

# CLEARING MEMBERSHIP STRUCTURE DUBAI CLEAR

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## Membership Structure

Pursuant to the CCP General Rules, Default Rules and procedures of the Dubai Clear, Members are hereby advised of the following:

Rule 5 of CCP General Rules provides for provisions related to Membership of the CCP. In line with Rule 5.1, the categories of Clearing Members and Settlement Agents who may be admitted to the Clearing House are as follows:

1. **Trading Clearing Members** – Authorized to clear Proprietary and Client trades executed by themselves as a Trading member of the Exchange.
2. **General Clearing Members** - Authorized to clear Proprietary and Client trades executed by themselves as a Trading member of the Exchange or trades executed by any other Non-Clearing Trading member of the Exchange.
3. **Settlement Agents** – Authorized to settle Client trades on behalf of Clearing Members for DVP clients.

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

Membership Category	Initial Contribution to CCP
Trade Clearing Member (TCM)	AED 10,000,000
Trade Clearing Member <u>Proprietary Trading</u> (TCMP)	AED <del>105</del> ,000,000
General Clearing Member (GCM)	AED 50,000,000
Settlement Agent (SA)	AED 50,000,000

All existing members of DFM will be automatically transferred to Dubai Clearing Membership in the following manner.

1. Trade Clearing members of DFM will be transferred to Trade Clearing Membership of Dubai Clear
2. General Clearing Members of DFM will be transferred to General Clearing Membership of Dubai Clear
3. Custodian Clearing Members of DFM will be transferred to Settlement Agent Membership of Dubai Clear.

In case any member would like to be transferred to a different category of membership other than the one mentioned above he will be required to advise the Dubai Clear the category of membership they wish to apply.

All members of Dubai Clear will be required to sign a new Clearing Membership Agreement in case of CM or Settlement agent agreement in case of Settlement Agent.

## Establishment of the Settlement Default Fund (DF)

SCA CCP Regulations require a CCP to establish and administer a Settlement Default Fund ("DF") to be used in the event of breach or default. Further, the DF must be sufficient to cover any default of the largest Clearing Member or the total of the second and third largest Clearing Member. Contributions to the DF will be based upon the risk the CM posts to the CCP and the adequacy of the DF shall be established through stress testing.

The DF shall be created from the contribution of Dubai Clear and contribution from the Clearing Members. The Contribution made by the CCP towards the default fund (“Skin-in-the-game”) should not be less than 25% of the paid up capital of the CCP. The initial contribution from Dubai Clear shall be AED 12.5 million. CMs shall contribute the balance of the default, and each CM contribution shall be the higher of either:

- a) fixed initial contribution based on category of membership; or
- b) Variable contribution based on the risk portfolio of the respective CM (i.e. highest initial margin utilized over a pre-defined period).

The levels of Fixed Contributions shall be as follows:

Membership Category	Initial Contribution to CCP
Trade Clearing Member (TCM)	AED 200,000
General Clearing Member (GCM)	AED 500,000
Settlement Agent (SA)	Nil

The variable contribution will be 5% of highest initial margin utilised by each CM for the previous month. A higher percentage may be used where required to ensure DF meets adequacy requirement based on Stress test results. Example:

Clearing Member (CM)	CM Type	Fixed DF Contribution	Highest. IM Utilisation	Floating DF Contribution (5% of highest IM Utilisation)	Actual DF Contribution (Higher of Fixed/Floating)
A	GCM	500,000	7,000,000	350,000	500,000
B	GCM	500,000	15,000,000	750,000	750,000
C	TCM	200,000	300,000	15,000	200,000
<b>TOTAL</b>		<b>1200,000</b>			<b>1450,000</b>

The initial DF contributions will be calculated on the basis of the highest initial margin utilised during previous Month 2019, and will be calculated on 1 April 2019, and advised to CMs shortly thereafter.

On an ongoing basis a CMs contribution towards the DF shall be subject to the following:

- a) The DF contribution shall be fixed for a calendar month.
- b) Dubai Clear will recalculate DF contributions monthly (at the end of each month) for the subsequent month, to ensure that DF contributions are commensurate with the risk portfolio of the CMs.
- c) The contributions of individual CMs shall be based on the risk to the Dubai Clear i.e. the higher a CMs initial margin utilised in a calendar month, the higher would be their floating contribution towards the DF for the next month.
- d) Default fund contribution will be blocked from the Collaterals posted with Dubai Clear, there is no separate contribution required towards default fund.

Details on default fund including default waterfall approach that would be used in the event of a CM default, together with the replenishment provisions shall be published by way of separate default fund policy