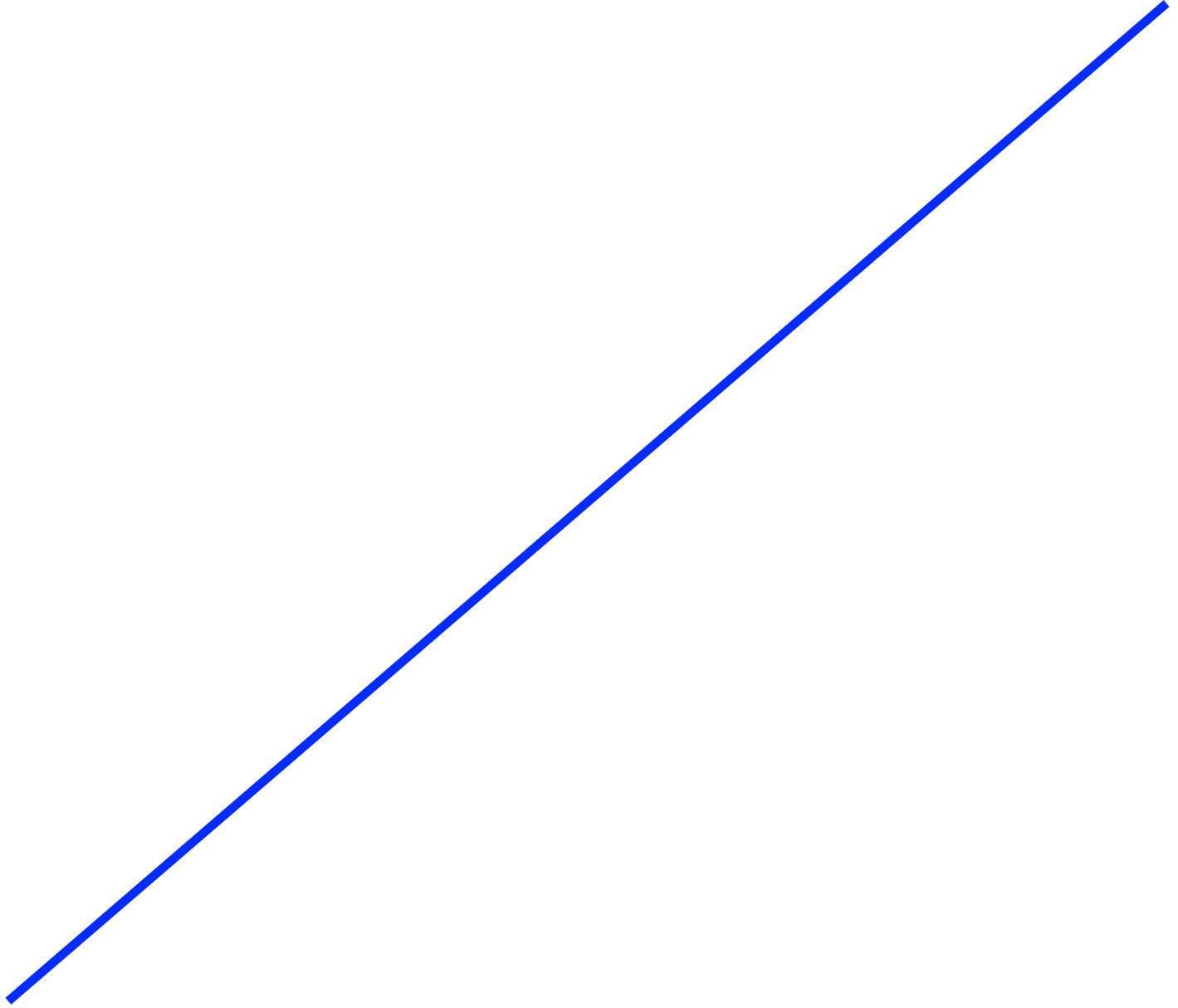




# Settlement Procedures for Securities Market



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**Classification:** Procedures

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**Type:** English Booklet (PDF)

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**Title:** Settlement Procedures for Securities Market

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**Owner:** Dubai Clear

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**Date:** 21/05/2026

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**Pages:** 7

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**Version:** 004



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## 1. Overview

This document explains the settlement procedures that must be complied with by a Trading and Clearing Broker and / or General Clearing Member and/or a Settlement Agent.

