

DERIVATIVES COLLATERAL POLICY DUBAI CLEAR

Classification	Policy	Type	Policy
Version	023	Owner	Dubai Clear
No. of Pages	2	Date of Issue	31-JanXXX 2021

Disclaimer:

The information provided in this document ("Information") is provided by way of general information and comment only. While reasonable care has been taken in producing this Information, changes in circumstances may occur at any time and may impact on the accuracy of the Information. Dubai Clear L.L.C. and/or its affiliates, officers or employees, are not responsible and do not give any warranty or representation as to the accuracy, reliability, timeliness or completeness of the Information now or in the future. Dubai Clear L.L.C. and/ or its affiliates, officers or employees shall not be liable for any loss suffered, directly or indirectly by any person acting in reliance upon the Information contained herein.

The Information does not constitute professional advice or provision of any kind of services and should not be relied upon as such. No part of the Information provided is to be construed as a solicitation to make any financial investment. Information, including forecast financial information and examples should not be considered as a recommendation in relation to holding, purchasing or selling securities or other instruments. The information does not take into account any investor's individual investment objectives, financial position and particular investment needs. As such, before making any decision, investors should conduct their own due diligence and consult their financial advisors. The performance of trading securities or instruments is not guaranteed and past performance is not an indication of future performance. Unless otherwise stated, Dubai Clear L.L.C. owns copyright in the Information contained herein. The Information may not otherwise be reproduced and must not be distributed or transmitted to any other person or used in any way without the express approval of Dubai Clear L.L.C. This information is subject to the Dubai Clear website Disclaimer.

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
2	Bank Guarantee	AED	0%	Bank guarantee is required to be issued by CCP approved <u>list of Central Bank licensed banks and financial institutions</u> and only in an <u>approved format published by the CCP</u>
3	Securities	AED	50%	Securities approved by the CCP from time to time

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.
- 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