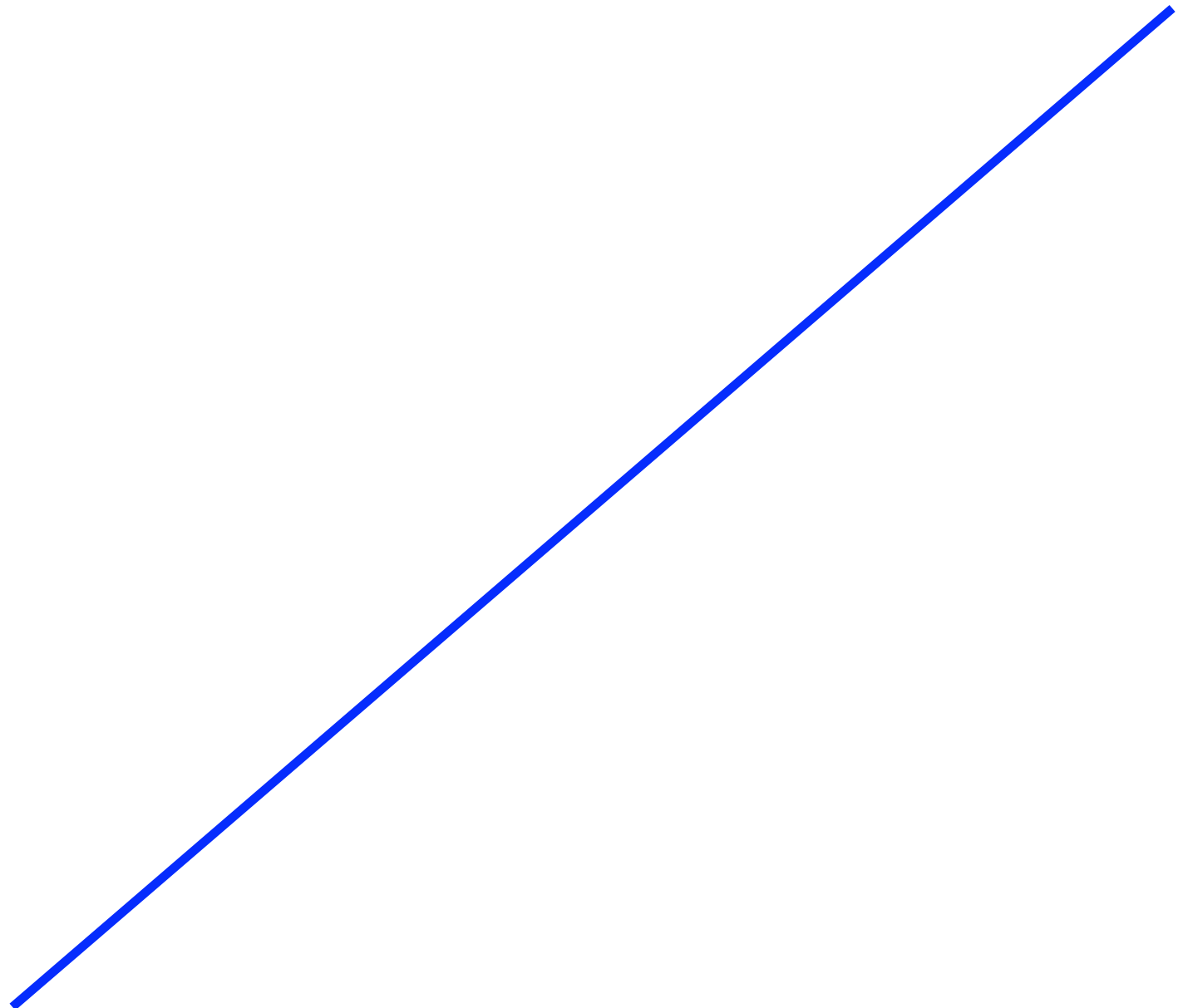


Procedures For Buyer Cash Compensation



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Procedures For Buyer Cash Compensation

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Introduction

1. The United Arab Emirates [UAE] is a T+2 settlement cycle market. Trades must be settled by T+2 for completion of funds settlement between Clearing Members/Settlement Agents [SAs]custodians and Dubai Clear LLC or the Central Counterparty (the CCP) by 10.00am UAE time with securities settlement commencing at 10.15am UAE time.
2. Therefore, trade confirmation must be submitted by the relevant deadlines set by SAs to its clients to comply with T+2 settlement.
3. The new procedures are issued to ensure that a seller's assets are not used for settlement if the CCP is positively notified that a sell trade will be rejected for settlement on the T+2 settlement date. If the selling Clearing Member fails to find securities to resolve the rejected sell trade by 3.00pm on T+2 [ie. did not take corrective action between T and T+2], the CCP will invoke a buyer cash compensation [BCC] if the mandatory buy-in on T+2 fails and pay the end buyer the BCC amount in lieu of delivery of securities.
4. If the existing settlement confirmation deadlines for the T+2 settlement date cannot be met & the existing Late Confirmation option is used, the existing late confirmation procedures will be applicable.
5. For Clearing Members with no clients using SAs for settlement of trades, **sections B and G of these procedures are not applicable.**
6. The CCP reserves the right to update these procedures from time to time.

