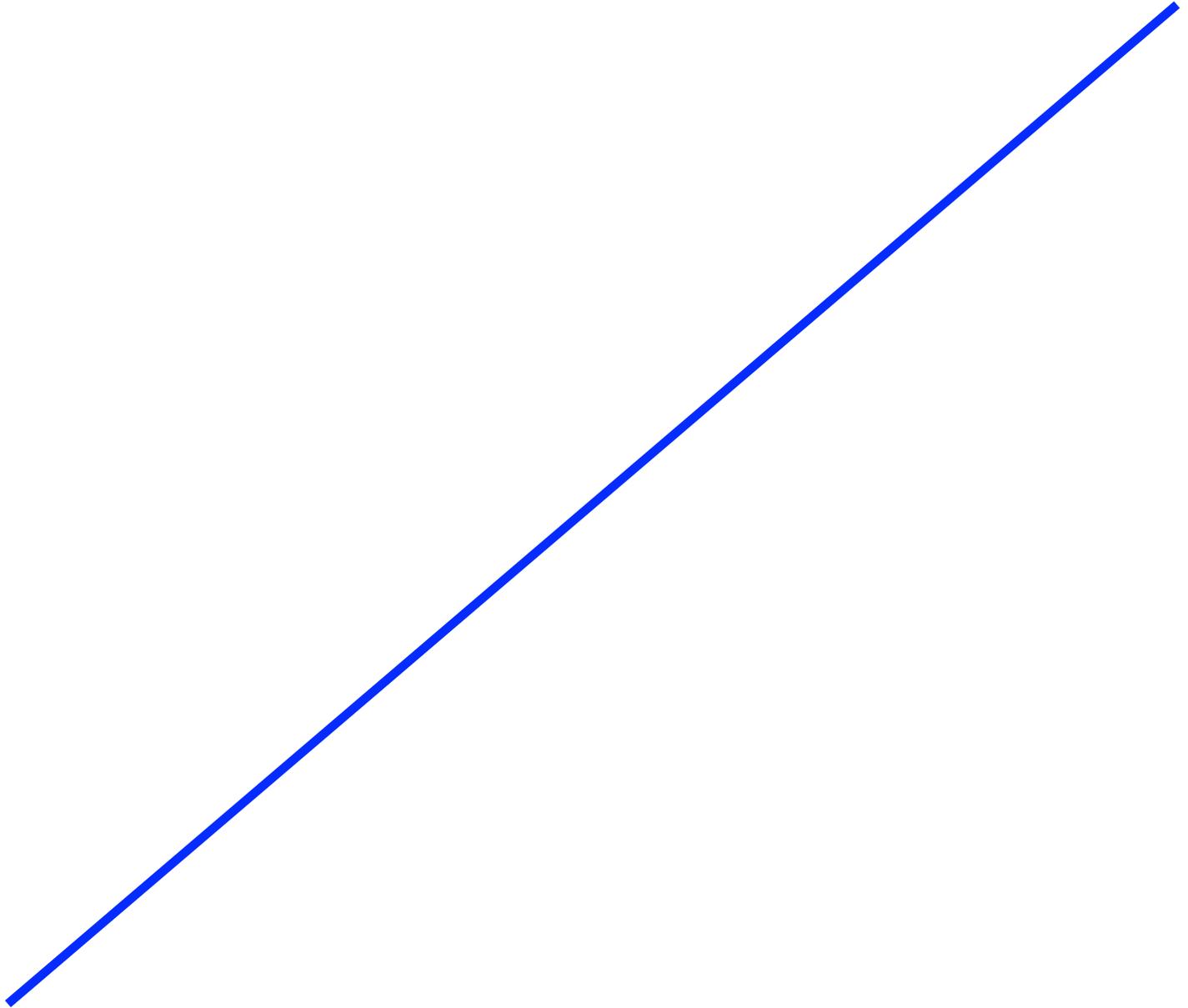




Derivatives Clearing Membership Structure Dubai Clear



Classification Policy

Type Policy

Version 03

Owner Dubai Clear

No. of Pages 2

Date of Issue 24 Oct 2021



Membership Structure

Pursuant to the CCP General Rules, Default Rules and procedures of the Dubai Clear, Members are classified as follows:

