

## Dubai Clear L.L.C.

# General Rules of Securities and Derivatives Clearing and Settlement Services

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## PART I – General Rules

### Scope

Save as expressly stated to the contrary in these Rules, these Rules and the Procedures govern the clearing and settlement services provided by Dubai Clear L.L.C.. They do not cover any services provided by any other persons, including but not limited to, exchange traded services provided by any Market or custodian services provided by the Central Securities Depository or services provided by or carried out by any other third party, whether or not related to the DFM Group.

For the purposes of these Rules and the Procedures, Dubai Clear L.L.C. is referred to as the "**Clearing House**" or the "**CCP**". The term "**Clearing Member**" is used to refer to an entity or person which is entitled to receive clearing services from Dubai Clear L.L.C. in accordance with these Rules and the Procedures. They do not mean "shareholder" of Dubai Clear L.L.C. or any other entity or person in the DFM Group.

The agreements and procedures maintained and operated by the Clearing House for the Clearing of Contracts by Clearing Members shall be carried out on the basis of the contractual arrangements concluded between the Clearing House and a Clearing Member under which the Clearing House agrees to make available Clearing services in respect of Contracts, including these Rules, the Default Rules, the Procedures and the CM Admission Agreement, and any amendment, supplement, variation or extension thereto, together with the terms and conditions of each Contract entered into pursuant to these Rules and the Procedures (such documents to form and constitute a single agreement between the Clearing House and relevant Clearing Member) (the "**Clearing Membership Agreement**").

The agreements and procedures maintained and operated by the Clearing House for the participation by Settlement Agents in respect of the settlement of Contracts shall be carried out on the basis of the contractual arrangements concluded between the Clearing House and a Settlement Agent governing the basis on which the Settlement Agent may participate in the Contracts which are the subject of Clearing from time to time, including these Rules, the Default Rules, the Procedures and the SA Admission Agreement, and any amendment, supplement, variation or extension thereto, together with the terms and conditions in respect of its payment and delivery obligations under the Contracts to which it accepts participation of (such documents to form and constitute a single agreement between the Clearing House and the relevant Settlement Agent) (the "**Settlement Agent Participation Agreement**").

A person who is not a Clearing Member or a Settlement Agent has no right to enforce or to enjoy the benefit of any term of either a Clearing Membership Agreement or, as applicable, a Settlement Agent Participation Agreement or these Rules.

### Settlement Finality

- (a) None of the following operations and procedures carried out in respect of a Clearing Membership Agreement or a Settlement Agent Participation Agreement shall be

regarded to any extent invalid at law on the ground of inconsistency with Applicable Law on Bankruptcy and Insolvency Proceedings:

- (i) a Transfer Order;
  - (ii) the Default Rules;
  - (iii) any disposition of Collateral or other property pursuant to a Transfer Order or the Default Rules;
  - (iv) these Rules and the Procedures on the resolution or settlement of Transfer Orders not dealt with under the Default Rules;
  - (v) these Rules, the Procedures and any arrangements or transactions pursuant thereto for the purpose of realising Collateral or other property in connection with a Clearing Membership Agreement or Settlement Participation Agreement not dealt with under the Default Rules.
- (b) Any person supervising or managing any Bankruptcy and Insolvency Procedure shall not be entitled to take any actions or procedures contrary to a Clearing Membership Agreement or Settlement Participation Agreement or preclude or interfere with the Default Rules.
- (c) An obligation arising out of a Transfer Order which is the subject of an action taken under the Default Rules shall not be proved in a Bankruptcy and Insolvency Procedure until completion of the payment or delivery pursuant to that Transfer Order.
- (d) A debt or other liability which, by virtue of paragraph (c) above, may not be proved, shall not be taken into account for the purposes of any set-off, offset or netting of obligations until the completion of the actions taken under the Default Rules.

Paragraphs (a) to (d) above (inclusive) are the "**Settlement Finality Regulations**" promulgated by the Clearing House pursuant to the regulatory powers granted to it under Articles 12 and 13 of the CCP Regulations and shall govern all instructions, transfers, deliveries, realisations and/or disposals made pursuant to each Clearing Membership Agreement and each Settlement Agent Participation Agreement.

#### **Netting Agreement under the Netting Law**

The Clearing House and each Clearing Member hereby declare that, for the purposes of Federal Law No. 10 of 2018 regarding netting (the "**Netting Law**"):

- (a) each Contract entered into between them under the Clearing Membership Agreement shall be a "*Qualified Financial Contract*";
- (b) the agreements and arrangements in respect of Collateral set forth in the Clearing Membership Agreement shall be a "*Collateral Arrangement*"; and
- (c) the Client Membership Agreement shall be a "*Netting Agreement*" between the Clearing House and a Clearing Member,

each as defined in the Netting Law.

## Definitions

In the application of these Rules, unless the context indicates otherwise, the following words and phrases shall have the meanings set out below:

- "Additional Contribution"** means an amount determined from time to time by the Clearing House in respect of which Clearing Members (and, if permitted by the Procedures, the Settlement Agents) are required to transfer or provide Eligible Collateral as Collateral to the Clearing House by way of title transfer pursuant to Rule 28.7 (*Additional Contributions*).
- "Applicable Law"** means any applicable national, federal, supranational, state regional, provincial, local or other statutory law, regulation, rule, code, guidance, regulatory requirement, judgment or decision of a governmental authority, the Authority and any rules or regulations of any other regulatory authority.
- "Approved Financial Institution"** means a credit institution, bank or trust company which has been designated as an approved financial institution by the Clearing House for the purpose of providing Eligible Guarantees in accordance with these Rules.
- "Authority"** means the Securities and Commodities Authority or any successor entity, body or agency to the Securities and Commodities Authority that may be promulgated pursuant to Applicable Law.
- "Automated Clearing System"** means the automated system for clearing established and operated by the Clearing House for the purpose of carrying out transactions in connection with the Clearing services provided by the Clearing House pursuant to these Rules and the Procedures.
- "Available Collateral Balance"** means, in respect of a Clearing Member on any day, the Eligible Collateral Value of the Collateral that has been transferred to or received by the Clearing House from that Clearing Member, together with any distributions or proceeds of any such Collateral which may be credited by the Clearing House to that Clearing Member's Available Collateral Balance if expressly provided for in the Collateral Policy, *minus* the aggregate of:
- (i) any such Collateral which has been transferred as Client Posted VM and Prop Posted VM;

- (ii) any Collateral which has been transferred as Client Posted IM and Prop Posted IM;
- (iii) any Collateral which has been deducted in connection with the Daily Trading Limit on an intraday basis as set out in the Margin Policy and the relevant Procedures; and
- (iv) the portion of such Collateral which has been allocated by the Clearing House as that Clearing Member's contribution to the Settlement Default Fund in accordance with the Default Rules and the Settlement Default Fund Policy.

**"Bankruptcy and Insolvency Proceedings"**

means, in respect of a juridical person, any measure provided for by Applicable Law relating to bankruptcy, insolvency, liquidation (including any compulsory winding up procedure), reorganisation, composition with creditors, receivership or conservatorship, or any other similar procedures where such measure involves the suspension of or imposition of limitations on, transfers or payments.

**"Back-up Clearing Member"**

has the meaning given to it in the Default Rules.

**"Board"**

means the board of directors of the Clearing House.

**"Business Day"**

means a settlement day for the CCP as may be determined in its procedures or circulars or as may be determined by the Authority from time to time, but excluding holidays sanctioned by the Authority.

**"Buy-In Contract"**

means, for the purposes of Rule 27 (*CCP Buy-In*), the contract formed on the Exchange as a result of the operation of the buy-in process of the Exchange, between the Clearing House and another registered participant of the Exchange who is the seller of the relevant Securities which are the subject of a CCP Buy-In.

**"Buyer Clearing Member"**

means, with respect to a Contract, a Clearing Member who is purchasing Securities or Derivatives from the Clearing House under such Contract.

**"Buying Contract"**

has the meaning given to it in Rule 13.2.3 (*Novation of Exchange Contracts and formation of Contracts*).



**“Cash Contract”**

means a Contract which is not a Contract for Derivatives.

**"Cash Settlement Account"**

means an account opened in the name of a Clearing Member or Settlement Agent with a Settlement Bank directly or held as a ledger in the account of the Settlement Bank with the UAE Central Bank for the receipt and payment of cash in relation to the settlement of payments made or to be made by that Clearing Member or Settlement Agent under the Clearing Membership Agreement or, as applicable, the Settlement Agent Participation Agreement.

**"CCP Buy-In"**

means the process and the transactions contemplated by Rule 27 (*CCP Buy-In*) and the Procedures, which term will include a Chain CCP Buy-In (as defined in Rule 27.1 (*Initiation of Buy-In*)).

**"CCP Regulations"**

means the Chairman of the Authority's Board of Directors' Decision No. (22/R.M) of 2016 concerning the regulation of the Central Clearing Counterparty (CCP) Business, as may be amended, superseded or supplemented to from time to time.

**"CCP Sale Value"**

in respect of one or more Selling Contracts, has the meaning given to it in Rule 15.1 (*Payment netting of purchase prices and sale prices*).

**"CCP Settlement Account"**

means an account opened in the name of the Clearing House with the Central Bank of the UAE or a Settlement Bank for the receipt and payment of cash in relation to the settlement of payments made or to be made by the Clearing House under these Rules or the Procedures.

**"Central Securities Depository"**

means Dubai CSD LLC or any other entity which operates as a central securities depository in maintaining securities accounts, central safekeeping services and assets services and operating a securities settlement system in respect of Securities that the Clearing House may Clear from time to time.

**"Central Securities Depository System" or "CSD System"**

means the system established by the Central Securities Depository that handles or administers the depository, safekeeping and the central securities register of the Securities that are listed on the relevant Market and records the legal owners of such Securities.

- "Clearing"** means, in relation to a Market Contract, the entry into corresponding Contracts by the Clearing House and such Clearing Members under the terms of these Rules and the Procedures, and the terms **"to Clear"** or **"Cleared"** shall be construed accordingly.
- "Clearing House" or "CCP"** means Dubai Clear L.L.C. and its successors or assigns from time to time that conducts Clearing in the place of Dubai Clear L.L.C..
- "Clearing Member"** means a legal entity defined as a "Clearing Member" in the CCP Regulations or as a "General Clearing Member" in the GCM Regulations, and admitted to the Clearing House as a **"Trading Clearing Member"** or a **"General Clearing Member"** in accordance with these Rules and the Procedures and who contracts as a principal with the Clearing House under the Contracts entered into pursuant to Rule 13 (*Novation and registration of Contracts*).
- For the avoidance of doubt, references in these Rules, the Default Rules or the Procedures to a "General Clearing Member" denote the type of membership of such Clearing Member with the Clearing House for the purposes of its Clearing Membership Agreement and does not preclude a Trading Clearing Member or General Clearing Member from falling within the definition of a "General Clearing Member" for the purposes of its compliance with the GCM Regulations.
- "Clearing Membership Agreement"** means the contractual arrangements concluded between the Clearing House and a Clearing Member under which the Clearing House agrees to make available clearing services in respect of Contracts, including these Rules, the Default Rules, the Procedures and the CM Admission Agreement, and any amendment, supplement, variation or extension thereto.
- "Client"** means a client of a Clearing Member or a Settlement Agent, as defined under the rules and regulations of the Authority, which is not a GCM Prop client and who is not registered with the Authority as a broker or a custodian. For the avoidance of doubt, a "Client" includes a Client of a GCM Prop client.

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<b>"Client Clearing Mandatory Provisions"</b>	means the provisions set out in the Annex ( <i>Client Clearing Mandatory Provisions</i> ) to these General Rules.
<b>"Client Contract"</b>	means a Contract entered into between the Clearing House and a Clearing Member following the Novation of the corresponding Market Contract pursuant to Rule 13.2 ( <i>Novation of Exchange Contracts and formation of Contracts</i> ) in respect of a trade for a Client.
<b>"Client Contract Exposures"</b>	means the exposure of the Clearing House to a Clearing Member in respect of an outstanding Client Contract registered in the same of such Clearing Member.
<b>"Client Posted IM"</b>	has the meaning given to it in Rule 14.2.6 ( <i>Transfer of Initial Margin and Variation Margin</i> ).
<b>"Client Posted VM"</b>	has the meaning given to it in Rule 14.2.7 ( <i>Transfer of Initial Margin and Variation Margin</i> ).
<b>"CM Admission Agreement"</b>	means each clearing member admission agreement entered into by the Clearing House and a Clearing Member, such agreement to be delivered in accordance with Rule 6.6 ( <i>Application documentation</i> ).
<b>"CM Initial Contribution"</b>	means an amount of Collateral determined by the Clearing House pursuant to its Margin Policy which Clearing Members are required to transfer or otherwise provide to the Clearing House (by way of title transfer) in accordance with these Rules and the Procedures.
<b>"CM Purchase Value"</b>	in respect of one or more Buying Contracts, has the meaning given to it in Rule 15.1 ( <i>Purchase prices and sale prices</i> ).
<b>"Collateral"</b>	means, on any day and in respect of a Clearing Member or a Settlement Agent, all Eligible Collateral including, where the context so requires, all rights, benefits, interests and proceeds payable in respect of or derived from such Collateral (including any dividends, sale or redemption proceeds, rights by way of redemption, bonus, preference, exchange, option, substitution, conversion, compensation or otherwise) which it has transferred or delivered to the Clearing House and not transferred or re-delivered to such Clearing Member or Settlement Agent pursuant to these Rules and, on any such day, in the case of a:  (i) Clearing Member, is the aggregate of:

- (A) its CM Initial Contribution; and
  - (B) any Additional Contribution; and
- (ii) Settlement Agent, is the aggregate of:
- (A) its SA Initial Contribution; and
  - (B) at any time the Procedures permit a Settlement Agent to transfer Initial Margin or Variation Margin on behalf of a Clearing Member in respect of outstanding Contracts which it accepts participation of, any Additional Contribution.

**"Collateral Policy"**

means the guidelines and procedures issued from time to time and designated as such in relation to Eligible Collateral as published by the Clearing House on its website and which, for the purposes of these Rules, will constitute a Procedure.

**"Contract"**

means a Client Contract or a Prop Contract, and the term "Contracts" shall mean one or more of either of them, as the context requires but for the avoidance of the doubt, excludes any Exchange Contract or Market Contract.

**"Contract for Derivatives"**

means a Contract in relation to Derivatives.

**"Corporate Action"**

means any rights, entitlement or a fractional interest resulting from a rights issue, stock dividend, stock split or similar corporate action, any calls for redemption, grants or expirations of conversion or subscription rights, mergers, offers, consolidations, reorganisations and capitalisations or other corporate actions or any other administrative or supervisory matters affecting the Securities.

**"Daily Settlement Obligation"**

means:

- a) in relation to the outstanding Cash Contracts on any Settlement Day, and
  - (i) in respect of a Clearing Member, the rights of that Clearing Member to receive net payment and/or gross deliveries of Securities from the Clearing House, against the rights of the Clearing House to receive net payment and/or gross deliveries of Securities from that

Clearing Member, in each case, in accordance with these Rules and as adjusted pursuant to Rule 16.2.3 (*Acceptance of participation*) for Settlement Agent participation in the relevant Cash Contracts; and

- (ii) in respect of a Settlement Agent who has accepted participation to outstanding Cash Contracts, the obligation of that Settlement Agent to pay the SA Daily Netted Payment Amount and/ or make or receive gross deliveries of Securities to or from the Clearing House.

- b) in relation to Contract for Derivatives, the rights of that Clearing Member to receive or to pay net payment to or from the Clearing House, against the Contract for Derivatives based on the Derivatives Daily Obligation calculated as per Rule 15.3.

**"Daily Trading Limits"**

means, in respect of a Clearing Member or a Settlement Agent (if applicable to a Settlement Agent under the Procedures), the maximum amount of outstanding obligations which it may incur under outstanding Contracts on any day, prior to the operation of payment netting under Rule 15 (*Payment Netting*) or Rule 16.2 (*Acceptance of participation*).

**"Default Rules"**

means the Clearing House's Default Rules set out in Part II of these Rules and the Procedures, each as promulgated by the Clearing House pursuant to the CCP Regulation, as amended, supplemented, varied or extended from time to time.

**"Defaulting Clearing Member"**

means a Clearing Member in respect of whom an Event of Default has occurred, as more particularly described in the Default Rules.

**"Derivatives"**

means financial contracts traded on the market and the value is depends on the value of securities Securities included in such contracts.

**“Derivatives Daily Obligation”**

means the net obligation of a Clearing Member in relation to a Contract for Derivatives calculated as per Rule 15.3.

**“Derivatives Open Position”**

means a position held under a House Account or a Client Account in relation to a Contract for Derivatives.

**“DFM Group”**

means any entity which is wholly or partially owned by Dubai Financial Market PJSC from time to time, including the Clearing House.

**“Disruption Event”**

means either or both of:

- (i) a material disruption to those payment or communications systems or to those financial markets which are, in each case, required to operate in order for payments to be made in connection with these Rules and the Procedures (or otherwise in order for the transactions contemplated by these Rules or the Procedures to be carried out) which disruption is not caused by, and is beyond the control of, any of the Clearing House, a Clearing Member (in its capacity as a Clearing Member) or a Settlement Agent (in its capacity as a Settlement Agent); or
- (ii) the occurrence of any other event which results in a disruption (of a technical or systems-related nature) to the treasury or payments operations of a party preventing that, or any other party, from performing the payments contemplated by these Rules or the Procedures and which is not caused by, and is beyond the control of, the party whose operations are disrupted.

**“Default Management Process”**

means, following the delivery of a Default Notice in accordance with section 4 (*Enforcement: Default Notice*) of the Default Rules, the actions, orders, transfers, realisations and/ or liquidations contemplated by section 5 (*Default Management Actions*) of the Default Rules.

**“DMP Guarantee”**

means, in respect of a Clearing Member, the guarantee granted by a Clearing Member in favour of the Clearing House in respect of the DMP Losses under the Default Rules and pursuant to the section titled “*DMP Guarantee*” under the CM Admission Agreement.

