Dubai Financial Market Rules for DVP Clearing and Settlement

(“DVP Rules”)

20/04/2011
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Definitions

In the application of these regulations, unless the context indicates otherwise, the following words and phrases shall have the meanings set out below:

Authority means the Emirates Securities and Commodities Authority.

Automated Clearing and Settlement System or ACSS means the automated system for clearing and settlement established and operated by DFM for the purpose of carrying out transactions relating to clearing and settlement.

Automated Trading System means the automated, computerized trading system established and operated by DFM.

Broker means a Clearing Member who is authorized in accordance with the relevant provisions of the laws of the UAE to carry out brokerage business on DFM.

Business Days means the working days from Sunday to Thursday (inclusive), but excluding official government holidays in the UAE or holidays sanctioned by the Authority.

Cash Settlement Account means an account opened in the name of a Clearing Member with the Settlement Bank for the receipt and payment of cash in relation to the settlement of Novated Transactions.

Clearing Member means a legal entity admitted to DFM as a Broker or Custodian who is responsible for the settlement of Novated Transactions and related obligations with DFM.

Custodian means an institution authorized by DFM to undertake the safekeeping and transfer of Securities and the settlement of obligations related to such Securities arising from Novated Transactions, on behalf of its clients.

Daily Settlement Position means the netted rights of a Clearing Member to receive payment from DFM and the gross obligations to deliver Securities, or the netted obligations of a Clearing Member to make payment to DFM and the gross rights of a Clearing Member to receive Securities.

DFM means the Dubai Financial Market in its capacity as the market that conducts the operations of clearing and settlement.

DVP means the delivery-versus-payment settlement system that provides a mechanism to ensure that delivery of Securities will occur if and only if payment for such Securities has cleared, as regulated by Article 36 of the SCA Regulations as to the Functioning of the Market dated 29 April 2001.

Exchange Transactions(s) means any trades in Securities matched and executed through the Automated Trading System.
Novated Transactions means the resulting transactions subject to the agreements between DFM and each Clearing Member setting out the requirements and regulations (pursuant to the applicable rules and regulations in respect of novation) in relation to clearing and settlement of Exchange Transactions using the ACSS.

Securities means:

(i) shares, bonds and bills issued by public joint stock companies;

(ii) bonds and bills issued by the UAE federal government, UAE local governments or public corporations and institutions in the UAE; and

(iii) any other financial instruments authorized by the Authority for listing and trading on the DFM.

Settlement Bank means the bank or banks approved by DFM that carry out financial settlements in relation to the activities on the DFM.

Settlement Day means the day, excluding Fridays, Saturdays and DFM declared holidays, an Exchange Transaction is due for cash and securities settlement which is currently fixed at T+2.

Settlement Period means the period from T+0 to T+2 or as otherwise set out by DFM from time to time.

T and T+0 mean the date of execution of an Exchange Transaction and T+2 means two Business Days after date of execution of the Exchange Transaction.

UAE means the United Arab Emirates.
1 Clearing and Settlement

1.1 General Provisions

1.1.1 All Exchange Transactions in listed Securities on DFM are automatically and instantly sent through the Automated Trading System to the Automated Clearing and Settlement System for completion of the clearing processes.

1.1.2 The data required for clearing and settlement is received from the Automated Trading System and recorded and stored in the Automated Clearing and Settlement System. For the duration of the Settlement Period, a record shall be kept of all Exchange Transactions executed by each Clearing Member, including the price of such trade(s) and the counterparties to the Exchange Transactions.

1.1.3 The Automated Clearing and Settlement System shall operate in accordance with a progressive settlement table for all Exchange Transactions that take place on the trading day (T+0). The Settlement Day is the second business day following execution of the Exchange Transaction, i.e. (T+2) or as prescribed in the relevant DFM policies and procedures from time to time.

1.1.4 The Settlement Period is the period between the day of the execution of the Exchange Transactions and the Settlement Day.

