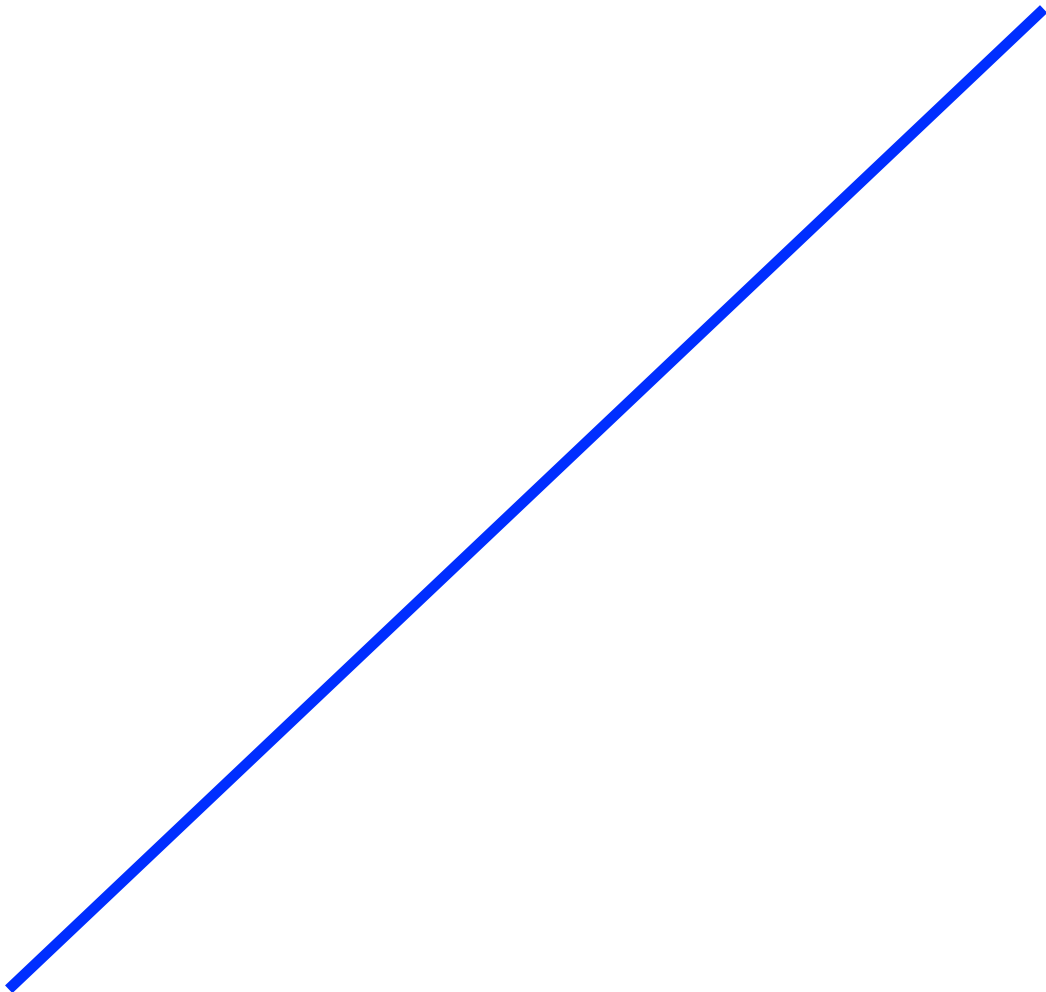


Securities Lending and Borrowing Rules



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I. Definitions

In these Rules, the following words and expressions shall have the meanings set forth opposite each of them, unless the context otherwise requires:

Lending Agent	means the legal person who has obtained the approval of the Central Clearing to conduct Securities lending operations from its own account, or by its clients, in accordance with these Rules and the procedures of the Central Clearing house.
Lender	means the Central Clearing, Trading Broker or Trading and Clearing Broker If he trades for his own account and is allowed to do so or any investor having an investor number in DFM who is willing to lend Securities to the Borrower according to these Rules and Central Clearing procedures.
Borrower	means the Central Clearing, Trading Broker or Trading and Clearing Broker If he trades for his own account and is allowed to do so or any investor having an investor number in the Market, who is willing to borrow Securities from the Lender according to these Rules and Central Clearing procedures.
Lender's Representative Or Borrower's Representative	means any Custodian or Trading Broker or Trading and Clearing Broker, who represent their clients of Professional Investors in completing a Securities' Lending and Borrowing transaction Which takes place between them outside the Market.
Collateral	means cash amounts or Securities deposited by the Borrower to the Lender against the loaned Securities according to the determined percentage of the loaned Securities' market value and according to these Rules.
Central Clearing	means Dubai Clear the legal person licensed to represent the counterparty for all trades Novation in the Market in consideration for a specific commission while ensuring the execution of all trades concluded in the Market and determining the net rights and liabilities and determining their legal status arising from the trading operations.
Custodian	means an entity licensed by the Authority to practice safe custody business in the UAE.
Market	means Dubai Financial Market or any other name as may be updated.

Market Maker	means a legal entity approved by the Market to carry out the business of market making.
Professional Investor	means Professional Investor according to the Authority's definitions.
Rules	means the Securities Lending and Borrowing rules issued by the Central Clearing.
Authority	means the Securities and Commodities Authority of the UAE or any other name as may be updated.
Securities	means Securities according to the Authority 's definitions.
Securities Lending and Borrowing	means a contract under which Securities are temporarily transferred by a party (a Lender) to another party (a Borrower) with the Borrower's obligation to return those Securities to the Lender when he requests them of the Lender at any time within the agreed term or upon the expiry thereof unless otherwise is agreed upon by the parties.
Trading Broker	means an entity licensed by the Authority to conduct financial activity regarding the brokerage in the Securities trading transactions through receiving and entering purchase and sell orders of the Securities to execute the same in the Market without clearing and settlement.
Trading and Clearing Broker	means an entity licensed by the Authority to conduct financial activity regarding the brokerage in the Securities trading transactions through receiving and entering purchase and sell orders of the Securities to execute the same in the Market and making the clearing and settlement transactions related thereto.
UAE	means United Arab Emirates.

2. General Provisions

- 2.1 All Securities Lending and Borrowing process in the UAE shall be implemented in accordance with these Rules and procedures issued by the Central Clearing from time to time.
- 2.2 Securities Lending shall only be done in the Market through a Lending Agent, and no Securities may be loaned unless through a brokerage company after obtaining the Central Clearing's approval. Brokerage companies borrowing shall be as follows:
 - 2.2.1 Brokerage company borrows Securities from Lending Agent on behalf its clients.
 - 2.2.2 Brokerage companies borrows Securities from Lending Agent in their name and then lend it to its client as set forth under Clause 2.3.2.1.
- 2.3 As an exception to Clause 2.2 of this Article:

- 2.3.1 Securities Lending and Borrowing transactions may be carried out outside the Market between Professional Investors, provided that such transaction are registered with the Central Clearing immediately by the Lender and the Borrower through the Lender's Representative and the Borrower's Representative.
- 2.3.2 Securities may be lent through a Brokerage Company – if the Brokerage Company is not a Lending Agent as follows:
 - 2.3.2.1 When lending brokerage companies to its clients from its own account provided that it shall comply with the condition as set out in Article 4 Obligations of Lending Agents and Article 7 Collateral.
 - 2.3.2.2 When carrying out Securities Lending and Borrowing transactions for the purpose of settlement of its clients' trading under Delivery versus Payment procedures (DVP).
- 2.4 A Borrower may not transfer the borrowed Securities, arrange any mortgage or lien on them, or make any disposal thereof except thorough short selling with exception of Brokerage Company, which may lend its borrowed Securities to its clients only.
- 2.5 The Central Clearing may lend or borrow Securities according to the procedures and policies established in this regard.
- 2.6 The Central Clearing may determine the Securities that should not be lent from time to time in its procedures or circulars.
- 2.7 The Central Clearing shall determine the purposes of Securities borrowings.
- 2.8 Securities Lending and Borrowing shall not result in exceeding the foreigners' ownership percentage.

