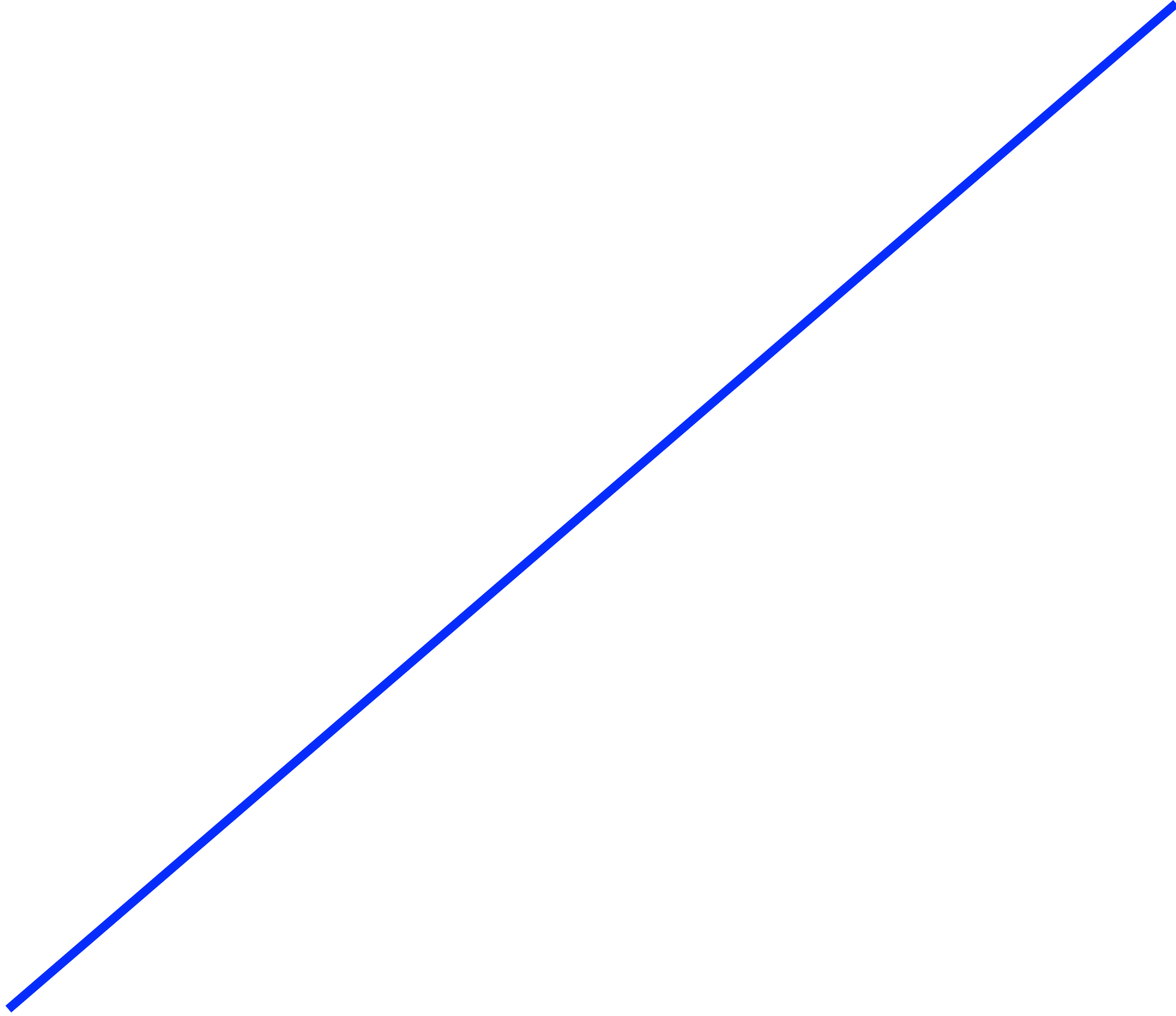




# 2024 DERIVATIVES MARGIN POLICY



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**Classification:** POLICY

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**Type:** POLICY

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**Title:** Derivatives Margin Policy

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**Owner:** Dubai Clear

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In line with the SCA regulation and CCP rules, Clearing Members will be required to post margins with Dubai Clear (the CCP). These margins will be blocked against the collaterals/guarantee deposited by the Clearing Member (CM) with the CCP. In line with the above, Derivatives Clearing Members will be levied Margins based on the trades executed by the Member in the Derivatives Market

## TYPES OF MARGINS

Currently the following types of margins are levied by the CCP for Derivatives Market

1. Initial Margin
2. Variation Margin

The CCP reserves the right to levy additional margins from time to time based on market conditions and exposure.

### Initial Margins

Initial Margins (IMs) is broadly classified as Base Margin (BM) and Spread Margin. BM will be calculated on Net Open Positions for the futures contract for each underlying at client level. Any spread position across futures contract months for each underlying at client level will be excluded from BM. Accordingly BM will be applied to the net open position across futures contract in a particular underlying based on the Based Margin rate per contract at each client level.

Client positions will get Base Margin benefit from Intermoth spread positions pertaining to the futures contract of the same underlying for the same Client Position i.e., if a client holds a long position in the near month futures contract and a short position in the far month futures contract or vice versa. However, all spread position will be levied with Spread Margin which will be calculated on the Spread position based on the Spread Margin rate per contract at each client position level.

Initial Margin rates will be calculated using Value at Risk (VAR) methodology based on historical prices of past 6 months or 3 years whichever is higher on a confidence interval of 99% with a two-day look ahead period. These rates will be back tested using historical prices. There will be no margin off set across clients or across symbol within the same client.

Initial Margins will be calculated at the end of each calendar day or at any other frequency as may be determined in the procedures and will be blocked against the Collateral of the CM with the CCP. In case the Margins calculated above exceeds the Collateral of the CM, the CM will be required cover the shortfall latest by 09:00 UAE time next settlement day or a deadline as may be updated in the procedures from time to time through the lodgment of additional collateral which can be from either:



- a. re-allocation of any excess collateral for the securities market to cover the derivatives IM shortfall; or
- b. lodge additional collateral with Dubai Clear by following the existing collateral top-up process and allocating the same for Derivatives Market

In case the Clearing Member fails to cover the shortfall within the above-mentioned time, the CM will be immediately suspended from further trading until the CM either deposits additional collaterals/guarantee with the CCP or the Margin requirements are reduced or released due to expiry, closeout of position or change in margin rates.

### Variation Margins

Variation Margins (VMs) are essentially Marked-to Market (MTM) profits or losses on each position held by the client. VMs will be calculated at end of each business day for all positions at a Client Trading Account Level for each contract based on the Daily Settlement Price of that Contract. MTM profits and losses will be offset across all futures positions for each client trading account. These would be further netted across all Clients to determine the profit or loss at each trading member level. In case of a Trade Clearing Member, the MTM profit loss for the Trade Clearing Member will be the same as the MTM profit loss for its own Trading Member. In case of a General Clearing member (GCM), the MTM profit loss will be netted across all Trading Members clearing through the GCM to arrive at the GCM level MTM Profit and Loss. The MTM profit and loss will be settled in Cash through the Clearing Members settlement account with the CCP's authorized settlement bank wherein in Case of MTM profits the Clearing Member's settlement account will be credited while MTM losses will be debited from the Clearing Member's Settlement account.



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