1.2 Settlement Bank

1.2.1 The monetary settlement of Exchange Transactions and the safe custody of cash collateral, if any and if applicable, are performed by the Settlement Bank for DFM. The Settlement Bank is responsible for:

1.2.1.1 The timely cash settlement of net payments on a Settlement Day pursuant to payment instructions issued by DFM; and

1.2.1.2 Upon the instruction of DFM (as authorized by the relevant Clearing Member) to debit a Clearing Member’s bank account in relation to the settlement of all net amounts due from a Clearing Member, or, credit a Clearing Member’s bank account in relation to all net amounts due to a Clearing Member.

1.2.2 DFM shall be authorized by each Clearing Member at all times to issue instructions to a Settlement Bank to debit any net fees and other relevant charges or fees which may be imposed under the DFM policies and procedures as prescribed from time to time.
1.2.3 The Settlement Bank is obligated to execute the settlement of payment or transfer instructions through its electronic payment system pursuant to the relevant Settlement Bank agreement entered into with DFM.

1.3 Rights and Obligations Resulting from Novated Transactions

1.3.1 Novation of Exchange Transactions and replacement by Novated Transactions:

1.3.1.1 When an Exchange Transaction between a buying Clearing Member and a selling Clearing Member is accepted for settlement by DFM, the Exchange Transaction shall be replaced by two Novated Transactions and the regulations pertaining to novation will apply.

1.3.1.2 Upon the novation of an Exchange Transaction, the obligation of the buying Clearing Member to pay the purchase consideration to the selling Clearing Member is replaced by the obligation of the buying Clearing Member to pay the purchase consideration to DFM.

1.3.1.3 Upon the novation of an Exchange Transaction, the right of the buying Clearing Member to receive the Securities from the selling Clearing Member is replaced by the right of the buying Clearing Member to receive the Securities from DFM via book-entry credits to the securities accounts of the buying Clearing Member and/or to the securities accounts of the clients of the buying Clearing Member.

1.3.1.4 Upon the novation of an Exchange Transaction, the obligation of the selling Clearing Member to deliver Securities to the buying Clearing Member is replaced by the obligation of the selling Clearing Member to deliver Securities to DFM via book-entry debits from the securities accounts of the selling Clearing Member and/or from the securities accounts of the clients of the selling Clearing Member.

1.3.1.5 Upon the novation of an Exchange Transaction, the right of the selling Clearing Member to receive the sale consideration from the buying Clearing Member is replaced by the right of the selling Clearing Member to receive the sale consideration from DFM.

1.3.2 Resulting Rights and obligations under Novated Transactions:

1.3.2.1 After the novation of an Exchange Transaction, rights and obligations arise between the buying Clearing Member and DFM; and
1.3.2.2 After the novation of an Exchange Transaction, rights and obligations arise between the selling Clearing Member and DFM, and all rights and obligations are owed by and to the parties as principals to each other notwithstanding that the buying and selling Clearing Members may have acted as agents for their respective clients in executing or clearing and settling the relevant Exchange Transactions.

1.3.3 The terms of the Novated Transactions shall be the same as the terms of the relevant Exchange Transactions replaced by such Novated Transactions.

1.3.4 The Clearing Members shall be liable to DFM for all monetary obligations arising from their Daily Settlement Positions when due, including all or any net fees, resulting from settlement of Novated Transactions.

1.3.5 As collateral for the monetary obligations resulting from their daily settlement positions, the Clearing Members shall be obligated to deposit a bank guarantee in a timely manner, in accordance with the policies and procedures issued by DFM from time to time.

1.4 Netting and the Daily Settlement Positions Records

1.4.1 DFM shall calculate and communicate the Daily Settlement Positions of Clearing Members on a net basis in respect of cash obligations for final settlement on each Settlement Day.

1.4.2 A Clearing Member’s obligation to make payment for Novated Transactions or its entitlement to receive payment for Novated Transactions shall be satisfied by payments calculated by DFM on a net basis.

1.4.3 A Clearing Member’s payment obligations arising from Novated Transactions which are due for settlement on any Settlement Day shall be set-off so that the total of all amounts that a Clearing Member is obliged to pay DFM on a particular Settlement Day shall be set-off against the total of all amounts that such a Clearing Member is entitled to receive from DFM on the same Settlement Day to arrive at a daily net cash position for the Clearing Member due to or due from DFM on each Settlement Day.