A. New Sell Trade Rejection Procedures

1. Common terminologies used in this document:
 - 1.1. Clearing Member means a clearing member whom the CCP settles trades with.
 - 1.2. Buyer means the client of the buying Clearing Member or the buying Clearing Member if the trade is a proprietary trade;
 - 1.3. Custodian means the local custodian clearing member whom the CCP settles trades with.
 - 1.4. CCP means Dubai Clear LLC pursuant to its role as the Clearing as per the securities laws for the clearing and settlement of trades;
 - 1.5. Seller means the selling investor client of the selling Clearing Member.
2. In the CCP's enhanced DVP model, the CCP will introduce a rejection of sell trade for settlement on T+2 option as an additional process apart from the existing late confirmation process.
3. There will be 2 types of sell rejections; [i] rejection by seller via custodian that a sell trade will not be settled on T+2, and [ii] the existing late confirmations where matched settlement instructions have not been received by a custodian from the seller to confirm settlement. A summary of how sell trades can be rejected for settlement is as follows:
 - 3.1. Rejection of Sell Trades for Settlement on T+2 by a custodian:



- 3.1.1. For this new sell rejection type, the seller must confirm to the custodian that a sell trade is rejected for settlement on T+2. This means that the seller is positive that the sell trade is a wrong trade.
- 3.1.2. The custodian must submit a rejection to the CCP to confirm that a sell trade will not be settled by the custodian. This rejection is irrevocable after T+2.
- 3.1.3. The custodian will submit this type of rejection in a separate sell rejection request format [format to be provided in a separate notice], with a copy of the rejection request extended to the selling Clearing Member too. In addition, the Custodian must highlight such rejections to DFM when submitting the rejection request.
- 3.1.4. The CCP may accept a reverse request for this type of sell rejection provided the following conditions are met:
 - 3.1.4.1. The selling Clearing Member approves the rejection reversal request and informs the CCP accordingly in writing via email; and
 - 3.1.4.2. the CCP receives the request by 2.00pm on T+2; and
 - 3.1.4.3. The seller still has the securities balances to settle the reversal of the rejected sell trade
- 3.1.5. The late confirmation period of T+3 and T+4 does not apply for this type of sell rejection; this means that the seller cannot subsequently confirm settlement of the rejected sell trade after T+2.
- 3.1.6. The seller's earmarked securities balances will be released immediately after the CCP completes the sell rejection process by 10.00am and the seller is entitled to corporate actions if the Entitlement Date was on T [book close date on T+2] or thereafter if the seller does not sell after T+2;
- 3.1.7. It is possible for the seller to sell on T+2 onwards after the CCP completes rejection of the error sell trade;
- 3.1.8. The buyer will not be credited purchased securities on T+2 but it is possible for the buyer to onward sell from the time of purchase until end of T+2 trading session;
 - 3.1.8.1. Funds settlement for the buy trade will also be rescheduled; the buying Clearing Member will be credited back the trade value of the unsettled buy trade on T+2.
 - 3.1.8.2. Funds settlement will eventually be settled either on:
 - 3.1.8.2.1. the settlement date when securities become available or
 - 3.1.8.2.2. payment of the buyer cash compensation amount.
- 3.1.9. The selling Clearing Member will be permitted to buy from the market to rectify the rejected sell trade or borrow securities when securities lending and borrowing becomes operational. These actions must be completed by 3.00pm on T+2.
- 3.1.10. If the selling Clearing Member manages to buy securities from the market on either T+1 or T+2, the end buyer will receive securities on either T+3 or T+4 where funds settlement for the buy trade will also be settled.
- 3.1.11. If the selling Clearing Member fails to find securities to resolve the rejected sell trade by 3.00pm on T+2 [ie. did not take corrective action between T and T+2], the CCP will invoke a buyer cash compensation [BCC] if the mandatory buy-in on T+2 fails and pay the end buyer the BCC amount in lieu of delivery of securities.
- 3.2. Late confirmations: Where matched settlement instructions are not received for settlement of a sell trade by the custodian and the sell trade is also not confirmed as rejected for settlement on T+2 by the seller, the custodian will submit a late confirmation request:
 - 3.2.1. If the sell trade is not confirmed as rejected for settlement on T+2 by the custodian, the current late confirmation process does not change.

