

Information for : Members and Custodians  
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## Clarification of NIN implementation for trading NASDAQ Dubai equities

### Introduction

This document clarifies various issues regarding the use of National Investor Numbers (NINs) for trading NASDAQ Dubai equities, under NASDAQ Dubai's proposed outsourcing of market operations functions to Dubai Financial Market (DFM).

A NIN is a unique number assigned to each investor in the DFM Central Securities Depository (DFM CSD). Under the outsourcing, all trades in NASDAQ Dubai equities will make use of the NIN system.

Every investor in NASDAQ Dubai, whether retail or institutional, may have its own NIN. It is not required to do so however, as it may trade through an institution (such as a NASDAQ Member) that uses a NIN in an omnibus-like manner, similar to the omnibus framework currently followed at NASDAQ Dubai.

### Change in process to facilitate Off Order Book Transactions or Cross Transactions

In the Information Circular dated 4th March, 2010 re Investor Number, Account Structure and Migration (on page 8 at C. 3. c . ii.), it was noted that two NINs were required if NASDAQ Dubai Trading Members (where applicable) intended to conduct Off Order Book transactions. **This has now changed.** NASDAQ Dubai Members may use one NIN to execute Off Order Book Transactions or Cross Transactions on NASDAQ Dubai securities only.

### Governing Law applicable to the NIN structure for NASDAQ Dubai

NASDAQ Dubai's current legal and regulatory regime for safeguarding assets will remain in place through the outsourcing arrangement with DFM. NASDAQ Dubai securities are and will continue to be governed by the laws of the DIFC and regulated by the DFSA. The following will not change as a result of the move to the NIN structure:

- CSD Account Holders who are NASDAQ Dubai Members and Custodians, have beneficial rights in and protections regarding the securities held in the CSD, including but not limited to, receipt of dividends and interests and voting rights.
- Securities whose primary listings are on NASDAQ Dubai must be registered in the name of NASDAQ Dubai Guardian Limited, which holds legal title to the securities as a bare nominee for NASDAQ Dubai.
- NASDAQ Dubai will continue to maintain a registry of the legal shareholders for an issuer, where it has been appointed to do so.

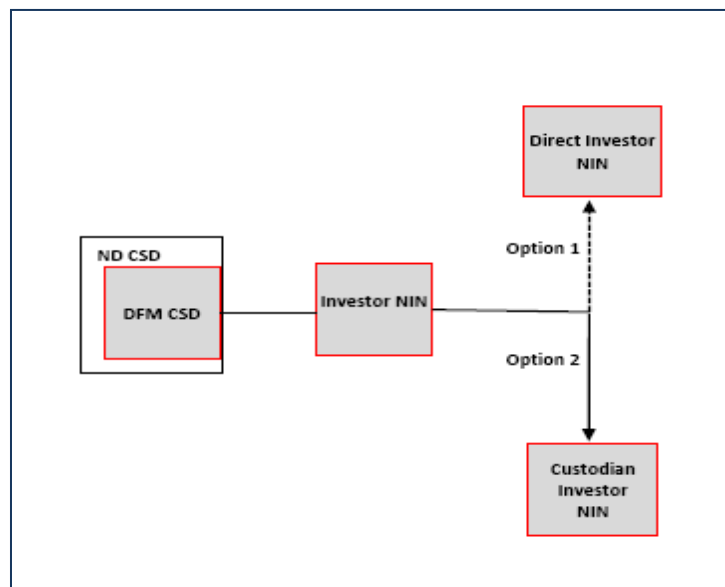
### Management of assets

For institutions, the following will apply:

- NASDAQ Dubai’s current omnibus structure will remain in place for those Members and Custodians that are regulated by jurisdictions (eg DIFC, England and Wales) that require a segregation of clients’ assets vis-à-vis the assets of its other clients and require the appropriate documentation of the registered shareholders of a security interest when conducting trading or custody activities. Management of the client allocation of assets, however, will fall upon the Member. Through inspections, controls and oversight, NASDAQ Dubai will ensure that its Members are upholding their obligations to segregate client assets and appropriately register shareholders to maintain entitlement of the secured interest for their clients.
- Brokerage firms that are not required by their primary regulator to segregate client assets (eg UAE) will not be issued NINs in the name of the Member to be used in an omnibus-like fashion, but will instead need to open NINs at the client level (ie Direct NIN or Custodian NIN – see below for details) or use existing client NIN accounts already in place with DFM CSD.

