



Thomas Murray Upgrades the Central Securities Depository Rating to A+ 4th Feb, 2010
for The Misr Company for Central Clearing, Depository & Registry

LONDON - Thomas Murray, the specialist custody rating, risk management and research firm is pleased to announce an upgrade to the Public Depository Rating for The Misr Company for Central Clearing, Depository & Registry (MCDR) of Egypt. MCDR has been awarded a Public CSD rating of 'A+', up from 'A', being a low overall risk rating made up of the following components:

CSD Rating	Overall Rating	Asset Commitment Risk	Liquidity Risk	Counterparty Risk	Financial Risk	Operational Risk	Asset Servicing Risk
MCDR Rating:	A+	A	A+	A+	A+	A+	A+

The overall rating upgrade stems from improved ratings to the risk components, Liquidity and Asset Servicing Risks which also improved from 'A' to 'A+'.

The Misr Company for Central Clearing, Depository & Registry is the major depository for equities and fixed income securities in Egypt. MCDR has a sound ownership structure with ownership dispersed among market participants such as banks, brokers and the Egyptian Stock Exchange. MCDR has established settlement links with Clearstream Banking and Euroclear and has co-operative relationships with other regional depositories in Abu Dhabi, Kuwait and Lebanon. MCDR is regulated by the Egyptian Financial Supervisory Authority (EFSA). Internally MCDR has a centralised decision making structure with a nine person board and there are Audit, Risk Management and Members Consultative Committees in operation that report to the Board.

MCDR's rating of 'A+' relates to a low risk management profile and a 'Stable' outlook has been assigned by Thomas Murray. The outlook indicates that the rating of 'A+' is unlikely to change in the near future. However, MCDR has a number of projects in progress that will help to mitigate risk and help to improve the rating in the future. One such project is the development of SWIFT 15022 messaging.

In general, MCDR has good clearing and settlement processes and has achieved a near 100% on-exchange settlement rate by adopting pro-active fails management practices. The design of the settlement system is primarily focused on minimising Counterparty risk exposure. MCDR, as central registrar, plays a key role in Asset Servicing in the market, especially in assisting the issuers in setting up their corporate events. However MCDR does not act as the principal information source for corporate events and the official source is still one newspaper. MCDR takes no liability over the quality of event notifications, but assumes liability for incorrect or the non-execution of corporate actions. Its dividend distribution service is extremely flexible and client-friendly, with the ability to pay directly into bank accounts domestically and overseas. MCDR is a not-for-profit utility, owned by its participants, and provides a number of free services (especially for its large retail client base). However, it has always been operationally profitable, and is well capitalised, especially as an emerging market depository and this helps to minimise Financial Risk. MCDR has immobilised over 98% of eligible

equities and 100% of eligible corporate debt but is still maintaining physical certificates in its vaults. Although MCDR has developed its own systems in-house which are effective, there is still potential for further automation, particularly in its interfaces with issuers and custodians. MCDR has extensive operating documentation and strict internal control mechanisms to manage operational risk exposures. Over the past few years it has intensified its efforts in internal audit and all activities have now been reviewed. Disaster Recovery plans are also in place and back-up servers and communication lines at the 'hot' site are able to resume operations within 30mins of a major disaster. The DRP arrangements were successfully demonstrated when a real-life switchover to back-up operations was undertaken in September 2009.

Simon Thomas, CEO and Chief Ratings Officer of Thomas Murray, said: *"Thomas Murray is delighted to be able to announce the upgrade in the public rating of The Misr Company for Central Clearing, Depository & Registry. MCDR has adopted sound risk management controls and processes that work well within the current Egyptian marketplace. The upgrade to the rating has been achieved in a marketplace that contains its own securities laws and regulations that to some extent dictate the way the infrastructure can operate. Nevertheless MCDR has developed a business model that has placed it in a central position within the Egyptian capital market infrastructure, clearing and settling most kinds of Egyptian securities and acting as central registrar to listed companies for both retail and institutional investors."*

Mohamed S Abdel Salam, Chairman and Managing Director of The Misr Company for Central Clearing, Depository & Registry, said: *"The Misr Company for Central Clearing, Depository & Registry recognises the value in adopting Thomas Murray's rating methodology which has provided our business with a comprehensive benchmark assessment of our operating processes. It has been very helpful in identifying areas on which to focus our risk development efforts. We are immensely pleased with the progress we have made over the years to achieve the 'A+' rating and now we intend to push on with our projects that should help to further mitigate risk and improve our rating over the next few years."*

The Central Securities Depository rating assesses the performance of the CSD to mitigate risk in its activities of safekeeping and the clearing and settlement of securities, where applicable. It assesses six key risks. 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 rating, the scope and quality of the depository's services are assessed. The ratings are on a consistent global scale, using the familiar AAA to C ratings scale. Once the rating is assigned there is an ongoing surveillance process to monitor the depository.

Separately, Thomas Murray has maintained proprietary assessments of over 140 CSDs globally as part of the Thomas Murray Depository Risk Assessment services. These reports are available via the Thomas Murray on-line store at www.thomasmurray.com.

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About Thomas Murray

Thomas Murray is a specialist custody rating, risk management and research firm specialising in the global securities services industry. Thomas Murray was established in 1994. The Company tracks and analyses over 250 custodians globally and monitors the risk of over 100 capital market infrastructures. The Company has a strong position as a provider of public and private ratings and risk assessments on global custodians, domestic custodian banks and capital market infrastructures.

www.thomasmurray.com

About Misr Company for Central Clearing, Depository & Registry

MCDR was incorporated under the Capital Market Law No. 95 of 1992. It began operations in October 1996. MCDR acts as central registrar for all Egyptian securities deposited in its custody and provides clearing and settlement services for equities, corporate and government debt traded on the Cairo and Alexandria Stock Exchanges. MCDR also settles Treasury Bond transactions. It is regulated by the Capital Markets Authority.

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