3.2.2. On T+4 after a failed mandatory buy-in [partial or in full], the existing seller cash closeout process will still be applicable.

B. Implementing the Buyer Cash Compensation Process

1. All Clearing Members and SAs must notify their clients of Articles II and III of SCA Resolution No. 44 of 2012 whereby the CCP may apply buyer cash compensation in lieu of delivery of securities.
2. For sell trades which are **confirmed as rejected by the custodian** for settlement on T+2 using the new procedure, any rejection reversals must be submitted to the CCP by 2.00pm on T+2.
3. **The Late Confirmation Period of T+3 and T+4 will not be applicable.**
4. The CCP will conduct a mandatory buy-in from 3.30pm to 3.45pm (or any time as may be determined by the CCP from time to time) on T+2 if the selling Clearing Member fails to resolve the sell rejection.
5. If the mandatory buy-in fails [in full or partial], the CCP will apply the buyer cash compensation process to identify the end buyer to receive cash compensation in lieu of delivery of securities
6. The end buyer will be cash compensated for the quantity of the failed mandatory buy-in.
7. The Buyer Cash Compensation process starts after 3.45pm on T+2 where the end buyer to be compensated will be identified.
8. Funds settlement of the Buyer Cash Compensation Amount will be paid by 10.00am on T+4 as follows:
 - 8.1. To the buying Clearing Member if the buy trade is a non-custodian trade; or
 - 8.2. To the custodian if the buy trade is a custodian trade; or
 - 8.3. To the buying Clearing Member if the buy trade has been rejected by the custodian for settlement.
9. All outstanding trades linked to the rejected sell trade as at 3.45pm on T+2 ie. sell and buy trades of T+1 and/or T+2, if applicable, will be settled on a Failed Trade settlement basis.

C. Failed Trade Settlement

1. For the failed trade settlement process, the end buyer will be identified by 4.00pm on T+2 after the unsuccessful mandatory buy-in. If the settlement date of the end buyer's buy trade is T+3 and/or T+4, the following procedures apply.
2. The end buyer's buy trade quantity linked to the failed mandatory buy-in on T+2 will be suspended to prevent further chain transactions and receive the buyer cash compensation amount from 10.00am on T+4.
3. Funds settlement of **all trades** settled on a failed trade settlement basis will commence from 10.00am on T+4. This means that buyers in a chain transaction who had onward sold (on either T or T+1) but with buy trades of settlement dates of either T+2 or T+3 will only complete funds settlement from 10.00am on T+4.
4. The CCP reserves the right to conduct failed trade settlement on a partial trade basis ie. 'tickets', where securities are insufficient to settle a trade in full. This means that trade settlement may be split into part normal settlement and part failed trade settlement.
5. Payment of Buyer Cash Compensation Amount [BCCA]:



- 5.1. Where the end buyer does not use a custodian for settlement, the BCCA is paid to the end buyer's Clearing Member.
- 5.2. Where the end buyer uses a custodian for settlement, the buyer cash compensation amount for trades settled on accelerated settlement will be paid to the custodian.
- 5.3. If the end buyer using a custodian subsequently did not confirm the buy trade, the custodian must pay the buyer cash compensation amount to the buying Clearing Member on T+4 without delay.

D. Determining the Buyer Cash Compensation Reference Price

1. The Buyer Cash Compensation Reference Price shall be determined as follows:
 - 1.1. For a non-corporate action adjusted Buyer Cash Compensation Process: the reference price shall be **the higher of**
 - 1.1.1. the highest matched price of the security on T+4; or
 - 1.1.2. the Original Traded Price of the end buy trade which has been identified for Buyer Cash Compensation
 - 1.2. Where there is no matched trades on T+3, the highest matched price shall be the T+4 closing price.
 - 1.3. For Buyer Cash Compensation of buy trades where T, T+1 or T+2 is the Entitlement Date for **mandatory securities type** of corporate action [ie. splits, consolidation, bonus issue], the reference price shall be **the higher of:**
 - 1.3.1. the highest matched price on T+4 adjusted for the mandatory securities type of corporate action factor [herein referred to as 'adjusted highest matched price']; or
 - 1.3.2. the Original Traded Price.
 - 1.4. The CCP reserves the right to vary the buyer cash compensation reference price if necessary.