Rule 5 of CCP General Rules provides for provisions related to Membership of the CCP. In line with Rule 5.1, the categories of Clearing Members and Settlement Agents who may be admitted to the Clearing House are as follows:

1. **Trading Clearing Members** – Authorized to clear Pproprietary and Client trades executed by themselves as a Trading member of the Exchange.
2. **General Clearing Members** - Authorized to clear Pproprietary and Client trades executed by themselves as a Trading member of the Exchange or trades executed by any other Non-Clearing Trading member of the Exchange.
3. **Settlement Agents** – Authorized to settle Client trades on behalf of Clearing Members for DVP clients.

While the above 3 categories of membership are allowed for Securities market (Cash market) only Category 1 and 2 i.e. Trade Clearing Members and General Clearing Members are only applicable for Clearing membership on Derivatives Market.

All existing Dubai Clear members falling in Category 1 (Trade Clearing Members) and Category 2 (General Clearing Members) are automatically recognized as derivatives clearing member subject to meeting the following requirements:

1. Completion of membership form to update derivative clearing membership details;
2. Meeting collateral and SDF requirement.

The Initial Contribution 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 – Proprietary Trading	AED 5 million	AED 2 million	AED 7 million
General Clearing Member	AED 50 million	AED 10 million	AED 50 million
Settlement Agent	AED 50 million	N/A	N/A

Clearing Members who are offering Clearing services to both Securities & Derivatives Market can allocate their collateral between the two markets.

Contribution of the Settlement Default Fund (DF) – Derivative Market

SCA CCP Regulations require a CCP to establish and administer a Settlement Default Fund (“DF”) to be used in the event of breach or default. Further, the DF must be sufficient to cover the higher of either the default of the largest Clearing Member or the total of the second and third largest Clearing Member. Contributions to the DF will be based upon the risk the CM posts to the CCP and the adequacy of the DF shall be established through stress testing.

The DF has been created from the contribution of Dubai Clear and contribution from the Clearing Members of the Securities Market. Dubai Clear members who apply for Derivatives Clearing Membership will also have to contribute separately towards this fund

CM contribution shall be the higher of either:

- a) Derivatives fixed initial contribution based on category of membership; or
- b) Variable contribution based on the risk portfolio of the respective CM in the derivatives market (i.e. highest Initial margin utilized over a pre-defined period).

The above contribution will be **in addition** to the contribution currently made by the Clearing Members for the Securities Market.

The levels of Derivatives Fixed Contributions shall be as follows:

Membership Category	Initial Contribution to CCP
Trade Clearing Member (TCM)	AED 100,000
Trade Clearing Member Proprietary Trading (TCMP)	AED 100,000
General Clearing Member (GCM)	AED 250,000

The variable contribution will be 5% of highest Initial Margin utilised by each CM for the previous month in the Derivatives Market. A higher percentage may be used where required to ensure DF meets adequacy requirement based on Stress test results. Example:

Clearing Member (CM)	CM Type	Fixed DF Contribution	Highest. Initial Margin Utilisation	Floating DF Contribution (5% of highest Initial Margin Utilisation)	Actual DF Contribution (Higher of Fixed/Floating)
A	GCM	250,000	4,000,000	200,000	250,000
B	GCM	250,000	10,000,000	500,000	500,000
C	TCM	100,000	300,000	15,000	100,000
TOTAL		600,000			850,000

On an ongoing basis a Derivatives CMs contribution towards the DF shall be subject to the following:

- The DF contribution shall be fixed for a calendar month unless otherwise determined necessary to increase as per the procedures issued from time to time.
- Dubai Clear will recalculate DF contributions monthly (at the end of each month) for the subsequent month, to ensure that DF contributions are commensurate with the risk portfolio of the CMs.
- The contributions of individual CMs shall be based on the risk to the Dubai Clear i.e. the higher a CMs Initial margin utilised in a calendar month, the higher would be their floating contribution towards the DF for the next month.
- Default fund contribution will be blocked from the Collaterals posted with Dubai Clear, there is no separate contribution required towards default fund.

Details on default fund including default waterfall approach that would be used in the event of a CM default, together with the replenishment provisions shall be published by way of separate default fund policy

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.