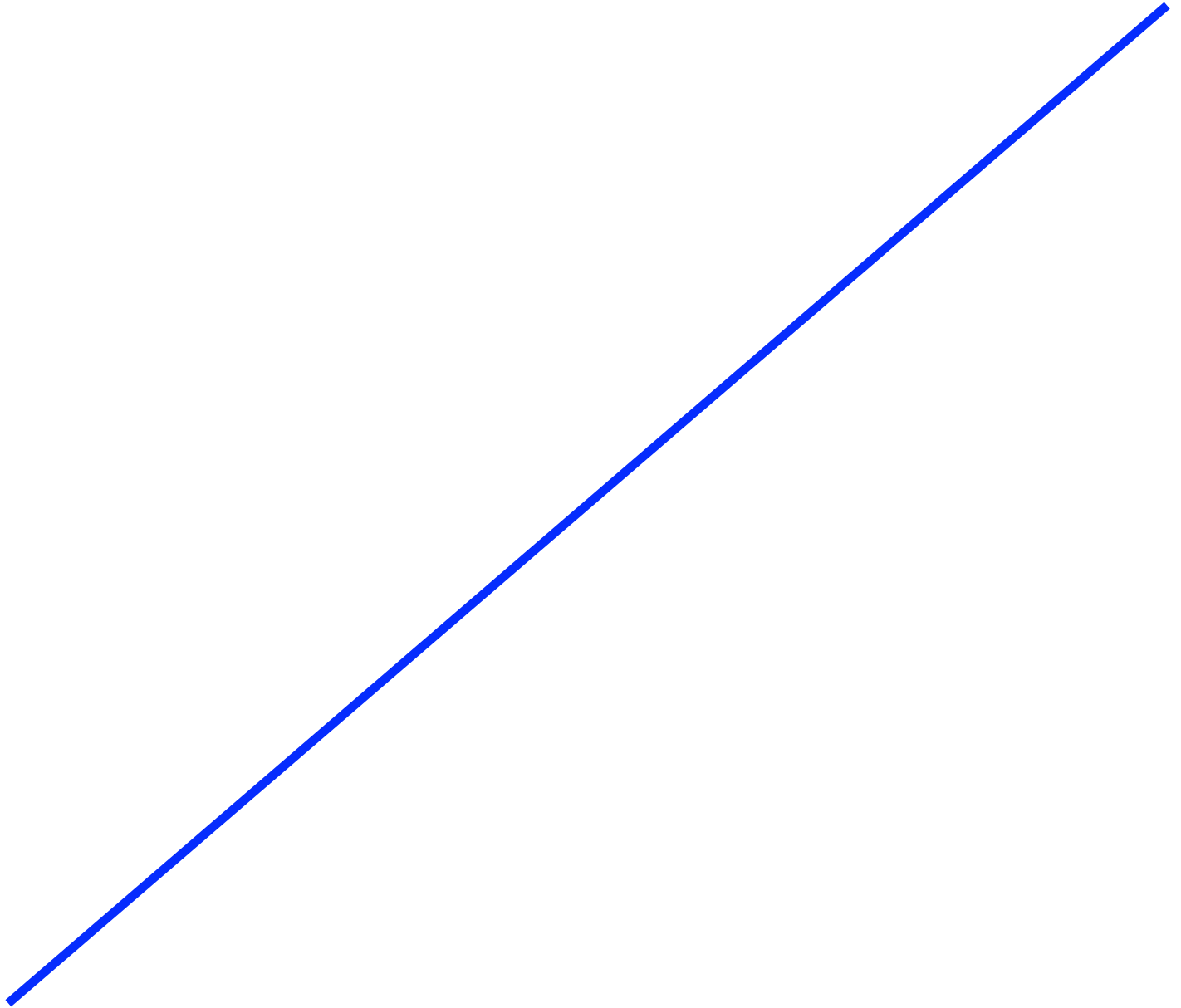




Derivatives Collateral Policy Dubai Clear



Classification Policy

Version 04

No. of Pages 2

Type Policy

Owner Dubai Clear

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Dubai Clear LLC (the CCP) shall in accordance with CCP Rules, the Collateral Policy, Derivatives Collateral Policy, the Margin Policy, Derivatives Margin Policy, the Settlement Default Fund Policy, Derivatives Settlement default fund policy and/or the Procedures require Clearing Members and Settlement Agents (if applicable) to transfer or provide Collateral to the CCP. The CM is required to maintain a Collateral balance in an amount or of a value determined by the CCP as security for the performance by such Clearing Member or Settlement Agent of its obligations to the CCP in consideration for the membership of that Clearing Member or Settlement Agent with the CCP and the market segment it intends to offer Dubai Clear services.

In line with the above, the Collateral Policy will determine the following

1. Type of Eligible collateral & valuation of Eligible Collateral
2. Initial Collateral Contribution by Members

Type of Eligible Collaterals & Valuation

The CCP accepts only quality collateral with low credit, liquidity and market risks. Clearing Members and Settlement Agents may deposit the following types of collaterals with the CCP:

No	Type of Collateral	Currency	Hair Cut	Notes
1	Cash Collateral	AED	0%	All cash collateral will be held with the CCP in the respective currency
		USD	5%	
2	Guarantee Letter	AED	0%	Guarantee Letter is required to be issued by CCP approved list of Central Bank licensed banks and financial institutions and only in a format published by the CCP
3	Accepted Securities	AED	50%	Accepted Securities are securities listed on DFM General Market Index and which are not suspended from trading.



Initial Contribution by Members

Clearing Members and Settlement agents are required to deposit an Initial Contribution and Additional Contribution in form of eligible collaterals to the CCP. Initial Contribution is based on the Membership category, Market Segment while Additional Contributions will be based on the value of trades to be cleared by the CM and trading activities of the CM's trading member.

The requirements for each category of current membership are set out below:

Membership type	Securities Market	Derivatives Market	Both Securities & Derivatives Market
Trade Clearing Member	AED 10 million	AED 5 million	AED 15 million
Trade Clearing Member	AED 10 million	AED 2 million (only Proprietary Trading)	AED 12 million
General Clearing Member	AED 50 million	AED 10 million	AED 50 million
Settlement Agent	AED 50 million	N/A	N/A

- All Members must ensure that their collateral balance do not fall below the minimum Initial Contribution provided to the CCP at any point in time. The CCP reserves the right to impose penalties for any non-compliance.
- Clearing Members who are offering Clearing services to both Securities & Derivatives Market can allocate their collateral between the two markets by sending a request to the Dubai Clear.
- Collaterals deposited by the Member will be utilized towards blocking of Initial Margins, Variation Margins, Settlement Default Fund contribution and other margins levied by the CCP from time to time. For collaterals lodged in currencies other than AED, they will be converted to AED based on the exchange rates set in the system for the purpose calculating the collaterals limits.
- Members are required to ensure that the Collaterals deposited with the CCP is always adequate to cover the margin and SDF obligations and will be required to deposit additional contribution based on their trading activities. The CCP reserves the right to impose penalties for any non-compliance.
- Clearing Members may request for withdrawal of excess Additional Contribution of collateral with the CCP. The CCP will process this request once it is satisfied that the withdrawal will not impact existing margins or any other obligations of the member.
- Dubai Clear will not accept collaterals from Clearing Members which could result in a Wrong Way Risk for the CCP especially in case of accepting Securities as Collaterals



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