

# ANNUAL REPORT 2015

Misr for Central Clearing, Depository and Registry (MCDR)



2015

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## Board of Directors

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Mr. Mohamed S. Abdel Salam	Chairman and Managing Director
Dr. Tarek Ezzat Abdel Bary	Board Member (Expert)
Dr. Khaked Serry Siam	Board Member (Expert)
Dr. Mohamed Omran	Presents Egyptian Stock Exchange
Mr. Nedal Al Kasem	Board Member (Expert)
Mr. Amr El Ganainy	Presents CIB (Custodian)
Mr. Yasser Zazaa	Presents Qatar National Bank (Custodian)
Mr. Sherief Heshmat	Presents Pharos Holding (Custodian)
Mr. Awny Abdel Aziz	Presents Wedian Securities (Brokerage Firm)
Mr. Mohamed Maher	Presents Prime Securities (Brokerage Firm)
Mr. Mohamed Fathallah	presents Al Tawfik Securities (Brokerage Firm)

Mr. Yasser Rashed replaced Mr. Awny Abdel Aziz due to personal circumstances and Mr. Yasser Zaki replaced Mr. Sherief Heshmat after his resignation.

## Chairman's Speech

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MCDR is glad to introduce its annual report no. 19 that monitors all peak activities and events through 2015. The report also includes all important events of 2016.

It is my pleasure to start my speech where I would like to thank all the board members (from 2012 to 2014) for their exerted efforts and time they gave to serve MCDR. In addition, I would like to congratulate the new elected board members for the period 2015-2017 wishing them luck.

2015 was completely different where MCDR designs and implements number of new programs and systems to serve the capital market such as systems regarding capital taxes on daily operations as for foreign shareholders. As for the Egyptian shareholders, MCDR calculates and deducts taxes on behalf of the Egyptian Taxes Authority, according to the Law No. 53 of the year 2014. Besides, MCDR implements auto systems of deducting and collecting taxes percentage of securities profits distribution decided by brokerage firms for the shareholders.

MCDR is keen to fulfill auto systems regarding the Index in the Egyptian Capital Market and without buying these systems, thus MCDR is capable of verifying and making any changes to the systems.

In addition, MCDR modifies the settlement programs to allow settlement in the next day (T+1) and it has been actually implemented on June 2015.

Despite the decrease in number of operations compared to 2014 with percentage 33.5%. Also, the volume of operations has decreased with nearly 13.8% by total value 232.7 billion EGP due to the economical and political changes Egypt has witnessed through the previous four years, especially the last year that has witnessed noticeable transfer in investments at the stock Exchange into other fields which negatively affected the capital market. Otherwise MCDR succeeds to increase the Number of beneficiary members and participants of MCDR's services became 1785 with an increase 2.4% compared to the previous year. MCDR executed number of 800 corporate actions. In addition, MCDR has executed 848 corporate actions with an increase of 6% compared to the previous year.

The new law regarding taxes on the capital profits has an obvious effect on the increase (54%) in number of issuers distributing cash dividends through MCDR, where MCDR deducts taxes on shares profits on behalf of Taxes Authority.

MCDR's revenues increased by 11.4% compared to previous year and profits have increased to reach 109 million EGP with an increase 28.34% compared to 2014. Thus, and although all challenges Egypt has witnessed, MCDR succeeds to achieve net profit of 84.3 million EGP with an increase 28.11 compared to previous year.

Believing that they are the main resource, MCDR pays careful attention to its human resources by increasing their efficiency through carrying out different training courses in order to enhance personal efficiency and Raise Company's performance both nationally and worldwide.

Last but not least, I would like to express my gratitude to all employees and the board as well for their exerted efforts in introducing services for all market's parties in efficient and high quality.

CEO

Mohamed Abdel Salam

## Highlight on 2015

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### January 2015

- MCDR successfully Launches (EGX30) at the Egyptian capital market where the company accurately executed subscription and redemption along with testing lending and borrowing system on behalf of the market maker.
- MCDR activates the agreement with the CIB to offer a Pre-paid card with the aim of Cashing profits and revenues.  
CIB-MCDR Pre-paid card provides the shareholder with cash deposits through ATMs and by using the card in purchases.

### March 2015

MCDR and Nasdaq Dubai sign a cooperation agreement to implement Cross Border Transaction that enables the shareholder to benefit from the cost differences for listed security. Accordingly, MCDR reactivates the dual listing agreement through listing Orascom Construction Limited, a UAE company and offering part of its capital through public offering in the capital market with total amount 898295754 EGP distributed on 118041492 shares with nominal value 7.61 per share.

## MCDR Activity through 2014

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Despite all obstacles and challenges, MCDR is always committed to fulfill its obligations towards the Egyptian Capital market, where number of issuers increased to 1525 with an increase 38 companies compared to previous year. Number of members reached to 260 including 154 brokerage firms, 33 direct clearing members, 14 Primary dealers, 49 bookkeepers and 10 registered owners.

Number of registered bonds were 112 with market value 695.5 billion EGP including 1 corporate bonds, 26 security bonds and 85 governmental bonds.

MCDR distributed cash dividends for number of 702 securities; 248 shares with value 19.3 billion EGP and 454 bonds. Total consumption for Number of 29 bonds along with partial consumption for number of 108 bonds with total value 189.4 billion EGP.

MCDR executed corporate actions on behalf of issuers, where the company executed 138 transactions including free shares for 52 issuers, capital increase for 58 issuers, capital decrease for 1 issuer, split for 21 issuers, 04 public offering right and two swaps.

Market value for deposited securities reached 1315 billion EGP and approximately 10.7 billion USD and 361.1 million CHF with nearly total value 1400.6 billion according to last exchange rates. Market value regarding registered securities reached 1301 billion EGP and about 10.4 billion USD and 361.1 million CHF with Approximate total value 1348 billion EGP.

Number of settled transactions was 4866495 including 44994 transactions in USD.

#### Activity of the Settlement Guarantee Fund (SGF)

SGF settled and financed 3082 transactions with total value 87.5 million EGP on behalf of violated members. SGF invests its assets through short term financial tools or in governmental securities.

Capital moving average of SGF reached 175 million EGP and SGF's members were classified as group (A) as per risk rate level.

#### MCDR offers technical support for the capital Market

MCDR is keen to support the stability of the market through providing the technical support for all concerned parties at the Egyptian market. MCDR has provided training courses for the employees in brokerage firms regarding the programs of Intra Day Trading, custodian and the beneficiary owner and registered owner. Number of users who can access the data base at the same time are 1488. The servers have been settled in both the main site and the disaster recovery to overcome the power cut off. Besides, a work station was installed in the main server room according to the continuity plan. In addition, all data have been transferred to the Egyptian stock exchange to ensure the continuity of trading in case of emergency.

MCDR secures the pin codes for users through Pin Mailer.

