

# GUARANTEE

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## Guarantee

With reference to the SCA Board of Directors' Decision No. (22 / R.M) of 2016 Concerning the Regulation of the Central Clearing Party (CCP) Business, the CCP will determine the form and value of Guarantee, the Clearing Member (CM) is required to deposit with the CCP as per its membership category. The term Guarantte means collateral.

The CCP will determine the minimum amount and form of Guarantee to be in place with the CCP based on membership Structure. Each CM must ensure that he complies with the Guarantee requirement at all times.

If the CM has placed a Guarantee with the CCP by way of a Bank Guarantee and wants to replace the Bank Guarantee but cannot obtain a new Bank Guarantee before withdrawing the previous one, the CM must request a suspension of trading in order to receive the previous Bank Guarantee from Dubai Clear or replace the Guarantee by other form of Gurantee e.g. Cash and/or Securities. Dubai Clear will ensure the absence of any financial commitments on the CM before releasing the previous Guarantee to them.

1. The amount of Guarantee must besufficient to cover the margin requirements and/or any other obligation imposed by the CCP.
2. If the margin requirements exceeds the amount of the Guarantee deposited in Dubai Clear by the percentage determined by the CM, the CM will receive a warning message on the Clearing system. The CM must inform Dubai Clear to setup an alert limit.
3. The CM may at any time, lodge additional Guarantee by depositing Cash with the Settlement Bank or increase the amount of bank guarantee and/or lodging securities as Guarantee in order to increase the Guarantee limit.
4. If the CM fails to pay amounts due in on the settlement day, Dubai Clear reserves the right to immediately liquidate the any or all Guarantees deposited with Dubai Clear.
5. The amount of Guarantee submitted by the CM in favor of Dubai Clear must always be sufficient based on the minimum requirement or based on the margin requirement of the CM whichever is higher. In case of shortfall the CM may not be allowed to continue his activity before he replenishes the shortage in the Guarantee.

If the Clearing Member exceeds the limit of the Guarantee, trading activities for the Clearing Member shall be suspended until there is sufficient unutilized Guarantee value available.

**Important remarks:**

- In case the CM deposits Guarantee by way of Bank Guarantee it should contain all the conditions issued by Dubai Clear and if the conditions were not fulfilled it will not be accepted by the Dubai Clear.
- A Manager's Cheque(MC) can be accepted under the following conditions:
  - The MC will be accepted for 3 day's of trades starting on day of an international benchmark index rebalancing event. This means that the DOL will be increased by the MC value for only 3 trading days;
  - MC value cannot exceed 50% of collateral value (that is 50% of BG + any another collateral Dubai Clear holds for the member)
  - The MC must submit with the MC a copy of a letter from issuing bank confirming that they have issued the MC in favour of DFM.
  - MC must be received by Dubai Clear by **1:00 02:00**pm on the day before the limit increase.
- If the CM fails to pay the value of the financial settlement due on settlement day (T+2) due to insufficient funds in their settlement account with the settlement bank, and if the deposited Guarantee amount by the CM is available in the Dubai Clear account Dubai Clear will implement the following steps immediately:
  1. Use the deposited amount to settle the financial settlement due to Dubai Clear from the Clearing Member.
  2. Amend the Guarantee limit as per the deposited Guarantee with Dubai Clear.After the execution, Dubai Clear will inform the CM about the withdrawal of the Guarantee that the Dubai Clear made to settle their financial settlement due.