## 2. Definitions

<b>Business Day</b>	means each official business day of the week other than Saturday and Sunday, being a settlement day for the Clearing House as may be determined in its procedures or circulars, or as may be prescribed by the Authority from time to time, but excluding official holidays declared by the Authority and announced by the Clearing House.
<b>Trading and Clearing Broker</b>	means an entity licensed by the Authority to conduct financial activity regarding the brokerage in the Securities trading transactions through receiving and entering purchase and sell orders of the Securities to execute the same in the Market and making the clearing and settlement transactions related thereto.
<b>Clearing House</b>	means Dubai Clear the legal person licensed to represent the counterparty for all trades (Novation) in the Market in consideration for a specific commission while ensuring the execution of all trades concluded in the Market and determining the net rights and liabilities and determining their legal status arising from the trading operations.
<b>Custodian</b>	means an entity licensed by the Authority to practice safe custody business in the UAE.
<b>DVP</b>	Delivery versus payment where the late confirmation period is applicable.
<b>Exchange</b>	Dubai Financial Market or any other stock exchange.
<b>General Clearing Member or GCM</b>	means an entity licensed by the Authority to conduct financial activity regarding the transactions of clearing and settlement for the contracted entity accounts and the accounts of the clients of this entity.
<b>Late Confirmation Period</b>	The 2 Business Days after T+2 for SAs to confirm trades for settlement.
<b>T+0</b>	Business Day on which a trade is executed.
<b>T+2</b>	Settlement Day for T+0 trades which is 2 Business days after T+0.

**Trading Broker**

means an entity licensed by the Authority to conduct financial activity regarding the brokerage in the Securities trading transactions through receiving and entering purchase and sell orders of the Securities to execute the same in the Market without clearing and settlement.

**RSS**

Regulated Short Sell.

**Settlement Agent or SA**

means a legal entity which is regulated by the Authority and admitted to the Clearing House as a Settlement Agent in accordance with the terms of the Settlement Agent Participation Agreement to settle Contracts on behalf of Clearing Members under the transactions contemplated by the Settlement Agent Participation Agreement.

**Settlement Bank**

A bank designated by the Clearing House as the bank for funds settlement.

**Settlement Failure Value (SFV):**

The total value of the settlement obligation that could not be debited from the designated account as of the Settlement Cut-off Time.

**Settlement Day or SD**

means a Business Day on which the parties to a Contract are to perform their obligations to settle cash and/or Securities thereunder as set out by the Central Clearing.T+2, the day in which a T+0 trade must be settled.

**Funds Obligation**

means the daily net cash settlement obligation arising from cleared transactions, in accordance with the applicable provisions set out in Dubai Clear's General Rules.

**UAE**

The United Arab Emirates.

### 3. Settlement of Trades

Trading Clearing Brokers, GCMs and/or SA must ensure that all trades executed on T+0 are settled on Settlement Day in accordance with timing and operational procedures set out below:

#### 3.1 Funds Settlement

##### 3.1.1 Availability of Funds

Trading Clearing Members, GCMs, and/or SAs must ensure that **freely available funds** equivalent to full Funds Obligation are maintained in their **designated settlement bank account** by **9:30 AM UAE time on Settlement Day (T+2)** (or any other time set by Clearing House). Partial settlement of Funds Obligation is not permitted.



### 3.1.2 Crediting To Receive Obligations

The Clearing House will credit all To Receive funds settlement obligations to the designated settlement bank account of a Trading Clearing Broker, GCM and/or SA by 10.00AM UAE time on Settlement Day (T+2) or any such cut-off time defined by Clearing House from time to time.

### 3.1.3 Responsibility of Settlement

In case a SA has not rejected a trade, the full responsibility to settle such trade will be solely on SA but in case a trade has been rejected by SA the corresponding Trading Clearing Broker or GCM is responsible for the settlement obligation for such rejected trades.

### 3.1.4 Settlement Failure and Penalties

Failure to ensure sufficient funds for full settlement by cut-off time defined by Clearing House from time to time shall be deemed as a breach of Chapter 4 Rule 19 of the Dubai Clear General Rules. The Clearing House may impose the following actions:

1. **Financial Penalties:** Penalties will be levied at the rate of 0.05% per day on the total Settlement Failure Value (SFV)
2. **Operation Charges:** The member remains responsible for all operational or bank- relate charges arising from failed settlement
3. **Any other Action:** Clearing House reserve the right to take any other penal actional which includes but not limited to suspension of relevant Trading Clearing Broker or GCM and/or SA from Trading until settlement is completed.

## 3.2 Securities Settlement:

### 3.2.1 Non DVP trades and DVP Trades including RSS trades:

3.2.1.1 Owned securities balances must be available by the first securities settlement run on T+2 starting at 10.15am UAE time. Failure to ensure sufficient securities balances for settlement by this time will be deemed as a breach of Chapter 4 Rule 21 of the Dubai Clear General Rules.

3.2.1.2 Penalties may be imposed for failure to ensure sufficient securities balances for successful settlement by the last securities settlement run on T+2.

### 3.2.2 Late Confirmation of DVP Trades:

3.2.2.1 Owned securities balances must be available latest by the 3rd Securities Settlement run commencing 3.55PM UAE time T+4.

