



Thomas Murray



Muscat Clearing & Depository (S.A.O.C)
مسقط للمقاصة و الإيداع (ش.م.ع.س)

PRESS ANNOUNCEMENT

26th April 21st May 2018

Thomas Murray Data Services Upgrades the Central Securities Depository Risk Assessment for Oman's Muscat Clearing and Depository Company SAOC (MCD) from BBB to A, with a Stable Outlook

LONDON – Thomas Murray [Data Services](#), the [specialist custody risk assessment, risk management and research firm/global post-trade risk and custody specialists](#), has upgraded the CSD assessment for Oman's Muscat Clearing and Depository Company SAOC (MCD) from BBB to A, which denotes a 'Low Overall Risk'. The overall assessment is made up of the following components:

CSD Risk Assessment	Overall Rating	Asset Commitment Risk	Liquidity Risk	Counterparty Risk	Asset Safety Risk	Asset Servicing Risk	Financial Risk	Operational Risk	Governance & Transparency
MCD Risk Grade:	A	A	BBB	A	A+	A	A	A-	A-

The Overall Assessment of 'A' reflects a weighted average of eight risk components. Six risk components have been upgraded and one downgraded:

- Asset Commitment Risk from BBB to A, as [a result of the lack of a securities pre-funding - there is no requirement to pre-fund securities positions](#) for custody clients, [which is though this measure is](#) still in place for broker clients.
- Counterparty Risk from A- to A, due to enhanced information obtained relating to DVP, participation requirements and monitoring and the features of the settlement guarantee fund (SGF).
- Asset Safety Risk from AA- to A+, as a result of some issues surrounding account controls for broker clients and the protection of client cash held with MCD's banking arrangements.
- Asset Servicing Risk from A- to A, based upon enhanced automation for entitlement calculation and vote collection.
- Financial Risk from A- to A, due to increased capital and consistently increasing profits posted in recent years giving strong ratio performances.
- Operational Risk from BBB to A-, reflecting improvements in internal controls, audit, IT and disaster recovery procedures.
- Governance and Transparency Risk from BBB to A-, on account of better disclosure of corporate and statistical information on MCD's website, and improved management arrangements

The outlook for the MCD risk assessment is 'stable' owing to the fact that there are pending developments scheduled for implementation within the next 12 months, however none of these are definitively scheduled as of yet. Once implemented, these developments have the potential to improve the risk assessment of MCD and include:

- MCD, MSM and CMA are working on the implementation of a centralised securities borrowing and lending facility, which initially will operate as a fails management mechanism. However, if fully activated to support regulated short selling, the initiative (which is currently with the CMA for approval) could introduce further liquidity to the market.
- MCD and the regulator are considering the inclusion of custodians as clearing members (though this is awaiting MCD Board and CMA approval). This could bring more transparency to the settlement process and reduce the exposure and burdens assumed by brokers when covering payments linked to trades pending settlement from custodians.
- The Draft Securities Law is in the process of being updated by the CMA following the receipt of market feedback. This law will provide legal clarity and backing on a number of areas including; recognition of CSD records as official legal register and a legal recognition of the concept of finality.
- MCD will be developing a full Risk Framework, which will include employing a Risk Manager within a dedicated Risk Management function. A Risk Committee has recently been constituted, and will increase its level of involvement over time.

Jim Micklethwaite, Director, Capital Markets for Thomas Murray [Data-Services](#) said: "Thomas Murray is delighted to announce an upgrade to the overall risk assessment of MCD. The upgrade across several areas recognises the significant and widespread improvements to processes and controls put in over the last few years by MCD, particularly due to the upgraded functionality within its new core system, UCSD. We will ~~continue to~~ monitor MCD's improvements as they continue to adopt international best practices."

Haitham Al Salmi, General Manager of MCD said: "In line with our vision of strengthening the investment environment in the country and the region, we have been working continuously to embrace the best practices around the world that would systematically reduce risks, enhance operating efficiency and minimize cost. We are very pleased that Thomas Murray [Data-Services](#), while undertaking overall risk assessment of MCD have recognized the same through a [rating-risk grade](#) upgrade. Taking note of the areas of further improvement, we have created our online platform and messaging services to reduce our asset safety risk by informing clients of any movement of securities from investor account with us. We renew our commitment to keep our focus on further improvements through working on the areas that would take us higher on the [rating-risk grade](#) scale in the years to come."

The CSD risk assessment assesses the risk exposures for investors associated with the processes the CSD has in place to facilitate the safekeeping and the clearing and settlement of securities, where applicable. It assesses eight key risks (assessment components). The methodology considers the capabilities of the depository and the quality and effectiveness of its operational infrastructure. -It also assesses the depository's willingness and ability to protect its participants or clients from losses. As part of the assessment, the scope and quality of the depository's services is assessed. The assessments are on a consistent global scale, using the familiar AAA to C grading scale. Once the grading is assigned there is an ongoing surveillance process to monitor the depository.

Thomas Murray [Data-Services](#) maintains proprietary assessments of over 140 CSDs globally as part of the Thomas Murray Depository Risk Assessment services.

For further information contact:

Jim Micklethwaite

Director, Capital Markets

Thomas Murray ~~Data Services~~

+44 (0) 208-600-2300

jmicklethwaite@ds.thomasmurray.com

Haitham Salim Al Sealmi

General Manager

Muscat Clearing and Depository Company SAOC

+968 248 222 01

h.alsalmi@mcd.gov.om

Field Code Changed
Formatted: Font: Times New Roman, 12 pt

About Thomas Murray ~~Data Services~~

Thomas Murray ~~Data Services~~ is a specialist custody risk assessment, risk management and research firm specialising in the global securities services industry. Thomas Murray was established in 1994. The Company monitors and analyses over 320 custodians globally and evaluates the risk of over 140 CSDs, 30 CCPs and over 90 capital market infrastructures. The company has a strong position as a provider of public and private risk assessments on global custodians, domestic custodian banks and capital market infrastructures.

<http://ds.thomasmurray.com>

About Muscat Clearing and Depository Company (MCD)

The Muscat Clearing and Depository (MCD) is a closed joint stock company, operating on a for-profit basis, established in February 1998 under the Royal Decree No. 82/98 and began operations in February 1999. The depository was formerly known as the Muscat Depository & Securities Registration Company (MDSRC). In July 2008 the functions of clearing and settlement were segregated from the MSM and the MDSRC operated both the central depository and clearing and settlement functions. In June 2010, the name of the depository was changed from the Muscat Depository & Securities Registration Company (MDSRC) to the Muscat Clearing and Depository Company (MCD).

MCD is the sole CSD in the market, responsible for maintaining shareholder records and providing custody, clearing and settlement services for securities and investment funds listed on the MSM, bonds traded on the MSM, and other securities issued by the Omani government. MCD also acts as the National Numbering Agency for allocation of ISIN numbers.