E. Calculation and Payment of the Buyer Cash Compensation Amount

1. The Buyer Cash Compensation Amount [BCCA] will be calculated as follows: [Buyer Cash Compensation Reference Price x quantity of securities not delivered by the CCP] + Market Fees.
2. Market Fees [trading fee, CSD fee, SCA fee and order fee] to be compensated to the end buyer is calculated based on the quantity of securities not delivered by the CCP multiplied by Buyer Cash Compensation Reference Price.
3. Where the CCP is unable to deliver securities to a buyer on T+2 because of a rejected sell trade, the CCP will adjust the buying Clearing Member's T+2 funds settlement obligations and refund the trade value of securities not delivered. The reason for doing this adjustment is to ensure DVP; where securities are not delivered, funds settlement will not be collected.
4. The selling Clearing Member which failed to resolve the rejected error sell trades will be responsible for paying the Buyer Cash Compensation Amount and may claim such amounts from the seller subject to Clearing Member/seller agreement.
5. In paying the BCCA, the BCCA will be netted against the buy trade value of the end buyer because of the funds settlement adjustment explained in 3 above



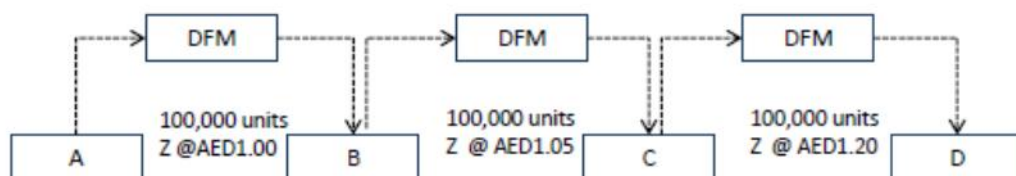
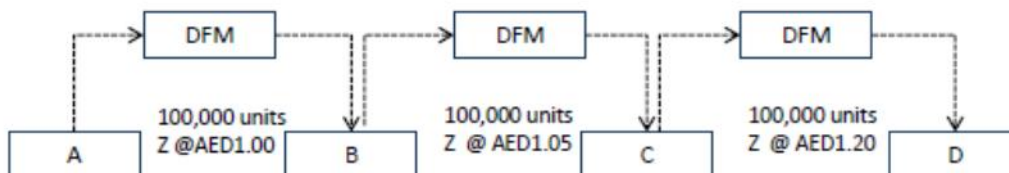
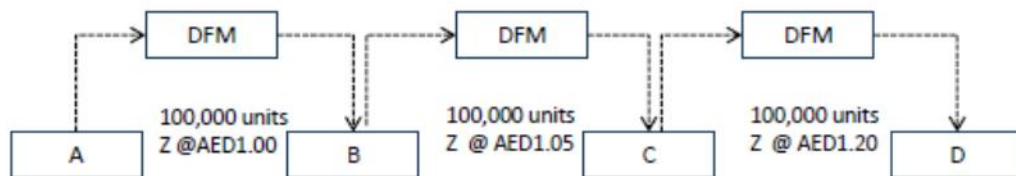
- 5.1. For example: BB purchased 100,000 Z securities on T at AED1.00. This purchase is linked to an rejected sell trade by custodian client seller AA on T+2 whose sell trade was executed through selling Clearing Member CC. Total purchase value is AED100,000. BB is the end buyer.
 - 5.1.1. On T+2 by 10.00am:
 - 5.1.1.1. Upon completion of the rejection process, custodian client seller AA's 100,000 Z securities will be released from earmarked status.
 - 5.1.1.2. The funds settlement position of buying Clearing Member of BB will be adjusted by crediting AED100,000 back to the buying Clearing Member of BB via the existing rejection adjustment letter process.
 - 5.1.1.3. The custodian will not receive the sale proceeds; neither will Selling Clearing Member CC receive AED100,000
 - 5.1.2. On T+4 after 3.45pm: When the mandatory buy-in for 100,000 Z securities is unsuccessful, the Buyer Cash Compensation Process will identify the end buyer ie. BB.
 - 5.1.3. On T+4 after 3.45pm: calculate the BCCA as follows:
 - 5.1.3.1. Assuming the highest matched price of Z securities on T+3 is AED1.10: $BCCA = [AED1.10 \times 100,000] + \text{market fees} = AED110,000 + AED170 = AED110,170$.
 - 5.1.3.2. BB - To Receive: AED110,170(as BCCA). To Pay: AED100,000(original purchase value). Net To Receive:AED10,170
 - 5.1.3.3. Selling Clearing Member CC – To Receive: AED100,000(original sell value). To Pay: AED110,170 (as BCCA). Net To Pay: AED10,170
 - 5.1.4. The Buyer Cash Compensation Amount will be paid by 10.00am on T+5.
6. For the avoidance of doubt, the Buyer Cash Compensation Amount paid to the end buyer via the buying Clearing Member in lieu of delivery of securities is not deemed to be a profit and is exempted from the CCP's reporting requirements of gains/losses from disposal of rejected buy securities.
7. Where the end buyer's buy trade is a valid trade, the end buyer must accept the decision by the CCP to pay the Buyer Cash Compensation Amount to the buying Clearing Member in lieu of delivery of securities as per Articles II and III of SCA Resolution No. 44 of 2012.

