Dubai CSD accounts).**

### **I. Corporate Actions with Cash Benefits will change after outsourcing to DFM:**

- Due to the different system capabilities, all cash disbursements to investors will be handled outside the DFM system.
- The cash benefits will have to be managed by the Issuer through a paying agent (i.e., a bank), which will then make cash payments directly to eligible shareholders via cheque or bank transfer.

#### **A. The process for Cash Dividend:**

1. The cash benefits are declared by the Issuer for the securities including details of events, i.e. date of book closure/Record date, payment date, dividend rate, etc.
2. The announcements and disclosure will be made public via the NASDAQ Dubai CAP platform and through the NASDAQ Dubai website.
3. On the book closure/Record date, the list of eligible shareholders, i.e. the Share Book, is provided to the Issuer by the NASDAQ Dubai CSD (subject to Note 3 below).
4. The distribution of cash benefits is payable by the Issuer/Paying agent directly to the shareholders via cheque or bank transfer (subject to Note 3 below).

*Note 1: The DFM has launched a new i-VESTOR card service that can also be used by Issuers to pay out dividends to retail investors who subscribe to this service. However, the Issuer needs to appoint DFM as paying agent to provide this service.*

*Note 2: Cash dividend payments for each custodial client will normally be made to the local Custodian by the Issuer. However, at the sole discretion of the Issuer, a Custodian may request the Issuer to make a consolidated dividend payment for and on behalf of all its custodial clients. It is then the responsibility of the Custodian to disburse the cash benefits downstream to all its clients.*

*Note 3: Investors will have the right to choose not to disclose their identity to an Issuer or its agent for payment of cash dividends. In respect of such investors, NASDAQ Dubai will instruct the Issuer to maintain the cash dividends in escrow with a designated bank until the beneficial owner or its authorized representative comes forward to NASDAQ Dubai to claim it.*

## **II. Corporate Actions with Security Benefits will NOT change after outsourcing to DFM:**

- For corporate action events with security benefits, NASDAQ Dubai via the DFM system will process and execute the security credits on the payment date to the eligible account holders.
- The CSD will handle/process only mandatory types of corporate actions with security benefits *i.e.*, Symbol/Name Change, Stock Split, Bonus or Stock Dividend, Stock Merger, Stock Consolidation, etc.

### **A. The process for Stock Dividend/Bonus Issue:**

1. The stock dividend/bonus is a security benefit declared by an Issuer for existing securities held.
2. The announcement and disclosure will be made public via the NASDAQ Dubai CAP platform and through the NASDAQ Dubai website.
3. On the payment date the DFM system executes the event and disburses the security benefits to the respective eligible CSD accounts in which the balances are held.
4. The distribution of additional securities (bonus) is notified by NASDAQ Dubai through email to NASDAQ Dubai Members and Custodians and also published on the NASDAQ Dubai website. The Issuer is also informed of the new shares outstanding post-bonus allotment.

*Note: The processing of the security benefits on the payment date will be done after market hours.*

## B. The process for Stock Split:

1. In this event type, the Issuer increases the number of shares outstanding by reducing the par value of each share.
2. The Issuer announces the details of the stock split via the NASDAQ Dubai CAP platform and on the NASDAQ Dubai website.
3. On the payment date, the corporate action event is processed by DFM and disbursement of securities is executed to respective eligible CSD accounts where the balances are held.
4. The completion is notified through email to NASDAQ Dubai Members and Custodians and also published on the NASDAQ Dubai website. The Issuer is also informed of the new shares outstanding post-stock split.

*Note: The processing of the security benefits on the payment date will be done after market hours.*

## III. Other Important Points:

### Change in Ex-date calculation:

- The Ex-date for trading in respect of a corporate action benefit will now be one business day before the Record date/book closure due to the change in settlement cycle from T+3 to T+2. However, the same will be subject to appropriate changes for USD securities due to Sundays being a non-settlement day, where applicable.

### Disclosures:

- There is no change in disclosure norms after the outsourcing to DFM. The Issuers will use the existing NASDAQ Dubai CAP platform for corporate action notification and disclosures.

*Note: According to the DFSA's Offered Securities Rules, the Issuer needs to disclose the decision, including the rate, amount and Record date for the dividend or other distribution or the grounds for the decision in relation to non-payment **without delay** and in any event **no later than 5 days** prior to the Record date or the date of expected distribution.*

### Fees:

- Additional charges may be incurred by the Issuer for managing the cash dividend payments through a paying agent. These costs could be in the range of AED 5-10 per investor (subject to each bank's tariff).
- For processing security benefits in the DFM system, there will be fees applicable to the Issuer. Fees will be announced later on.

**DFM Reports/services:**

- The list of shareholders i.e. Share book for benefits entitlement will have the following details: Investor Name, NIN, Address and Holding. The provision of such share register will be subject to certain fees.
- The DFM CSD can provide a report giving details of shareholders and their pre and post balances and entitlement quantity, if so requested by the Issuer.
- The Issuer can also choose to inform the shareholders regarding completion of the corporate action event via SMS, on payment of applicable fees.

**Unavailable Services post-Outsourcing to DFM:**

- Proxy voting will not be available via the DFM system and will need to be coordinated by the Issuer/Registrar manually with shareholders.
- Similarly all voluntary corporate actions events such as Rights, Tender Offers, etc. will need to be managed outside DFM system. The CSD role will be limited in such events to only providing the list of eligible shareholders i.e. Share Book. Once a rights issue is completed, the credit of shares will be processed in the system by the DFM CSD based on allotment data provided by the Issuer.
- SWIFT notifications (MT56X messages) and system query/view/instruct facility for corporate actions will not be available to NASDAQ Dubai Members.

**Paying Agent:**

- A paying agent is a bank that is appointed by the Issuer for paying cash dividends.
- The Issuer or the paying agent will be responsible for addressing/managing any matters affecting investors that may arise as a result of payment of cash dividends.