1.4.4 On such day as may be prescribed by DFM policies and procedures from time to time, the relevant Clearing Members shall be notified of each Novated Transaction by means of the record of Daily Settlement Positions sent via the Automated Clearing and Settlement System in computer-readable form. The information shall include:
1.4.4.1 A list of such Clearing Member’s Novated Transactions in eligible Securities accepted for settlement including the unique trade reference number corresponding to the trade input by the relevant Broker;

1.4.4.2 The Daily Settlement Position, containing net cash positions and gross Securities debit and credit positions;

1.4.4.3 A net cash settlement amount of Novated Transactions of either a net To Pay to DFM or net To Collect from DFM on a settlement day;

1.4.4.4 A list stating the number of Securities (listed by Security) on the Settlement Day that are to be debited from the selling Clearing Member’s securities account and/or the respective securities accounts of the Clearing Member’s clients; and

1.4.4.5 A list stating the number of Securities (listed by Security) on the Settlement Day that are to be credited to the buying Clearing Member’s securities account and/or the respective Securities accounts of the Clearing Member’s clients.

1.4.5 Any amendments sought by the Clearing Members to the contents of the record of Daily Settlement Positions shall be made immediately to DFM upon receipt of such record and sent to DFM at the end of trading on the day of execution of the relevant Exchange Transaction (T+0) at the time and either electronically or by telefax or as otherwise set out in the relevant DFM procedures from time to time, otherwise the obligations shall be deemed as final and may no longer be rescinded or amended.

1.5 Financial Settlement

1.5.1 Daily Financial Settlement

1.5.1.1 Each Clearing Member shall have a designated bank account with a designated Settlement Bank for the purposes of settlement of payment obligations between Clearing Members and DFM. The record of Daily Settlement Positions shall be sent to the Settlement Bank at the prescribed time.

1.5.1.2 In the event of any settlement rejections by Custodian Clearing Members (or any other third party custodian if applicable) DFM shall, on the Settlement Day at the time as specified in the relevant policies and procedures, recalculate and adjust net cash positions notified in the record of Daily Settlement Positions for any affected Clearing Members by adjusting the trading value of the quantity of securities.
1.5.1.3 Based on the cash settlement file sent by DFM, the Settlement Bank shall execute payment instructions on amounts due from and to the Clearing Members on the Settlement Day at the time, specified in the applicable DFM policies and procedures by:

1.5.1.3.1 Debiting Clearing Members’ Cash Settlement Accounts and crediting DFM cash clearing account, opened with the Settlement Bank; and

1.5.1.3.2 Debiting DFM cash clearing account and crediting Clearing Members’ Cash Settlement Accounts.

1.5.1.4 A Clearing Member must always ensure availability of sufficient funds in his Cash Settlement Account to pay his obligations to DFM in freely available funds in full by the prescribed times specified in the DFM policies and procedures from time to time.

1.6 Final Payments

1.6.1 Payment transfer instructions and netting included in the Daily Settlement Positions shall be legally enforceable and, even in the event of insolvency proceedings against a Clearing Member, shall be binding on third parties at all times.

1.6.2 A payment transfer instruction may not be revoked by a Clearing Member or a third party due to insolvency proceedings against a Clearing Member.

1.6.3 Insolvency proceedings for the purpose of these DVP Rules shall mean any measure provided for in the law to either to wind up the Clearing Member or to reorganize it, where such measure involves the suspension of or imposition of limitations on, transfers or payments.

1.7 Transfers of Securities and the Clearing and Settlement Process

1.7.1 Securities Settlement

1.7.1.1 The settlement of Novated Transactions and related transfers of Securities (as recorded in the Central Securities Register) shall be executed through the Automated Clearing and Settlement System operated by DFM.

1.7.1.2 All settlement of Securities shall be way of book-entry delivery unless otherwise approved by DFM.

1.7.1.3 Notwithstanding that payment is settled on a net basis, the delivery of Securities for settlement shall not be on a net basis.
1.7.1.4 The obligation of DFM to deliver the relevant Securities to a buying Clearing Member pursuant to settlement of a Novated Transaction on any Settlement Day shall be discharged by the buying Clearing Member giving irrevocable authorization to DFM to credit such Securities to the relevant depository accounts of the buying Clearing Member or the depository accounts of the buying Clearing Member’s clients on whose behalf the buying Clearing Member executed the relevant Exchange Transaction for settlement by the prescribed deadline on any given Settlement Day.

