

## **BFX sets up its Clearing and Depository Corporation**

**Manama, Bahrain, 14 December 2009**

Bahrain Financial Exchange (BFX), the first multi-asset exchange in the Middle East and North Africa, which will be internationally accessible to trade cash instruments, derivatives, structured products and Shariah-compliant financial instruments, launching in Q1, 2010, has been granted an in-principal approval from its regulator the Central Bank of Bahrain, to launch its own Clearing, Settlement and Depository company, the 'BFX Clearing and Depository Corporation' (BCDC). Following the approval from the CBB, the BFX has set up BCDC as a BSC closed company. The BCDC will act as Central Counterparty for all transactions on the BFX markets.

Once fully operational, the BCDC will provide market participants the safeguard of knowing that the risk inherent in any trade is offset using robust systems of margin payment and trade novation where the BCDC will take the opposite side of the trade. Access to the BCDC will be given to clearing members of the BFX and BCDC who will in turn offer this risk management operation to end users of the exchange. The clearing and settlement of trades is a fundamental element of an international exchange operation and represents a major milestone in the BFX's vision of becoming the market of choice for multi asset products in the MENA region by implementing best in class clearing and settlement procedures.

Arshad Khan, BFX Director commented on this milestone, "Once more, it gives me great pleasure to announce another significant development at the BFX. The announcement of the BCDC is important to the market as it is an integral operational function ensuring that the BFX offers a world class service for trading and clearing of multi asset products as per industry leading risk management practices."

Post the initial go-live, the BFX plans to provide access to cash trading on its platform to its members. This will give market participants the opportunity to trade a range of Equity based products including stocks, bonds, Exchange Traded Funds (ETF's), Real Estate Investment Trusts (REITS), Islamic equities and Sukuks. In line with this development, the BCDC 'depository function' will become operational. In addition to clearing and settlement, the BCDC will function as a Central depository to hold securities in electronic form for BFX listed entities which will include companies, ETFs, REITs and Bonds issuers.

Craig Hewett, BFX Chief Business Officer commented, "As we advance toward the go-live of the BFX, I am delighted with the progress being made with the operational aspects of the business and the approval granted by the Central Bank for the BCDC is an essential addition to our business model of offering a truly multi asset exchange. The BCDC will give BFX members and their clients the full benefit of clearing, settlement and depository functions across all asset classes and multi lateral netting of positions so that they obtain best utility of funds. I look forward to seeing the BCDC operational in early 2010."

The BCDC is currently under development and will be ready for market and member testing in January 2010. The BCDC will become fully operational in accordance with the BFX go-live plan in quarter 1, 2010.

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**About BFX:**

Bahrain Financial Exchange (BFX) the first Multi - asset exchange in the Middle East and North Africa, will be internationally accessible to trade cash instruments, derivatives, structured products and Sharia-compliant financial instruments. Launching in Q1, 2010, the BFX is regulated by the Central Bank of Bahrain (CBB).

The BFX is a wholly owned initiative of Financial Technologies (FT), one of the largest global exchange network operators; The BFX Training Institute is an international standard in – house training facility, providing world class conventional and Islamic financial training and education courses.

The BFX is a member of the Futures and Options Association (FOA), the International Islamic Financial Market (IIFM), and a member of the Accounting and Auditing Organization for Islamic Financial Institution (AAOIFI).

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