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<b>"DMP Losses"</b>	has the meaning given to it in the Default Rules.
<b>"Eligible Collateral"</b>	means any assets which is of a type and format that is acceptable to the Clearing House in accordance with the Collateral Policy to be used as Collateral from time to time in accordance with Rule 28.2 ( <i>Eligible Collateral</i> ).
<b>"Eligible Collateral Value"</b>	means, on any day, in respect of Eligible Collateral which is: <ul style="list-style-type: none"><li>(i) Eligible Currency, the amount of such cash multiplied by the applicable Valuation Percentage;</li><li>(ii) Eligible Guarantee, the face amount of such guarantee instrument multiplied by the Valuation Percentage;</li><li>(iii) Eligible Securities, the bid price obtained by the Clearing House in respect of the same aggregate face amount of securities of the same type, issuer, nominal value, description and currency denomination as the relevant Eligible Securities multiplied by the Valuation Percentage,</li></ul> in each case, converted to AED at an exchange rate as may be determined by the Clearing House for value on such date.
<b>"Eligible Currencies"</b>	means such currencies which is acceptable to the Clearing House in accordance with the Collateral Policy to be used as Collateral from time to time in accordance with Rule 28.2 ( <i>Eligible Collateral</i> ).
<b>"Eligible Guarantee"</b>	means a first demand, unconditional and unrestricted bank guarantee in the form required by the Clearing House from time to time in accordance with the Collateral Policy and provided by an Approved Financial Institution covering current and future liabilities of a Clearing Member or a Settlement Agent to the Clearing House under or in connection with its participation in Clearing, whose guarantee amount is denominated in an Eligible Currency and which is payable to the Clearing House upon demand by the Clearing House.
<b>"Eligible Securities"</b>	means securities (which may include Securities), denominated in an Eligible Currency, which is of a type, format and located in a jurisdiction which is acceptable to



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	the Clearing House to be used as Collateral from time to time in accordance with Rule 28.2 ( <i>Eligible Collateral</i> ).
"Emirati Dirhams" or "AED"	means the lawful currency of the UAE for the time being.
"Equivalent Collateral"	means, in respect of any return of Surplus Collateral or return of Collateral transferred or to be transferred by the Clearing House to a Clearing Member or a Settlement Agent from time to time pursuant to these Rules and/ or the Procedures, Eligible Collateral which is of the same type, nominal value, issuer (in the case of Eligible Securities), description, currency denomination and amount as such Surplus Collateral or Collateral transferred or to be transferred by the Clearing House.
"Event of Default"	means, in respect of a Clearing Member the occurrence of any of the events or circumstances set out as such in the Default Rules.
"Exchange"	means any of a securities <u>or derivatives</u> exchange operator in respect of which the Clearing House provides Clearing services and which is responsible for administering a market for the sale and purchase of Securities <u>or Derivatives</u> by buyers and sellers who are registered participants on such Exchange.
"Exchange Contract(s)"	means any trades in relation to the sale and purchase Securities <u>or Derivatives</u> that are listed on the Exchange between two persons who are registered participants on the Exchange and are Clearing Members or use the services of a Clearing Member and which are either: (i) matched and executed through the relevant Market Automated Trading System; or (ii) otherwise registered by the Exchange as a trade (which may include, without limitation, trades effected as private sales, block trade orders or special deals).
"Executive Committee"	means the committee of the board of directors of the Clearing House which is designated as the "Executive Committee" in accordance with the CCP Regulations.
"GCM Prop client"	means, in respect of a General Clearing Member, a client of such General Clearing Member who is not a Client but a "trading member" of the Exchange. For the avoidance of doubt, a Client of a GCM Prop client is a "Client" for the purposes of these Rules and the Default Rules.



"GCM Regulations"	means the Authority's Board of Directors' Decision No. (36/R.M) of 2019 concerning general clearing member activity, as may be amended, superseded or supplemented to from time to time.
"IM Cut-off Time"	has the meaning given to it in Rule 14.1.2 ( <i>Condition precedent to Clearing House obligations</i> ).
"Initial Margin"	means, on any Business Day and in respect of the Clearing House's exposure to such Clearing Member on such day, an amount determined by the Clearing House in accordance with the provisions relating to "Initial Margin" in the Margin Policy, in respect of: <ul style="list-style-type: none"><li>(i) Client Contract Exposures; and</li><li>(ii) Prop Contract Exposures.</li></ul>
"Margin Policy"	means, in respect of the Collateral transferred by a Clearing Member, the guidelines and procedures issued from time to time and designated as such for the allocation of such Collateral from the Available Collateral Balance for the purposes of Initial Margin and Variation Margin, as published by the Clearing House on its website and which, for the purposes of these Rules, will constitute a Procedure.
<u>"Mark to Market"</u>	<u>means the practice of revaluing Derivatives Open Position using current market prices.</u>
"Market"	means the Dubai Financial Market P.J.S.C. or its successor entity which is a securities <u>or derivatives</u> exchange operator or any other entity which is a securities <u>or derivatives</u> exchange operator for the entry into and conclusion of contracts between members of such market or trading platform to which the Clearing House may agree to provide Clearing services from time to time.
"Market Automated Trading System"	means the automated, computerized trading system established and operated by the relevant Market.
"Market Contract"	means an Exchange Contract or a contract formed between two persons who are registered participants on any other Market to which the Clearing House may agree to provide Clearing services from time to time and which are matched

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	and executed through the relevant Market Automated Trading System.
<b>"Market Rules"</b>	means the rules and procedures applicable to the registered participants of a Market, as published or otherwise prescribed by that Market from time to time.
<b>"Novation"</b>	means, in respect of a Market Contract which is submitted to the Clearing House for Clearing, the replacement of the rights and obligations of each party to such Market Contract with the rights and obligations of each such party under a Contract in accordance with Rule 13.2 ( <i>Novation of Exchange Contracts and formation of Contracts</i> ), the Procedures and the terms and conditions of the Clearing Membership Agreement.
<b>"Operations Procedure"</b>	means the guidelines and procedures issued from time to time and designated as such in relation to operations as published by the Clearing House on its website and which, for the purposes of these Rules, will constitute a Procedure.
<b>"Participant Person"</b>	means any person who is party to the arrangements for which the Clearing House is established.
<b>"Procedures"</b>	means the procedures of the Clearing House in relation to any of the Clearing services or facilities provided by the Clearing House which contains the guidelines, practices, procedures and requirements relating to its Clearing operations and functions and also implementation of the Rules, which is available on the website of the Clearing House (or as otherwise may be provided by way of notice by the Clearing House to a Clearing Member or a Settlement Agent), which form part of the Clearing Membership Agreement or, as applicable, the Settlement Agent Participation Agreement, and which may be amended by the Clearing House from time to time.
<b>"Prop Contract"</b>	means a Contract entered into between the Clearing House and a Clearing Member following the Novation of the corresponding Market Contract pursuant to Rule 13.2 ( <i>Novation of Exchange Contracts and formation of Contracts</i> ) in respect of a trade which is, in the case of a:  (i) Trading Clearing Member, for that Trading Clearing Member's own account; and

	(ii) General Clearing Member, for the account of a GCM Prop client who had entered into the corresponding Market Contract for its own account rather than the account of a Client of such trading member.
<b>"Prop Contract Exposures"</b>	means the exposure of the Clearing House to a Clearing Member in respect of an outstanding Prop Contract registered in the same of such Clearing Member.
<b>"Prop Posted IM"</b>	has the meaning given to it in Rule 14.2.6 ( <i>Transfer of Initial Margin and Variation Margin</i> ).
<b>"Prop Posted VM"</b>	has the meaning given to it in Rule 14.2.7 ( <i>Transfer of Initial Margin and Variation Margin</i> ).
<b>"Resigning Member"</b>	has the meaning given to it in Rule 12.3 ( <i>Resignation of membership</i> ).
<b>"Resignation Effective Date"</b>	has the meaning given to it in Rule 12.3 ( <i>Resignation of membership</i> ).
<b>"Risk Management Committee"</b>	means the decision-making body designated as the Risk Management Committee that will, at all times, act in accordance with its terms of reference and any directions of the Authority.
<b>"Rules"</b>	means these Rules and any amendments hereto which are notified by the Clearing House to all Clearing Members and Settlement Agents from time to time.
<b>"SA Admission Agreement"</b>	means each settlement agent admission agreement entered into by the Clearing House and a Settlement Agent, such agreement to be delivered in accordance with Rule 7.3 ( <i>Application documentation</i> ).
<b>"SA Daily Netted Payment Amount"</b>	means, in respect of the relevant Contracts which a Settlement Agent has accepted participation of in accordance with Rule 16.2 ( <i>Acceptance of participation</i> ), an amount equal to the difference between::  (i) the purchase price(s) payable by the Settlement Agent to the Clearing House under each set of outstanding Buying Contracts prescribed in the relevant Procedures to which that Settlement Agent has accepted participation of; and

- (ii) the sale price(s) payable by the Clearing House under the same set of outstanding Selling Contracts to which that Settlement Agent has accepted participation of,

which have the same Settlement Group and which, if a positive number, shall be payable by the Settlement Agent to the Clearing House and, if a negative number, shall be payable by the Clearing House to the Settlement Agent in accordance with Rule 20.3 (*Settlement of Daily Settlement Obligations*).

**"SA Initial Contribution"**

means an amount of Collateral determined by the Clearing House pursuant to its Margin Policy which Settlement Agents are required to transfer or otherwise provide to the Clearing House (by way of title transfer) in accordance with these Rules and the Procedures.

**"Securities"**

means:

- (i) shares, bonds and bills issued by public joint stock companies;
- (ii) bonds and bills issued by the UAE federal government, UAE local governments or public corporations and institutions in the UAE; and
- (iii) any other financial instruments authorized by the Authority.

**"Selling Contract"**

has the meaning given to it in Rule 13.2.3 (*Novation of Exchange Contracts and formation of Contracts*).

**"Seller Clearing Member"**

means, with respect to a Contract, a Clearing Member who is selling Securities or Derivatives to the Clearing House under such Contract.

**"Settlement Agent"**

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 Agent Participation Agreement"**

means the contractual arrangements concluded between the Clearing House and a Settlement Agent governing the basis

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	on which the Settlement Agent may participate in effecting the payments and/or deliveries under the Contracts registered to the relevant Clearing Member from time to time, including these Rules, the Default Rules, the Procedures and the SA Admission Agreement, and any amendment, supplement, variation or extension thereto.
<b>"Settlement Bank"</b>	means each designated bank defined as a "Settlement Bank" in the CCP Regulations and approved by the Clearing House which carries out transfers in respect of settlement of financial obligations in relation to the Clearing of Contracts.
<b>"Settlement Bank Instructions Agreement"</b>	means each settlement bank instructions agreement entered into between a Clearing Member or Settlement Agent and its Settlement Bank, such agreement to be delivered by a Clearing Member in accordance with Rule 9.2.3 ( <i>Commencement of operations – Clearing Members</i> ) or a Settlement Agent in accordance with Rule 10.2.3 ( <i>Commencement of operations – Settlement Agents</i> ).
<b>"Settlement Cycle"</b>	means, in respect of a Contract, the period from the date of that Contract to the relevant Settlement Day set out by the Clearing House under the Procedures from time to time.
<b>"Settlement Day"</b>	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 Clearing House in the Procedures.
<b>"Settlement Default Fund"</b>	means the Contributions determined by the Clearing House to be held as the Settlement Default Fund from time to time pursuant to Articles 13 and 17 of the CCP Regulations.
<b>"Settlement Default Fund Policy"</b>	means the guidelines and procedures designated as such in relation to the Settlement Default Fund as published by the Clearing House on its website and which, for the purposes of these Rules, will constitute a Procedure.
<b>"Settlement Group"</b>	means, in respect of a Clearing Member, a set of outstanding Contracts having: <ul style="list-style-type: none"><li>(i) the same Settlement Cycle; and</li><li>(ii) the same Settlement Day,</li></ul> and which are settled in accordance with Rule 15.2.

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<b>"Surplus Collateral"</b>	means, in respect of a Clearing Member, any Collateral previously transferred to the Clearing House by that Clearing Member which exceeds the amount of Collateral required to be held by the Clearing House in relation to that Clearing Member pursuant to the current or most recently calculated applicable amounts of Collateral required in respect of such Clearing Member at such time, after retaining such sufficient minimum Collateral balance in accordance with the Clearing House's standard risk management policies.
<b>"Suspended Member"</b>	has the meaning given to it in Rule 11.1 ( <i>Suspension or termination of membership</i> ).
<b>"Suspension Effective Date"</b>	has the meaning given to it in Rule 11.2 ( <i>Suspension or termination of membership</i> ).
<b>"Terminated Member"</b>	has the meaning given to it in Rule 11.4 ( <i>Suspension or termination of membership</i> ).
<b>"Termination Effective Date"</b>	has the meaning given to it in Rule 11.4 ( <i>Suspension or termination of membership</i> ).
<b>"Transfer Order"</b>	means any of the following instructions: <ul style="list-style-type: none"><li>(i) instructions by a Participant Person to make funds available to another Participant Person by means of book-entry on the accounts of a bank (including a Settlement Bank), a central bank (including the Central Bank of the UAE), the Clearing House or any other payment system;</li><li>(ii) instructions which result in the assumption or discharge of a payment obligation arising pursuant to a Clearing Membership Agreement or Settlement Agent Participation Agreement; or</li><li>(iii) instructions by a Participant Person to transfer the title to, or interest in, Securities or any other property by means of book-entry on a register or otherwise.</li></ul>
<b>"Transitional Period"</b>	has the meaning given to it in Rule 8.1 ( <i>Transitional Period</i> ).
<b>"UAE"</b>	means the United Arab Emirates.

- "Valuation Percentage"** means, on any day, in respect of each item of Eligible Collateral, the percentage specified in the Collateral Policy which represents the valuation of such item of Eligible Collateral (after any haircuts) for the purposes of any Collateral transferred to the Clearing House made using such item of Eligible Collateral.
- "Variation Margin"** means, on any Business Day and in respect of the Clearing House's exposure to such Clearing Member on such day, an amount determined by the Clearing House in accordance with the provisions relating to "Variation Margin" in the Margin Policy, and whereby a separate amount of Variation Margin will be determined in respect of:
- (i) Client Contract Exposures; and
  - (ii) Prop Contract Exposures.
- "VM Cut-off Time"** has the meaning given to it in Rule 14.1.2 (*Condition precedent to Clearing House obligations*).



## Interpretation

- (a) Any reference in a Clearing Membership Agreement or a Settlement Agent Participation Agreement to a provision of law or regulation will be to such law or regulation as amended, modified or re-enacted from time to time.
- (b) Reference to "**writing**" contained in a Clearing Membership Agreement or a Settlement Agent Participation Agreement shall include typing, printing, lithography, photography or any other mode of representing or reproducing words in a visible form.
- (c) Any reference to times contained in a Clearing Membership Agreement or a Settlement Agent Participation Agreement shall, unless otherwise stated, be to UAE times.
- (d) Any reference in a Clearing Membership Agreement or a Settlement Agent Participation Agreement to a "**person**" or a "**party**" (howsoever described) shall include its successors.
- (e) Any reference to "**participation**" in these Rules in relation to a Settlement Agent means the acceptance by such Settlement Agent to effect the relevant payment or delivery obligations of a Clearing Member under a Contract (which may be a Client Contract or a Prop Contract) that is registered in the name of a Clearing Member.
- (f) A reference to the "**Client of a Clearing Member**" (howsoever described) shall include the Client of any GCM Prop client in respect of whom a General Clearing Member may enter into Client Contracts and each such reference shall be construed accordingly (as the context requires).
- (g) Any reference in a Clearing Membership Agreement or a Settlement Agent Participation Agreement to a law or regulation includes any regulation, rule, official directive, request or guideline (whether or not having the force of law) of any governmental intergovernmental or supranational body, agency, department or of any regulatory, self-regulatory or other authority or organisation.
- (h) Headings are used for ease of reference only and shall not affect the interpretation or construction of the provisions of a Clearing Membership Agreement or a Settlement Agent Participation Agreement.
- (i) If there is any conflict in the meaning between the English version and the Arabic version of any provision of a Clearing Membership Agreement or a Settlement Agent Participation Agreement, the English–Arabic version of such provision will be conclusive of the parties' intentions with respect to the construction and interpretation of that provision of a Clearing Membership Agreement or a Settlement Agent Participation Agreement.
- (j) Where there is a conflict between a Clearing Membership Agreement or a Settlement Agent Participation Agreement and any existing rules of the DFM Group relating to the clearing and/or settlement of Market Contracts or Contracts, the Clearing Membership Agreement or, as applicable, the Settlement Agent Participation Agreement shall prevail.



## CHAPTER ONE – OBLIGATIONS OF THE CLEARING HOUSE TO CLEARING MEMBERS AND CLEARING MEMBER STATUS

### 1. Obligations of the Clearing House to each Clearing Member

- 1.1. The Clearing House shall perform the obligations referred to in Rule 1.2 below so as to ensure the performance of all Contracts in accordance with these Rules.
- 1.2. The obligations of the Clearing House to each Clearing Member shall be, as a counterparty to a Contract registered in the name of a Clearing Member in accordance with these Rules and the Procedures, to perform its obligations under the terms of such Contract as principal to such Clearing Member in accordance with the provisions of these Rules and the Procedures, but subject to the restrictions on the Clearing House's obligations and liabilities contained in these Rules.
- 1.3. The performance by the Clearing House of its obligations referred to in this Rule 1 shall always be subject to the provisions of these Rules. The benefit of the performance by the Clearing House of such obligations is conferred upon Clearing Members as principals and upon no other persons whatsoever. It is not the intention of the Clearing House or any Clearing Member to confer any benefit on or give any right to enforce any provisions of this Rule or any of the other Rules to any person who is not a Clearing Member and any statutory rights of any third parties to enforce any provision of any of these Rules are expressly excluded.

### 2. Performance by the Clearing House of its obligations under the terms of a Contract

- 2.1. The Clearing House's obligations under the terms of a Contract shall be performed in the manner and form and by such day and time as may be prescribed in the relevant Market Rules (where applicable), these Rules or the Procedures, save that:
  - 2.1.1. where the relevant Market Rules specify a time by which the registered participants of that Market shall perform their respective obligations under the terms of a Market Contract, the Clearing House shall be deemed to have complied with the relevant Market Rules if it performs its obligations under the terms of a Contract, as a party to such Contract, promptly after such time, unless the relevant Market Rules expressly provide that performance must be made by the Clearing House by such time; and
  - 2.1.2. where the terms of a Market Contract specify a time by which a party thereto shall perform its obligations, the Clearing House shall be deemed to have complied with that Market Contract if it performs its obligations promptly after such time.
- 2.2. Unless provided otherwise in the Procedures, all Market Contracts will be automatically sent through from the Market Automated Trading System to the Automated Clearing System for Clearing.
  - 2.2.1. The data required for Clearing is received from the Market Automated Trading

System and recorded and stored in the Automated Clearing System.

- 2.2.2. The Automated Clearing System shall operate in accordance with a progressive settlement table for all Market Contracts that take place on the trading day, as set out by the Clearing House in the Procedures.
- 2.2.3. The Clearing House reserves the absolute right to reject the acceptance of a Market Contract for Clearing in accordance with these Rules or the Procedures.

### 3. Clearing Member status

- 3.1. Application for admission to the Clearing House as a Clearing Member shall be made in accordance with Rule 5 (*Application for admission*) and Rule 6 (*Criteria for admission as Clearing Member*). The terms and conditions of a Clearing Member's membership of the Clearing House shall be governed by these Rules, the Procedures and any Clearing Membership Agreement to which that Clearing Member is a party from time to time.
- 3.2. Clearing Member status does not provide or entitle a Clearing Member to any shareholding membership of Dubai Clear L.L.C. or any shareholding or other membership of any other services provided by entities in the DFM Group.
- 3.3. Having determined the category of membership of the Clearing Member upon its admission to the Clearing House, if in its absolute discretion the Clearing House determines that a Clearing Member no longer meets the relevant eligibility criteria for a particular category, the Clearing House may rescind that Clearing Member's eligibility to have further Contracts registered in such Clearing Member's name, but without prejudice to that Clearing Member's right to have registered in his name, subject to these Rules, those Contracts in respect of which that Clearing Member does meet the eligibility criteria. The Clearing House may from time to time publish a list of Clearing Members identifying the category or categories of Contracts which each Clearing Member is eligible to have registered in its name.
- 3.4. A Clearing Member shall be a principal to and not an agent in respect of any Contract registered in the name of such Clearing Member with the Clearing House.