F. Impact of a Late Confirmation of a Buy Trade

1. For a late confirmation by a custodian for an end buyer's trade on T+2, the buying Clearing Member will be paid the BCCA instead.
2. The buying Clearing Member determines whether the custodian of the end buyer should be paid the BCCA pursuant to any late confirmation reversal request between T+3 and T+4
3. Where the buy trade is a valid trade and settlement is confirmed by the end buyer for settlement, the end buyer must accept the decision by the CCP to pay the Buyer Cash Compensation Amount to the custodian in lieu of delivery of securities as per Articles II and III of SCA Resolution No. 44 of 2012.

G. Handling Chain Transactions: [i] Identifying the First Selling Clearing Member to be responsible for paying Buyer Cash Compensation; [ii] Identifying the End Buyer to receive Buyer Cash Compensation

1. The selling Clearing Member responsible for executing the rejected sell trade will be the first selling Clearing Member of a transaction chain and shall be responsible for paying the Buyer Cash Compensation Amount to the CCP to resolve the unsuccessful mandatory buy-in quantity for the rejected sell trade
2. On T+4, the CCP will identify the end buyer linked to the quantity of securities of the unsuccessful mandatory buy-in for the rejected sell trade and pay the end buyer a Buyer Cash Compensation Amount for the quantity of undelivered securities by 10.00am on T+5
3. The following is an example how the first selling Clearing Member and end buyer are identified if the mandatory buy-in for the rejected error sell trade on T+2 is unsuccessful:



4. In the above example, B and C will be removed from mandatory buy-in on T+4. Instead, A will be posted for mandatory buy-in on T+4 if corrective measures are not taken by the selling Clearing Member of A to resolve the rejected sell trade by 3.00pm on T+4.
5. Funds settlement for all trades linked to the rejected sell trade of A will be removed from the T+2 10.00am funds settlement process and remain unsettled until payment of the buyer cash compensation amount on T+5 by 10.00am.

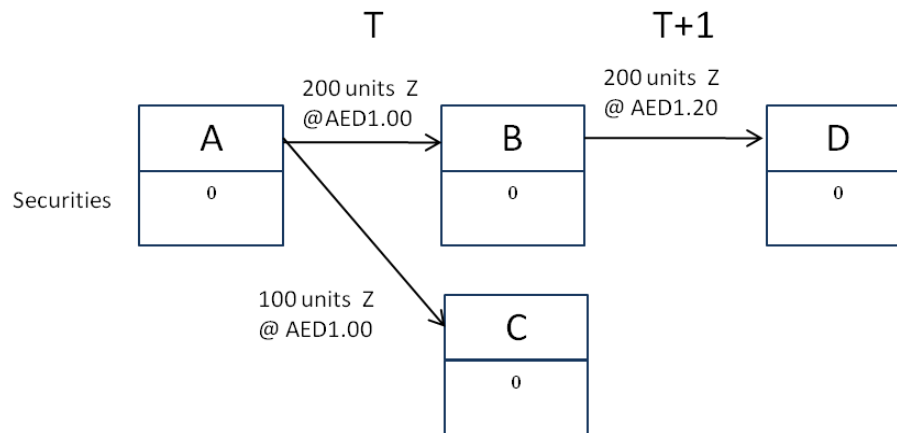


6. On T+2 after an unsuccessful mandatory buy-in, the Buyer Cash Compensation process will identify D as the end buyer
7. After 3.00pm on T+4:
 - 7.1. Assuming the highest matched price on T+4 is AED1.30, the Buyer Cash Compensation Amount calculated will be: $[AED1.30 \times 100,000] + \text{market fees} = AED130,000 + AED172.50 = AED130,172.50$.
 - 7.2. The CCP will make the following funds settlement entries on T+4 for the Buyer Cash Compensation process with settlement date of T+5:
 - 7.2.1. A:- To Receive AED100,000; To Pay AED130,172.50 [Buyer Cash Compensation Amount for non-settlement of sell rejection]. Net To Pay AED30,172.50
 - 7.2.2. D: To Pay AED120,000 and To Receive AED130,172.50[as Buyer Cash Compensation Amount]. Net To Receive is **AED30,172.50**.
 - 7.3. Funds settlement of unsettled trades and the Buyer Cash Compensation Amount will be completed by 10.00am on T+5.
8. B and C will also be settled on T+5 by 10.00am:
 - 8.1. B - To Pay AED100,000 and To Receive AED105,000. Net To Receive AED5,000.
 - 8.2. C - To Pay AED105,000 and To Receive AED120,000. Net To Receive AED15,000.

