

MARGIN POLICY

DUBAI CLEAR

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In line with the SCA regulation and CCP rules, Clearing Members will be required to post margins with Dubai Clear (the CCP). These margins will be blocked against the collaterals/guarantee deposited by the Clearing Member (CM) with the CCP. In line with the above, Dubai Clear will replace Settlement Cap with Daily Operational Limit (DOL) to enhance management of clearing risks for Clearing Members (CMs) and also for Dubai Clear. The DOL is based on the value of the aggregate collateral lodged by a CM with the CCP.

Types of Margins

Currently the following type of margins which may be levied by the CCP.

1. DOL Margin
2. Initial Margin
3. Variation Margin
4. Fails Margin

The CCP reserves the right to levy additional margins from time to time based on market conditions and exposure.

1. DOL Margins

DOL Margins (DOL-M) are calculated at the time of execution of trade and is blocked against the Daily Operational Limit (DOL) of the CM. DOL-M will be calculated on a gross basis per client trading account level per symbol based on the DOL margin rate of the respective symbol published by the CCP. DOL-M will be calculated on the following type of trades:

- I. DVP Trades
 - a. All Buy trade
 - b. All Sell trades (Pre-validated + Non Pre-validated)
- II. Non DVP Trades
 - a. All Buy trades
 - b. Non Pre-validated Sell trades eg. short sells and regulated short sells. (For clarification, all pre-validated Sell trades will be exempted from DOL-M)

DOL-M will be only levied on the day of trade and will be released once Initial Margin is calculated on these trades at the end of day. There will be no margin off set across different clients or across different symbols within the same client.

2. Initial Margins

Initial Margins (IMs) will be calculated at the end of each calendar day based on each client position for each symbol. IMs will be calculated based either on a Gross or Net basis based on the type of trade. IM will be calculated using the total Buy and total Sell positions of the client for each trading day at each symbol based on the IM rate and daily close price for each symbol published by the CCP. IM will be calculated as follows:

- a. DVP Trades
 - i. Before rejection
All Buy trade values + All Sell trade values (Pre-validated + Non Pre-validated)
 - ii. After rejection
If Total Buy Value > Pre-validated Sale Value
 - Absolute of [Buys Value – All Sales Value (Pre-validated + Non Pre-validated)]
 - If Total Buy Value < Pre-validated Sale Value
 - Non Pre Validated Sale Values

b. Non DVP Trades

- i. If Total Buy Value > Pre-validated Sale Value
 - Absolute of (Buys Value – All Sales Value(Pre-validated + Non Pre-validated))
- ii. If Total Buy Value < Pre-validated Sale
 - Non Pre Validated Sale

IM rates will be calculated using Value at Risk (VAR) methodology based historical prices of past 6 months on a confidence interval of 99% with a one day look ahead period. These rates will be back tested using historical prices. There will be no margin off set across clients or across symbol within the same client.

3. Variation Margins

Variation Margins (VMs) are essentially Marked-to Market (MTM) profits or losses on each position held by the client. VMs will be calculated at end of each calendar day based on all outstanding positions at a Client Trading Account Level for each symbol based on the daily close price of that symbol. MTM profits and losses will be offset across symbol across Buy and Sell positions for each client trading account. In case the net VM for a client trading account (across all symbol across all open positions across each day) is a Loss, then the VM will be equal to the Loss so calculated. If the net VM for a client trading account (across all symbol across all open positions across each day) is a Profit, then the VM will be equal to Zero i.e. no VM. Any VM so calculated will be blocked against the outstanding DOL of the CM.

4. Fails Margins

Fails Margins (FMs) will be calculated at the end of each day at each client trading account level for each symbol on all fails positions. These margins will be calculated in the same manner as IM but will be calculated only on outstanding fails position.

Outstanding fails positions means:

- a. For buy positions: buy trades where the CM has not settled the cash settlement obligations with the CCP on the relevant settlement date;
- b. For sell positions: sell trades where the CM has failed to deliver securities to meet the securities settlement obligations on the relevant settlement date.

Collection of Margins

All margins calculated above will be blocked against the outstanding DOL of the CM with the CCP. In case the Margins calculated above exceeds the outstanding DOL of the CM, the CM will be immediately suspended from further trading until the CM either deposits additional collaterals/guarantee with the CCP or the Margin requirements are reduced or released due to settlement or change in market price or margin rates. IMs, VMs and FMs (wherever applicable) will be released as soon as the trade is settled successfully by the CCP.