#### 4. Settlement Agent status

- 4.1. Application for admission to the Clearing House as a Settlement Agent shall be made in accordance with Rule 5 (*Application for admission*) and Rule 7 (*Criteria for admission as Settlement Agent*).
- 4.2. Settlement Agent status does not provide or entitle a Settlement Agent to any shareholding membership of Dubai Clear L.L.C. or any shareholding or other membership of any other services provided by entities in the DFM Group, each of which has separate and distinct membership requirements.
- 4.3. Notwithstanding membership of a Settlement Agent, in any contracts (including the Contracts) or agreements between the Clearing House and a Clearing Member, the Clearing House contracts with the Clearing Member alone and, to the fullest possible extent permitted by law, disclaims any duties or obligations to any Settlement Agent other than those expressly set out under the terms of the Settlement Agency Participation Agreement.
- 4.4. All Settlement Agents contract and deal with the Clearing House on a principal-to-principal basis in respect of the transactions between the Settlement Agent and the Clearing House contemplated by the Settlement Agent Participation Agreement, including in respect of any Contracts in which such Settlement Agent may participate. Under no circumstances is the Clearing House obliged to recognise the rights and obligations between:
  - 4.4.1. a Settlement Agent and its Clients pursuant to the terms of their agency and/or custodian arrangements (howsoever described); or
  - 4.4.2. a Client of a Settlement Agent and the party who is the principal party to such Client under the transactions which the Settlement Agent may enter into on that Client's behalf pursuant to its agency and/or custodian arrangements (howsoever described).

## CHAPTER TWO – MEMBERSHIP

### 5. Application for admission

A person may apply to be admitted as a Clearing Member or as a Settlement Agent in accordance with this Chapter Two of the Rules and must be made on the appropriate form which can be obtained from the Clearing House. Additional information (including legal documents) must be supplied where necessary and submitted to the Clearing House with the completed application form.

#### 5.1. Categories of membership

The categories of Clearing Members and Settlement Agents who may be admitted to the Clearing House are as follows:

5.1.1. Trading Clearing Members;

5.1.2. General Clearing Members; or

5.1.3. Settlement Agents.

Each category of Clearing Member or Settlement Agent shall have such rights and obligations as are provided in the Clearing Membership Agreement or, as applicable, the Settlement Agent Participation Agreement.

The Clearing House may, by notice from time to time, vary the rights and obligations attaching to each category of Clearing Member or Settlement Agent and may establish further categories of Clearing Members, Settlement Agents or membership of the Clearing House with such rights and obligations as the Clearing House may prescribe.

If, in the opinion of the Clearing House, a Clearing Member's or a Settlement Agent's transactions or dealings with the Clearing House are inconsistent with its category of membership, then without prejudice to any other rights which the Clearing House may have, the Clearing House may require such Clearing Member or Settlement Agent to cease such transaction(s) and may also require such Clearing Member or Settlement Agent to re-apply for admission under the appropriate category of membership.

#### 5.2. Conditions of application

An applicant for Clearing Member or Settlement Agent status must accept that the Clearing House:

5.2.1. is entitled to make enquiries of any nature about the applicant and any person connected or associated with the applicant;

5.2.2. is entitled to ask the applicant to supply additional information and take whatever steps are necessary to verify information;

5.2.3. is entitled to provide and/or disclose information to an exchange, governmental

department, regulatory organisation, other authority, or to the Clearing House's insurers in connection with any form of insurance, or to any person pursuant to Applicable Law (including, but not limited to, the CCP Regulations) and any rules made thereunder, or in accordance with any other statutory requirement, and in accordance with the terms of the Clearing Membership Agreement or the Settlement Agent Participation Agreement (as the case may be);

- 5.2.4. may disclose to any other party the name, address, registered number and details of any exchange or clearing memberships held or applied for; and
- 5.2.5. will endeavour to process, consider and decide upon an application in a timely fashion, but owes no duty or obligation to the applicant to do so.

## 6. Criteria for admission as Clearing Member

### 6.1. General

The Clearing House imposes certain criteria and requirements in relation to Clearing Member status. The relevant criteria have, in all cases, been established by the Clearing House so as to be non-discriminatory and objective and so as to ensure fair and open access by Clearing Members (whether existing or potential) to the Clearing House.

The relevant criteria are without prejudice to the provisions of the Clearing Membership Agreement which must be executed by the applicant, and must equally be met by Clearing Members.

The Clearing House may, in its sole discretion, refuse an application for membership where it considers it appropriate to do so in accordance with its internal risk management policies and procedures as amended from time to time. In the event that the Clearing House refuses an application for membership, the Clearing House will provide reasons for such rejection in writing to the relevant applicant.

Solely at the discretion of the Clearing House, Clearing Member status may be granted on a conditional basis before any Clearing House requirements have been fully met or before related Market membership(s) requirements are met, but cannot be operational until such requirements are satisfied.

### 6.2. Authorisation from Authority

All applicants for Clearing Member status must have been approved by the Authority as either:

6.2.1. in the case of membership as a Trading Clearing Member, a brokerage company licensed to operate in the UAE and, following the Transitional Period, licensed by the Authority in accordance with the GCM Regulations;

6.2.2. in the case of membership as a General Clearing Member:

- (a) a bank established in the UAE or a branch of a foreign financial institution which is licensed as a custodian of securities in the UAE and intends to carry out clearing transactions for its clients only;
- (b) a bank established in the UAE or a branch of a foreign financial institution which is licensed by the Central Bank of the UAE to operate in the UAE and:
  - (i) has the approval of the Authority to carry out, amongst other things, clearing transactions for brokerage companies and their Clients; and
  - (ii) following the Transitional Period, is licensed by the Authority in

accordance with the GCM Regulations

- (c) an entity (other than a bank in the UAE or a branch of a foreign financial institution which is licensed in the UAE) which is licensed in the jurisdiction of its headquarters by a regulating authority similar to the Authority to, and has the approval of the Authority to, carry out (amongst other things) clearing transactions for brokerage companies and their Clients and, following the Transitional Period, licensed by the Authority in accordance with the GCM Regulations; or
- (d) such other entity which may be approved by the Authority from time to time.

Where an applicant is a bank, it must all times be appropriately recognized by the relevant banking supervisor(s) having jurisdiction over it.

### 6.3. **Additional authorisations for Trading Clearing Member applicants**

All applicants for membership as a Trading Clearing Member status must be participants of the relevant Market to which the Clearing service relates and such applicant:

- 6.3.1. has an agreement with the relevant Market pursuant to which it is, and remains, active as a participant with access to that Market's Market Automated Trading System;
- 6.3.2. has installed the required electronic programs and technical systems to maintain access and connectivity to that Market's Market Automated Trading System;
- 6.3.3. is subject to the applicable Market Rules; and
- 6.3.4. is not in breach of its material obligations under its agreement with the relevant Market and its participation in the relevant Market Automated Trading System has not be suspended or revoked.

### 6.4. **Membership of Central Securities Depository**

All applicants for Clearing Member status must be participants of the Central Securities Depository unless the applicant intends to clear only Contract for Derivatives and such applicant:

- 6.4.1. has an agreement with the Central Securities Depository pursuant to which it is, and remains, active as a participant with instructing authority on behalf of its Clients and, in the case of a General Clearing Member, its GCM Prop clients to the Central Securities Depository and Registry System;
- 6.4.2. has installed the required electronic programs and technical systems to maintain access and connectivity to the Central Securities Depository and Registry



System;

6.4.3. is subject to the rules of the applicable Central Securities Depository in force from time to time; and

6.4.4. is not in breach of its material obligations under its agreement with the Central Securities Depository and its participation with the Central Securities Depository has not be suspended or revoked.

#### 6.5. **Minimum organisational capabilities**

All applicants for Clearing Member status shall possess an organizational structure and technological and information technology systems that guarantee the continuous and efficient management of relations and activities arising from its membership of the Clearing House and the systems of the Clearing House. For that purpose and before the commencement of Clearing activities, a Clearing Member applicant must, to the satisfaction of the Clearing House:

6.5.1. have installed the required equipment (including technology and connectivity) as may be stipulated by the Clearing House as being applicable to Clearing Members under the Procedures;

6.5.2. have professionally trained staff (including technical and administrative staff) available who are fully conversant with procedures for the management of business transacted in the Market(s) and Contracts Cleared by the Clearing House and in which the Clearing Member participates;

6.5.3. have a bank account, denominated in Emirati Dirhams, at the designated Settlement Bank, and in respect of which account the Clearing House has transfer authority to instruct payments to be made to it by the account bank without consent of the accountholder;

6.5.4. ensure adequate liquid resources at all times to meet its performance of the Contracts to which it is a party and its payment and delivery obligations to the Clearing House under these Rules in accordance with the Clearing House's liquid resource requirements prescribed under the Clearing Membership Agreement from time to time; and

6.5.5. comply with any additional membership requirements prescribed by the Clearing House under the Clearing Membership Agreement from time to time.

The requirements above shall be taken into account by the Clearing House in considering the eligibility of the applicant for admission to the Clearing House as a Clearing Member and, where appropriate, the ongoing or any subsequent satisfaction of such requirements will be specified as conditions attached to the applicant's Clearing Member status in accordance with Rule 6.7.1 (*Acceptance of admission application*) if Clearing Member status is granted.

## 6.6. Application documentation

Subject to Rule 8 (*Transitional Provisions*), the documentation and deliverables required to be delivered to the Clearing House together with an application form for Clearing Member status is as follows:

- 6.6.1. two (2) undated originals of the CM Admission Agreement, executed by duly authorized signatories of the applicant;
- 6.6.2. a copy of the license granted to it by the Authority pursuant to the GCM Regulations or, if agreed in writing with the Clearing House, evidence in form and substance satisfactory to the Clearing House that the Clearing Member has submitted an application in accordance with Article 4 (*License Application*) of the GCM Regulations;
- 6.6.3. payment of the relevant application fee to the Clearing House, if applicable, which is non-refundable regardless of whether the applicant is accepted for membership as a Clearing Member;
- 6.6.4. a copy of its *pro forma* clearing services agreements (howsoever described) which sets out the terms on which such applicant will provide services for clearing to its Clients incorporating the Client Clearing Mandatory Provisions;
- 6.6.5. in the case of an applicant for General Clearing Member status, its *pro forma* clearing services agreements (howsoever described) which sets out the terms on which such applicant will provide services for clearing to its GCM Prop clients, and evidence satisfactory to the Clearing House that the terms of business (howsoever described) of such GCM Prop client and its Clients incorporate the Client Clearing Mandatory Provisions;
- 6.6.6. the identity of the Settlement Agent(s) who may effect payments and deliveries under the Client Contracts to be entered into between the applicant (as a Clearing Member) and the Clearing House; and
- 6.6.7. any other document that the Clearing House, in its sole discretion, may prescribe from time to time.

## 6.7. Acceptance of admission application

- 6.7.1. Subject to Rule 8 (*Transitional Provisions*), if Clearing Member status is granted, new Clearing Members will receive a duly executed (and dated) copy of the CM Admission Agreement together with the notification of acceptance and details of any condition(s) attached to its Clearing Member status.
- 6.7.2. In all circumstances, unless the Clearing House decides otherwise in its sole discretion, admission of that Clearing Member is subject to the transfer and settlement of the applicable CM Initial Contribution required of that Clearing

Member, as determined by the Clearing House in accordance with these Rules,  
the Margin Policy and/or the Procedures.

## 7. Criteria for admission as Settlement Agent

A Clearing Member may nominate a person as a Settlement Agent in respect of Contracts entered into between the Clearing Member and the Clearing House, who will act as the Clearing Member's agent in fulfilling the obligations of the Clearing Member under a Contract.

### 7.1. Authorisation from Authority

All applicants for Settlement Agent status must have been approved by the Authority as either:

- 7.1.1. a bank established in the UAE or a branch of a foreign financial institution which is licensed as a custodian of securities in the UAE; or
- 7.1.2. any such other entity which may be approved by the Authority from time to time.

### 7.2. Minimum organisational capabilities

All applicants for Settlement Agent status shall possess an organizational structure and technological and information technology systems that guarantee the continuous and efficient management of relations and activities arising from its participation with the Clearing House and the systems of the Clearing House. For that purpose and before the commencement of its participation of Clearing activities (for and on behalf of a Clearing Member), a Settlement Agent applicant must, to the satisfaction of the Clearing House:

- 7.2.1. have installed the required equipment (including technology and connectivity) as may be stipulated by the Clearing House as being applicable to Settlement Agents under the Procedures;
- 7.2.2. have professionally trained staff (including technical and administrative staff) available who are fully conversant with procedures for the management of business transacted in the Market(s) and Contracts Cleared by the Clearing House and in which it participates;
- 7.2.3. have a bank account, denominated in Emirati Dirhams, at the designated Settlement Bank, and in respect of which account the Clearing House has transfer authority to instruct payments to be made to it by the account bank without consent of the accountholder;
- 7.2.4. ensure adequate liquid resources at all time to meet the payment and delivery obligations of itself to the Clearing House under the Settlement Agent Participation Agreement in respect of any Contracts in which it participates; and
- 7.2.5. comply with any additional requirements in respect of its participation with the Clearing House that are prescribed by the Clearing House under the Settlement Agent Participation Agreement from time to time.

The requirements above shall be taken into account by the Clearing House in considering the eligibility of the applicant for admission to the Clearing House as Settlement Agent and, where appropriate, the ongoing or any subsequent satisfaction of such requirements will be specified as conditions attached to the applicant's Settlement Agent status in accordance with Rule 7.4 (*Acceptance of admission application*) if Settlement Agent status is granted.

### 7.3. **Application documentation**

Subject to Rule 8 (*Transitional Provisions*), the documentation and deliverables required to be delivered to the Clearing House together with an application form for Settlement Agent status is as follows:

- 7.3.1. two (2) undated originals of the SA Admission Agreement, executed by duly authorized signatories of the applicant;
- 7.3.2. payment of the relevant application fee to the Clearing House, which is non-refundable regardless of whether the applicant is accepted for membership as a Settlement Agent; and
- 7.3.3. any other document that the Clearing House, in its sole discretion, may prescribe from time to time.

### 7.4. **Acceptance of admission application**

- 7.4.1. Subject to Rule 8 (*Transitional Provisions*), if Settlement Agent status is granted, new Settlement Agents will receive a duly executed (and dated) copy of the SA Admission Agreement together with the notification of acceptance and details of any condition(s) attached to its Settlement Agent status.
- 7.4.2. In all circumstances, unless the Clearing House decides otherwise in its sole discretion, admission of that Settlement Agent is subject to the transfer and settlement of the applicable SA Initial Contribution required of that Settlement Agent, as determined by the Clearing House in accordance with these Rules, the Margin Policy and/ or the Procedures.

## 8. Transitional Provisions

### 8.1. Transitional Period

The date on which these Rules and the Default Rules are in force (the "**Effective Date**") up to the date which is the earlier of:

- (a) in respect of a Clearing Member, the date on which such Clearing Member is granted Clearing Member status in accordance with Rules 6.7 (*Acceptance of admission application*);
- (b) in respect of a Settlement Agent, the date on which such Settlement Agent is granted Settlement Agent status in accordance with Rules 7.4 (*Acceptance of admission application*); and
- (c) any earlier date notified by the Clearing House or the Authority to all Clearing Members and Settlement Agents,

shall be the "**Transitional Period**"

8.1.1. If, on the Effective Date, a person who is in compliance with the Rules set out below against the relevant membership-type may (at the discretion of the Clearing House) be treated by the Clearing House as having the membership status set out below for the duration of the Transition Period:

	Membership-type	Rules to be complied with as of Effective Date
(a)	"Provisional Trading Clearing Member"	<ul style="list-style-type: none"> <li>• Rules 6.2.1 (<i>Authorisation from Authority</i>) to 6.5 (<i>Minimum organisational capabilities</i>)</li> <li>• Rule 6.6.3 (<i>Application documentation</i>)</li> <li>• Rules 9.2.4 to 9.2.6 (<i>Commencement of operations – Clearing Members</i>)</li> <li>• Transfer of applicable CM Initial Contribution to the Clearing House in accordance with Rule 8.2 (<i>Initial Contributions during Transitional Period</i>)</li> <li>• Demonstrated, to the satisfaction of the Clearing House, that: (i) it has opened the necessary settlement bank account with a financial institution that is a Settlement Bank; and (ii) that the Clearing House has several signing</li> </ul>

	Membership-type	Rules to be complied with as of Effective Date
		authority over such bank account to instruct the payments and transfers contemplated in these Rules, the Default Rules and the Procedures.
(b)	<b>"Provisional General Clearing Member"</b>	<ul style="list-style-type: none"> <li>• Rules 6.2.2 (<i>Authorisation from Authority</i>), 6.4 (<i>Membership of Central Securities Depository</i>) and 6.5 (<i>Minimum organisational capabilities</i>)</li> <li>• Rule 6.6.2 (<i>Application documentation</i>)</li> <li>• Rules 9.2.4 to 9.2.6 (<i>Commencement of operations – Clearing Members</i>)</li> <li>• Transfer of applicable CM Initial Contribution to the Clearing House in accordance with Rule 8.2 (<i>Initial Contributions during Transitional Period</i>).</li> <li>• Demonstrated, to the satisfaction of the Clearing House, that: (i) it has opened the necessary settlement bank account with a financial institution that is a Settlement Bank; and (ii) that the Clearing House has several signing authority over such bank account to instruct the payments and transfers contemplated in these Rules, the Default Rules and the Procedures.</li> </ul>
(c)	<b>"Provisional Settlement Agent"</b>	<ul style="list-style-type: none"> <li>• Rules 7.1 (<i>Authorisation from Authority</i>) and 7.2 (<i>Minimum organisational capabilities</i>)</li> <li>• Rule 7.3.2 (<i>Application documentation</i>)</li> <li>• Rules 10.2.4 and 10.2.5 (<i>Commencement of operations – Settlement Agents</i>)</li> <li>• Transfer of applicable SA Initial Contribution to the Clearing House in accordance with Rule 8.2 (<i>Initial Contributions during Transitional Period</i>).</li> </ul>

	Membership-type	Rules to be complied with as of Effective Date
		<ul style="list-style-type: none"> <li>• Demonstrated, to the satisfaction of the Clearing House, that: (i) it has opened the necessary settlement bank account with a financial institution that is a Settlement Bank; and (ii) that the Clearing House has several signing authority over such bank account to instruct the payments and transfers contemplated in these Rules and the Procedures.</li> </ul>

Each of a Provisional Trading Clearing Member, a Provisional General Clearing Member or a Provisional Settlement Agent being a "**Provisional Member**".

8.1.2. In consideration for the Clearing House providing Clearing services to a Provisional Trading Clearing Member or a Provisional General Clearing Member, such Provisional Trading Clearing Member or Provisional General Clearing Member, unless otherwise exempted or waived by the Clearing House (in its sole discretion):

- (a) is deemed to have accepted the terms and conditions of the Clearing Membership Agreement from the date on which it has transferred the CM Initial Contribution to the Clearing House;
- (b) represents and warrants to the Clearing House, on the date on which it transfers the CM Initial Contribution to the Clearing House and on each date of the Transitional Period on which it is a Provisional Clearing Member, each of the representations and warranties required to be made by a Clearing Member as set out in the Clearing Membership Admission Agreement;
- (c) undertakes to perform all the obligations of a Trading Clearing Member or, as the case may be, a General Clearing Member expressed in the Clearing Membership Agreement as if it had executed a Clearing Membership Admission Agreement;
- (d) agrees and acknowledges that it shall be bound by all the provisions of the Clearing Membership Agreement as a Trading Clearing Member or, as the case may be, a General Clearing Member; and
- (e) undertakes that, by no later than five (5) Business Days prior to the end of the Transition Period, it shall have provided the documentation and deliverables set out in Rule 6.6 (*Application documentation*) (the "**CM Conditions Subsequent**") in form and substance satisfactory to the Clearing House.