## Electronic Signature

- 1-** BSI, the business standards company that offers the ISO 27001, performed two periodical audits for the ISO certificate acquired by MCDR in June and November 2014. There were minor comments resulting from the audits, and MCDR was commended for applying the ISO standards and complying with them.
  
- 2-** BSI performed a complete audit to the activities and operations of the Information security system, in order to renew the company's certificate. This audit is performed every three years, in addition to the periodical audits performed biannually during the certificate validity period. BSI recommended renewing the certificate for MCDR, for the complete compliance with standards of ISO, and the competence of departments applying those standards.
  
- 3-** MCDR is currently preparing to change some work procedures to comply with the new standards of ISO, ISO 27001:2013. BSI determined September 2015 to perform an audit to assess the company's compliance with the news standards and the efficiency of moving from the applied standards to the new ones.
  
- 4-** The Information Technology Industry Development Agency (ITIDA), responsible for e-signature service license, performed an audit that did not result in any critical comments.
  
- 5-** MCDR won a bid for supplying 300 e-signature certificates from ITIDA for implementing the e-signature in the agency's internal operations.
  
- 6-** MCDR started producing e-signed shareholder lists since April 2014 in order to maintain more information security, and to partially save the cost of shareholder lists. A shareholder list is now e-signed and issued on a CD instead of a printout. Thus, the issuer can guarantee having the list without any changes or modifications.



- 7- Compliance was applied with a number of authorities in order to activate the e-signature service on their systems, in addition to developing the compliance factors in other authorities.
  
- 8- Currently, MCDR is developing the infrastructure of e-signature in order to comply with the latest systems used all over the world. This process will take place in cooperation with THALES, the system supplier and one of the biggest international companies in the field of data coding and security and developing defense systems in countries like Great Britain and France.
  
- 9- The total number of contracted certificates is 23000.

#### Developing Risk Management Systems

MCDR is conducting a complete audit for all its activities according to the 24 principles issued by the CPSS- IOSCO committee, using the methodology and assessment patterns set by the committee. The committee's principles aim at creating a common base for risk management among financial organizations in participating in stock markets around the world. This will help to draw more foreign investments to the Egyptian market.

MCDR is currently conducting a comprehensive study and assessment to the risks pertaining to its activities, by determining these activities and the risk degree related to each activity. This is followed by determining the policies adopted by the company to deal with the various risks, then setting the auditory standards that must be applied to avoid those risks, taking the currently applied auditory standards into consideration.

A plan is then set to activate the auditory standards and to continuously measure the effectiveness of applied standards in facing risks.

MCDR has always aimed at reducing the risks that might accompany the post trading processes like settlement and clearing. Therefore, the first principle adopted by MCDR was "Delivery upon Payment" (DVP) that is globally applied to prevent settlement risk, and avoid making the client pay without getting the shares they bought in return.

The IOSCO (INTERNATIONAL ORGANIZATION OF SECURITIES COMMISSIONS) issued general principles for organizations working in the capital market in order to unify the international standards of the following systems:

- CSDs
- Payment systems (PS)
- Security Settlement systems (SSSs)
- CCPs
- TRs

These standards include the main requirements that should be available in financial organizations, which results in building a common base to manage risks in capital markets worldwide.

MCDR applies the best practices in managing risks, by organizing a comprehensive assessment to all its business related risks through the principles issued by the CPSS-IOSCO committee.

### Training

MCDR works on professionally developing its employees' abilities and skills by conducting 19 different off-site training courses in the American Chamber, the Egyptian Banking Institute, the Arab Academy for Science, Technology & Maritime Transport, the International Center of Studies, and the Arab Academy for Banking and Financial Sciences.

Furthermore, the company held internal courses to enable the employees' build up new skills in order to handle other jobs in other departments.

MCDR also conducted courses for employees from brokerage firms in Intraday Trading.

Fifty six custodians had training courses at MCDR, in addition to the summer training courses held for university students at the company.

MCDR also highlights Egypt's leading role in the Arab world by holding courses for thirty six trainees from the Iraq depository.

### MCDR wins the Futsal Little World Cup 2014

MCDR futsal team won the league for three successive seasons 2013/2014/2015. The team also won the club world championship that was held in Kuwait in 2013 and Al-Wehda club tournament in Abu-Dhabi in 2014. The team was invited to represent Africa in the Confederations cup that will be held in Brazil during the period 1-6 September.

MCDR main team made an excellent performance in the premium league in 2014/2015, occupying the fourth rank.

### Settling EGX 30 ETF Transactions

This is the first open investment fund to be listed in MCDR and the Egyptian Stock Market. ETFs are issued and canceled in MCDR.

### Activating ATMs for Cash Dividend

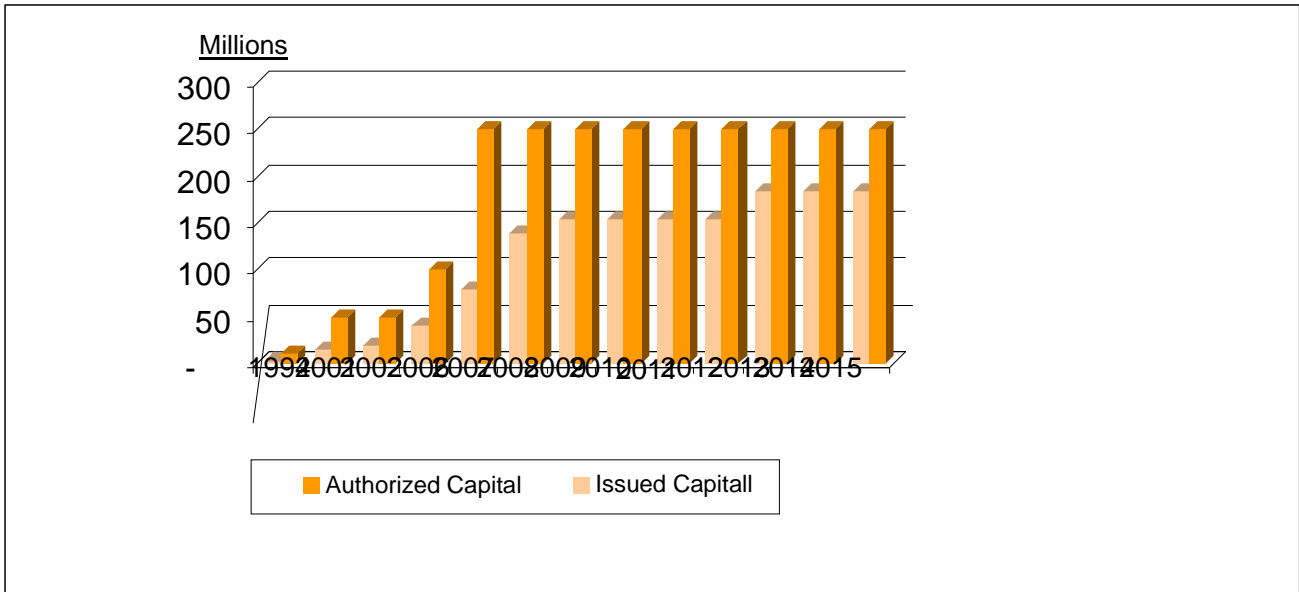
MCDR signed a contract with CIB to providing cash dividends and bond income through the bank ATM service. Hence, clients would easily get their dues through the nearest ATM after subscribing to the service and obtaining their card in five days. The CIB issued card provides the following advantages:

- A free SMS is sent automatically after each transaction.
- The client can easily withdraw money, especially from areas where cash windows are not yet available.
- Daily withdrawal limit is 1500 EGP.
- Purchase limit is 3000 EGP

Statistics

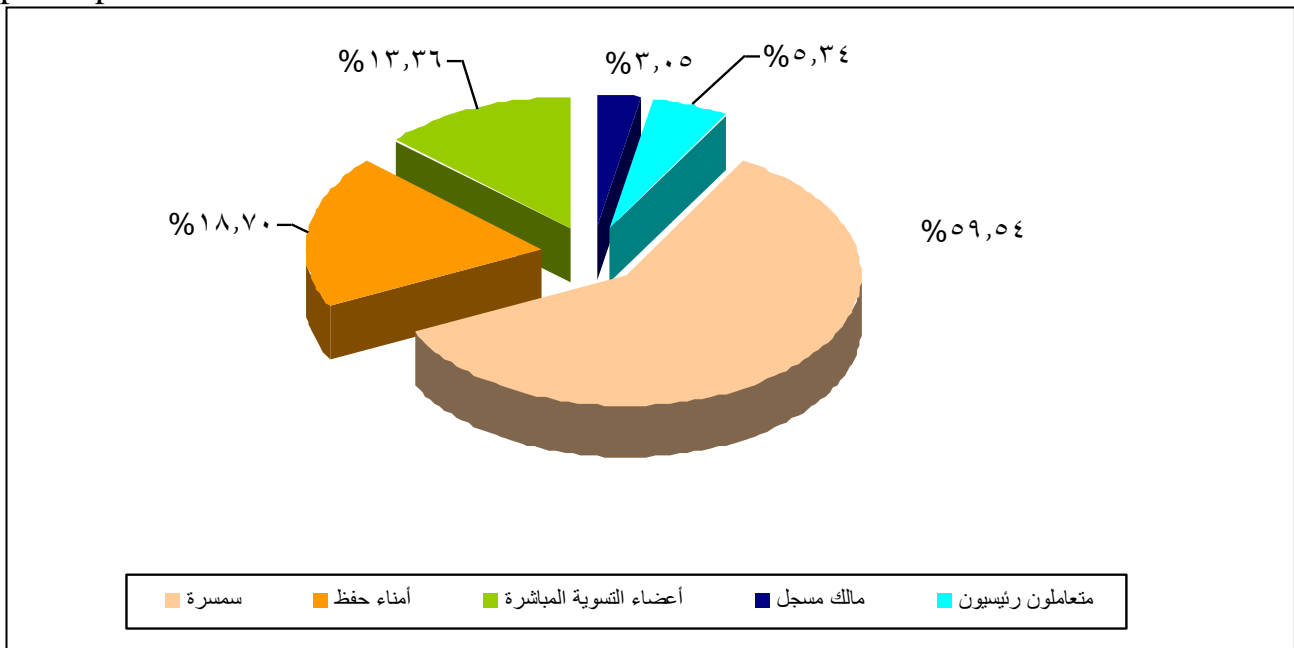
Development of MCDR capital since establishment

Since its establishment in 1994, MCDR issued and paid capital have developed from 3 million EGP to reach by the end of 2015 184.8 million EGP distributed on 1.848 million shares with a nominal value of 100 EGP per share



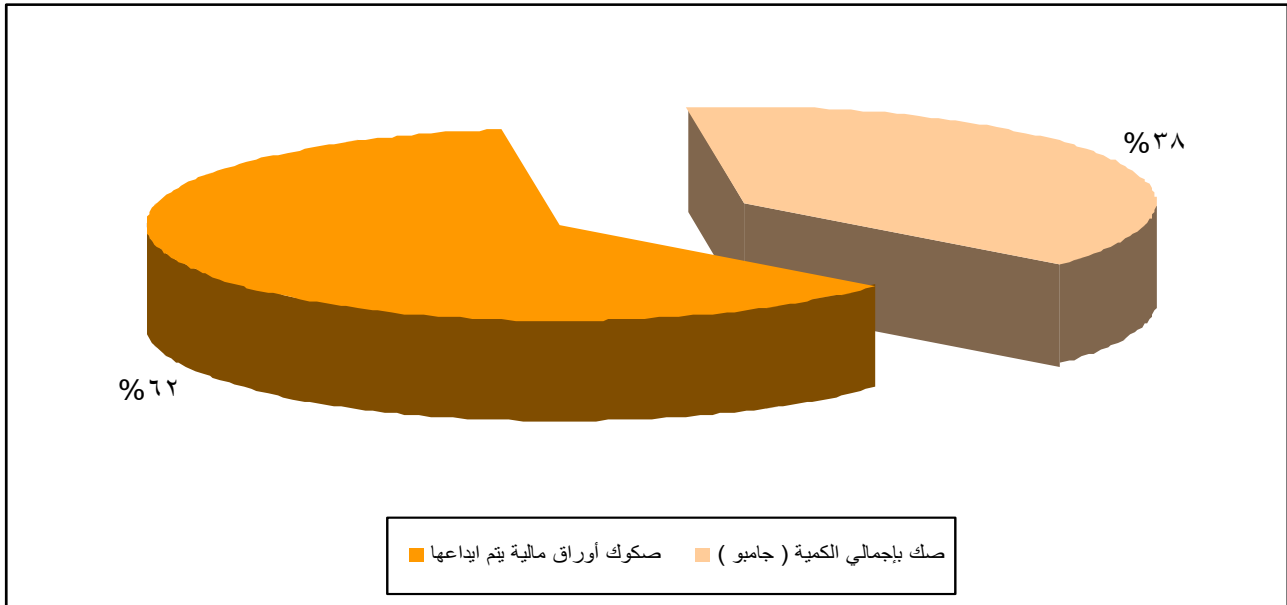
Members and participants in the depository system

By the end of 2015 number of members and participants was 1827 including 1565 participants and 262 members



