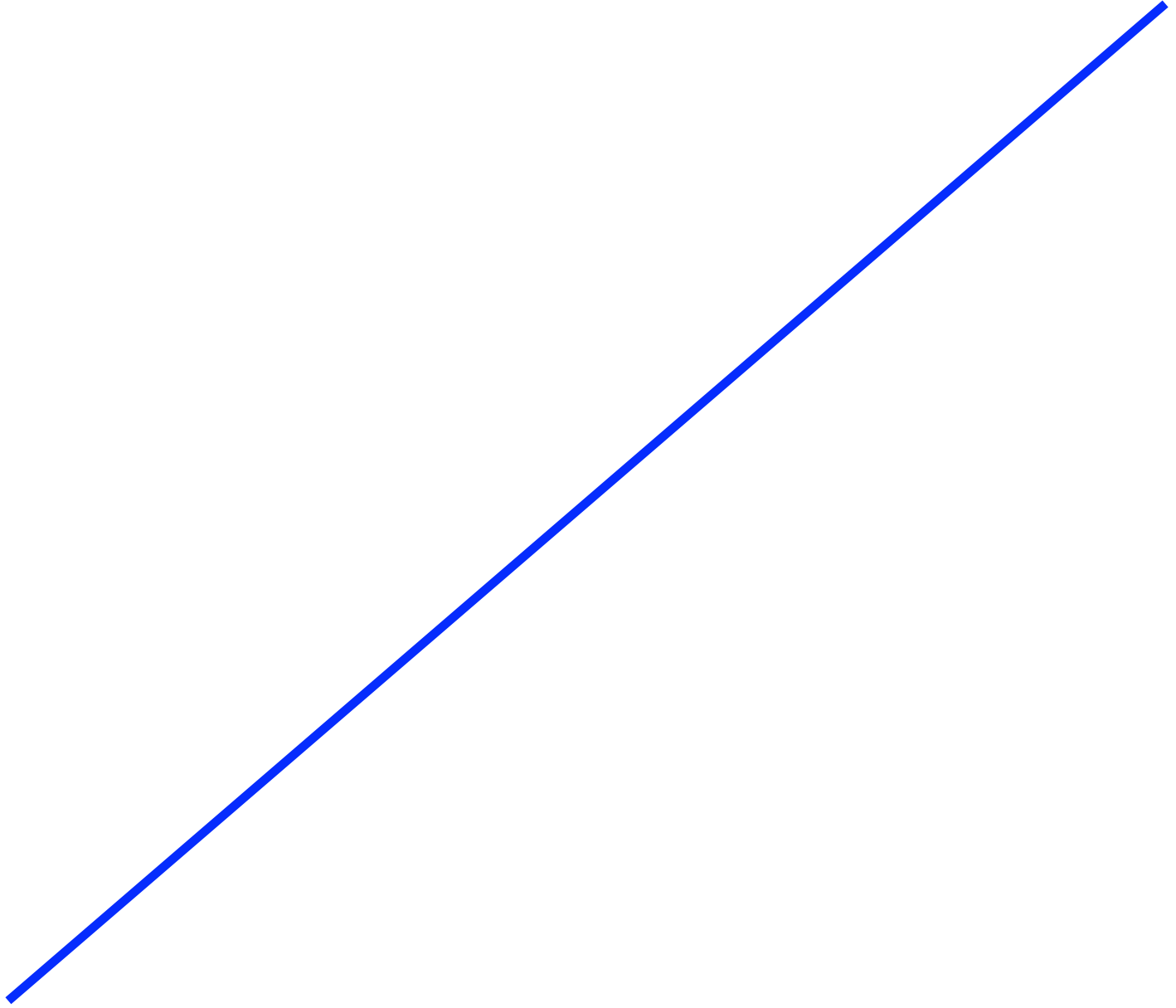


Settlement Procedures for Securities Market



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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

Business Day	A day that is not a weekend day of Saturday and Sunday or is not declared as a holiday by the Clearing House.
Trading and Clearing 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 and making the clearing and settlement transactions related thereto.
Central Clearing	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.
Custodian	means an entity licensed by the Authority to practice safe custody business in the UAE.
DVP	Delivery versus payment where the late confirmation period is applicable.
Exchange	Dubai Financial Market or any other stock exchange.
General Clearing Member or GCM	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.
Late Confirmation Period	The 2 Business Days after T+2 for SAs to confirm trades for settlement.
T+0	The Business Day in which a trade is executed.
T+2	The Settlement Day for T+0 trades which is 2 Business days from 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	A Custodian licensed by the Authority and approved by the CCP to perform cash and securities settlement activities in favour of the CCP - on behalf of and under authorization from the Trading Clearing Broker.
Settlement Bank	A bank designated by the Central Clearing as the bank for funds settlement.
Settlement Day or SD	T+2, the day in which a T+0 trade must be settled.
UAE	The United Arab Emirates.