8.1.3. By agreeing to participate in Contracts by a Provisional Settlement Agent, such Provisional Settlement Agent, unless otherwise exempted or waived by the Clearing House (in its sole discretion):

- (a) is deemed to have accepted the terms and conditions of the Settlement Agent Membership Agreement from the date on which it has transferred the SA Initial Contribution to the Clearing House;
- (b) represents and warrants to the Clearing House, on the date on which it transfers the SA Initial Contribution to the Clearing House and on each date of the Transitional Period on which it is a Provisional Settlement Agent, each of the representations and warranties required to be made by a Settlement Agent as set out in the SA Admission Agreement;
- (c) undertakes to perform all the obligations of a Settlement Agent expressed in the Settlement Agent Participation Agreement as if it had executed a SA Admission Agreement;
- (d) agrees and acknowledges that it shall be bound by all the provisions of the Settlement Agent Agreement as a Settlement Agent; and
- (e) undertakes that, by no later than five (5) Business Days prior to the end of the Transition Period, it shall have provided the documentation and deliverables set out in Rule 7.3 (*Application documentation*) (the "**SA Conditions Subsequent**") in form and substance satisfactory to the Clearing House.

8.1.4. The Clearing House shall, as soon as practicable following the Effective Date, notify each Provisional Member of its applicable Daily Trading Limit during the Transitional Period, which Daily Trading Limit may be reviewed upon that Provisional Member's satisfaction of the CM Conditions Subsequent or, as the case may be, the SA Conditions Subsequent.

8.1.5. If, on the last day of the Transitional Period:

- (a) a Provisional Trading Clearing Member or a Provisional General Clearing Member has not satisfied the CM Conditions Subsequent, the Clearing House may, in its sole discretion, take any of the following measures:
  - (i) declare such Provision Trading Clearing Member or Provisional General Clearing Member as a Defaulting Clearing Member;
  - (ii) deliver a notice to such Provision Trading Clearing Member or Provisional General Clearing Member pursuant to Rule 11.2 (*Suspension or termination of membership*) with the Suspension Effective Date being the immediately following Business Day; or

- (iii) any other actions that the Clearing House considers to be appropriate to safeguard the orderly functioning of the markets; and
- (b) a Provisional Settlement Agent has not satisfied the SA Conditions Subsequent, the Clearing House may, in its sole discretion, take any of the following measures:
  - (i) deliver a notice to such Provision Trading Clearing Member or Provisional General Clearing Member pursuant to Rule 11.2 (*Suspension or termination of membership*) with the Suspension Effective Date being the immediately following Business Day;
  - (ii) any other actions that the Clearing House considers to be appropriate to safeguard the orderly functioning of the markets,and any outstanding Contract which is: (x) pending acceptance for participation by such Provisional Settlement Agent; or (y) pending settlement by such Provisional Settlement Agent, on that day shall be treated as a rejected Contract under Rule 16.3 (*Rejection of participation*).

## 8.2. Initial Contributions during Transitional Period

8.2.1. Each Provisional Member hereby authorises the Clearing House, in consideration for granting it membership of the Clearing House during the Transitional Period, to:

- (a) agree with the Exchange to allocate the collateral which is Eligible Collateral that it has provided to the Exchange prior to the Effective Date (the "**Existing Collateral**") pursuant to the relevant Market Rules and Applicable Law, in such proportions as the Clearing House determines to be required to satisfy or contribute towards satisfaction of that Provisional Member's obligation to provide CM Initial Contribution or, as the case may be, SA Initial Contribution to the Clearing House;
- (b) instruct the Exchange to transfer such Existing Collateral (or portion thereof) to the Clearing House as Collateral for that Provisional Member's CM Initial Contribution or SA Initial Contribution; and
- (c) take any other steps as are necessary to effect the foregoing.

8.2.2. In the event that the Existing Collateral provided by a Provisional Member to the Exchange is of an asset class (such as Eligible Guarantees) which cannot be transferred or attributed by one party to another party without taking further acts or execution of documents, the Clearing House may, in its sole discretion:

- (a) apply an additional haircut to the Valuation Percentage assigned to an

- equivalent Eligible Collateral-type under the Collateral Policy;
- (b) impose additional conditions on the Provisional Member to rectify such Existing Collateral within specified time limits during the Transitional Period; and/ or
  - (c) decline to accept such Existing Collateral as Collateral for CM Initial Contribution or, as the case may be, SA Initial Contribution.
- 8.2.3. If at any time during the Transitional Period, a Provisional Trading Clearing Member or a Provisional General Clearing Member is required by the Authority pursuant to Article 7 (*Guarantee Provisions*) of the GCM Regulations to issue a new Eligible Guarantee or transfer any Eligible Currency to the Clearing House to satisfy such Provisional Member's obligations to provide its CM Initial Contribution (such new Eligible Guarantee or Eligible Currency being the "**Substitution Initial Contribution**"):
- (a) such Provisional Trading Clearing Member or Provisional General Clearing Member shall promptly notify the Clearing House in writing; and
  - (b) as soon as reasonably practicable following the delivery of such Substitution Initial Contribution to the Clearing House, the Clearing House shall release an amount of the Existing Collateral previously transferred to the Clearing House pursuant to Rule 8.2.1 above which is equal to the value of the Surplus Collateral in accordance with Rule 28.9 (*Return of Surplus Collateral*).
- 8.2.4. Any loss, liability (including any liability as to tax), expense, demand, cost or claim incurred or suffered by the Clearing House in transferring any Existing Collateral or releasing and replacing Existing Collateral with Substitution Initial Contribution for a Provisional Member's CM Initial Contribution or SA Initial Contribution shall be payable by that Provisional Member upon demand by the Clearing House.
- 8.2.5. If a Provisional Member has insufficient Existing Collateral to discharge its obligation to provide CM Initial Contribution or, as the case may be, SA Initial Contribution to the Clearing House, the Clearing House may:
- (a) demand additional Collateral to be transferred by such Provisional Member pursuant to Rule 28.5.2(c) (*Initial Contributions*); and
  - (b) until such time that a Provisional Member has provided sufficient CM Initial Contribution or, as the case may be, SA Initial Contribution, the Clearing House shall deduct the Daily Trading Limit of such Provisional Member in accordance with the relevant Procedures.
- 8.2.6. For the avoidance of doubt, this Rule 8.2 is in addition to all other obligations of

a Provisional Member to provide Collateral to the Clearing House during the Transitional Period pursuant to the provisions of the Clearing Membership Agreement or, as the case may be, Settlement Agent Participation Agreement.

### 8.3. **Indemnities to the Clearing House during Transitional Period**

Each Provisional Member will, on demand by the Clearing House, indemnify and hold harmless the Clearing House and the DFM Group for and against all and any costs, expenses, liabilities, taxes, assessment, losses and damages of any nature whatsoever incurred or suffered by the Clearing House or the DFM Group, including (without limitation) any legal fees, execution fees, and/ or costs of collection thereof, by reason of:

- 8.3.1. its failure to comply with the provisions of the Clearing Membership Agreement or, as the case may be, Settlement Agent Participation Agreement during the Transitional Period;
- 8.3.2. any actions or omissions carried out by the Clearing House in reliance of such Provisional Member's performance of its obligations under the Clearing Membership Agreement or, as the case may be, Settlement Agent Participation Agreement during the Transitional Period;
- 8.3.3. the enforcement and protection of the rights of the Clearing House under the Clearing Membership Agreement or, as the case may be, Settlement Agent Participation Agreement during the Transitional Period, including in respect of any proceedings instituted by or against the Clearing House or the DFM Group as a consequence of enforcing or protecting such rights; and
- 8.3.4. the exercise of any of the rights, powers, discretions, authorities and remedies vested in the Clearing House under the Clearing Membership Agreement or, as the case may be, Settlement Agent Participation Agreement during the Transitional Period.

## 9. Clearing Member undertakings

### 9.1. Daily Trading Limits – Clearing Members

- 9.1.1. The Daily Trading Limits (and corresponding Available Collateral Balance) of a Clearing Member on any day shall be as prescribed by the Clearing House from time to time in accordance with the Clearing Member's designated category and tier of membership and as published and notified to the Clearing Members by the Clearing House from time to time.
- 9.1.2. Each Clearing Member must ensure its compliance with the applicable Daily Trading Limits at all times.
- 9.1.3. Deductions from a Clearing Member's Daily Trading Limits in respect of the Contracts registered to the name of that Clearing Member in the Automated Clearing System shall be applied intra-day in the manner prescribed by the Procedures.
- 9.1.4. In accordance with the Procedures and Rule 9.1.3 above, a Clearing Member's Daily Trading Limits (and corresponding Available Collateral Balance) may fluctuate on an intra-day basis in respect of any outstanding Contracts.
- 9.1.5. Any intra-day deductions made from the Daily Trading Limit under Rule 9.1.4 will be replaced by Initial Margin and Variation Margin at the end of that Settlement Day.
- 9.1.6. For the avoidance of doubt, at any time that a Clearing Member has used its Daily Trading Limit, the Clearing House shall not accept any further Market Contracts or Exchange Contracts in respect of such Clearing Member for Clearing and Rule 13.1.6 (*Acceptance of Market Contracts for Clearing*) shall apply to such rejected Market Contract or Exchange Contract.

### 9.2. Commencement of operations – Clearing Members

Prior to the commencement of operations by a Clearing Member, a Clearing Member shall, unless otherwise exempted or waived by the Clearing House (in its sole discretion), have:

- 9.2.1. provided or transferred such Collateral as its CM Initial Contribution required by the Clearing House pursuant to Rule 6.7.2 (*Acceptance of admission application*);
- 9.2.2. satisfied any conditions attached to the applicant's Clearing Member status in accordance with Rule 6.7.1 (*Acceptance of admission application*) which are expressed to be satisfied prior to commencement of operations;
- 9.2.3. opened the necessary settlement bank accounts with the Settlement Bank, on the terms and conditions set out in the Settlement Bank Instructions Agreement;

- 9.2.4. demonstrated, to the satisfaction of the Clearing House, that it has contingency arrangements in place to ensure that it will continue to meet the payment and delivery obligations under its Clearing Membership Agreement;
- 9.2.5. received written notification from the Clearing House that it has satisfied the minimum membership requirements determined by the Clearing House based on analysis of a range of quantitative and qualitative inputs using a predetermined methodology applicable to all Clearing Members, and as may be varied by the Clearing House from time to time; and
- 9.2.6. demonstrated, to the satisfaction of the Clearing House, that it has the technical and connectivity systems and equipment which are compatible with operating the Automated Clearing System.

### 9.3. **Access to Automated Clearing System – Clearing Members**

- 9.3.1. With the commencement of operations, a Clearing Member may, at the times set by the Clearing House, access and use the Automated Clearing System in accordance with the Operations Procedure.
- 9.3.2. Clearing Members may access and use the Automated Clearing System in accordance with the Operations Procedure and the levels of authority granted to them.
- 9.3.3. A Clearing Member may not give its password to the Automated Clearing System to any other person. Violation of this Rule shall render the offender subject to disciplinary action.
- 9.3.4. Users of the Automated Clearing System, authorized by a Clearing Member (such as the Clearing Member's employees), shall be responsible for maintaining confidentiality of all information in relation to the Automated Clearing System. This would include providing passwords to and specifying powers of employees. Clearing Members must also inform their employees of the importance of maintaining confidentiality of information within the Automated Clearing System.
- 9.3.5. Neither the Clearing House, any member of the DFM Group or any of their directors or other officers shall have any liability to any person due to any failure, malfunction, delay or other defect in or affecting any computer system or the Automated Clearing System, or other communications media or facilities used in the course of providing the Clearing services.

### 9.4. **Additional resource requirements – Clearing Members**

- 9.4.1. Without prejudice to Rule 28 (*Margin and Collateral*), the Clearing House shall be entitled to require additional collateral and/or liquidity resources from a Clearing Member if, in the assessment of the Clearing House, a Clearing

Member's collateral and/or liquidity resources are not commensurate with its level of business, operations or financial condition.

9.4.2. The Clearing House shall, on an ongoing basis, compare the market risk associated with each Clearing Member's level of business with that Clearing Member's collateral and/or liquidity resources (as reported to the Clearing House) in order to ascertain whether, in the Clearing House's opinion, such Clearing Member is sufficiently liquid to support the level of risk associated with the Contracts to which they are counterparty. In determining whether a Clearing Member is sufficiently capitalised, the Clearing House may also consider:

- (a) the Clearing Member's aggregate exposure to other clearing providers and other entities; and
- (b) the total amount of Collateral deposited with, transferred to or otherwise delivered to the Clearing House by the Clearing Member.

In the event that the Clearing House considers that the Clearing Member is not sufficiently capitalised to support the level of risk associated with its outstanding Contracts, action may be taken, which could include, but is not limited to, a request for additional Collateral to be transferred to the Clearing House, retention by the Clearing House of payments due to the Clearing Member, a decrease to the Clearing Member's Daily Trading Limit or a reduction of the Clearing Member's Available Collateral Balance in accordance with Rule 28.6.3 (*Initial Margin and Variation Margin*) and/or the Margin Policy.

#### 9.5. Ongoing obligations – Clearing Members

For so long as a Clearing Member is admitted to the Clearing House, a Clearing Member shall, unless otherwise exempted or waived by the Clearing House (in its sole discretion):

- 9.5.1. maintain each requirement as a condition to its admission as a Clearing Member set out in Rules 6.2 (*Authorisation from Authority*) to 6.4 (*Membership of Central Securities Depository*) (inclusive) and Rule 9.1 (*Daily Trading Limits – Clearing Members*) and shall promptly notify the Clearing House if it has breached or reasonably expects to breach any such requirements;
- 9.5.2. comply with all Applicable Laws and shall promptly notify the Clearing House if it becomes aware of any non-compliance with Applicable Laws which can reasonably be expected to lead to a loss of authorisation from the Authority and any other supervisory body or governmental agency applicable to it;
- 9.5.3. comply with its obligations under the Clearing Membership Agreement and shall promptly notify the Clearing House if it becomes aware of any events or circumstances which is reasonably likely to result in the non-compliance by the



Clearing Member of its obligations under the Clearing Membership Agreement;

9.5.4. maintain equipment (including technology and connectivity) and adequate systems (including technical, computer and communications systems) and electronic programs which are necessary for its compliance with the Clearing Membership Agreement;

9.5.5. maintain current written risk management policies, procedures and business continuity plan which address the risks that the Clearing Member may pose to the Clearing House, including any policies and procedures that the Clearing House may reasonably request to be incorporated therein. Upon the request of the Clearing House, a Clearing Member shall promptly provide the Clearing House with a copy of its current policies and procedures for review by the Clearing House or disclosure to the Authority; and

9.5.6. promptly notify the Clearing House if its Client appoints a Back-up Clearing Member.

#### 9.6. **Records of Client Contracts**

For so long as a Clearing Member is admitted to the Clearing House, a Clearing Member who may Clear Client Contracts shall maintain, in respect of Client Contracts:

9.6.1. internal records of instructions received in respect of Clearing services provided for Client Contracts showing, at minimum, the following information:

- (a) the time and date of receipt of instructions;
- (b) the nature of the instructions;
- (c) the time and date of transmission of instructions; and
- (d) the time and date of execution of instructions,

for a period of not less than ten (10) years from the date of its receipt of such instructions; and

9.6.2. such accounting records as correctly record and explain the transactions of the Clearing Member and its Clients and the financial position of the Clearing Member in reasonable detail and in a clear format for the Clearing House to



ascertain compliance of the foregoing by the Clearing Member,

*provided that*, a General Clearing Member shall fulfil its obligation under this Rule 9.6 (*Records of Client Contracts*) if its GCM Prop client maintains such records in respect of its Clients (if any).

#### 9.7. **Information obligations: Clearing Members**

For so long as a Clearing Member is admitted to the Clearing House, a Clearing Member shall provide to the Clearing House, and in sufficient copies for disclosure by the Clearing House to the Authority if so required or contemplated by Applicable Law:

- 9.7.1. if the Clearing House had previously agreed to accept evidence of its application to the Authority under Rule 6.6.2 (*Application documentation*), immediately upon (and in any case by no later than two (2) Business Days of) receiving the same from the Authority, a copy of the license granted to it by the Authority pursuant to the GCM Regulations; or, if the Authority has not responded within fifteen (15) Business Days following the submission of its application, notification to the Clearing House of non-response from the Authority;
- 9.7.2. prior to its entry into any Contracts which involve a new Settlement Agent not otherwise disclosed to the Clearing House pursuant to Rule 6.6.6 (*Application documentation*), the identity of such new Settlement Agent(s);
- 9.7.3. within six months from the date on which its audited annual accounts are made up, an English-language copy of its profit and loss account and balance sheet, together with a statement that its auditors have reviewed and approved them, drawn up in accordance with generally accepted accounting principles in its home country (including international accounting standards within the meaning of IAS Regulation 1606/2002 to the extent applicable to such accounts) or such other generally accepted accounting principles acceptable to the Clearing House, unless otherwise exempted by the Clearing House. In addition, the Clearing House may at its discretion require the provision of audited or unaudited financial statements of the ultimate or immediate parent entity of the Clearing Member on a consolidated or unconsolidated basis;
- 9.7.4. promptly, and in any case, by no later than two (2) Business Days of a request (unless a shorter period is set out in a request from the Clearing House):
  - (a) any information concerning the business, operations or financial condition of that Clearing Member or its group which the Clearing House or the Clearing Member reasonably considers may materially affect the Clearing Member's ability to comply with the Clearing Membership Agreement or Applicable Laws;
  - (b) information and documents regarding the Clearing Member's risk

management policies and practices as requested by the Clearing House. Such information shall include, without limitation, information and documents relating to the liquidity of that Clearing Member's financial resources and settlement procedures;

- (c) any other financial information that the Clearing House determines is necessary to assess whether membership criteria are being met on an ongoing basis;
- (d) notice if the Clearing Member becomes, or is likely to become, the subject of a Bankruptcy and Insolvency Proceeding;

9.7.5. immediately, and in any case by no later than two (2) Business Days (unless a shorter period is set out in a request from the Clearing House) of the Clearing Member becoming aware, the details of any proposed changes in controlling holdings (defined as the exercise or control of 20% or more of the voting power of the firm) or to the members of its board of directors (or board of managers). The Clearing House recognises that, in the case of Clearing Members which are part of large financial groups, changes in controllers may occur with relative frequency, which may only be known after the event and are unlikely to be significant to the Clearing House. However, in cases of changes in ownership, and particularly where those potentially acquiring a dominant stake in a Clearing Member are not known to the Clearing House, Clearing Members are required to pre-notify the Clearing House of their plans. The proposed change of ownership may be subject to an approval process involving the Risk Management Committee and/or the Board of the Clearing House;

9.7.6. immediately, and in any case by no later than two (2) Business Days of the Clearing Member becoming aware or of any change to the membership criteria notified by the Clearing House, the details non-compliance with the minimum Collateral and/or liquidity requirements specified by the Clearing House for its category of membership;

9.7.7. at the same time as they are dispatched, copies of all documents which are dispatched to the creditors of the Clearing Members generally;

9.7.8. immediately, and in any case by no later than two (2) Business Days of the Clearing Member becoming aware, the details of any litigation, arbitration or administrative proceeding (including the enforcement of any liens, security, pledge or mortgage offer) which are current or pending against it or any of its employees who are accredited by the Authority which, if adversely determined, are reasonably likely to adversely affect the financial position of the Clearing Member or its ability to comply with its obligations under the Clearing Membership Agreement or Applicable Laws enacted by the Authority;

9.7.9. immediately, and in any case by no later than two (2) Business Days of the

Clearing Member becoming aware, the details of any violations by its employees of any Applicable Law enacted by the Authority or of the Clearing Membership Agreement; and

9.7.10. immediately on the same Business Day of its occurrence, if there is any technical defects or any risks that may affect the integrity of its access to and connectivity to the Automated Clearing System and/or the Central Securities Depository and Registry System, together with the procedures taken by that Clearing Member to remedy the situation and the deadlines for such remedies to take effect.