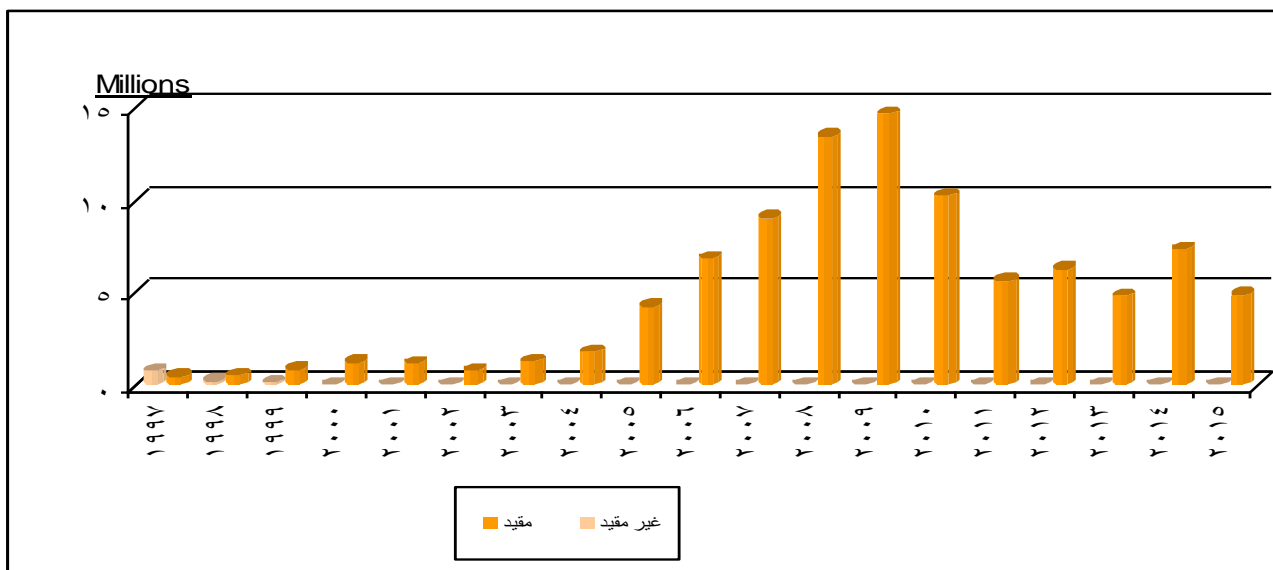
### Percentage of physical to non physical securities

By the end of 2015, Number of deposited issuers who issued share warrant or temporary certificates was 965.



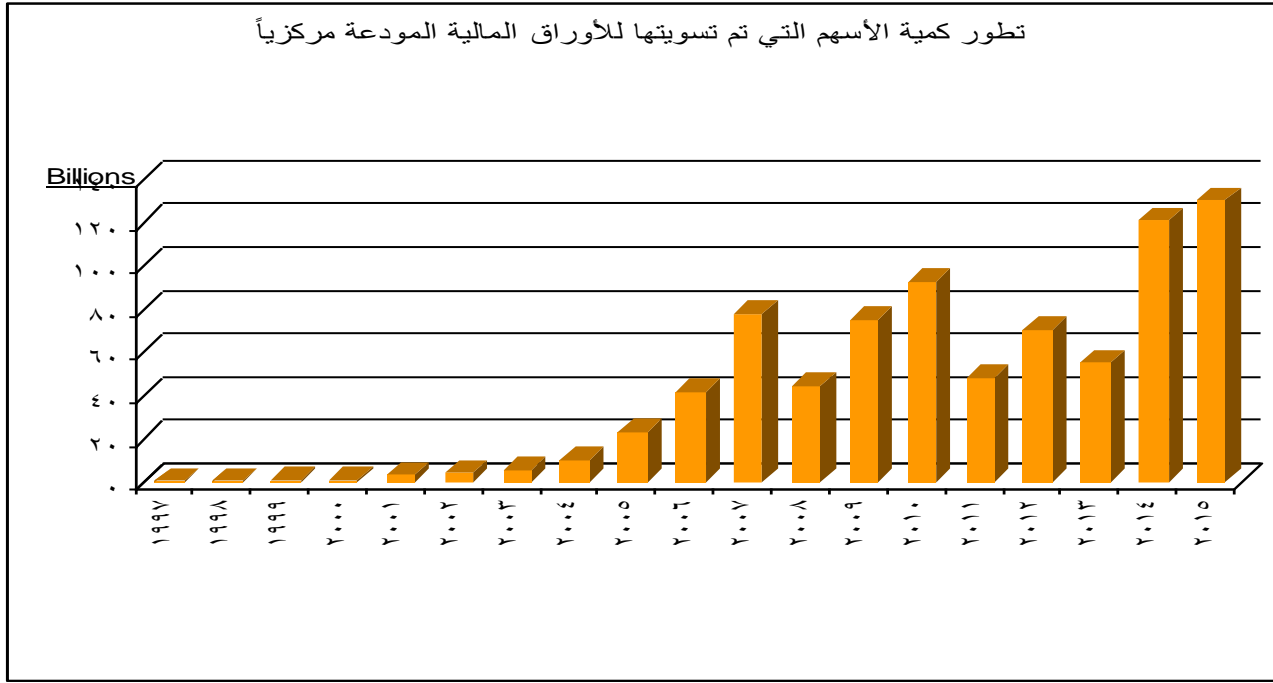
### Number of settled transaction

2015 has witnessed significant decrease in number of settled transactions for deposited securities. The total number of settled transactions was 4866495 with decrease of 33% compared to the previous year



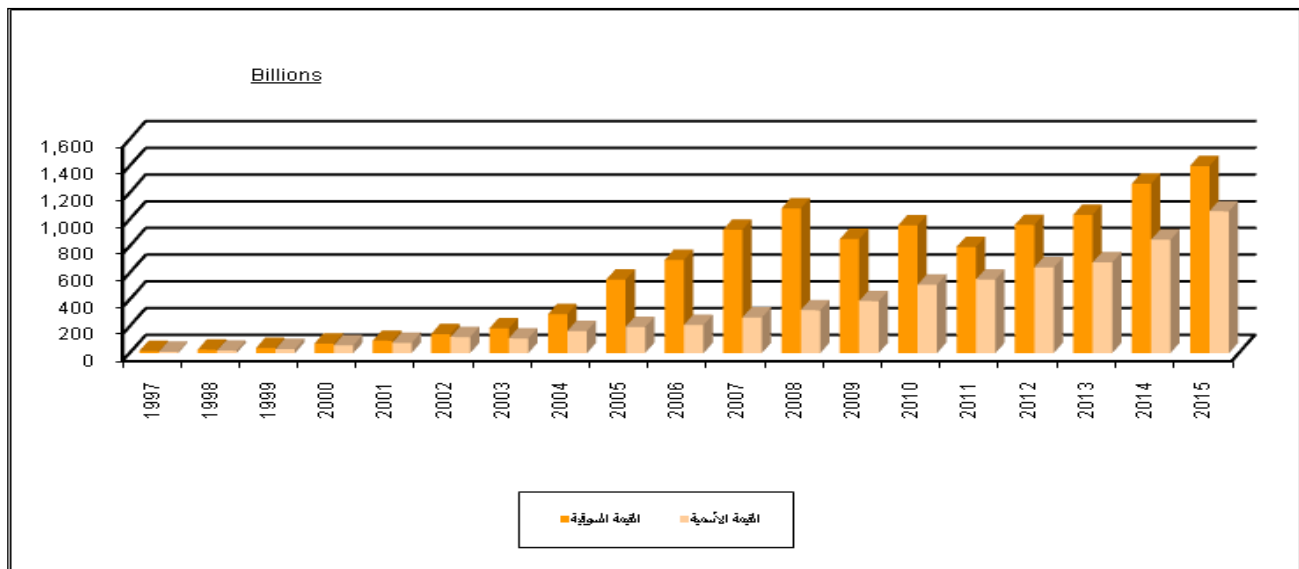
### Development of number of executed securities in the central depository system