### NIN set up process

A NIN can be set up in 2 ways – either as a Direct NIN or as a Custodian NIN.



### *Direct NIN*

A Direct NIN is a NIN that is opened by an investor directly with the DFM CSD in the investor's own name. (The NIN is allocated a number, eg UK12345678).

- a. Direct NINs (both for retail and institutional investors) can be opened via NASDAQ Dubai Members whereby the Member submits application and documents on behalf of the investor; or they can be opened by the investor directly with DFM.
- b. Direct NINs will be opened by DFM subject to submission of the necessary supporting documents.
- c. A NASDAQ Dubai Member can open a Direct NIN in its own name; this Direct NIN will be like any other NIN.
- d. Every Direct NIN can be used to trade on both DFM and NASDAQ Dubai securities.

### *Custodian NIN*

A Custodian NIN is a NIN that is opened by a NASDAQ Dubai Custodian with the DFM CSD in the name of the investor. (The NIN is allocated a number, eg HSBC123456).

- a. Custodian NINs are opened via NASDAQ Dubai Custodians for their clients.
- b. Only NASDAQ Dubai Custodians can hold NASDAQ Dubai securities. Therefore, Custodians which are NOT NASDAQ Dubai Custodians cannot hold NASDAQ Dubai securities. Similarly, a Custodian NIN opened with a NASDAQ Dubai-only Custodian, which is not also a DFM Custodian, cannot hold DFM securities.
- c. A NIN opened under a common Custodian can be used to trade on both markets.
- d. An Investor with a Custodian NIN in the DFM market with a common Custodian may have a NIN that is restricted to trading on the NASDAQ Dubai market (called a Restricted NIN) via a different NASDAQ Dubai Custodian. For example, AB Ltd has a Custodian NIN with XYZ Custodian which is a common Custodian. AB Ltd cannot have another Restricted NIN with XYZ Custodian but may have a Restricted NIN with UVW Custodian who may or may not be a DFM Custodian.
- e. Conversely, an investor with a Custodian NIN in the DFM market may use the same Custodian NIN for the NASDAQ Dubai market provided the Custodian is also a NASDAQ Dubai Custodian.

### Restricted NIN

A Restricted NIN is a NIN that is set up directly with NASDAQ Dubai to hold and trade NASDAQ Dubai securities only.

- NASDAQ Dubai-only Members can open Restricted NINs via NASDAQ Dubai and operate these Restricted NINs in an omnibus-like manner on DFM, similar to the current structure operated at NASDAQ Dubai CSD.
- In order to create Restricted NINs, NASDAQ Dubai Custodians need to contact NASDAQ Dubai to facilitate the opening process on behalf of their underlying clients.
- Custodians must ensure that adequate due diligence documentation for their clients is maintained and readily available for inspection by NASDAQ Dubai.
- Once a Restricted NIN is opened, it cannot be “unrestricted” later on, so as to also hold DFM securities. A new non-Restricted NIN would need to be opened with DFM for holding both market securities in such a case.

### Facilitating NIN opening for NASDAQ Dubai Members

- NASDAQ Dubai will facilitate the opening of NINs for NASDAQ Dubai Members that do not already have one. This facility will only be available for the migration period and will cease once the outsourcing to DFM commences.
- This NIN can be used in an omnibus-like manner so that NASDAQ Dubai CSD positions will be transferred on migration. These NINs will be restricted to NASDAQ Dubai securities only.
- NASDAQ Dubai Members that have existing DFM NINs with common Custodians can choose to use those NINs to maintain their positions and trade on both markets.