#### 9.8. **Additional membership obligations**

The Clearing House may, at any time, impose additional conditions in relation to continued Clearing Member status, and at any time vary or withdraw any such conditions, provided that any such conditions which restrict, or may be considered to have the effect of restricting, access of a Clearing Member to the Clearing House shall be imposed only in circumstances where, and to the extent that, their object is to control the exposure of the Clearing House to risk. The relevant additional conditions imposed on a Clearing Member may include, but are not limited to, a requirement to transfer additional cash or non-cash Collateral to the Clearing House, as determined by the Clearing House.

## 10. Settlement Agent Undertakings

### 10.1. Daily Trading Limits – Settlement Agents

10.1.1. If Daily Trading Limits are prescribed in respect of a Settlement Agent under the Procedures, the Daily Trading Limits of a Settlement Agent on any day shall be as prescribed by the Clearing House from time to time in accordance with the Settlement Agent's designated category of membership and as published and notified to the Settlement Agents by the Clearing House from time to time.

10.1.2. Each Settlement Agent must ensure its compliance with the applicable Daily Trading Limits at all times.

10.1.3. Where Daily Trading Limits apply to a Settlement Agent, deductions from that Settlement Agent's Daily Trading Limits on behalf of a Clearing Member in respect of the relevant outstanding Contracts which that Settlement Agent has accepted participation of shall be applied in the manner prescribed by the Procedures.

10.1.4. In accordance with the Procedures where Daily Trading Limits apply to a Settlement Agent, a Settlement Agent's Daily Trading Limits may fluctuate on an intra-day basis in respect of any outstanding Contracts.

10.1.5. Any intra-day deductions made from the Daily Trading Limit under Rule 9.1.4 will be replaced by Initial Margin and Variation Margin at the end of that Settlement Day.

10.1.6. For the avoidance of doubt, at any time that a Settlement Agent has used its applicable Daily Trading Limit, the Settlement Agent shall be deemed to have rejected participation in any further Contracts and Rule 16.3 (*Rejection of participation*) shall apply in respect of the affected Contract(s).

### 10.2. Commencement of operations – Settlement Agents

Prior to the commencement of operations by a Settlement Agent, a Settlement Agent shall, unless otherwise exempted or waived by the Clearing House (in its sole discretion), have:

10.2.1. provided or transferred such Collateral as its SA Initial Contribution required by the Clearing House pursuant to Rule 7.4.2 (*Acceptance of admission application*);

10.2.2. satisfied any conditions attached to the applicant's Settlement Agent status in accordance with Rule 7.4.1 (*Acceptance of admission application*) which are expressed to be satisfied prior to commencement of operations;

10.2.3. opened the necessary settlement bank accounts with the Settlement Bank and, where it will be effecting payments in respect of Client Contracts, opened a

separate bank account with the Settlement Bank in respect of the Client Contracts which it may settle in respect of each relevant Clearing Member in each case, on the terms and conditions set out in the Settlement Bank Instructions Agreement;

10.2.4. provided, to the satisfaction of the Clearing House, that it has legally valid and enforceable authorisations from its Clients to deal with the Clearing House on a principal-to-principal basis in respect of the transactions arising under the Settlement Agent Participation Agreement; and

10.2.5. demonstrated, to the satisfaction of the Clearing House, that it has the technical and connectivity systems and equipment which are compatible with operating the Automated Clearing System.

### 10.3. Access to Automated Clearing System – Settlement Agents

10.3.1. With the commencement of operations, a Settlement Agent may be granted access to and use of the Automated Clearing System in accordance with the Operations Procedure.

10.3.2. Settlement Agents may access and use the Automated Clearing System in accordance with the Operations Procedures and levels of authority granted to them.

10.3.3. A Settlement Agent may not give its password to the Automated Clearing System to any other person. Violation of this Rule shall render the offender subject to disciplinary action.

10.3.4. Users of the Automated Clearing System, authorized by the relevant Clearing Member and a Settlement Agent (such as the Settlement Agent's employees), shall be responsible for maintaining confidentiality of all information in relation to the Automated Clearing System. This would include providing passwords to and specifying powers of employees. Settlement Agents must also inform their employees of the importance of maintaining confidentiality of information within the Automated Clearing System.

10.3.5. Neither the Clearing House, any member of the DFM Group or any of their directors or other officers shall have any liability to any person due to any failure, malfunction, delay or other defect in or affecting any computer system or the Automated Clearing System, or other communications media or facilities used in the course of providing the Clearing services.

#### 10.4. Ongoing obligations – Settlement Agents

For so long as a Settlement Agent is admitted to the Clearing House, a Settlement Agent shall, unless otherwise exempted or waived by the Clearing House (in its sole discretion):

- 10.4.1. maintain each requirement as a condition to its admission as a Settlement Agent set out in Rules 7.1 (*Authorisation from Authority*) to 7.2 (*Minimum organisational capabilities*) (inclusive) and Rule 10.1 (*Daily Trading Limits – Settlement Agents*) and shall promptly notify the Clearing House if it has breached or reasonably expects to breach any such requirements;
- 10.4.2. comply with all Applicable Laws and shall promptly notify the Clearing House if it becomes aware of any non-compliance with Applicable Laws which can reasonably be expected to lead to a loss of authorisation from the Authority and any other supervisory body or governmental agency applicable to it;
- 10.4.3. comply with its obligations under the Settlement Agent Participation Agreement any events or circumstances which is reasonably likely to result in the non-compliance by the Settlement Agent of its obligations under the Settlement Agent Participation Agreement; and
- 10.4.4. maintain equipment (including technology and connectivity) and adequate systems (including technical, computer and communications systems) and electronic programs which are necessary for its compliance with the Settlement Agent Participation Agreement.

#### 10.5. Information obligations: Settlement Agents

For so long as a Settlement Agent is admitted to the Clearing House, a Settlement Agent shall provide to the Clearing House, unless otherwise exempted by the Clearing House, and in sufficient copies for disclosure by the Clearing House to the Authority if so required to contemplated by Applicable Law:

- 10.5.1. a list of its Clients and the Clearing Members in respect of whose Contracts the Settlement Agent may participate in from time to time;
- 10.5.2. prior to its participation in any Contracts which involve a Clearing Member not otherwise disclosed to the Clearing House pursuant to Rule 10.5.1 above, the identity of the relevant Clearing Member;
- 10.5.3. promptly notify the Clearing House if its Client appoints a Back-up Clearing Member;
- 10.5.4. promptly, and in any case, by no later than two (2) Business Days of a request:
  - (a) any information concerning the business, operations or financial condition

of that Settlement Agent or its group which the Clearing House or the Settlement Agent reasonably considers may materially affect the Settlement Agent's ability to comply with the Settlement Agent Participation Agreement or Applicable Laws;

- (b) any other financial information that the Clearing House determines is necessary to assess whether membership criteria are being met on an ongoing basis;
- (c) notice if the Settlement Agent becomes, or is likely to become the subject of a Bankruptcy and Insolvency Proceeding;
- (d) the details of any litigation, arbitration or administrative proceedings which are current, threatened or pending against the Settlement Agent of the Settlement Agent's group of companies which, if adversely determined, is reasonably likely to involve a liability or a potential or alleged liability that can be reasonably expected to adversely affect its ability to comply with the Settlement Agent Participation Agreement or Applicable Laws;

10.5.5. immediately, and in any case by no later than two (2) Business Days of the Settlement Agent becoming aware of any change to the membership criteria notified by the Clearing House, the details of non-compliance with the minimum financial requirements (which may include collateral and/or liquidity requirements) specified by the Clearing House for its category of membership; and

10.5.6. immediately, and in any case by no later than two (2) Business Days of the Settlement Agent becoming aware, the details of any proposed changes in controlling holdings (defined as the exercise or control of 20% or more of the voting power of the firm). The Clearing House recognises that, in the case of Settlement Agents which are part of large financial groups, changes in controllers may occur with relative frequency, which may only be known after the event and are unlikely to be significant to the Clearing House. However, in cases of changes in ownership, and particularly where those potentially acquiring a dominant stake in a Settlement Agent are not known to the Clearing House, Settlement Agents are required to pre-notify the Clearing House of their plans. The proposed change of ownership may be subject to an approval process involving the Risk Management Committee and/or the Board of the Clearing House.

## 10.6. **Additional membership conditions**

The Clearing House may, at any time, impose additional conditions in relation to continued Settlement Agent status, and at any time vary or withdraw any such conditions, provided that any such conditions which restrict, or may be considered to have the effect of restricting, access of a Settlement Agent to the Clearing House shall

be imposed only in circumstances where, and to the extent that, their object is to control the exposure of the Clearing House to risk.



## 11. Suspension or termination of membership

- 11.1. Without prejudice to the rights of the Clearing House under the Default Rules, the Clearing House shall suspend the membership of a Clearing Member or a Settlement Agent and, if necessary or desirable in the sole discretion of the Clearing House, notify the Authority of the same (following, such Clearing Member or Settlement Agent (as the case may be), the "**Suspended Member**"), in the case where:
- 11.1.1. a Clearing Member or a Settlement Agent fails to fulfill any of the conditions to its admission as a Clearing Member set out in Rules 6.2 (*Authorisation from Authority*) to 6.4 (*Membership of Central Securities Depository*) (inclusive) and Rule 9.1 (*Daily Trading Limits – Clearing Members*) (as applicable to such Clearing Member as either a Trading Clearing Member or a General Clearing Member) or, in the case of a Settlement Agent, as set out in Rules 7.1 (*Authorisation from Authority*) to 7.2 (*Minimum organisational capabilities*) (inclusive) and Rule 10.1 (*Daily Trading Limits – Settlement Agents*);
- 11.1.2. if, for any reason, the Clearing Membership Agreement or the Settlement Agent Participation Agreement (as the case may be) ceases to be in full force and effect;
- 11.1.3. if the Clearing Member or the Settlement Agent (as the case may be) is suspended from its membership of, or participation with, the relevant Market or the Central Securities Depository, as applicable;
- 11.1.4. there is a serious violation by the Clearing Member or the Settlement Agent (as the case may be) of the terms of the Clearing Membership Agreement or the Settlement Agent Participation Agreement, as applicable; or
- 11.1.5. if an Event of Default occurs with respect to the Clearing Member.
- 11.2. The Clearing House shall immediately notify the affected Clearing Member or Settlement Agent (as the case may be) in writing by email (such date the "**Suspension Effective Date**"). All obligations of a Suspended Member under its Clearing Membership Agreement or the Settlement Agent Participation Agreement, as the case may be, will continue to apply to such Suspended Member on and following the Suspension Effective Date.
- 11.3. The Clearing House may cancel the membership of a suspended Clearing Member or Settlement Agent (following cancellation, such Clearing Member or Settlement Agent (as the case may be), the "**Terminated Member**"). The Clearing House shall also have the right to take disciplinary measures against the Clearing Member, consistent with these Rules and in accordance with the regulations and any directions issued by the Authority. The Clearing House shall immediately notify the affected Clearing Member or the Settlement Agent (as the case may be) in writing by email (such date the "**Termination Effective Date**").

- 11.4. A Suspended Member or Terminated Member shall be liable in respect of any losses suffered or incurred by the Clearing House relating to any Event of Default which arises prior to the relevant Suspension Effective Date or Termination Effective Date (as the case may be). In such circumstances, and as further provided in the Default Rules, the Suspended Member or Terminated Member may be required to maintain some or all of its Collateral until after the completion of the Default Management Process related to the relevant Event of Default pursuant to the Default Rules, notwithstanding that the Suspension Effective Date or Termination Effective Date might occur prior to such time.
- 11.5. Following the occurrence of a Termination Effective Date, all outstanding Contracts:
- 11.5.1. in the case of a Terminated Member which is a Clearing Member, which are in that Terminated Member's name; or
- 11.5.2. in the case of a Terminated Member which is a Settlement Agent, to which that Settlement Agent is effecting the payments and deliveries for a Clearing Member,
- shall be discharged and satisfied in full or otherwise transferred to another Clearing Member pursuant to the Default Rules so as to ensure that there are no outstanding Contracts to which that Terminated Member is a party or effecting the payments and deliveries for (as applicable).
- 11.6. Upon the Clearing House being satisfied that a Terminated Member is not a Defaulting Clearing Member, and that all obligations to which its Collateral is capable of being applied in accordance with these Rules have been irrevocably paid or discharged in full and that no such obligations are capable of arising the Clearing House shall:
- 11.6.1. in the case of Collateral comprising Eligible Currency transferred to the Clearing House for the purpose of collateralising the Terminated Member's obligations transfer an amount of cash to the Terminated Member equal to such cash;
- 11.6.2. in the case of Collateral comprising Eligible Securities transferred to the Clearing House for the purpose of collateralising the Terminated Member's obligations, transfer the equivalent securities as that Collateral to the Terminated Member; and
- 11.6.3. in the case of Collateral comprising Eligible Guarantees transferred to the Clearing House for the purpose of collateralising the Terminated Member's obligations, re-deliver any original documentation to such instrument which the Clearing House has in its records to the Terminated Member and, if required under the terms of such instrument, provide its consent (at the cost of the Terminated Member) to the issuer of such instrument to withdraw or cancel such instrument.
- 11.7. Unless the Clearing House decides otherwise in its sole discretion, a Terminated

Member shall not be entitled to a refund of any portion of any membership fees paid to the Clearing House.

## 12. Resignation of membership

- 12.1. A Settlement Agent may, at any time prior to an Event of Default, and a Clearing Member may resign its membership of the Clearing House by giving no less than three (3) months' notice in writing to the Clearing House. A copy of the relevant form of resignation notice can be obtained from the membership department of the Clearing House.
- 12.2. The Clearing House may also, by giving no less than three (3) months' notice in writing, require a Clearing Member to retire from Clearing Member status or a Settlement Agent to retire from Settlement Agent status.
- 12.3. The resignation or retirement of a Clearing Member or a Settlement Agent (a "**Resigning Member**") takes effect on the date (the "**Resignation Effective Date**"), which is the later of:
- 12.3.1. the date specified in the resignation notice of that Resigning Member or the retirement notice from the Clearing House; and
- 12.3.2. the date on which all outstanding Contracts:
- (a) in the case of a Resigning Member which is a Clearing Member, which are registered in that Resigning Member's name; or
  - (b) in the case of a Resigning Member which is a Settlement Agent, to which that Settlement Agent is acting as agent to a Clearing Member, have been discharged and satisfied in full or otherwise transferred so as to ensure that there are no outstanding Contracts to which that Resigning Party is a party or acting as agent (as applicable).
- 12.4. Upon the Clearing House being satisfied that a Resigning Member is not a Defaulting Clearing Member, and that all obligations to which its Collateral is capable of being applied in accordance with these Rules have been irrevocably paid or discharged in full and that no such obligations are capable of arising the Clearing House shall:
- 12.4.1. in the case of Collateral comprising Eligible Currency transferred to the Clearing House for the purpose of collateralising the Resigning Member's obligations, transfer an amount of cash to the Resigning Member equal to such cash;
- 12.4.2. in the case of Collateral comprising Eligible Securities transferred to the Clearing House for the purpose of collateralising the Resigning Member's obligations, transfer the equivalent securities as that Collateral to the Resigning Member; and
- 12.4.3. in the case of Collateral comprising Eligible Guarantees transferred to the Clearing House for the purpose of collateralising the Resigning Member's

obligations, redeliver any original documentation to such instrument which the Clearing House has in its records to the Resigning Member and, if required under the terms of such instrument, provide its consent (at the cost of the Resigning Member) to the issuer of such instrument to withdraw or cancel such instrument.

- 12.5. A Resigning Member which is a Clearing Member shall be liable in respect of any losses suffered or incurred by the Clearing House relating to any Event of Default which arises prior to the relevant Resignation Effective Date. In such circumstances, and as further provided in the Default Rules, such Resigning Member may be required to maintain some or all of its Collateral until after the completion of the Default Management Process related to the relevant Event of Default, notwithstanding that the Resignation Effective Date might occur prior to such time.
- 12.6. Unless the Clearing House decides otherwise in its sole discretion, a Resigning Member shall not be entitled to a refund of any portion of any membership fees paid to the Clearing House.

## CHAPTER THREE – NOVATION, REGISTRATION OF CONTRACTS AND TRANSFERS

### 13. Novation and registration of Contracts

#### 13.1. Acceptance of Market Contracts for Clearing

13.1.1. The particulars of every Market Contract which is to be registered by the Clearing House in the name of a Clearing Member shall be presented to the Clearing House: (a) by or on behalf of the Clearing Member who is a party to the Market Contract(s); or (b) otherwise pursuant to the relevant Market Rules. Presentation of particulars shall be made in such form and manner and by such times as are prescribed by the relevant Market Rules.

13.1.2. A Market Contract submitted to the Clearing House for acceptance for Clearing must meet the eligibility criteria and other requirements as prescribed on the Clearing House's website or as otherwise prescribed by way of notice by the Clearing House to the Clearing Member, at the time when the details (as prescribed from time to time by the Clearing House) of the original Market Contract are presented to the Clearing House and at all times thereafter up to and including the time of Novation. A Clearing Member may not revoke, cancel or transfer a Market Contract that has been submitted for Clearing unless permitted (as applicable) by the relevant Market Rules or with the consent of the Clearing House. A Clearing Member shall not allow the submission for Clearing of a transaction which is not a Market Contract.

13.1.3. Every Market Contract presented to the Clearing House for Clearing shall be confirmed or deemed to be confirmed by the Clearing Members who are the parties to such Market Contract in such manner and form and by such times as are prescribed by the Procedures or as prescribed in relevant Market Rules. For the avoidance of doubt, the same Clearing Member may act in a capacity of seller and buyer in respect of such registration of a Market Contract.

13.1.4. Confirmation of a Market Contract by or on behalf of a Clearing Member pursuant to Rule 13.1.2 shall be effective immediately (unless otherwise specified in the Procedures) and shall constitute the consent of that Clearing Member to such Market Contract being registered in his name in accordance with these Rules.

13.1.5. In addition to any other circumstances which may be prescribed in the Procedures, the Clearing House may decline to accept a Market Contract for Clearing where: (a) if accepted, one or both of the corresponding Contracts which would be formed would not meet the eligibility criteria for registration as a Contract; or (b) it considers such action advisable for the protection of the Clearing House. The Clearing House may, at its sole discretion, make its acceptance of any Market Contract for Clearing subject to any additional

conditions stipulated by the Clearing House including, without limitation, the transfer of sufficient Collateral (as Variation Margin or any other Collateral obligations of that Clearing Member pursuant to Rule 28 (*Margin and Collateral*)) one or both of the Clearing Members who are parties to the relevant Market Contract.