Number of settled securities increased to 130.26 billion shares with an increase of 16.5% compared to the previous year



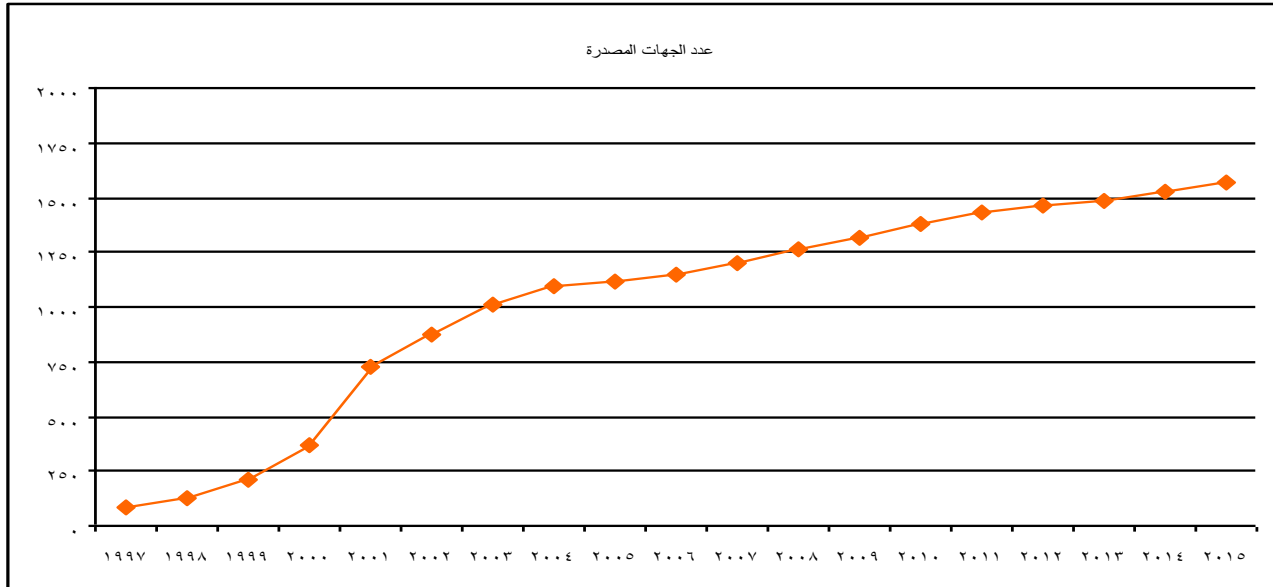
### Nominal & market value of deposited securities

The nominal value of deposited securities is 848.8 billion EGP, with an increase of approximately 43.5%, while the market value is 1267.6 billion EGP, with an increase of approximately 27% compared to the previous year



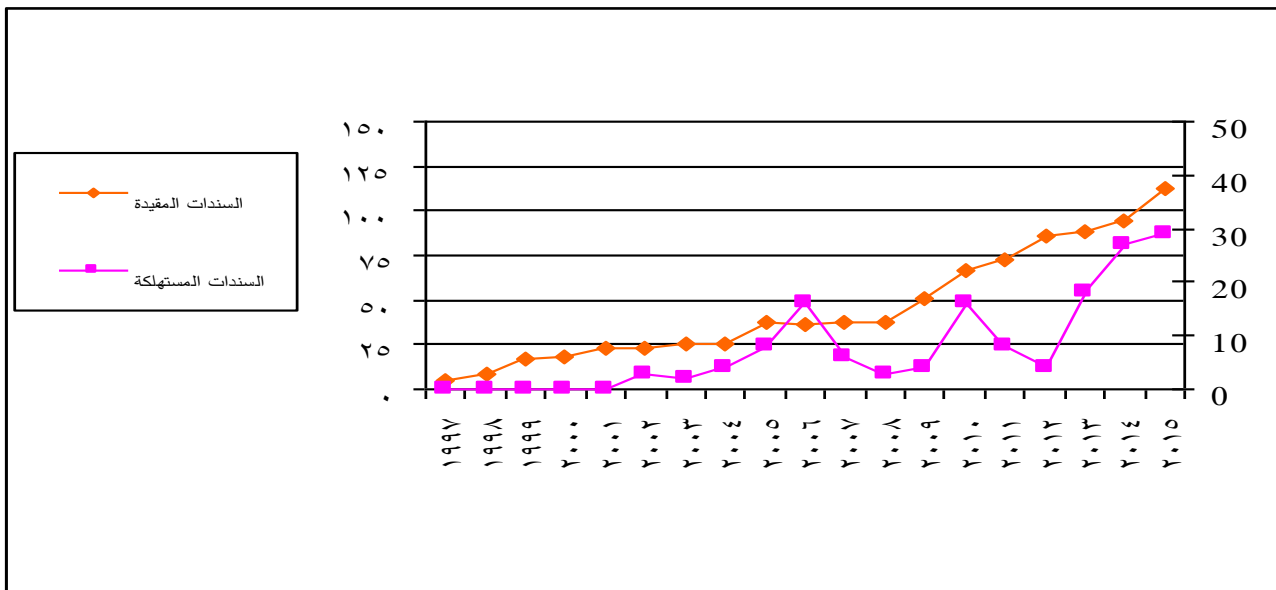
### Development in the number of deposited issuers

By the end of 2015, the number of deposited issuers was 1565 with an increase of 3% compared to the previous year