1.7.1.5 The right of DFM to receive Securities on any Settlement Day from a selling Clearing Member pursuant to a Novated Transaction shall be satisfied by the selling Clearing Member giving irrevocable authorization to DFM to debit such Securities from the relevant depository accounts of the selling Clearing Member or the depository accounts of the selling Clearing Member’s clients on whose behalf the selling Clearing Member executed the relevant Exchange Transaction for settlement by the prescribed deadline on any given Settlement Day.

1.7.1.6 In respect of the obligations of DFM to deliver Securities pursuant to a Novated Transaction, to the extent that DFM determines that it is not possible or reasonably practicable to deliver such Securities, the obligation of DFM shall be to make money compensation to the relevant Clearing Members in accordance with the DFM policies and procedures prescribed from time to time.

1.7.2 Reservation of Title

1.7.2.1 With respect to any Securities delivered by DFM in settlement of a Novated Transaction, until such time as DFM is satisfied that it has received payment in full by the prescribed times set out in the relevant DFM policies and procedures from time to time, title and ownership to such Securities shall not pass on delivery to the Clearing Member (or to any other recipient thereof) unless otherwise specifically agreed in writing by DFM. DFM shall place any such Securities credited to the relevant depository accounts of the buying Clearing Member or the depository accounts of the buying Clearing Member’s clients on whose behalf the buying Clearing Member executed the relevant Exchange Transaction under a Restricted status.
1.7.2.2 Where DFM has not received payment in full from a Clearing Member by the prescribed times set out in the relevant DFM policies and procedures, the relevant Clearing Member shall notify DFM of the names and account numbers of the clients who have not fulfilled their payment obligations to the relevant Clearing Member.

1.7.2.3 Notwithstanding that the relevant Clearing Member may provide DFM with the names and account numbers of the clients who have not fulfilled their payment obligations to the relevant Clearing Member, if DFM has not received payment in full it may determine and deem that all clients of the relevant Clearing Member have failed to fulfill their payment obligations to such Clearing Member.

1.7.2.4 Where the relevant Clearing Member fails to furnish DFM with the names and account numbers of clients who did not fulfill their obligations to such Clearing Member, DFM shall deem that all clients of such Clearing Member failed to fulfill their obligations to such Clearing Member.

1.7.2.5 Under these DVP Rules and pursuant to Paragraph 10 Article 11 of Decision No (3/R) of 2001 Concerning the Regulations As To The Functioning of the DFM, DFM shall be duly authorized by the relevant Clearing Member to dispose of any Securities credited to the depository accounts of such buying Clearing Member or the depository accounts of the buying Clearing Member’s clients on whose behalf the buying Clearing Member executed the relevant Exchange Transaction to settle payments not received in full by DFM, immediately or in accordance with DFM’s prescribed policies and procedures, without giving notice to the relevant buying Clearing Member or the buying Clearing Member’s clients.

1.7.2.6 In addition, DFM shall have the right to liquidate any collateral, including bank guarantees, lodged with DFM by the relevant buying Clearing Member at any time in order to collect any payments due to DFM from such relevant buying Clearing Member.
1.7.2.7 For the avoidance of doubt, title and ownership of any Securities which have been credited for settlement of Novated Transactions but for which payment in full has not been received from the buying Clearing Member of such Securities shall only pass when the relevant buying Clearing Member (or recipient thereof on the buying Clearing Member’s instructions) is expressly permitted by DFM. At any time before such permission is given by DFM, DFM shall be free to use or apply such Securities to limit its liability resulting from such Clearing Member’s failure to make payment to DFM.

2 Transfers of Securities Arising from Late Confirmation

2.1 The Clearing Member who has settled any rejected Novated Transaction may subsequently apply to DFM for a transfer (a late confirmation transfer request) of such paid-up Securities from the designated rejection account to the client’s account with the Custodian in the manner and timeframe set out in the relevant DFM policies and procedures prescribed from time to time.