H. Shortening Chain Transactions

1. Partial Settlement
 - 1.1. The CCP may conduct partial trade settlement so as to minimize the impact of an unsuccessful mandatory buy-in for the rejected sell trade. Instead of failing a full exchange matched trade [herein referred to as “tickets”], any quantity of securities available may be utilized for partial securities settlement of a ticket.
 - 1.2. For example, if 7,000 securities are available to settle a sell ticket of 10,000, the securities settlement for the ticket of 10,000 will settle for 7,000 and only the 3,000 will be cash settled instead of the full 10,000 as is the case now
 - 1.3. Where there is more than 1 ticket to be settled for an exchange order, securities will be allocated based on time-stamp sequence of the ticket. This means that a ticket which is matched first will be settled first from the available quantity of securities.
 - 1.3.1. For example: a first selling Clearing Member’s sell order of 10,000 securities is matched to 2 tickets of quantities 1000 and 9000 each. 1000 is matched ahead of 9000.
 - 1.3.2. If only 7000 securities are available, the securities settlement for the ticket of 1000 will be settled in full while only 6000 of 9000 will settle for the ticket of 9000. 3000 will be cash compensated instead of the full 9000.
2. Settlement of chain transactions where there are more than one buyer.
 - 2.1. Where there is more than one buyer linked to the unsuccessful mandatory buy-in quantity and securities are partially available, the available securities will be settled on a matching-time sequence order priority ie. first matched trade, first settled basis.

- 2.1.1. In the following example, custodian client seller sold 300 Z securities on T through selling Clearing Member A; 200 securities was matched to B first followed by a trade of 100 securities matched to C. B sold 200 securities on T+1 to D



- 2.1.2. If the seller rejects the sell trade on T+2 and the mandatory buy-in for 300 on T+2 is partially successful for only 100 securities, allocation of the 100 securities will be on a first matched, first settle basis
- 2.1.3. Part of B's instead of C's settlement will stand and D will not receive 100 securities and will be paid a BCCA for 100 securities, leaving D with only 100 securities.
- 2.1.4. C will also be paid a BCCA for the 100 securities as part of the Buyer Cash Compensation process.
- 2.1.5. Selling Clearing Member of A will be responsible for paying the BCCA for 200 securities.
3. The CCP may also settle trades with available securities balances. This means that if B has 300 units of Z securities before the purchase of 200 matched to A, B's sell trade for 200 Z securities matched to D will settle. B, and not D, will be paid a BCCA for the 100 securities not delivered by selling Clearing Member of A.
4. Where there is a sell rejection in between a chain transaction, a new transaction chain will be created whereby the selling Clearing Member of the buyer-seller who rejected the onward sell trade will become the first selling Clearing Member responsible for payment of any BCCA.

I. Corporate Actions

- Where a sell trade is rejected for settlement on T+2 and not reversed by 2.00pm on T+2, the seller will be entitled to corporate actions if the Entitlement Date is on T or thereafter if the seller did not sell after T+2.
- If the end buyer purchased on T, T+1 or T+2 which are Entitlement Dates of a mandatory corporate action and the **end buyer's** trade settlement date is between T+2, T+3 or T+4, the CCP will compensate the end buyer as follows:



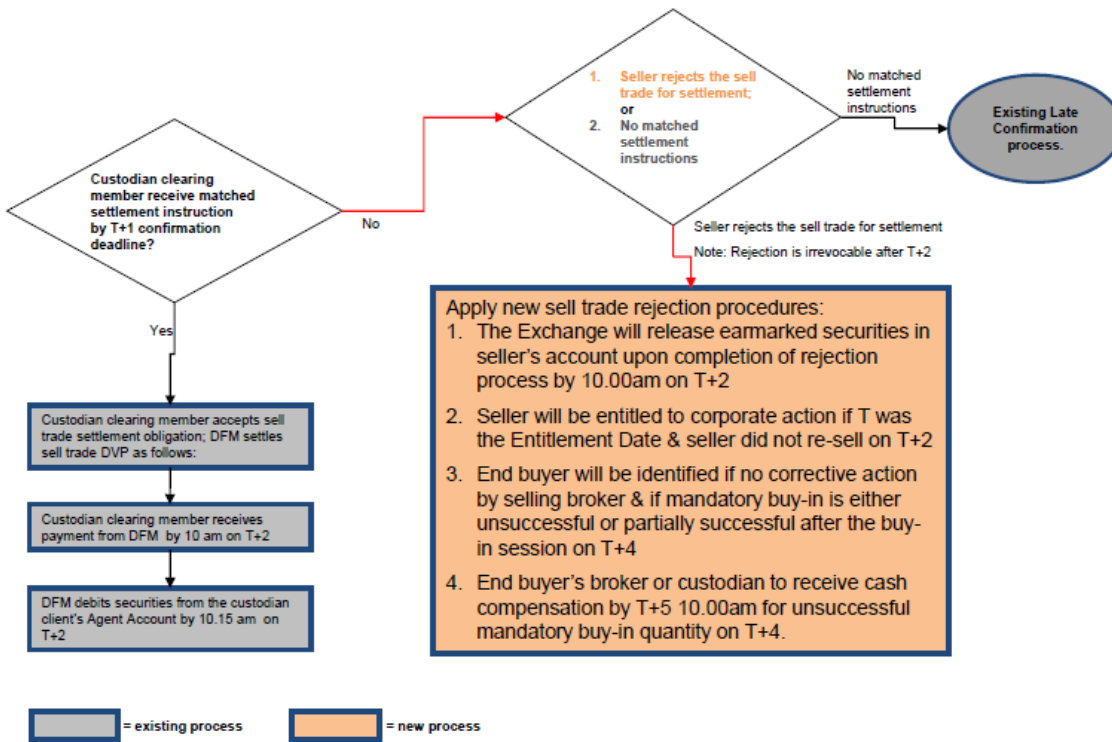
- 2.1. Where the rejected sell trade is subsequently settled with securities delivery ie. if the selling Clearing Member is successful in finding securities via either a market buy, borrowing securities or a successful buy-in on T+4:
 - 2.1.1. For mandatory securities type of corporate action, the end buyer will have to make a claim for the corporate action and receive the corporate action quantity. The first selling Clearing Member shall be responsible for buying the corporate action securities and for any costs related to the claim by the end buyer.
 - 2.1.2. For a mandatory cash type of corporate action, the CCP will pay the corporate action on the pay date of the corporate action event and debit the first selling Clearing Member for this amount. The first selling Clearing Member shall also be responsible for any costs incurred by the CCP
- 2.2. Where the rejected sell trade is settled by buyer cash compensation:
 - 2.2.1. For mandatory securities type of corporate action, the end buyer will be compensated via the higher of the adjusted highest matched price of T+4 or the original traded price as the Buyer Cash Compensation Reference Price. For example, BB purchased 100 shares on T+0 at AED1.10 per share but did not receive the 100 shares on T+2. T+2 is also the Entitlement Date for a 1:1 bonus. The highest matched price on T+4 is AED0.60. We will use AED1.20 as the buyer cash compensation reference price (ie. the higher of the adjusted highest matched price of T+4 or the original traded price) and pay BB [AED1.20 x 100] + market fees = AED139 + AED35 = AED174 and collect AED110 from BB. BB will receive a net of AED64. BB will have a total of AED174 [original trade of AED110 + AED64 as buyer cash compensation] to purchase 200 shares on T+5 from the market as replacement shares for the 100 shares which he did not receive & also for the bonus issue he was not entitled to;
 - 2.2.2. For a mandatory cash type of corporate action, the CCP will pay the corporate action on the pay date of the corporate action event and debit the selling Clearing Member for this amount.
3. The selling Clearing Member which executed the rejected sell trade will be responsible for paying the CCP the value of any corporate action event and applicable cost. The CCP will debit this sum from the funds settlement account of the selling Clearing Member

J. Penalties for Rejections on T+2

1. The CCP may levy a penalty on the selling Clearing Member for not settling the rejected sell trade.
2. The penalty rate will be notified in due course.
3. The CCP reserves the right to vary the penalty rate from time to time.