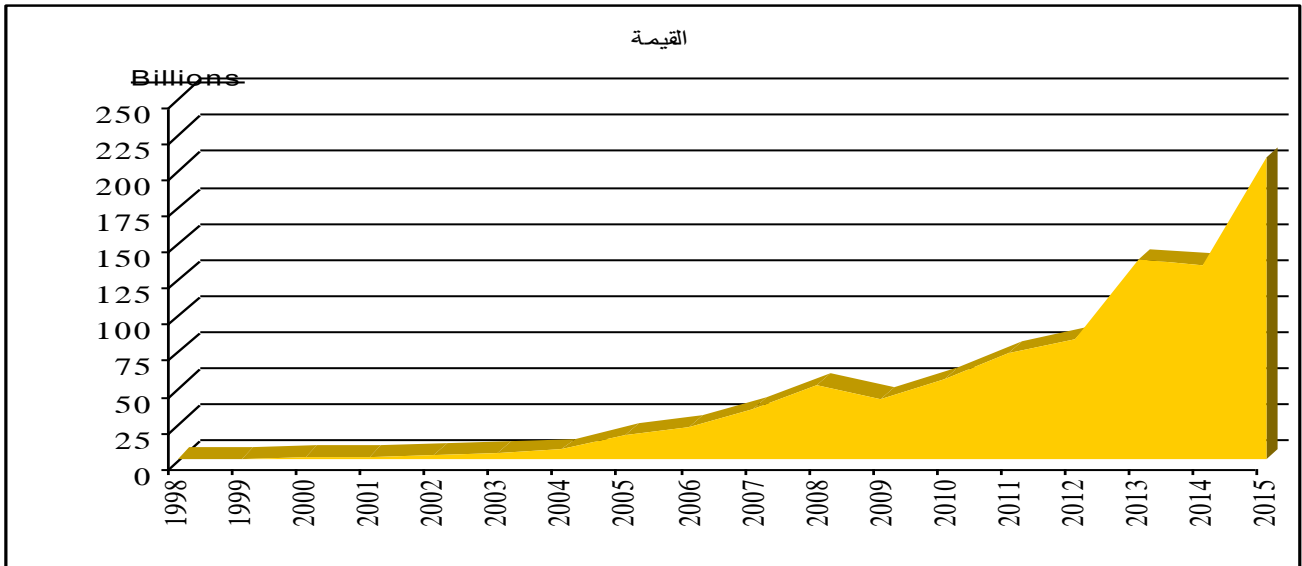
### Development in the number of deposited bonds

The number of deposited bonds was 112 bonds, with an increase of 19% compared to the previous year. MCDR registered 47 new bonds and redeemed 29 bonds.



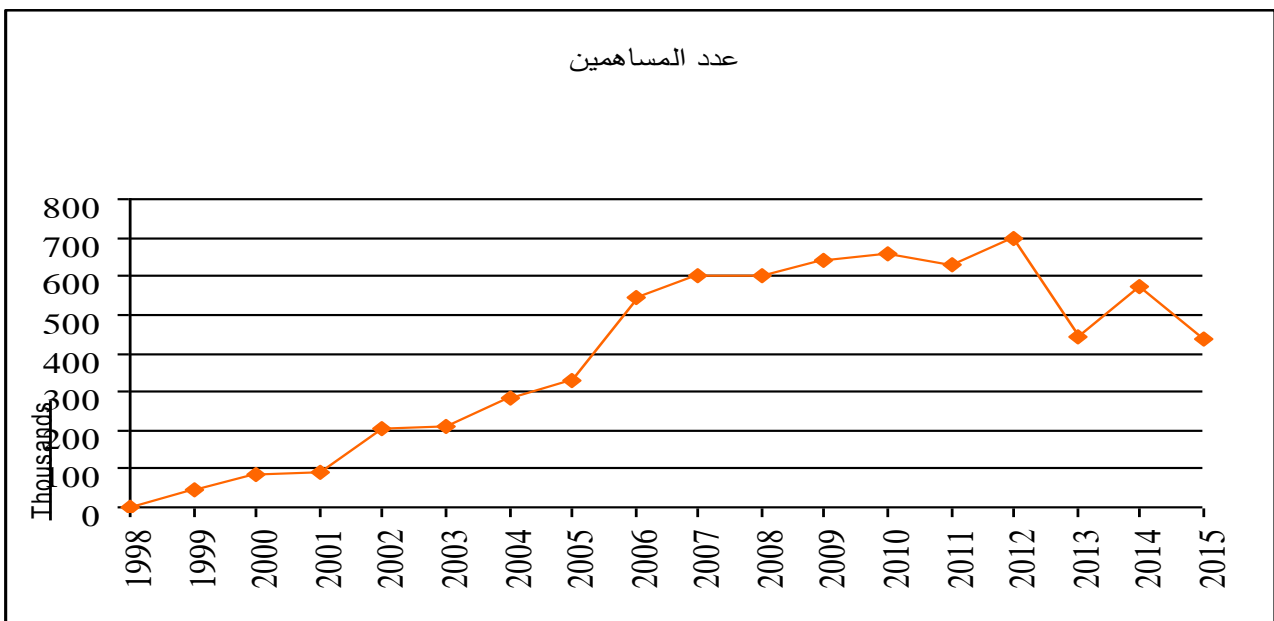
### Development of Paid dividends

During 2015 securities cash dividends distributed through MCDR increased to 73.4 billion EGP, with an increase of 54.3% compared to 2014.



### Development in the number of shareholders who received their cash dividends

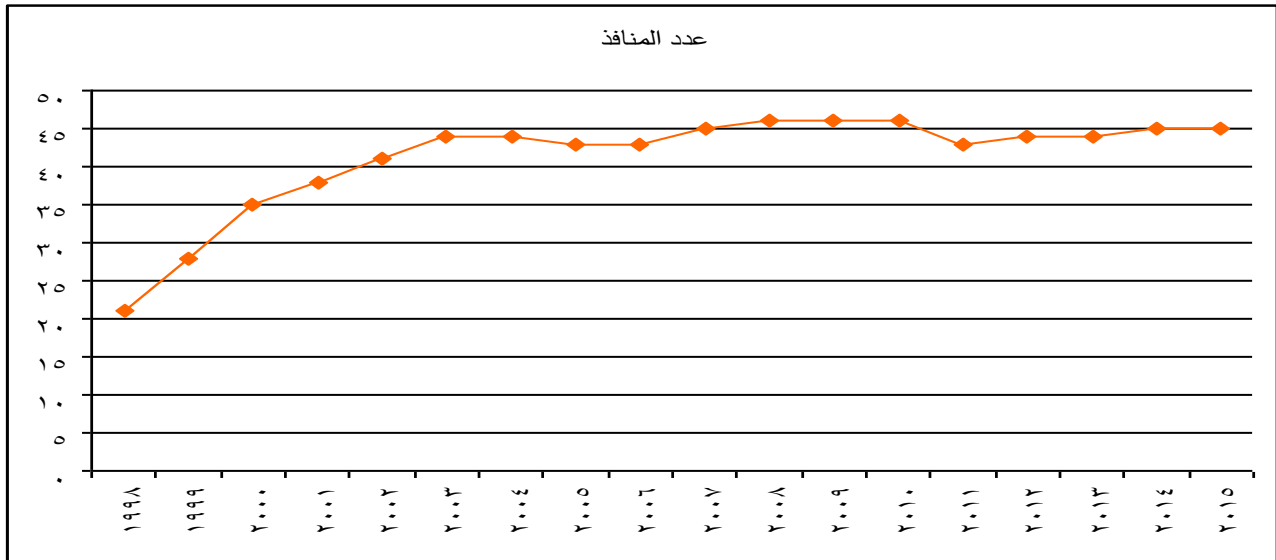
The number of shareholders who received cash dividends decreased to 437643 shareholders during 2015, with a decrease of approximately 30% compared to the previous year.