2.2 DFM shall only approve such transfers if there are sufficient available Securities in the designated rejection account of the relevant Clearing Member and reserves the right to reject any transfer request without assigning any reason thereto.

2.3 The relevant Clearing Member shall ensure that such transfer application complies with the following conditions:

2.3.1 The transfer request must be in relation to a valid rejection of a Novated Transaction which must be within the late confirmation period as set-out in the relevant DFM policies and procedures prescribed from time to time (except for transfer of Securities arising from corporate action of the paid securities).

2.3.2 The transfer request shall be in relation to the same traded Security as referenced in the original rejection.

2.3.3 The transfer request shall be for a quantity equal to or less than the amount referenced in the original rejection.

2.3.4 Where the quantity of Securities requested exceeds the quantity referenced in the original rejection, the relevant Clearing Member must explain such excess to the DFM. Only excesses arising from corporate actions may be transferable.

2.3.5 Failure by the relevant Clearing Member to comply with the above transfer conditions will result in disciplinary action by the DFM and/or the Authority.
which may include the suspension of the Clearing Member from using the
prescribed late confirmation transfer request process indefinitely.

2.4 The late confirmation transfer request may be subject to a late confirmation fee
set out in the relevant DFM policies and procedures prescribed from time to time.

2.5 Any late confirmation fee shall be paid by the relevant client and collected via the
Custodian of the client for whom the Novated Transaction was executed.

2.6 The Custodian requesting a late confirmation settlement must ensure that the
cash settlement amount for the Securities to be transferred by the relevant
Clearing Member, including any charges as may be agreed between the Broker
and client under the applicable broker/client agreement, be made on a delivery
versus payment basis. This means that the Custodian must ensure payment is
received by the relevant Clearing Member no later than the end of the Business
Day from confirmation of receipt of payment by the Broker before the Clearing
Member transfers the securities to the Custodian, all subject to the DFM transfer
request cut-off times prescribed in the relevant DFM policies and procedures from
time to time.

3 Settlement Rejection by Custodian

3.1 A Novated Transaction executed by a Broker for a client that uses a Custodian (for
the purpose of this clause, either a Custodian or an outside custodian) for
settlement may be rejected for settlement by the Custodian if such Custodian
does not receive matched settlement instructions from the client or does not
receive any instruction from the client.

3.2 To initiate a rejection, a Custodian must notify DFM and the Broker who executed
the Novated Transaction in the manner prescribed by the relevant DFM policies
and procedures from time to time.

3.3 DFM at all times shall have authority pursuant to the indemnity executed by the
Broker in favour of DFM, to accept the rejection request from Custodians without
having to seek further confirmation from the Broker for settlement of the rejected
Novated Transaction.

3.4 A Broker trading for clients using Custodians for settlement will require a
designated rejection account in the manner prescribed by the relevant DFM
policies and procedures from time to time.

3.5 A Broker who executed the Novated Transactions rejected by a Custodian for
settlement, shall be responsible for settlement of such rejected Novated
Transactions.
3.6 A Custodian who has received matched settlement instructions from clients shall be responsible for settlement of Novated Transactions (not rejected) to the executing Broker as Clearing Member for settlement.

4 Settlement Rejection of Novated Transactions – Buy Transactions

4.1 A Broker that executes a Novated Transaction (buy transaction) for a client that uses a Custodian as a Clearing Member for securities settlement that is subsequently rejected shall be responsible for the payment obligations in relation to such Novated Transaction (buy transaction) rejected by the Custodian for settlement (the “rejected buy transaction”).

4.2 Securities underlying a rejected buy transaction shall be delivered by DFM to the designated rejection account of the Broker that executed the rejected buy transaction, subject to full payment within prescribed timeframes of any payment obligations due to DFM for settlement.

4.3 The Broker may dispose of the Securities credited to the designated rejection account at any time after T+2 in accordance with the regulations of the Authority on unpaid securities and the terms of the broker/client agreement in relation to payments by clients.

4.4 If the Securities credited to the designated rejection account are not subsequently transferred to the Custodian in accordance with a later confirmation transfer request, the Broker must sell the Securities in accordance with the relevant DFM policies and procedures issued from time to time.