13.1.6. If the Clearing House rejects a Market Contract for acceptance for Clearing, the Market Contract shall be deemed never to have been submitted to the Clearing House for acceptance for Clearing and such Market Contract shall remain in effect between the original parties thereto or be terminated, as the case may be, in accordance with any terms agreed between them, whether directly or (where applicable) by virtue of the application of the relevant Market Rules or the relevant Market's procedures. The Clearing House (and each other member of the DFM Group and their respective officers, employees and agents) shall have no liability whatsoever to any person arising out of or in respect of the rejection by the Clearing House of a Market Contract for Clearing.

### 13.2. **Novation of Exchange Contracts and formation of Contracts**

In relation to each Contract entered into between a Clearing Member and the Clearing House, the parties hereby agree as follows:

13.2.1. notwithstanding whether or not an Exchange Contract had been entered into by a Clearing Member as an agent of its client or whether, as a result of Clearing such Exchange Contract, it is entering into a Prop Contract or a Client Contract, all rights and obligations between itself and the Clearing House are rights and obligations of itself as principal and on its own account;

13.2.2. the acceptance by the Clearing House of an Exchange Contract for Clearing shall be irrevocable at the moment of its acceptance;

13.2.3. upon acceptance by the Clearing House of an Exchange Contract for Clearing the Exchange Contract will be simultaneously replaced by Novation by two Contracts:

- (a) one between the Buyer Clearing Member and the Clearing House, each as principals to such Contract (the "**Buying Contract**"), such that the rights and obligations under a Buying Contract arise solely between the Buyer Clearing Member and the Clearing House; and
- (b) one between the Seller Clearing Member and the Clearing House, each as principals to such Contract (the "**Selling Contract**"), such that the rights and obligations under a Selling Contract arise solely between the Seller Clearing Member and the Clearing House,

each subject to these Rules and the Procedures, but otherwise on the same terms



as the Exchange Contract;

13.2.4. the Clearing House shall register the name of each Clearing Member in respect of the Contract entered into pursuant to Rule 13.2.3 above at the relevant registration time prescribed in the Procedures (the "**Registration Time**"). The registration by the Clearing House of a Contract shall be irrevocable from the Registration Time;

13.2.5. under a Buying Contract and upon Novation:

- (a) in relation to a Cash Contract, the obligation of the Buyer Clearing Member or, as applicable, the Client or GCM Prop client (as applicable) of the Buyer Clearing Member to pay the purchase price of the relevant Securities to the Seller Clearing Member or, as applicable, the Client or GCM Prop client of the Seller Clearing Member under the Exchange Contract is replaced by the obligation of the Buyer Clearing Member to pay the relevant purchase price to the Clearing House on the Settlement Day in accordance with these Rules and the Procedures;
- (b) in relation to a Cash Contract, the rights of the Buyer Clearing Member or, as applicable, the Client or GCM Prop client of the Buyer Clearing Member to receive the relevant Securities from the Seller Clearing Member or, as applicable, the Client or GCM Prop client of the Seller Clearing Member under the Exchange Contract is replaced by the right of the Buyer Clearing Member to receive such Securities from the Clearing House on the Settlement Day in accordance with these Rules and the Procedures; and
- (c) in relation to a Contract for Derivatives, the obligation of the Buyer Clearing Member or, as applicable, the Client or GCM Prop client (as applicable) of the Buyer Clearing Member to pay Derivatives Daily Obligation if any to the Seller Clearing Member or, as applicable, the Client or GCM Prop client of the Seller Clearing Member under the Exchange Contract is replaced by the obligation of the Buyer Clearing Member to pay the Derivatives Daily Obligation to the Clearing House on the Settlement Day in accordance with these Rules and the Procedures;
- (d) in relation to a Contract for Derivatives, the rights of Buyer Clearing Member or, as applicable, the Client or GCM Prop client of the Buyer Clearing Member to receive Derivatives Daily Obligation if any from the Seller Clearing Member or, as applicable, the Client or GCM Prop client of the Seller Clearing Member under the Exchange Contract is replaced by the right of the Buyer Clearing Member to receive



Derivatives Daily Obligation from the Clearing House on the Settlement Day in accordance with these Rules and the Procedures; and

~~(b)~~(e) in relation to Cash Contract and Contract for Derivatives, the Buyer Clearing Member will otherwise have the same rights against and owe the same obligations to, the Clearing House under the Buying Contract as the buyer party had and owed in respect of the seller party under the corresponding Exchange Contract;

13.2.6. under a Selling Contract and upon Novation:

(a) in relation to a Cash Contract, the obligation of the Seller Clearing Member or, as applicable, the Client or GCM Prop client of the Seller Clearing Member to deliver the relevant Securities to the Buyer Clearing Member or, as applicable, the Client or GCM Prop client of the Buyer Clearing Member under the Exchange Contract is replaced by the obligation of the Seller Clearing Member to deliver such Securities to the Clearing House on the Settlement Day in accordance with these Rules and the Procedures;

(b) in relation to a Cash Contract, the rights of the Seller Clearing Member to receive the sale price of the relevant Securities from the Buyer Clearing Member under the Exchange Contract is replaced by the right of the Seller Clearing Member to receive such sale price from the Clearing House on the Settlement Day in accordance with these Rules and the Procedures; and

(c) in relation to a Contract for Derivatives, the obligation of the Seller Clearing Member or, as applicable, the Client or GCM Prop client of the Seller Clearing Member to pay the Derivatives Daily Obligation if any to the Buyer Clearing Member or, as applicable, the Client or GCM Prop client of the Buyer Clearing Member under the Exchange Contract is replaced by the obligation of the Seller Clearing Member to pay the Derivatives Daily Obligation to the Clearing House on the Settlement Day in accordance with these Rules and the Procedures;

(d) in relation to a Contract for Derivatives, the rights of the Seller Clearing Member to receive the Derivatives Daily Obligation if any from the Buyer Clearing Member under the Exchange Contract is replaced by the right of the Seller Clearing Member to receive such Derivatives Daily Obligation from the Clearing House on the Settlement Day in accordance with these Rules and the Procedures; and

~~(b)~~(e) in relation to Cash Contract and Contract for Derivatives, the Seller

Clearing Member will otherwise have the same rights against and owe the same obligations to, the Clearing House under the Selling Contract as the seller party had and owed in respect of the buyer party under the corresponding Exchange Contract;

13.2.7. a Clearing Member shall be bound by the terms of a Contract registered in its name;

13.2.8. upon the completion of Novation and without prejudice to the rights and obligations of the parties thereto arising prior to the Registration Time under the Exchange Contract, such Exchange Contract shall be extinguished; and

13.2.9. if an Exchange Contract is revoked, avoided or otherwise declared invalid for any reason after a Contract has been accepted by the Clearing House for registration, that revocation, avoidance or invalidity shall not affect any Contract unless otherwise determined by the Clearing House.

In Rules 13.2.5 and 13.2.6 above, a reference to the "**same**" rights or obligations is a reference to rights or obligations, falling due for exercise or performance after the Registration Time, and which are the same in nature and character as the rights or obligations arising from the corresponding Exchange Contract (it being assumed, for this purpose, that such Exchange Contract was a legal, valid, binding and enforceable obligation of the parties thereto, notwithstanding the change in the person entitled to them or obliged to perform them and subject to any changes thereto as a result of the operation of these Rules and the Procedures, as applicable).

## 14. Transfer obligations

### 14.1. Condition precedent to Clearing House obligations

The obligations of the Clearing House to:

- (a) In relation to Cash Contract, to deliver the relevant Securities to a Buyer Clearing Member under a Buying Contract; and/ or
- (b) In relation to Cash Contract, to pay the sale price for the relevant Securities to a Seller Clearing Member under a Selling Contract,
- (c) In relation to Contract for Derivatives, to pay the Derivatives Daily Obligation to a Buyer Clearing Member or to a Seller Clearing Member, where applicable,

shall be contingent on the conditions that:

- 14.1.2. such Clearing Member transfers Collateral to the Clearing House in respect of Initial Margin and Variation Margin in relation to the outstanding Contract to which it is a party on or prior to the relevant cut-off time (which, in respect of the transfer of Initial Margin shall be the "**IM Cut-off Time**" and in respect of Variation Margin shall be the "**VM Cut-off Time**") set out in the Procedures in such form and manner and by such time as prescribed in the Procedures and the Margin Policy;
- 14.1.3. there is sufficient Collateral standing to the credit of that Clearing Member's Available Collateral Balance in accordance with the Procedures and, where the Clearing House determines that such Available Collateral Balance is insufficient, that the Clearing Member will transfer additional Collateral to the Clearing House in such form and manner and by such time as prescribed in the Procedures;
- 14.1.4. as of the Registration Time of the relevant Contract there is and there will be no potential or actual Event of Default which is outstanding with respect to that Clearing Member;
- 14.1.5. as of the Registration Time, all transaction fees due from the Clearing Member in respect of the relevant Contract have been paid or will be paid by the times and in the manner set out in the Procedures; and
- 14.1.6. any other conditions that the Clearing House may, in its sole discretion, prescribe from time to time.

### 14.2. Transfer of Initial Margin and Variation Margin

Without prejudice to the provisions applicable to Collateral in Rule 28 (*Margin*

*and Collateral*):

- 14.2.1. Upon registration of a Contract in the name of the Clearing Member, the Clearing House will notify such Clearing Member of the amount of:
- (a) Initial Margin which it is required to transfer to the Clearing House prior to the IM Cut-off Time; and
  - (b) Variation Margin which it is required to transfer to the Clearing House prior to the VM Cut-off Time,
- in accordance with the Procedures.
- 14.2.2. A Clearing Member shall transfer the relevant Initial Margin and Variation Margin to the Clearing House in relation to the outstanding Contract to which it is a party on or prior to the IM Cut-off Time and VM Cut-off Time (as applicable) in such form and manner and by such time as prescribed in the Procedures.
- 14.2.3. In the event a Clearing Member fails to transfer Initial Margin by the IM Cut-off Time or Variation Margin by the VM Cut-off Time, the Clearing House shall be entitled (but not obliged) to take any of the actions in respect of a Defaulting Clearing Member in accordance with the Default Rules.
- 14.2.4. Any instructions or order made by the Clearing Member to transfer Initial Margin or Variation Margin to the Clearing House will be irrevocable from the time such instruction or order is made (including such instructions or orders which are transmitted through automated means by operation of the Procedures).
- 14.2.5. Without prejudice to the Procedures, the obligations of a Clearing Member to transfer of Initial Margin or Variation Margin by a Clearing Member may be discharged by book-entry debit of an Eligible Collateral Value equal to the relevant Initial Margin or Variation Margin from the Available Collateral Balance of such Clearing Member, or by such other means as may be adopted by the Clearing House and prescribed in the Procedures from time to time.
- 14.2.6. The Clearing House shall record in separate ledgers on its books and records any Initial Margin transferred by a Clearing Member in respect of:
- (a) outstanding Prop Contracts (the "**Prop Posted IM**"); and
  - (b) outstanding Client Contracts (the "**Client Posted IM**").
- 14.2.7. The Clearing House shall record in separate ledgers on its books and records

any Variation Margin transferred by a Clearing Member in respect of:

- (a) outstanding Prop Contracts (the "**Prop Posted VM**"); and
- (b) outstanding Client Contracts (the "**Client Posted VM**").

#### 14.3. **Obligation to pay or deliver**

Each party to a Contract will make each payment or delivery specified in each Contract to be made by it, subject to these Rules and in accordance with these Rules and the Procedures.

### 15. **Payment Netting**

#### 15.1. **Purchase prices and sale prices**

This Rule 15 shall apply to the:

15.1.1. purchase price(s) (the "**CM Purchase Value**") payable by a Clearing Member to the Clearing House under each Settlement Group of outstanding Buying Contracts in relation to a Cash Contract prescribed in the relevant Procedures to which that Clearing Member is a party; and

15.1.2. the sale price(s) (the "**CCP Sale Value**") payable by the Clearing House under the same Settlement Group of outstanding Selling Contracts in relation to a Cash Contract to which the Clearing House is a party with the same Clearing Member;

which have the same Settlement Day.

#### 15.2. Derivatives Daily Obligations

This Rule 15 shall also apply to Derivatives Daily Obligations payable to or receivable by the Clearing House in relation Contract for Derivatives which have the same Settlement Day.

#### 15.2-15.3. Netting of CM Purchase Values and CCP Sale Values for Cash Contracts

Subject to Rule 16 (*Settlement Agents participation*), the obligation of a Clearing Member to make payment of a CM Purchase Value and the obligation of the Clearing House to make payment of a CCP Sale Value on a Settlement Day will be automatically satisfied and discharged, and replaced by an obligation:

15.2.1-15.3.1. if the aggregate CM Purchase Value is greater than the aggregate CCP Sale Value on such Settlement Day, by the obligation of the Clearing Member to pay to the Clearing House an amount equal to the difference between the aggregate CM Purchase Value and the aggregate CCP Sale Value; and

15.3.2. if the aggregate CCP Sale Value is greater than the aggregate CM Purchase

Value on such Settlement Day, by the obligation of the Clearing House to pay to the Clearing Member an amount equal to the difference between the aggregate CCP Sale Value and the aggregate CM Purchase Value.

#### 15.4. Netting of Derivatives Daily Obligations

At the end of each day, the Clearing House will perform a Mark to Market of all Derivatives Open Positions based on the Daily Settlement Price to calculate the Derivatives Daily Obligations settlement amount.

15.4.1. if the aggregate Derivatives Daily Obligations settlement amount payable by Clearing Member is greater than the Derivatives Daily Obligations settlement amount receivable by Clearing Member on such Settlement Day, then the above is replaced by the obligation of the Clearing Member to pay to the Clearing House an amount equal to the difference between the Derivatives Daily Obligations settlement amount payable by Clearing Member and the Derivatives Daily Obligations settlement amount receivable by Clearing Member on such Settlement Day; and

15.4.2. if the aggregate Derivatives Daily Obligations settlement amount receivable by Clearing Member is greater than the Derivatives Daily Obligations settlement amount payable by Clearing Member on such Settlement Day, then the above is replaced by the obligation of Clearing House to pay to the Clearing Member an amount equal to the difference between the Derivatives Daily Obligations settlement amount receivable by Clearing Member and the Derivatives Daily Obligations settlement amount payable by Clearing Member on such Settlement Day.

#### 15.3-15.5. Daily Settlement Obligations of Clearing Members

The Clearing House shall calculate and communicate to each Clearing Member and the relevant Settlement Banks, by the relevant notification time set out in the Procedures, the Daily Settlement Obligations in relation to Cash Contracts and/or Contract for Derivatives of such Clearing Member in respect of the Contracts which are due for settlement on the Settlement Day.

#### 15.4-15.6. Delivery obligations in relation to Cash Contracts

The application of this Rule 15 shall not affect the obligation to deliver the Securities in relation to Cash Contracts on a Settlement Day:

15.4.1-15.6.1. by the Clearing House as specified in each Buying Contract, notwithstanding that the Buyer Clearing Member's payment obligations of the CM Purchase Value thereunder have been replaced pursuant to Rule 15.3.1

above; or

15.4.2.15.6.2. by the Clearing Member as specified in each Selling Contract, notwithstanding that the Clearing House's payment obligations of the CCP Sale Value thereunder have been replaced pursuant to Rule 15.3.2 above.

## 16. Settlement Agents participation in relation to Cash Contracts

### 16.1. Notification of participation

In accordance with the Procedures, a Clearing Member may notify the Clearing House following the Registration Time of an outstanding Contract that its obligations to make payment of the CM Purchase Value under a Buying contract or to deliver the relevant Securities under a Selling Contract which is a Client Contract will be discharged by a Settlement Agent. The procedures and timelines for acceptance by the relevant Settlement Agent of its participation to such Contract will be set out in the Procedures.

### 16.2. Acceptance of participation

If a Settlement Agent accepts participation to a Contract (the "**relevant Contract**") in accordance with the Procedures:

- 16.2.1. the relevant Contract will remain registered in the name of the Clearing Member and the Clearing Member will remain liable for its obligations to pay the CM Purchase Value and deliver relevant Securities in respect of such relevant Contracts pursuant to these Rules;
- 16.2.2. if permitted under the Procedures, the obligations of the Clearing Member to make transfers of Initial Margin or Variation Margin to the Clearing House pursuant to Rules 14.2.6 or 14.2.7 (*Transfer of Initial Margin and Variation Margin*) in respect of the relevant Client Contract may be discharged by transfer by the Settlement Agent in respect of the same relevant Client Contract provided that, any Initial Margin or Variation Margin transferred by a Settlement Agent in respect of a Client Contract shall be recorded by the Clearing House as "Client Posted IM" and/ or "Client Posted VM" respectively;
- 16.2.3. for the purposes of Rule 15 (*Payment Netting*) only, the CM Purchase Values payable by that Clearing Member and the CM Sale Prices payable by the Clearing House to such Clearing Member will exclude the CM Purchase Values and the CM Sale Prices in respect of the relevant Contracts and, instead:
  - (a) the netting in Rule 15 (*Payment Netting*) shall be applied to an aggregate CM Purchase Value and an aggregate CCP Sale Value which excludes those of the relevant Contracts that a Settlement Agent has accepted participation of;
  - (b) the netting in Rule 15 (*Payment Netting*) shall be applied to an aggregate CM Purchase Value and an aggregate CCP Sale Value in respect of the relevant Contracts that a Settlement Agent has accepted participation of;
  - (c) the obligations of the Clearing Member to make deliveries to the



Clearing House pursuant to Rule 21.3 (*Book-entry delivery of Securities*) in respect of the relevant Contract may be discharged by delivery by the Settlement Agent in respect of the same relevant Contract; and

- (d) the Clearing House shall calculate and communicate to each Settlement Agent and the relevant Settlement Bank(s), by the relevant notification time set out in the Procedures, the Daily Settlement Obligation of such Settlement Agent in respect of the relevant Contracts which are due for settlement on the Settlement Day.

### 16.3. **Rejection of participation**

Without prejudice to this Rule 16, a Settlement Agent is not obliged to accept participation of a Contract and may reject, or be deemed to reject, to participate in a Contract in accordance with the Procedures.

In the event that a Settlement Agent rejects, or is deemed to reject, participation of a Contract in accordance with the Procedures:

- 16.3.1. the Clearing House is under no duty to review or check the adequacy, accuracy or completeness of, nor be bound to make any enquiries of (including any enquiries to the Clearing Member, the client of such Settlement Agent or the Client of such Clearing Member), any reasons for such rejection or deemed rejection;
- 16.3.2. the Clearing House will not be obliged to any person for any costs, losses, expenses or liabilities which may be incurred or arises as a result of such rejection or deemed rejection;
- 16.3.3. the Clearing Member to which such Contract is registered will remain liable for its obligations to pay CM Purchase Value or, as applicable, deliver relevant Securities in respect of such rejected Contracts pursuant to these Rules;
- 16.3.4. the obligation of the Clearing House to deliver the relevant Securities in respect of such rejected Buying Contracts will be discharged in accordance with Rule 25.3 (*Rejected Buying Contracts: Clearing House delivery obligations*); and
- 16.3.5. the obligation of the Clearing House to make payment of the relevant CCP Sale Value in respect of such rejected Selling Contracts will be discharged in accordance with Rule 25.1 (*Rejected Selling Contracts: Clearing House payment obligations*).