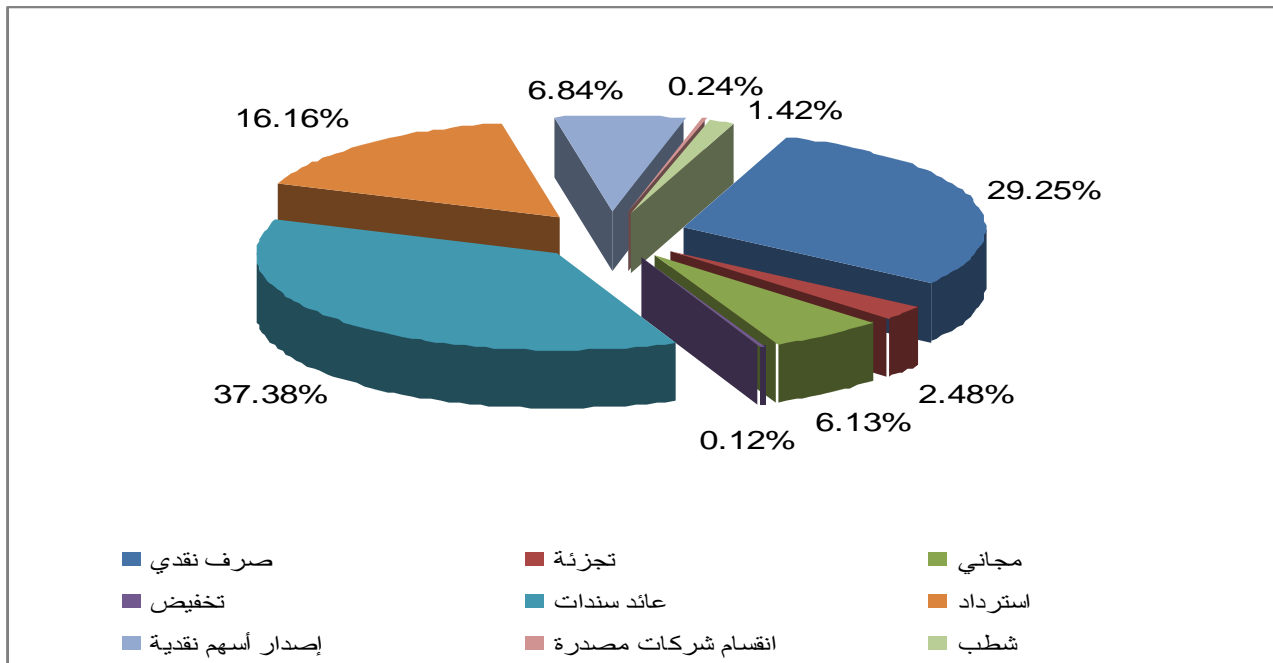
### Development in the number of cash distribution windows

By the end of 2015, number of cash distribution windows reached 45 all over EGYPT.



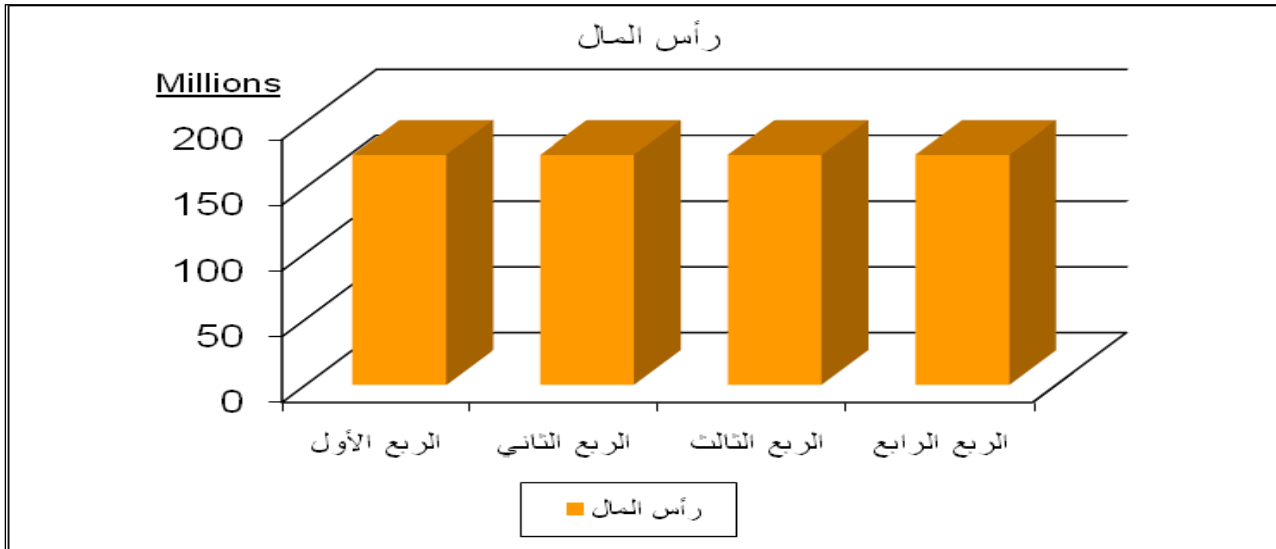
### Corporate actions executed through MCDR

By the end of 2015, corporate actions executed by MCDR on behalf of the issuers were 848 with an increase of approximately 6% compared to previous year 2014.



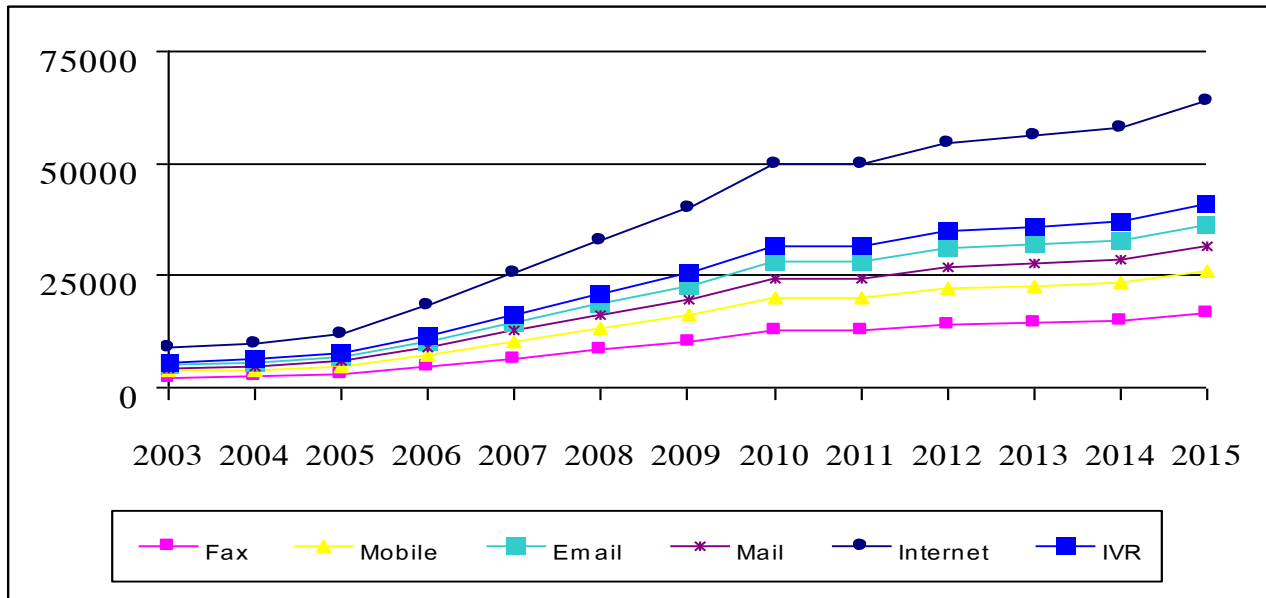
Development of settlement guarantee fund capital

SGF capital quarter variable average has reached 175 million EGP each quarter during 2015.