4.5 The Broker shall ensure that any gains arising from such a disposal shall be paid to DFM.

5 Settlement Rejection of Novated Transactions – Sell Transactions

5.1 A Broker that executes a Novated Transaction (sell transaction) for a client who uses a Custodian for securities settlement that is subsequently rejected shall be responsible for the securities settlement obligations in relation to such Novated Transaction (sell transaction) rejected by the Custodian for settlement (the “rejected sell transaction”).

5.2 Where the rejected sell transaction is confirmed to be erroneous, the Broker who executed such rejected sell transaction is responsible for reimbursing the client for any costs and corporate actions arising from such rejected sell transaction via the Custodian.

5.3 The Securities underlying a rejected sell transaction shall be delivered by the selling Broker from the designated rejection account to DFM within the prescribed
times for delivery of securities for settlement as specified in the relevant DFM policies and procedures prescribed from time to time.

5.4 Where the Securities underlying the rejected sell transaction are not delivered by the selling Broker to DFM within the prescribed timeframes, the sales proceeds in relation to the quantity not delivered (herein referred to as the “short quantity”) shall be retained by DFM until the short quantity is corrected by the selling Broker (herein referred to as the “short Broker”).

5.5 The short Broker will have the following options available to rectify the short quantity:

5.5.1 The client using a Custodian for settlement can subsequently confirm the rejected sell transaction for settlement whereby the Custodian will request a reversal of the rejection in accordance with the relevant DFM policies and procedures prescribed from time to time.

5.5.2 The short Broker may purchase the short quantity from the market provided that the short quantity is fully settled on or before the last Settlement Day of the applicable late confirmation period.

5.5.3 The short Broker may buy the short quantity from the buy-in board of DFM in accordance with the buy-in procedures prescribed by DFM from time to time.

5.5.4 The short Broker will be subjected to a mandatory buy-in by the DFM in relation to any outstanding short quantity as of 2.00pm (or a time which may be prescribed by DFM form time to time) on the last Settlement Day of the applicable late confirmation period.

5.5.5 Where the short quantity remains outstanding and due from the short Broker after the mandatory buy-in by DFM, a cash close-out will be instituted against the client using a Custodian for settlement that is the same Custodian who was the seller of the outstanding short quantity at the original traded price or a price which may be prescribed by DFM from time to time.

5.5.6 The short Broker shall be responsible for replacing the Securities sold by such short Broker if it is determined that the client did not place the sell order. In the event the short Broker is unable to procure the replacement Securities, the Cash Settlement Replacement procedures issued by DFM from time to time will be applied.

6 Reversals of Settlement Rejection of Novated Transactions (Sell Transactions) by Custodian
6.1 A Custodian may request a reversal of a rejected sell transaction upon subsequent receipt of matched settlement instructions from clients within the timeframes set-out in the relevant DFM policies and procedures prescribed from time to time, subject to agreement by the relevant Broker.

6.2 A reversal of a rejected sell transaction shall only be approved by DFM if:

6.2.1 the Broker that accepted the sell rejection does not object to the request; and

6.2.2 the Broker has not settled the rejected sell transaction.

6.3 DFM reserves the right to collect a late confirmation fee from the client using a Custodian for settlement whose name appears on the relevant account of the rejection reversal request to DFM. This fee shall be collected via the Custodian.

6.4 The amount of any relevant fees shall be prescribed in the relevant DFM policies and procedures set out from time to time.

7  Corporate Actions

7.1 Settlement Rejection of Novated Transactions – Sell Transactions

7.1.1 Where a Novated Transaction (sell transaction) is rejected for settlement by a Custodian, the outstanding short quantity of securities not delivered by the executing Broker will remain under a ‘Pending’ status in the account of such client using the Custodian for settlement.

7.1.2 Balances of Securities under such a ‘Pending’ status will not be eligible for any corporate actions and shall not be available for validation of sell orders.

7.1.3 Where a Novated Transaction (sell transactions) is rejected by the Custodian on the basis of non-receipt of settlement instructions or matched settlement instructions from the Custodian’s client and such Novated Transaction (sell transactions) is confirmed to be erroneous, the Broker responsible for the execution of the rejected sell transaction shall reimburse the client for any costs and/or corporate action benefits to which the client should have been rightfully entitled while the Securities were under a ‘Pending’ status.

