

# SETTLEMENT AGENT PROCEDURES

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## Settlement Agent Procedures

### Bank 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, a Settlement Agent(SA) is a Safe Custodian licensed by the Authority and approved by the CCP to perform cash and securities settlement activities on behalf of and under authorization of the Clearing Member(CM).

Dubai Clear may require the SA to deposit Guarantee(collateral) with regards to the trades to be settled by the SA.

The amount of Guarantee will be determined by Dubai Clear based on the volume of trading by SA clients, and the net amount payable by the SA.

### Raising the Trading Limit

If a Guarantee is applicable, the SA may deposit additional Guarantee by:

- Submitting a new bank guarantee to the Dubai Clear including the amount of increase.
- Sending an official letter to Dubai Clear from the bank who issues the guarantee stating that they bear the responsibility for the increase in the bank guarantee limit, and provide their undertaking to pay entitlements due as a result of default by the SAs.
- Deposit an amount of money either cash or cheque in Dubai Clear Settlement Account with the settlement banks (Emirates National Bank of Dubai A/C: 0592063720904 IBAN# AE810260000592063720904 or Standard Bank A/C 01422417503 IBAN# AE14 0440 0000 0142 2417 503) and send a copy of the credit advice along with an official letter from the SA requesting to increase the trading limit by email at: [clearing&settlement@dubaiclear.ae](mailto:clearing&settlement@dubaiclear.ae)

In case the SA fails to increase the Guarantee when requested, Dubai Clear may not allow the SA to accept any trades for settlement on behalf of Clearing Members (CMs).

### Undertaking Letter

If a CM wishes to trade for SA clients, he should sign the undertaking letter which indicates that the CM will be fully liable for settlement amounts not paid by the SA to Dubai Clear on the settlement due date as specified by Dubai Clear rules and regulations. An original copy of this undertaking shall be given to Dubai Clear and a copy to the SA before executing any transaction for the SA client.

### Settlement:

Dubai Clear will consider the SA as an agent of CM for the settlement process as the SA will settle all trades executed for their clients directly with Dubai Clear in accordance with the applicable Dubai Clear Rules. Therefore, the SA shall open a settlement account with one of

the Dubai Clear settlement banks (Emirates National Bank of Dubai or Standard Chartered Bank) for the purpose of settling trades and the CM shall receive his commissions pertaining to the deal, directly from the SA.

On the settlement date (T+2), Securities are transferred by Dubai Clear from the investor (seller's) account to the investor (buyer's) account by 10:15a.m. and the settlement banks of Dubai CSD debits or credits the SA account with the net amount in addition to Dubai Clear commission by maximum 10:00a.m. The SA should ensure that sufficient funds are available in their account with the settlement bank by maximum 10:00 a.m. on the settlement date (T+2). In case there were no funds available in the SA account, the following actions may be taken:

1. If the SA did not pay the full amount due by maximum 10:00 a.m, a financial penalty will be imposed on the SA and the penalty amount is the same as for CM financial penalties which is mentioned in the Dubai Clear Fees section / CM's Financial Penalties. The Dubai Clear management has the right to impose any other charges that protects clearing and settlement.
2. If the SA did not pay until (T+3), they may be penalized double the value of the financial penalty for every late day until they pay the full amount.
3. SA might be suspended from acceptance of trades by SA if they did not pay their settlement obligation.

### **Delivery Versus Payment System (DVP)**

Delivery Versus Payment (DVP) is applied on settlement of trades for the SA clients, which may be rejected by the SA to settle any sale or purchase trade executed for one of its clients. For more details, please refer to the "DVP Procedures for Clearing Participants" section.

### **Daily Trading Reports**

Dubai Clear shall send the SA all daily trading report details of SA clients upon an official request from the SA to Dubai Clear indicating the type of details required. These reports are sent through the SFTP system.

Any additional reports requested by the SA will be subject to additional charges as specified by Dubai Clear.

### **Documents to be submitted to Dubai Clear before commencement of trading**

1. Proof of deposit of Guarantee as per the Dubai Clear format if applicable.
2. Formal letter from the SA addressed to Dubai Clear including the settlement account numbers (AED & USD) with one of the Dubai CSD settlement banks (Emirates National Bank of Dubai & Standard Chartered Bank).
3. Copy of the settlement account undertaking letter that the SA sends to the settlement bank.
4. Formal letter from the SA addressed to Dubai Clear requesting daily trading reports.