3. Settlement of Trades

3.1. Trading Clearing Brokers, GCMs and SAs must ensure that all trades executed on T+0 are settled on Settlement Day (T+2) at the following timings:

3.1.1 Funds Settlement:

3.1.1.1. Freely available funds must be in the designated bank account of a Trading Clearing Broker, GCM and/or SA with the Settlement Bank by 9.30AM UAE time to enable the Settlement Bank to debit the To Pay funds settlement obligations of a Trading Clearing Broker, GCM and/or SA's.

3.1.1.2 The Central Clearing will pay all To Receive funds settlement obligations to the designated settlement bank account of a Trading Clearing Broker, GCM and/or SA with the Settlement Bank by 10.00AM UAE time.

3.1.1.3 Where an SA has insufficient funds for settlement, the responsible Trading Clearing Broker or GCM will be debited with any SA shortfalls.

3.1.1.4 Failure to ensure sufficient funds for settlement by 9.30AM UAE time shall be deemed as a breach of Chapter 4 Rule 19 of the Dubai Clear General Rules.

3.1.2 Securities Settlement:

3.1.2.1 Non DVP trades and DVP Trades including RSS trades:

3.1.2.1.1 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.

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

3.1.2.2 Late Confirmation of DVP Trades:

3.1.2.2.1 Owned securities balances must be available by the 3rd Securities Settlement run commencing 3.59PM UAE time on T+4.

3.1.2.2.2 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 by the 2nd Securities Settlement run commencing 3.00PM UAE time on T+4.

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

The Central Clearing 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 GCMs which failed to deliver securities on T+2 for successful securities settlement is responsible for any Corporate Action (CA) claims.

4.1.2. The Central Clearing 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 Central Clearing 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 Central Clearing 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 Central Clearing.

4.2. Mandatory Securities Type of CA

- 4.2.1. The Central Clearing will compensate a Trading Clearing Broker, GCM or SA the 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 Central Clearing from time to time.
- 4.2.3. The Central Clearing 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 payments due to the Central Clearing.

5.1. The Central Clearing may impose any of the following penalties for non-compliance with funds settlement timings:

5.1.1. 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;

5.1.1.1. If the Trading Clearing Broker or GCM fails to ensure sufficient funds in the designated settlement bank account with the Settlement Bank for the Settlement Bank to successfully debit the amount due, the Trading Clearing Broker or GCM may be suspended at 10:00 am;

5.1.1.2. The Central Clearing may consider not to suspend the Trading Clearing Broker or GCM if the unsettled funds obligation is 20% or less from the total amount and the funds settlement obligation for the following Business Day is in a To Collect position exceeding the outstanding amount. Therefore, on T+3 the remaining amount due will be deducted from the settlement bank account of the Trading Clearing Broker or GCM and transferred to Central Clearing's bank account.

5.1.1.3. The Central Clearing may also declare an Event of Default pursuant to Rule 3 of the Default Rules for such instances of non-settlement of funds settlement obligations which will allow the Central Clearing to, among other actions, liquidate collateral of the Defaulting Trading Clearing Broker or GCM and/or sell unpaid securities.



- 5.1.1.4. Suspension is uplifted latest by the next Business Day when the Trading Clearing Broker or GCM has settled the outstanding funds settlement obligations.

5.1.2. Financial penalties are as follows:

Value of Unsettled Funds Obligations (AED)	Penalty Amount (AED)
(1 - 20,000,000)	10,000
(20,000,001 - 40,000,000)	20,000
(40,000,001 - 60,000,000)	30,000
(60,000,001 - 80,000,000)	40,000
(80,000,001 - 100,000,000)	50,000

6. Penalties – failure to meet securities delivery obligations.

The Central Clearing may also 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"> a. A fine of AED3000 or 0.5% of the unsettled trade value if a failed sell trade is settled on T+4. 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.

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.

6.4 Penalties will not be charged until further notice from Dubai Clear.



7. Breach of Margin Utilization

In addition to automatic suspension, the Trading Clearing Broker or GCM may also be penalized AED5,000.00 for every full calendar day the Available Collateral remains in the negative.

*** END ***



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