3. Lending Agents

- 3.1 Lending Agents must register with the Market through Central Clearing and receive confirmation in writing before commencing lending tasks.
- 3.2 Applicant shall be in one of the following forms:
 - 3.2.1 Custodians licensed by the Authority.
 - 3.2.2 A brokerage company (**Trading Broker or Trading and Clearing Broker**) licensed by the Authority, and a member of the Central Clearing.
 - 3.2.3 Market Maker or Liquidity Provider.
 - 3.2.4 Local bank, foreign bank branch.
 - 3.2.5 Companies licensed by the Authority to establish and manage investment funds.
- 3.3 The applicant shall submit its application to the Central Clearing in accordance with the procedures issued from time to time together with a disclosure of the following information:
 - 3.3.1 Availability of the technical and administrative capacities and capabilities required to implement the tasks, and the management of the accounts related thereto.
 - 3.3.2 Availability of a system including backups for recording Securities Lending and Borrowing transactions and updating clients on Securities Lending and Borrowing transactions in a timely manner.

- 3.3.3 Applicant shall not have committed a material violation to the solvency standards or the Account Separation Regulations as approved by the Authority during the six months preceding the approval application date.
- 3.4 The applicant shall pay any applicable approval fees determined by the Central Clearing.
- 3.5 Registration with the Central Clearing and approval to commence activities:
 - 3.5.1 Central Clearing shall issue its decision approving or rejecting the application within thirty (30) days from submitting the application which meets the requirements set out in these Rules. The Central Clearing may require any further clarifications, information, or documents as it deems necessary to grant its approval. The Central Clearing will state its reasons and justifications for any rejections.
 - 3.5.2 Approval shall be valid for one (1) year ending at the end of December of every year. However, the first approval shall be valid from its date until the end of December of the same year.
 - 3.5.3 Approval shall be renewed by an application to be submitted to the Central Clearing prior to its expiry subject to the continuous compliance with these Rules and paying any applicable annual approval renewal fees determined by the Central Clearing.
 - 3.5.4 The Lending Agent shall register the Central Clearing approval and renew the registration on the Authority's portal in accordance with the requirements of the Authority within five (5) working days from the date of the Central Clearing approval was obtained.

4. Obligations of Lending Agents

The Lending Agent shall:

- 4.1 Limit the Securities Lending and Borrowing transactions to the Securities defined by the Central Clearing only and for the purposes thereof.
- 4.2 Ensure the client is registered with the Central Clearing as a Lender and/or Borrower.
- 4.3 Enter into a Securities Lending and Borrowing agreement with each client willing to use this mechanism according to any applicable requirements in this regard.
- 4.4 Ensure that the Securities Lending and Borrowing agreement and all the procedures related thereto are in compliance with the applicable Laws and Regulation, and the procedures applicable to the Central Clearing.
- 4.5 Open an account for the customer with the Central Clearing titled (Covered Regulated Account/ Securities Lending & Borrowing) to implement the Securities Lending & Borrowing transactions.
- 4.6 Observe any undertaking or confirmation to lend Securities whether by itself or by its clients.
- 4.7 Ensure that the Lender has a sufficient quantity of Securities subject of the Securities Lending and Borrowing transaction to complete the lending process.
- 4.8 Ensure that the Borrower has the necessary Collateral to complete the recall/return of loaned Securities under these Rules.
- 4.9 Issue confirmation to notify the client with the transactions carried out on the same day.