## 17. Calculations and notifications by the Clearing House

### 17.1. Calculations

The Clearing House will make the calculations and determinations in respect of outstanding Contracts and any other relevant calculations and determinations contemplated by the Procedures and notify each relevant Clearing Member and Settlement Agent of its Daily Settlement Obligation. Subject to the Procedures, the information provided by the Clearing House in respect a Clearing Member's or a Settlement Agent's Daily Settlement Obligation may include:

17.1.1. a list of the outstanding Contracts registered in the Clearing Member's name or, in the case of a Settlement Agent, a list of the outstanding Contracts to which it has accepted participation of and the list of Clearing Members to which such outstanding Contracts are registered;

~~17.1.2.~~ 17.1.2. the net payment obligations to be paid to the Clearing House or to be paid by the Clearing House in accordance with Rule 15.3 (Netting of CM Purchase Values and CCP Sale Values for Cash Contracts) in respect of such outstanding Contracts;

~~17.1.3.~~ 17.1.3. the net payment obligations to be paid to the Clearing House or to be paid by the Clearing House in accordance with Rule 15.4 (Netting of Derivatives Daily Obligation for Contract for Derivatives) in respect of such outstanding Contracts;

~~17.1.2.~~ 17.1.4. the gross Securities debit and credit positions in respect of such outstanding Cash Contracts;

~~17.1.3.~~ 17.1.5. a list stating the number of each Security that are to be debited on the relevant Settlement Day from, in the case of an open Selling Cash Contract which is:

- (a) a Prop Contract, the account of that Seller Clearing Member (in the case of a Trading Clearing Member) or GCM Prop client (in the case of a General Clearing Member); or
- (b) a Client Contract, the account of the relevant Client of that Seller Clearing Member, held with the Central Securities Depository;

~~17.1.4.~~ 17.1.6. a list stating the number of each Security that are to be credited on the relevant Settlement Day to, in the case of an open Buying Cash Contract which is:

- (a) a Prop Contract, the account of that Buyer Clearing Member (in the case of a Trading Clearing Member) or GCM Prop client (in the case of a

General Clearing Member); or

- (b) a Client Contract, the account of the relevant client of that Buyer Clearing Member, held with the Central Securities Depository.

## 17.2. **Notifications of calculations**

### 17.2.1. Cash Contracts:

Notifications provided by the Clearing House to Clearing Members and Settlement Agents will be sent via the Automated Clearing System and/or the Central Securities Depository System.

### 17.2.2. Contract for Derivatives:

Notifications provided by the Clearing House to Clearing Members will be sent via the Automated Clearing System and/or the Clearing House.

## 17.3. **Amendments of records**

If a Clearing Member or Settlement Agent reasonably believes that any amendments to the contents of the record of Daily Settlement Obligations are necessary, it shall immediately notify the Clearing House upon its receipt of such record and in any case by no later than the end of the Business Day on which that Clearing Member or Settlement Agent has received such record, in accordance with the Procedures.

## 17.4. **Calculations binding**

Notwithstanding whether or not any notice has been delivered by a Clearing Member or Settlement Agent pursuant to Rule 17.2 (*Notifications of calculations*), the records of the Clearing House of the calculations or determinations in respect of outstanding Contracts are, in the absence of manifest error, conclusive evidence of the matters to which it relates.

## CHAPTER FOUR: SETTLEMENTS AND DELIVERIES

### 18. General

#### 18.1. No duty to enquire

The Clearing House is under no obligation and has no duty to:

- 18.1.1. make any queries of any party in instructing or effecting any payments or deliveries of Securities contemplated by a Clearing Member Agreement or, as applicable, a Settlement Agent Participation Agreement; and
- 18.1.2. be bound by or to recognize any assignment, lien, pledge, charge, security interest, encumbrance or similar entitlement to any Securities which are the subject of a Contract in order to give effect to the payments and deliveries contemplated by a Clearing Member Agreement or, as applicable, a Settlement Agent Participation Agreement.

#### 18.2. Disruption Event

- 18.2.1. If a Disruption Event occurs, the Clearing House shall not be liable for any damages, costs of losses to any person, any diminution in value or any liability whatsoever (including, without limitation, for negligence or any claim based on the breach by or fraud of the Clearing House).
- 18.2.2. Without prejudice to the Default Rules and Rule 32 (*Disorder, Impossibility or Force Majeure*), no Event of Default pursuant to a failure to pay will occur with respect to a Clearing Member or a Settlement Agent by virtue of a Disruption Event with respect to a Settlement Bank.
- 18.2.3. The Clearing House may issue directions, in accordance with the Procedures, to the Clearing Members and/or Settlement Agents to comply with such directions regarding the performance of the affected Contracts and such directions shall be binding on all Clearing Members and Settlement Agents.

#### 18.3. Corporate Actions

- 18.3.1. In the event that any Securities to be delivered pursuant to a Contract is subject to Corporate Action, the number of Securities with the same issuer, of the same issue and of an identical type, nominal value and description as the Securities to which that Contract relates may be subject to adjustment in accordance with the Procedures.
- 18.3.2. Each Clearing Member agrees and acknowledges that the Clearing House will have no liability to any party (including to any Client or GCM Prop client of a Clearing Member) due to the receipt by a Buyer Clearing Member or by any Client or GCM Prop client of a Buying Clearing Member of Securities which

are of a different number, type, nominal value or description as the Securities stated in the Buying Contract as a result of a Corporate Action.

## 19. Settlement of payment obligations

### 19.1. Minimum balances in Cash Settlement Accounts

19.1.1. Each Clearing Member shall maintain at all times sufficient cash, in freely available funds, in its Cash Settlement Account with the Settlement Bank to fund, as a minimum on any day:

- (a) payments that are payable by it pursuant to its Daily Settlement Obligations that day; and
- (b) the payment of any amounts due to be paid by it to the Clearing House from time to time.

19.1.2. The obligations of a Clearing Member under Rule 19.1.1 above is independent of its obligations to maintain the relevant balances pursuant to the Clearing Membership Agreement in any other accounts which that Clearing Member may have in connection with its membership of the Clearing House and any amounts standing to the credit of such other accounts in respect of a Clearing Member may not, unless required by the Default Rules, be combined to discharge the Clearing Member's obligations under Rule 19.1.1 above.

### 19.2. Settlement of Daily Settlement Obligations

19.2.1. Upon notification of a Clearing Member's Daily Settlement Obligation by the Clearing House to the Settlement Bank pursuant to Rule 15.5 (*Netting of CM Purchase Values and CCP Sale Values*) and Rules 15.4 (*Netting of Derivatives Daily Obligations*), the Clearing House shall instruct the Settlement Bank to make payments, on the relevant Settlement Day, of the following amounts and in the following manner:

- (a) in respect of amounts payable by a Clearing Member under its Daily Settlement Obligation on such day, by debiting that Clearing Member's Cash Settlement Account by the amount payable, and crediting a corresponding amount to the Clearing House's CCP Settlement Account; and
- (b) in respect of amounts payable by the Clearing House under a Daily Settlement Obligation with a Clearing Member on such day, by debiting the CCP Settlement Account by the amount payable and crediting a corresponding amount to the relevant Clearing Member's Cash Settlement Account.

19.2.2. The Clearing House shall be authorized by each Clearing Member at all times by this Rule to issue instructions to the Settlement Bank to settle the financial obligations, debit any net fees and other relevant charges, fees or penalties which are payable by a Clearing Member pursuant to the Clearing Membership Agreement.

19.3. **No set-off or counterclaim**

All payments made to the Clearing House by a Clearing Member under this Rule 19 (*Settlement of payment obligations*) shall be made without (and free and clear of any deduction for) set-off or counterclaim. Any transaction fees, charges or costs of the Settlement Bank in respect of a Clearing Member's Cash Settlement Account shall be borne by that Clearing Member and may not be deducted from any amounts payable by the Clearing Member to the Clearing House.

## 20. Settlement of payment obligations by Settlement Agent

### 20.1. Cash Settlement Account balances

Each Settlement Agent shall maintain at all times sufficient cash, in freely available funds, in its Cash Settlement Account with the Settlement Bank to fund, as a minimum on any day:

- 20.1.1. payments that are payable by it pursuant to its Daily Settlement Obligations that day; and
- 20.1.2. the payment of any amounts due to be paid by it to the Clearing House from time to time.

The obligations of a Settlement Agent under this Rule 20.1 is independent of its obligations to maintain the relevant balances pursuant to the Settlement Agent Participation Agreement in any other accounts which that Settlement Agent may have in connection with its membership of the Clearing House and any amounts standing to the credit of such other account in respect of that Settlement Agent may not, unless required by the Default Rules, be combine to discharge the Settlement Agent's obligations under the foregoing of this Rule 20.1.

### 20.2. Withdrawals from Cash Settlement Account

The Clearing House shall be authorized by each Settlement Agent at all times by this Rule to issue instructions to the Settlement Bank to settle the financial obligations, debit any net fees and other relevant charges, fees or penalties which are payable by such Settlement Agent pursuant to the Settlement Agent Participation Agreement.

### 20.3. Settlement of Daily Settlement Obligations

If a Settlement Agent has accepted its participation in a Contract (the "**relevant Contract**") in accordance with the Procedures:

- 20.3.1. the Clearing House shall calculate and communicate to such Settlement Agent and its Settlement Bank, by the relevant notification time set out in the Procedures, the Daily Settlement Obligations of such Settlement Agent in respect of the relevant Contracts which are due for settlement that day;
- 20.3.2. upon notification of that Settlement Agent's Daily Settlement Obligations by the Clearing House to the relevant Settlement Bank pursuant to Rule 20.1 (*Cash Settlement Account Balances*) above, the Clearing House shall instruct the Settlement Bank to make payments, on the relevant Settlement Day, of the following amounts and in the following manner:
  - (a) in respect of amounts payable by that Settlement Agent under its Daily

- Settlement Obligations on such day, by debiting that Settlement Agent's Cash Settlement Account by the amount payable, and crediting a corresponding amount to the Clearing House's CCP Settlement Account; and
- (b) in respect of amounts payable by the Clearing House under the Daily Settlement Obligations with a Settlement Agent on such day, by debiting the CCP Settlement Account by the amount payable and crediting a corresponding amount to such Settlement Agent's Cash Settlement Account; and
- 20.3.3. upon settlement of the relevant amount in the Clearing House's CCP Settlement Account, the obligations of the Clearing Member to make payments to the Clearing House pursuant to Rule 14.2.6 (*Transfer of Initial Margin and Variation Margin*) in respect of the relevant Contract shall be discharged; and
- 20.3.4. If a Settlement Agent fails to make payment in respect of a relevant Contract pursuant to this Rule 20 (*Settlement of payment obligations by Settlement Agent*), the Clearing Member to which such Contract is registered shall be liable to discharge its obligation to pay the CM Purchase Value pursuant to Rule 14.3 (*Obligation to pay or deliver*) at the times and in accordance with the Procedures.



## 21. Settlement of Securities delivery obligations

### 21.1. Authorisation of Clearing House

21.1.1. The Clearing House shall be authorized at all times by each Clearing Member and each Settlement Agent by this Rule to issue instructions to the Central Securities Depository to settle the deliveries of Securities contemplated by these Rules and Procedures.

21.1.2. In issuing instructions to the Central Securities Depository in respect of making credits and debits from the accounts of each Client of a Clearing Member or Settlement Agent or GCM Prop client of a General Clearing Member held with the Central Securities Depository, the Clearing House is entitled to assume that each Clearing Member and each Settlement Agent:

- (a) has the full power and authority, and is duly authorized by its Clients, to enter into and implement the Clearing Membership Agreement or, as applicable, the Settlement Agent Participation Agreement as to the Securities owned or held in respect of each of its Clients that are the subject of a Client Contract, including to deal with the Securities owned or held in respect that Client through the instructions and operations contemplated by the Clearing Membership Agreement or, as applicable, the Settlement Agent Participation Agreement;
- (b) in the case of General Clearing Members only, it has the full power and authority, and is duly authorized by its GCM Prop clients, to enter into and implement the Clearing Membership Agreement as to the Securities owned or held in respect of each of its GCM Prop clients that are the subject of a Prop Contract, including to deal with the Securities owned or held in respect of each such GCM Prop clients through the instructions and operations contemplated by the Clearing Membership Agreement; and
- (c) has all authorisations from any applicable governmental body, agency or authority under Applicable Law to enter into and implement the Clearing Membership Agreement or, as applicable, the Settlement Agent Participation Agreement as to the Securities owned or held in respect of each of its Clients and, as applicable, GCM Prop clients.

### 21.2. Obligation to deliver gross Securities for Cash Contracts

Notwithstanding that, pursuant to the Rule 15 (*Payment Netting*) or Rule 16.2.3 (*Acceptance of participation*), the resulting payment obligations under the Daily Settlement Obligations are settled on a net basis, the delivery of the Securities under the relevant Contracts shall be made on a gross basis such that, on the relevant Settlement Day unless otherwise stated in the Procedures:

21.2.1. a Seller Clearing Member shall be obliged to deliver each Security which is the subject of a Selling Contract with the same Settlement Day; and

21.2.2. a Buyer Clearing Member shall be entitled to receive each Security which is the subject of a Buying Contract with the same Settlement Day,

in each case, in the manner contemplated in this Rule 21 (*Settlement of Securities delivery obligations*) and as prescribed in the Procedures.

The obligations of a Seller Clearing Member under this Rule 21 (*Settlement of Securities delivery obligations*) is independent of its obligations to maintain Collateral with the Clearing House in accordance with the Clearing Membership Agreement and any Securities or amounts standing to the credit of any other accounts which that Seller Clearing Member may have in connection with its membership of the Clearing House may not, unless required under these Rules or the Default Rules, be combined to discharge the Seller Clearing Member's obligations under this Rule 21 (*Settlement of Securities delivery obligations*).

### 21.3. **Securities in CSD account**

A Selling Clearing Member shall ensure there are sufficient Securities, in the case of a Selling Contract which is: (a) a Prop Contract, the account of that Seller Clearing Member (in the case of a Trading Clearing Member) or GCM Prop client (in the case of a General Clearing Member); or (b) a Client Contract, the account of the relevant Client of that Seller Clearing Member, held with the Central Securities Depository in order to discharge its delivery obligations under the Selling Contract on the Settlement Day.

### 21.4. **Book-entry delivery of Securities**

Delivery of Securities sold or purchased pursuant to Contracts shall be made by way of book-entry delivery (unless specified otherwise in the Procedures or approved by the Clearing House). In respect of such Securities to be delivered on a Settlement Day by:

21.4.1. a Seller Clearing Member to the Clearing House, the Clearing House will instruct the Central Securities Depository to debit from, in the case of a Selling Contract which is:

- (a) a Prop Contract, the account of that Seller Clearing Member (in the case of a Trading Clearing Member) or GCM Prop client (in the case of a General Clearing Member); or
- (b) a Client Contract, the account of the relevant Client of that Seller Clearing Member, or the relevant Client of a GCM Prop client in the case of a General Clearing Member entering into such Selling Contract as a Client Contract, or if a Settlement Agent has accepted its

participation to such Client Contract as contemplated by Rule 20 (*Settlement of payment obligations by Settlement Agent*), the account of that Settlement Agent in respect of the relevant Client,

in each case, held with the Central Securities Depository and, subject to any adjustments prescribed in the Procedures, by the number of Securities with the same issuer, of the same issue and of an identical type, nominal value and description as the Securities to which that Selling Contract relates; and

21.4.2. the Clearing House to a Buyer Clearing Member, the Clearing House will instruct the Central Securities Depository to credit to, in the case of a Buying Contract which is:

- (a) a Prop Contract, the account of that Buyer Clearing Member (in the case of a Trading Clearing Member) or GCM Prop client (in the case of a General Clearing Member); or
- (b) a Client Contract, the account of the relevant Client of that Buyer Clearing Member, or the relevant Client of a GCM Prop client in the case of a General Clearing Member entering into such Buying Contract as a Client Contract, or if a Settlement Agent has accepted its participation to such Client Contract as contemplated by Rule 20 (*Settlement of payment obligations by Settlement Agent*), the account of that Settlement Agent in respect of the relevant Client,

in each case, held with the Central Securities Depository and by the number of Securities with the same issuer, of the same issue and of an identical type, nominal value and description as the Securities to which that Buying Contract relates.

## 21.5. Discharge of delivery obligations

21.5.1. Subject to Rule 24 (*Failure to deliver: Selling Contracts [in relation to Cash Contracts](#)*) below, the obligation of a Seller Clearing Member or, as applicable, the Settlement Agent in respect of that Seller Clearing Member to deliver the relevant Securities to the Clearing House pursuant to a Selling Contract on any Settlement Day shall be discharged upon receipt by the Clearing House of a confirmation from the Central Securities Depository of an instruction given pursuant to Rule 21.4 (*Book-entry delivery of Securities*) above.

21.5.2. Without prejudice to Rule 23 (*Reservation of Title on Buying Contracts [in relation to Cash Contracts](#)*), the obligation of the Clearing House to deliver the relevant Securities to a Buyer Clearing Member or, as applicable, the Settlement Agent in respect of that Buyer Clearing Member pursuant to a Buying Contract on any Settlement Day shall be discharged upon receipt by the Clearing House of a confirmation from the Central Securities Depository in

respect of an instruction given pursuant to Rule 21.4.2 (*Book-entry delivery of Securities*) above.

**22. Settlement of Securities delivery obligations by Settlement Agent**

A Settlement Agent who has accepted its participation to a Selling Contract in accordance with Rule 16.2 (*Acceptance of participation*) shall ensure there are sufficient Securities in the account of that Settlement Agent held with the Central Securities Depository in respect of the relevant Client in order to discharge the delivery obligations under the Selling Contract on the Settlement Day.

## 23. Reservation of Title on Buying Contracts in relation to Cash Contracts

### 23.1. Delayed payment and/or failure to pay under Buying Contract

The Clearing House is under no obligation to make an instruction pursuant to Rule 21.4.2 (*Book-entry delivery of Securities*) above unless and until it is satisfied that payment of the relevant CM Purchase Value has been made and will be settled to the CCP Settlement Account. If, at the discretion of the Clearing House, it gives an instruction pursuant to Rule 21.4.2 (*Book-entry delivery of Securities*) above before a CM Purchase Value has settled then, until such time as the Clearing House is satisfied that it has received payment in full by the prescribed times set out in the relevant Procedures:

- 23.1.1. title and ownership to such Securities (the "**affected Securities**") shall not pass upon delivery pursuant to Rule 21.5.2 (*Discharge of delivery obligations*) above, notwithstanding that a credit of the corresponding Securities may be indicated in the account of the Buyer Clearing Member or GCM Prop client or, in the case of a relevant Client Contract, the account of the Client of which Buyer Clearing Member held with the Central Securities Depository;
- 23.1.2. pursuant to the rules and procedures of the Central Securities Depository, such affected Securities may be placed under a "restricted" status by the Central Securities Depository (whether or not instructed to do so by the Clearing House); and
- 23.1.3. the Clearing House will be the legal and beneficial owner of such affected Securities.

The relevant Procedures will set out the time periods or cut-off times following a Settlement Day where a Buyer Clearing Member may assume that legal title to Securities that are delivered Rule 21.5.2 (*Discharge of delivery obligations*) above will have passed.

### 23.2. Further assurance

A Buyer Clearing Member shall promptly cooperate with any requests for information made by the Clearing House to resolve a retention of title arising pursuant to this Rule 23 (*Reservation of Title on Buying Contracts*), including providing information on the Buyer Clearing Members' Client(s) or GCM Prop client(s) to whom the affected Securities relate.

