

Circular No : DClear/2023/4  
Issuance Date : 10/05/2023

## Risk management, Clearing and Settlement for futures contract over the DFM General Index (DFMGI)

DFM vide its [Circular No.:07/2023](#) issued on 09/05/2023, informed that it shall launch futures contract on the DFM General Index (DFMGI). Members are requested to take note of the provisions related to risk management, clearing and settlement of futures contract on DFMGI.

### Settlement Price:

#### Daily Settlement Price

Daily Settlement Price for futures contract shall be the calculated based on the last traded price in the Derivative Contract during the same Settlement Day.

If there is no last traded price on the same Settlement Day, Dubai Clear will determine the Closing Price based on theoretical fair value for the same.

The theoretical fair value will be calculated using the formula  $FP = S * e^{rt}$  Where,

FP = Futures price

S = price of the underlying Index

\* = multiply

e = "e" is a mathematical constant, and its value is approximately equal to 2.7183

R = Interest rate represented by Emirates Interbank Offered Rate (EIBOR)

t = time to expiry (i.e. period between current day and expiry day)

#### Final Settlement Prices

The Final Settlement Price of futures contract on DFMGI shall be the close price of the underlying index value.

### Margins

Initial Margin shall be payable on all open positions at the client level and shall be payable upfront by the clearing members in accordance with the margin computation mechanism and/or system as may be adopted by Dubai Clear from time to time.

Initial Margin rates will be calculated using Value at Risk (VAR) methodology based on historical prices of past 126 days and 756 days on a confidence level of 99% and close all financial positions within two days (two-day look ahead period). The higher of above two calculations shall be applicable subject to a minimum margin rate of 5%.

### Position Limit

The position limits of each trading member of a Clearing Members in DFMGI index futures contracts shall be higher of 10,000 contract or 30% of the total open interest for respective DFMGI futures contracts. The position limit will be sum of the net of open position of all clients of a trading member at contract level.

This position limits shall be monitored at end of the day and in case of any breach of position limits, members will not be allowed to trade further in the contract except for closing-off positions.

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The provisions and procedures for derivatives clearing published on the Dubai Clearing Company website are valid unless mentioned above.

In case of any enquires feel free to contact Ms. Khulood Al Mutawa – Head of Operations or Mr. Bhuvnesh Sharma – Risk Manager at 04 3055 153/158 email: [clearing&settlement@dubaiclear.ae](mailto:clearing&settlement@dubaiclear.ae)

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