Services introduced to shareholders

The number of shareholders benefiting from the service introduced by MCDR was 214912 with an increase approximately 10% compared to previous year.



NOTE:

Numbers and statistics based on MCDR database for 2015 and previous years

## Auditor's report and financial statements

United Accountants  
Public Accountants

BDO Khaled & Co.  
Public Accountants & Advisers

*Translation of Auditors' Report  
originally issued in Arabic*

### AUDITORS' REPORT

**TO THE SHAREHOLDERS OF  
MISR FOR CENTRAL CLEARING, DEPOSITORY AND REGISTRY - S.A.E.  
MEMBERS OF SETTLEMENT GUARANTEE FUND**

#### Report on the Separate Financial Statements

We have audited the accompanying separate financial statements of Misr for Central Clearing, Depository and Registry - S.A.E. – which comprise the separate balance sheet as of 31 December 2015, and the separate statements of income, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### *Management's responsibility for the Separate Financial Statements*

These separate financial statements are the responsibility of the company's management as management is responsible for the preparation and fair presentation of the separate financial statements in accordance with Egyptian Accounting Standards and in the light of relevant Egyptian laws and regulations and the Egyptian Financial Supervisory Authority Chairman's Decree (Ex. Capital Market Authority) No. (29) dated 5 August 2004. The management's responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of separate financial statements that are free from material misstatement, whether due to fraud or error. This responsibility also includes selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with Egyptian Standards on Auditing and in the light of relevant Egyptian laws and regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance that the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the separate financial statements.



*Opinion*

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of Misr for Central Clearing, Depository and Registry - S.A.E. as of 31 December 2015, and its separate financial performance and its separate cash flows for the year then ended in accordance with Egyptian Accounting Standards and in the light of relevant Egyptian laws and regulations, and the Egyptian Financial Supervisory Authority Chairman's Decree (Ex. Capital Market Authority) No. (29) dated 5 August 2004.

**Report on Other Legal and Regulatory Requirements**

The company maintains proper books of accounts that include all that is required by the Law and the company's Articles of Association, and the financial statements are in agreement therewith. The physical count of shares held at central depository was carried out by the company's management in accordance with normal procedures.


The financial information included in the Board of Directors' report, which has been prepared in accordance with the requirements of Law No. 159 of 1981 and its Executive Regulations, is in agreement with the relevant information in the company's books.


Auditors

  
Abdelmoncim A. Sallam  
Chartered Accountant  
R.A.A. 2347  
EFSA 361



United Accountants

  
Taha M. Khaled  
Fellow of ICAEW  
Fellow of ESAA  
RAA No. 5136  
EFSA No. 28



BDO Khaled & Co.

Cairo, 9 March 2016



Misr for Central Clearing, Depository and Registry - S.A.E.

SEPARATE BALANCE SHEET

At 31 December 2015

	Note	31/12/2015 L.E.	31/12/2014 L.E.
<b>LONG TERM ASSETS</b>			
Fixed assets	5	140,492,571	132,279,772
Projects under construction	6	5,220,565	4,670,565
Investment in subsidiary	7	4,425,000	8,850,000
Investment in associates	8	1,451,750	1,451,750
Held to maturity investments	9	229,007,634	222,095,100
Available for sale investments	10	10,017,741	13,500,652
Investment in Investor Protection Fund	11	2,115,154	2,115,154
Intangible assets	12	2,500,000	2,500,000
Advance payments for finance lease	32/2	1,585,725	3,700,009
<b>Total long term assets</b>		<u>396,816,140</u>	<u>391,163,002</u>
<b>CURRENT ASSETS</b>			
Trade and other receivables	13	82,370,033	90,482,814
Investments at fair value through profit and loss	14	183,598,860	220,697,186
Cash and bank balances	15	366,947,037	290,244,473
Bank balances – coupons dividends	16	1,160,936,508	1,623,025,221
<b>Total current assets</b>		<u>1,793,852,438</u>	<u>2,224,449,694</u>
<b>CURRENT LIABILITIES</b>			
Dividends coupons payable – customers	16	1,160,936,508	1,623,025,221
Trade and other payables	17	462,530,437	452,284,577
Claims and risks provisions	18	14,639,493	19,303,734
Tax liabilities		13,080,225	9,733,953
<b>Total current liabilities</b>		<u>1,651,186,663</u>	<u>2,104,347,485</u>
<b>Working capital</b>		<u>142,665,775</u>	<u>120,102,209</u>
<b>Total investment</b>		<u>539,481,915</u>	<u>511,265,211</u>
<b>Financed as follows:</b>			
<b>EQUITY</b>			
Issued and paid up capital	19	184,800,000	184,800,000
Legal reserve	20	10,448,400	6,235,003
Retained earnings		80,054,551	62,745,223
<b>Total equity for depository and registry activities</b>		<u>275,302,951</u>	<u>253,780,226</u>
<b>Settlement Guarantee Fund</b>			
General paid up	22	181,505,544	182,265,888
Special paid up	23	51,935,049	51,545,512
Legal reserve	20	4,235,732	3,003,455
Retained earnings		23,413,257	18,132,126
<b>Total equity for Settlement Guarantee Fund</b>		<u>261,089,582</u>	<u>254,946,981</u>
<b>Total equity</b>		<u>536,392,533</u>	<u>508,727,207</u>
<b>Long term liabilities</b>			
Deferred income from sale leaseback property	32/1	144,748	337,748
Deferred tax liabilities	33	2,944,634	2,200,256
<b>Total long term liabilities</b>		<u>3,089,382</u>	<u>2,538,004</u>
<b>Total finance of investment</b>		<u>539,481,915</u>	<u>511,265,211</u>
<b>CONTRA ACCOUNTS</b>	30	<u>1,384,037,951,658</u>	<u>1,176,373,381,271</u>

Auditors' report attached.

Mr. Essam Ezzy  
Financial Consultant and  
Financial Management  
Supervisor

Dr. Tarek Abdel Bary  
Managing Director

Mr. Mohamed Soliman Abdel Salam  
Chairman