- 4.10 Record its clients' lending and borrowing transactions, the instructions coming therefrom, the size of implemented transactions, submitted Collaterals and all the commissions and fees.
- 4.11 Send regular reports to the client – and whenever requested by the client - showing the implemented lending and borrowing transactions and any changes to the Collateral value.
- 4.12 Keep the records in relation with Securities Lending and Borrowing transactions for at least 10 years and keep a backup of the said records for the same period, such records to include all the agreements, instructions and otherwise.
- 4.13 Exercise due care in the performance of its functions.

5. Lender Representative and Borrower Representative

Lending and Borrowing Representatives shall:

- 5.1 Registering the Securities lending and borrowing transaction carried out by any of its Professional Investor clients with Central Clearing in accordance with its procedures.
- 5.2 Notifying Central Clearing of instructions from the Professional Investor.
- 5.3 Facilitate settlement of Securities Lending and Borrowing transactions implemented by any of its clients according to the procedures of the Central Clearing issued from time to time.
- 5.4 Obtain an authorization from the client for representation.
- 5.5 Keep the records in relation with Securities Lending and Borrowing transactions for at least ten (10) years and keep a backup of the said records for the same period, such records to include all the authorizations, agreements and instructions.

6. Securities Lending and Borrowing Agreement

- 6.1 A Securities Lending and Borrowing agreement shall be entered into by the Lender and Borrower according to the model approved by the Central Clearing or according to the international securities lending and borrowing agreement form such as GMSLA, OSLA or USMSLA including when the brokerage company lends to its clients from its own account.
- 6.2 If the Lender and Borrower are Professional Investors, then the Securities Lending and Borrowing agreement shall be entered into in accordance with the international securities lending and borrowing agreement model GMSLA, OSLA or USMSLA.
- 6.3 The Lender shall be entitled to all the material rights related to the loaned Securities unless otherwise is agreed upon in the agreement entered into by the Lender and the Borrower.
- 6.4 Each of the Lender and the Borrower shall inform the Central Clearing any Securities Lending and Borrowing transaction through their Lending/Borrowing Representatives and shall provide the Authority, the Market or the Central Clearing with any reports, information, or documents immediately or within the timeframe fixed by any of them.

7. Collateral

- 7.1 The Collateral is determined, liquidated, maintained and cases of its increase are indicated in accordance with Central Clearing Procedures.

8. Central Clearing Procedures

- 8.1 The Central Clearing shall issue procedures governing the operations of the Securities Lending and Borrowing Rules including the creation of loans, maintenance, recalls, returns and corporate actions for loans.
- 8.2 The Lender, Borrower, Lending Agent, and Lending/Borrowing Representatives shall comply with the Central Clearing procedures as may be issued from time to time.
- 8.3 The Central Clearing may cancel any Securities Lending and Borrowing transactions and recover the loaned Securities in case of failure to comply with these Rules or any procedures applicable thereto, upon discovering any falsification, fraud, or manipulation, or according to a final judgment or judicial orders. In case of insufficiency of the Securities, may determine the necessary action on a case-by-case basis.

9. Fees and Commissions

The Central Clearing shall determine the applicable fees and commissions accrued on Securities Lending and Borrowing transactions including the method of settlement of such fees and commissions and any waivers where necessary.

10. Penalties

In case of a breach of these Rules, the Central Clearing may:

- 10.1 Send a warning to the Lending Agent, the brokerage company, the Lender Representative, or the Borrower Representative as the case may be.
- 10.2 Withhold or cancel the approval given to the Lending Agent or prevent the brokerage company from lending Securities to its clients or cancel the approval issued to brokerage companies to borrow securities through it.
- 10.3 Suspend or prevent the brokerage company or Custodian from acting as Lender Representative or Borrower Representative.
- 10.4 Impose other penalties and fines according to the procedures as may be issued by the Central Clearing from time to time.
- 10.5 Refer any breaches or Irregularities to the Authority.

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