3.2.2.2 For sell trades which are not confirmed for settlement by T+4, the selling Trading Clearing Broker or GCM must ensure that securities balances are available Latest by the 2nd Securities Settlement run commencing 3.00PM UAE time on T+4.

## 4. Corporate Actions (CAs) Arising from Failed Securities Deliveries

The Clearing House may impose penalties and recover costs and any corporate action proceeds for non-compliance with securities delivery timings resulting in failed securities deliveries:

### 4.1 Cash Type of CAs:

4.1.1. Trading Clearing Brokers or GCM which failed to deliver securities on T+2 for successful securities settlement is responsible for any Corporate Action (CA) claims.

4.1.2. The Clearing House shall be entitled to debit the Trading Clearing Broker, GCM or SA for any CA amounts claimed by the buying Trading Clearing Broker, GCM or Settlement Agent whose clients failed to receive securities on T+2 to be entitled for the CA event.

4.1.3. The Clearing House also reserves the right to retain the equivalent CA sum from any monies due to the Trading Clearing Broker, GCM or SA which failed to deliver securities for settlement by T+2.

- 4.1.4. The CA sum to be retained or debited by the Clearing House shall be calculated based on the CA rate including any charges as may be claimed by the buying Trading Clearing Broker, GCM or Settlement Agent.
- 4.1.5. Failure by the Trading Clearing Broker or GCM to settle such claims shall be subjected to penalties by the Clearing House.

#### 4.2. Mandatory Securities Type of CA

- 4.2.1. The Clearing House will compensate a Trading Clearing Broker, GCM or SA a cash equivalent of a mandatory securities type of CA.
- 4.2.2. Trading Clearing Brokers, GCMs or SAs must submit a claim for any mandatory securities type of CA event in the prescribed manner as may be informed by the Clearing House from time to time.
- 4.2.3. The Clearing House will also claim the cash equivalent of a mandatory securities type of CA against the Trading Clearing Broker, GCM or SA as the case may be that caused the claim and compensation by failing to meet its T+2 securities delivery obligations.

### 5. Penalties – failure to meet funds settlement obligations and/or any other payment due to the Clearing House.

#### 5.1 General Provisions

The Clearing House may impose the following actions and penalties when Trading Clearing Broker, GCM or SA fails to meet funds settlement timing or availability requirements.

- 5.1.1 **Financial penalties:** at the rate of 0.05% per day on the total Settlement Failure Value (SFV)
- 5.1.2 **Suspensions:** If a Trading Clearing Broker, GCM and/or SA fails to meet their funds obligation, the Clearing House at its sole discretion may suspend / withdraw the trading / clearing facilities. Suspension also applies to any Trading Broker operating under the suspended member.
- 5.1.3 **Reinstatement:** Suspension will be lifted once the outstanding settlement obligation and any applicable penalties are fully paid.
- 5.1.4 **Default Declaration:** If settlement remains outstanding after the suspension period the Clearing House may declare an Event of Default pursuant to Rule 3 of the Default Rules allowing the Clearing House to:
- Liquidate posted collateral including Invocation of the Settlement Default Fund, and/or
  - Dispose of client securities to recover the Settlement Failure Value and associated cost.
- 5.1.5 **Disciplinary Actions:** Repeated or material failures or delays to meet settlement obligations may result in disciplinary action by the Clearing House:
- Suspension of trading and/or clearing rights.
  - Additional collateral requirements for repeat defaulters
  - Declaration of Default, subject to the Clearing House default procedures.

### 6. Penalties – failure to meet securities delivery obligations.

The Clearing House may at its sole discretion impose the following penalties on a Trading Clearing Broker or GCM for the failure to meet securities delivery obligations:

- 6.1 Suspension of a Trading Clearing Broker or GCM: This means that any Trading Broker using the services of the suspended Trading Clearing Broker or GCM will also be suspended from trading activities;
- 6.2 Financial Penalties as follows:

No.	Settlement Day	Penalty



1	T+2	No penalties if a failed delivery of securities is settled by the end of T+2.
2	T+3	A fine of AED1000 or 0.1% of the unsettled trade value, whichever is the higher, if a failed sell trade is settled on T+3.
3	T+4	<ul style="list-style-type: none"><li>a. A fine of AED3000 or 0.5% of the unsettled trade value if a failed sell trade is settled on T+4.</li><li>b. A fine of AED5000 or 1% of the unsettled trade value, whichever is the higher, if a failed sell trade is settled by way of a buyer cash compensation, in addition to the buyer cash compensation amount payable by the selling broker.</li></ul>

6.3 Securities delivery obligations can only be discharged with Owned balances. A buy back trade shall not be considered as good delivery of securities because there is no Owned balances until the buy trade is successfully settled.



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