8  Buy-in

8.1 A Broker, with an outstanding short quantity in the designated rejection account must ensure that the short quantity is settled by 13:00 on the last day of the applicable late confirmation period.
8.2 DFM shall provide a buy-in board and process to Brokers who have an outstanding short quantity of Securities in the designated rejection account to facilitate the purchase of the short quantity in accordance with the relevant DFM policies and procedures issued from time to time.

8.3 The electronic auction for the purpose of the buy-in process shall not be regarded as a regulated market, and shall be regulated according to the DFM buy-in procedures, issued from time to time by DFM for that purpose.

8.4 The times for the operations of a buy-in board and the matching algorithm of buy-in transactions shall be prescribed in the relevant DFM policies and procedures as set out from time to time.

8.5 The price and volumes of successful buy-in transactions shall not form part of daily market price calculations nor the daily market volume calculations for the relevant Securities, and will not be eligible in relation to the computation of any indices.

8.6 A trading halt or suspension from trading imposed pursuant to the relevant trading rules or listing requirements shall not affect DFM’s decision to proceed with the operation of the buy-in process.

8.7 Securities settlement of a successfully matched buy-in transaction shall be settled on an immediate basis (T+0) or as prescribed in the relevant DFM policies and procedures from time to time.

8.8 Cash settlement shall be on the next Settlement Day or as prescribed in the relevant DFM policies and procedures from time to time.

8.9 The buy-in cash settlement obligations of the short Broker, including any charges, penalties and fees incurred by DFM, and the buy-in cash obligations of successful selling Brokers (herein referred to as “new selling Brokers”), shall be included and netted against the daily cash settlement obligations.

8.10 New selling Brokers must ensure that there are available Securities for the settlement of matched buy-in transactions.

8.11 New selling Brokers participating in the buy-in for clients using a Custodian for settlement shall be deemed to have the necessary confirmation for settlement in the event a transaction placed by a new selling Broker is successfully matched by DFM.

8.12 Securities settlement for a matched buy-in transaction is final and shall not be subjected to any conditions or settlement rejections.

8.13 The costs incurred by DFM in managing the buy-in process, as well as any losses arising from its execution, shall be borne by the short Broker as prescribed in the relevant DFM policies and procedures from time to time.
8.14 Any gains arising from the successful matching of buy-in transactions shall be retained by DFM unless otherwise prescribed in the relevant DFM policies and procedures from time to time.

9 Indemnity by Clearing Member

9.1 Each Clearing Member shall indemnify DFM, its agents, representatives, directors, officers and employees and hold each of them harmless against all costs, fees, expenses, liabilities, taxes, assessment, losses and damages of any nature whatsoever suffered or incurred by them directly or indirectly as a result of or in connection with the following matters:

9.1.1 the participation in any of the services or facilities made available by DFM by the Clearing Member or the Clearing Member’s activities in relation to any of such services or facilities and all matters relating thereto as contemplated in these DVP Rules;

9.1.2 the failure by the Clearing Member to comply with the provisions of these DVP Rules, any operational policies and procedures and any other agreements entered into with DFM (including without limitation the representations and warranties contained therein) or to comply with any conditions imposed on the Clearing Member or any directives or rules of DFM;

9.1.3 the actions and/or omission by a Settlement Bank (or any party providing clearing services), its agents, nominees, employees, directors, officers and representatives in reliance on any instructions or communication believed in good faith by any of them to have been given by or on behalf of the Clearing Member, or the failure of the Clearing Member to give instructions to the Settlement Bank (or any party providing clearing services), as contemplated in these DVP Rules.

10 Immunity

10.1 No liability shall be incurred by DFM, or any person acting for DFM, in respect of any actions or omissions made or performed in good faith in relation to the performance or purported performance by the DFM or such person’s duties.

11 Third Party Rights and Interest Not Recognized

11.1 DFM does not recognize the rights and/or interests of any parties other than its Clearing Members in relation to any of its services or facilities and in its dealings. Every transaction to be cleared and settled by DFM, or cleared and settled by DFM for account of a Clearing Members, shall be in accordance with the DVP Rules.