APPENDIX 1 – PROCESS FLOWCHART



APPENDIX 2: FAQ

A. Process

1. Are there any operational changes to the existing sell trade rejection process and deadlines?
 Yes, there will be now 2 types of sell rejections as follows:[1] Rejection of sell trades for settlement [new feature], and [ii] late confirmation of sell trades due to no matching instruction from custodian clients [the existing feature]. Type 1 rejection is the new enhancement. The existing procedures in relation to Late Confirmations remain unchanged
2. What are the new changes?
 DFM is a T+2 settlement cycle market. Where DFM is notified positively by the existing rejection deadlines that a sell trade will not be settled by the seller, DFM will not use the seller's securities for settlement. This means that the seller's assets will not be used for trade settlement.
3. Who will be impacted by the changes?
 Sellers using SAs for settlement will be impacted. Sellers must confirm whether a trade is to be rejected for settlement by the existing settlement deadlines set by SAs if sellers wish for assets not to be used for settlement. Buying Clearing Members and their clients may also be impacted by the changes. However, the likelihood of the impact is remote. The potential impact is that in lieu of delivery of securities, a buyer may be paid a buyer cash compensation amount instead of receiving purchased securities and therefore, the buyer must accept the cash compensation in lieu of securities.
4. How will investors be impacted by these changes?
 Whenever a mandatory buy-in by DFM on T+2 for a rejected error sell trade is unsuccessful, the end buyer will receive a buyer cash compensation amount by 10.00am on T+4 for the quantity of the unsuccessfully mandatory buy-in instead of purchased securities on T+2.
5. How is the end buyer identified?
 DFM will identify the end buyer by using its matched trade data to identify the first buyer or buyers matched to a rejected sell trade after 3.45pm on T+2. DFM will then identify if the first buyer[s] onward sold the quantities from the purchase trade to establish a transaction chain to determine the end buyer[s].
6. Why doesn't DFM cash settle trades on a settlement date basis instead of using the chain transaction approach?
 DFM adopts a continuous netting process to mitigate risk exposure of unsettled trades to Clearing Members. Where a buying Clearing Member subsequently onward sold purchased securities but failed to deliver such purchased securities and has no owned balances to settle the onward sell trade, the 'net to receive' securities obligation is netted against a 'net to deliver' securities obligation to mitigate the risks of failed securities deliveries. Only the first selling Clearing Member responsible for not resolving the sell rejection will be penalized. This means that all Clearing Members in the middle of a transaction chain linked to a sell rejection will not be eligible for a buy-in or be made to pay pg. 13 Procedures For Cash Buyer Compensation [v04 30 September 2021] for the buyer cash settlement amount unless there is a sell rejection in the transaction chain
7. What happens if the end buyer rejects the buy trade on T+2?



The existing buy rejection process applies only to funds settlement; the buying Clearing Member will be paid the buyer cash compensation amount instead of the custodian. The buyer cash compensation amount may be paid back to the custodian subject to approval of the late confirmation by the Clearing Member similar to the existing settlement process of a late confirmation of a rejected buy trade.

8. Why is the buyer cash compensation amount paid only at 10.00am on T+4?

The process is taken at the end of T+3 so as to use the highest matched price of T+3 as a cash compensation reference price. Funds settlement can only be completed at 10.00am on T+4 because there is no interbank funds settlement late T+3 afternoon.

B. Buyer Cash Compensation Reference Price

9. Why isn't the highest price between T and T+2 considered?

The highest price between T and T+2 was not considered because an end buyer is not prohibited from selling between T and T+2. Therefore, if the end buyer had intended to benefit from the highest price between T and T+2, the end buyer could have sold during this period. If the end buyer did not sell, then it is unfair for DFM to use the highest price for this period when the end buyer could have freely sold at the highest price but did not.

10. Why is the highest matched price on T+3 used?

The T+3 highest matched price is used for 2 reasons:

- a) If the end buyer wanted to purchase back the undelivered securities on T+3, the T+3 highest matched price will be the maximum paid by the end buyer;
- b) If the end buyer wanted to sell undelivered securities on T+3 but could not, the T+3 highest matched price will be the maximum price the end buyer would have received.

C. Clearing Member and SAs

11. How will Clearing Members and SAs be notified of a buyer cash compensation event?

DFM will notify the relevant buying Clearing Members of failed securities delivery on the respective settlement dates. DFM will also email a buyer cash compensation file similar to the buy-in trade log file to the respective Clearing Member and/or custodian affected at the end of business day of T+3.

12. How will Clearing Member and/or SAs receive the buyer cash compensation amount?

The buyer cash compensation amount will be paid by 10.00am on T+4 via a separate adjustment notification process similar to the existing one for adjusting funds settlement for rejections

D. Corporate Actions

13. Will the end buyer be impacted by corporate action [CA] entitlements?

The end buyer will be entitled for mandatory corporate actions [dividends, bonus issues, splits and consolidation] if they purchase on the Entitlement Date. For securities-type of CA, the end buyer will be entitled via [1] the buyer cash compensation amount paid by pg. 14 Procedures For Cash Buyer Compensation[v04 30 September 2021] DFM to the end buyer in lieu of delivery of securities; or [2] delivery of the corporate action securities by DFM through the first selling Clearing Member. For mandatory cash CAs, DFM will pay the end buyer on the payment date of the cash CA event. With buyer cash compensation, the end buyer will however be unable to attend general meetings.



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