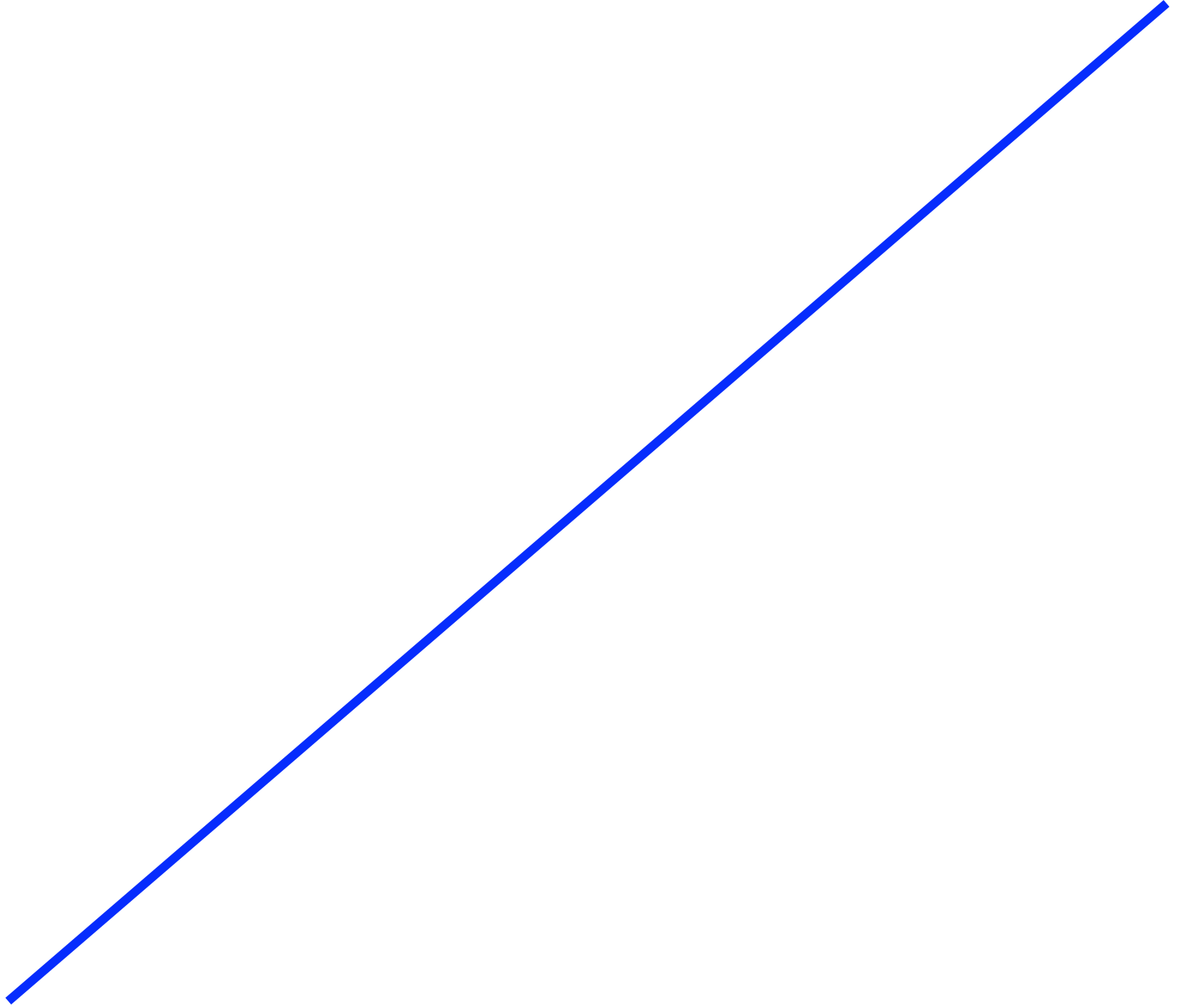




2023

Collateral Policy – Dubai Clear



Classification: Policy

Type: Policy

Title: Collateral Policy

Owner: Dubai Clear

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Dubai Clear LLC (the CCP) shall in accordance with CCP Rules, the Collateral Policy, the Margin Policy, the 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.

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
		USD	5%	
2	Bank Guarantee	AED	0%	Bank guarantee is required to be issued by CCP approved list of Banks or Finance Companies licensed by Central Bank (BG issuing entities) and only in a format published by the CCP
3	Securities	AED	50%	Securities approved by the CCP from time to time

- Dubai Clear will impose a limit on the maximum Bank Guarantee (collateral) value it will accept from a specific BG Issuing entity, based on risk-based criteria of Credit Rating and/or Tier 1 Capital.
- In absence of availability of aforesaid 2 criteria, Dubai Clear will impose a maximum collateral acceptance limit as per its internal risk management criteria and procedure.
- Dubai Clear reserve the right to refuse acceptance of Bank Guarantee from a specific BG Issuing entity in case of exhaustion of collateral limit.
- Dubai Clear may conduct periodic review and revise the maximum collateral acceptance limit for BG issuing entities.
- Dubai Clear may instruct the Clearing Members to replace an existing BG with other acceptable collateral in case of changes in maximum collateral exposure limits. Clearing Members are obligated to replace existing BGs within a specified time-period.
- Clearing Members must seek Dubai Clear's prior approval before obtaining new/additional/replacement Bank Guarantees.

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 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 Category	Initial Contribution to CCP
Trade Clearing Member (TCM)	AED 10,000,000
General Clearing Member (GCM)	AED 50,000,000
Settlement Agent (SA)	AED 50,000,000

- 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.
- 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.

Contact us.

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