### 23.3. Failure to resolve retention of title

If, following the relevant cut-off time(s) specified in the Procedures for the settlement of the CM Purchase Value of the affected Securities, the Clearing House has not received payment in full, the Clearing House shall be entitled (but

not obliged) to exercise its full discretion to take all or any of the following actions:

- 23.3.1. declare such Buyer Clearing Member to be a Defaulting Clearing Member and take the measures set out in the Default Rules;
- 23.3.2. permit an extension period for the payment of the due but unpaid CM Purchase Value, subject to such additional conditions as the Clearing House deems appropriate to safeguard the orderly functioning of the markets;
- 23.3.3. demand the immediate transfer of any additional Eligible Collateral as Collateral by that Buyer Clearing Member, of an amount or value determined by the Clearing House to be appropriate to safeguard the orderly functioning of the markets;
- 23.3.4. transfer, from the Available Collateral Balance of such Buyer Clearing Member, such "fails margin" of an amount or value determined by the Clearing House to be appropriate to cover the Clearing House's exposure in connection with such Buying Contract and the costs, expenses and fees associated with the failure to settle the affected Securities on the originally-scheduled Settlement Day;
- 23.3.5. use, apply, or appropriate the affected Securities to limit the liability of the Clearing House resulting from such failure to pay;
- 23.3.6. liquidate the affected Securities;
- 23.3.7. liquidate any Collateral of the Buyer Clearing Member;
- 23.3.8. withhold payments of any future CCP Sale Value; and/ or
- 23.3.9. adopt any measures or take any other actions as may be necessary.

#### 23.4. **Limitation of Clearing House liability**

- 23.4.1. In taking any actions to liquidate any affected Securities or Collateral, the Clearing House will only have regard to safeguarding the orderly function of the markets for the interests of the Clearing Members, taken as a whole, and will not be under any obligation to any party to enter into any transactions on a "best execution" basis to achieve the optimal proceeds for the affected Securities or the relevant Collateral.
- 23.4.2. The Clearing House will not be liable to any person for any costs, losses, expenses or liabilities incurred or arising as a result of taking any of the actions contemplated by this Rule 23 (*Reservation of Title on Buying Contracts*).

**24. Failure to deliver: Selling Contracts in relation to Cash Contracts****24.1. No duty to monitor**

The Clearing House is under no obligation to monitor compliance by the Selling Clearing Member or, as applicable, the Settlement Agent of its respective obligations under Rule 21.3 (*Securities in CSD account*) or Rule 22 (*Settlement of Securities delivery obligations by Settlement Agent*). If the Clearing House has information satisfactory to it that a Selling Clearing Member or a Settlement Agent would not be in compliance with Rule 21.3 (*Securities in CSD account*) or Rule 22 (*Settlement of Securities delivery obligations by Settlement Agent*), it may at its sole discretion, refrain from giving instructions to the Central Securities Depository pursuant to Rule 21.4 (*Book-entry delivery of Securities*) above.

**24.2. Failure to discharge delivery obligations**

24.2.1. Notwithstanding whether or not the Central Securities Depository has confirmed an instruction from the Clearing House pursuant to Rule 21.5.2 (*Discharge of delivery obligations*) above, the obligation of a Seller Clearing Member to deliver the relevant Securities to the Clearing House pursuant to a Selling Contract on any Settlement Day will not be discharged if either:

- (a) that Selling Clearing Member fails to comply with its obligations under Rule 21.3 (*Securities in CSD Account*); or
- (b) the Settlement Agent who has accepted to effect delivery for that Selling Contract fails to comply with its obligations under Rule 22 (*Settlement of Securities delivery obligations by Settlement Agent*).

24.2.2. If, following the relevant cut-off time(s) specified in the Procedures for a Selling Clearing Member or, as applicable, the relevant Settlement Agent to remedy its failure to comply, the relevant Securities are not credited to the Seller Clearing Member's account, the account of the relevant Client or GCM Prop client of that Seller Clearing Member or, as the case may be, the account of that Settlement Agent in respect of the relevant Client at the Central Securities Depository, the Clearing House shall be entitled (but not obliged) to take any such action prescribed in the Procedures and/ or effect a CCP Buy-In in accordance with Rule 27 (*CCP Buy-In*) and the Procedures.



## 25. Settlement Agent rejection in relation to Cash Contracts

### 25.1. Rejected Selling Contracts: Clearing House payment obligations

- 25.1.1. If any Selling Contract (the "**rejected Selling Contract**") is rejected or deemed to be rejected by the relevant Settlement Agent in accordance with the Procedures, the obligation of the Clearing House to pay the CCP Sale Value of that rejected Selling Contract to the Seller Clearing Member will be subject to the discharge by such Seller Clearing Member of its delivery obligations pursuant to Rule 25.2 (*Rejected Selling Contracts: Clearing Member delivery obligations*) and the Procedures.
- 25.1.2. The Clearing House's obligation to pay the full CCP Sale Value of that rejected Selling Contract will be extinguished in consideration of payment by the Clearing House of an amount of the CCP Sale Value which is equal to the portion of the relevant Securities delivered by the Clearing Member pursuant to the operation of Rule 27 (*CCP Buy-In*) and the relevant Procedures, which payment obligation shall be discharged upon its instructions to its Settlement Bank to make the relevant payment from the CCP Settlement Account.

### 25.2. Rejected Selling Contracts: Clearing Member delivery obligations

- 25.2.1. If any Selling Contract (the "**rejected Selling Contract**") is rejected or deemed to be rejected by the relevant Settlement Agent in accordance with the Procedures, then the Seller Clearing Member shall deliver the number of relevant Securities (the "**Number of relevant Securities**") which is the subject of such rejected Selling Contract in accordance with the relevant Procedures.
- 25.2.2. If the Seller Clearing Member delivers the full Number of relevant Securities under such rejected Selling Contract in accordance with the relevant Procedures, its delivery obligations under such rejected Selling Contract shall be discharged upon receipt by the Clearing House of a confirmation from the Central Securities Depository that the full Number of relevant Securities have been credited to the account prescribed by the Procedures.
- 25.2.3. If the Seller Clearing Member delivers part of the Number of relevant Securities under such rejected Selling Contract in accordance with the relevant Procedures, its obligation to deliver the Number of relevant Securities under such rejected Selling Contract shall be discharged upon its delivery of the remaining balance of the Number of relevant Securities in accordance with the Procedures and payment of any cash compensation to the Clearing House pursuant to Rule 27.4 (*Failed CCP Buy-In*).

### 25.3. Rejected Buying Contracts: Clearing House delivery obligations

If a Buying Contract has been rejected or is deemed to have been rejected for

participation by a Settlement Agent in accordance with the Procedures, the obligation of the Clearing House to deliver the relevant Securities to a Buyer Clearing Member pursuant to such rejected Buying Contract on any Settlement Day shall be discharged:

- 25.3.1. by the Clearing House instructing the Central Securities Depository to make the relevant transfer of the number of Securities with the same issuer, of the same issue and of an identical type, nominal value and description as the Securities to which that rejected Buying Contract relates in accordance with the Procedures; and
- 25.3.2. upon receipt by the Clearing House of a confirmation from the Central Securities Depository of an instruction given pursuant to Rule 25.3.1 above.

**25.4. Rejected Buying Contracts: Clearing Member payment obligations**

If a Buying Contract has been rejected or is deemed to have been rejected for participation by a Settlement Agent in accordance with the Procedures, then the Buyer Clearing Member shall remain liable for its obligations to pay the CM Purchase Value of such Buying Contract at the times specified in the Procedures.

## 26. Release of Initial Margin and Variation Margin

### 26.1. **Release following discharge of payment and delivery obligations in relation to Cash Contracts**

Without prejudice to the rights of the Clearing House under Rule 23 (*Reservation of Title on Buying Contracts*), following discharge of the delivery obligations under a Contract in accordance with Rule 20.3 (*Settlement of Daily Settlement Obligations*) or Rule 21.5 (*Discharge of delivery obligations*), the Clearing House shall release the Initial Margin and Variation Margin transferred in respect of that completed Contract to the relevant Clearing Member (or, as applicable, the relevant Settlement Agent if the such Settlement Agent had transferred such Initial Margin or Variation Margin pursuant to Rule 16.2.2 (*Acceptance of participation*)) at the times in the Settlement Cycle prescribed in the Procedures by crediting the Eligible Collateral Value of Equivalent Collateral as the Client Posted IM, the Prop Posted IM, the Client Posted VM or Prop Posted VM (each as applicable) to the Available Collateral Balance of that Clearing Member (or, as applicable, to the relevant Settlement Agent).

### 26.2. **Release following Settlement Agent rejection in relation to Cash Contracts**

In respect of Initial Margin and Variation Margin transferred in relation to a Contract which a Settlement Agent has rejected participation of, the Clearing House shall release the Initial Margin or Variation Margin transferred in respect of that completed Contract to the relevant Clearing Member upon:

26.2.1. in the case of a Buying Contract, the delivery of the relevant Securities by the Clearing House pursuant to Rule 25.3.2 (*Rejected Buying Contracts: Clearing House delivery obligations*); and

26.2.2. in the case of a Selling Contract, the discharge of the Selling Clearing Member's obligations in accordance with Rule 25.2 (*Rejected Selling Contracts: Clearing Member delivery obligations*).

### 26.3. Release following the close out or expiry of Contract for Derivatives

In respect of Initial Margin and Variation Margin transferred in relation to a Contract for Derivatives, the Clearing House shall release the Initial Margin or Variation Margin transferred in respect of that completed Contract to the relevant Clearing Member upon the close out or expiry of the Contract for Derivatives.

## CHAPTER FIVE – BUY-Ins

### 27. CCP BUY-IN in relation to Cash Contracts

#### 27.1. Initiation of CCP Buy-In

##### 27.1.1. At any time after:

- (a) a failure to deliver by a Selling Clearing Member as contemplated in Rule 24.2 (*Failure to discharge delivery obligations*); or
- (b) a failure to deliver the full member of Securities under the original Selling Contract as contemplated in Rule 25.2 (*Rejected Selling Contracts: Clearing Member delivery obligations*); or
- (c) if the Clearing House in its sole discretion considers it appropriate to safeguard the orderly functioning of the markets, a Seller Clearing Member is declared as a Defaulting Clearing Member pursuant to the Default Rules,

the Clearing House may (but is not obliged to) enter into one or more Buy-In Contracts in accordance with the relevant Market Rules in respect of the Securities (the "**affected Securities**") which are the subject of the affected Selling Contracts (the "**affected Selling Contracts**"), at the times and in the manner prescribed in the Procedures.

- 27.1.2. Without prejudice to any right of a Selling Clearing Member to request a CCP Buy-In under the Procedures if the circumstances contemplated in Rule 25.2 (*Rejected Selling Contracts: Clearing Member delivery obligations*) occur, no Clearing Member, Settlement Agent or any third party other than the Authority shall have any rights to require the Clearing House to initiate or enter into any CCP Buy-In and it is acknowledged by each Clearing Member that, unless notified in writing by the Clearing House, a CCP Buy-In is only available in respect of affected Selling Contracts where the affected Securities are listed on the Exchange and in accordance with the Market Rules of the Exchange).
- 27.1.3. It is acknowledged by each Clearing Member that, in respect of the Clearing House's involvement in any CCP Buy-In, the Clearing House will only have regard to safeguarding the orderly function of the markets for the interests of the Clearing Members, taken as a whole, and will not be under any obligation to any party to enter into any transactions on a "best execution" basis to achieve the optimal sale price for the affected Securities.
- 27.1.4. If, in the opinion of the Clearing House at its sole discretion, it is necessary or desirable in safeguarding the orderly function of the markets for the interests of the Clearing Members, taken as a whole, the Clearing House may enter into one or more Buy-In Contracts in relation to the affected Securities as part of a chain

CCP Buy-In (a "**Chain CCP Buy-In**") in accordance with the Procedures. Accordingly, each Clearing Member hereby acknowledges that:

- (a) the timing of payments, deliveries and settlements of their Contracts may be subject to adjustment in accordance with the Procedures in the event that such Contract is included within a Chain CCP Buy-In; and
- (b) the Clearing House shall not be liable to any Clearing Member for any costs, expenses, fees, liabilities, taxes, assessment, losses and damages of any nature whatsoever incurred or suffered by any Clearing Member, whether directly or indirectly, as a result of a Contract being included in a Chain CCP Buy-In.

## 27.2. **Application of proceeds by Clearing House**

The CCP Sale Value payable by the Clearing House under a Buy-In Contract shall be discharged by the Clearing House by applying the available proceeds in the following order:

- (a) *firstly*, from the value of the CM Purchase Value received by the Clearing House in respect of the Buying Contract which corresponds with the affected Selling Contract;
- (b) *secondly*, from any additional amounts which may have been made available by the Seller Clearing Member;
- (c) *thirdly*, from the Initial Margin (to the extent not released to the Seller Clearing Member during the Settlement Cycle) and the Variation Margin transferred by the Seller Clearing Member to the affected Selling Contract provided that, if the affected Selling Contract is a Prop Contract then the Clearing House will apply the Prop Posted IM and the Prop Posted VM of that Seller Clearing Member only and if the affected Selling Contract is a Client Contract then the Clearing House will apply the Client Posted IM and the Client Posted VM only;
- (d) *fourthly*, from the Available Collateral Balance of the Seller Clearing Member to the affected Selling Contract; and
- (e) *fifthly*, from any other monies or other assets which may be available to the Clearing House at the time (excluding, for the avoidance of doubt, any resources of the Settlement Default Fund).

This Rule 27.2 is without prejudice and in addition to the rights of a Clearing Member to seek recovery and compensation from the relevant Client or GCM Prop client for the costs, expenses, fees, liabilities, losses and damages of any nature whatsoever that are incurred by the Clearing Member due to a CCP Buy-In of any affected Selling Contract which is a Client Contract or, in the case of

a GCM Prop client, a Prop Contract.

### 27.3. Obligations under affected Selling Contracts

27.3.1. Upon the initiation of a CCP Buy-In in respect of an affected Selling Contract, the obligations of:

- (a) the Seller Clearing Member to deliver the affected Securities under such affected Selling Contract will be replaced by the obligations set out in this Rule 27.3; and
- (b) the Clearing House to pay the CCP Sale Value to such Seller Clearing Member will be extinguished as consideration for the release and replacement of the obligation of such Seller Clearing Member to deliver the affected Securities under the affected Selling Contract.

27.3.2. In the event that the purchase price payable by the Clearing House under the Buy-In Contract (the "**Buy-In Purchase Price**") is greater than the CCP Sale Value of the corresponding affected Selling Contract, the Seller Clearing Member of such affected Selling Contract shall be liable to the Clearing House for:

- (a) the difference between the Buy-In Purchase Price and the CCP Sale Value of the corresponding affected Selling Contract;
- (b) any applicable transaction fees set out in the relevant Procedures; and
- (c) the costs and expenses of the Clearing House, its agents, nominees and/or representatives arising or incurred as a result the CCP Buy-In.

The Clearing House shall apply the available proceeds set out in Rule 27.2 (*Application of proceeds by Clearing House*) and in the order set out in Rule 27.2 (*Application of proceeds by Clearing House*) towards satisfaction of such Seller Clearing Member's obligation under this Rule 27.3.2, *after* the full discharge of the Buy-In Purchase Price.

27.3.3. In the event that the Buy-In Purchase Price is less than the CCP Sale Value of the corresponding affected Selling Contract, the Clearing House may be entitled to retain the balance of such proceeds after their application towards the discharge of the liabilities of the Seller Clearing Member of such affected Selling Contract in respect of:

- (a) any applicable transaction fees set out in the relevant Procedures; and
- (b) the costs and expenses of the Clearing House, its agents, nominees and/or representatives arising or incurred as a result the CCP Buy-In.

#### 27.4. Failed CCP Buy-In

##### 27.4.1. In the event that:

- (a) following a notice given by the Clearing House to the Exchange pursuant to Rule 27.1.1 (*Initiation of Buy-In*), a CCP Buy-In fails to complete (for whatever reason); or
- (b) the Exchange is (for whatever reason) unable to carry out or complete its buy-in process in accordance with the relevant Market Rules;
- (c) in the opinion of the Clearing House at its sole discretion, it is necessary or desirable in safeguarding the orderly function of the markets for the interests of the Clearing Members, taken as a whole, that a CCP Buy-In is not the appropriate course of action; or
- (d) the execution of a CCP Buy-In would cause a breach of the Clearing House's obligations to comply with Applicable Laws (including any directions, circulars or instructions given by the Authority),

the Seller Clearing Member to the affected Selling Contract shall be liable to pay cash compensation to the Clearing House of an amount and in the manner set out in the Procedures.

- 27.4.2. Any cash compensation amount which a Seller Clearing Member is required to pay pursuant to this Rule 27.4 will be based on the last available closing price of the equivalent Securities as the affected Securities or such other price as the Clearing House shall determine in its sole discretion, in addition to any applicable administration fees set out in the relevant Procedures and the costs and expenses of the Clearing House, its agents, nominees and/ or representatives arising or incurred as a result of the failed CCP Buy-In.

#### 27.5. Clearing Member Indemnity for CCP Buy-In and failed CCP Buy-In

In addition to each other right of the Clearing House under the Clearing Membership Agreement and Applicable Law, each Clearing Member hereby indemnifies the Clearing House, the DFM Group, their respective agents, nominees and/ or representatives and holds each of them harmless against all costs, expenses, fees, liabilities, taxes, assessment, losses and damages of any nature whatsoever arising, incurred or suffered, whether directly or indirectly, as a result of any CCP Buy-In, including a failed CCP Buy-In.

For the purpose of this Rule 27.5, each Clearing Member agrees and acknowledges that any cash compensation demanded by the Clearing House pursuant to Rule 27.4 (*Failed CCP Buy-In*) are losses suffered by the Clearing House arising directly as a consequence of that Clearing Member's failure to deliver the affected Securities.



## CHAPTER SIX – COLLATERAL AND VALUATIONS

### 28. MARGIN AND COLLATERAL

#### 28.1. General provisions

28.1.1. The Clearing House may in accordance with these Rules, the Collateral Policy, the Margin Policy, the Settlement Default Fund Policy and/or the Procedures require Clearing Members and Settlement Agents to transfer or provide Collateral to the Clearing House and to maintain a Collateral balance in an amount or of a value determined by the Clearing House as security for the performance by such Clearing Member or Settlement Agent of its obligations to the Clearing House in consideration for the membership of that Clearing Member or Settlement Agent and, additionally in the case of a Clearing Member, in respect of all Contracts to be registered or to be registered in its name. The obligations arising under this Rule 28 (*Margin and Collateral*) shall be in addition to any other obligation of the Clearing Member or Settlement Agent to transfer Collateral to the Clearing House, maintain a Collateral balance or make any other payment to the Clearing House pursuant to the Clearing Membership Agreement or, as applicable, the Settlement Agent Participation Agreement.

28.1.2. Each Clearing Member and Settlement Agent acknowledges and agrees that any Collateral transferred by it to the Clearing House is a title transfer arrangement and the arrangements contemplated by this Rule 28 (*Margin and Collateral*) do not constitute a creation of any pledge or mortgage over the assets which are the subject of Collateral pursuant to Articles 1448 to 1503 of the UAE Federal Law No. 5 of 1985 (as amended), Articles 164 to 177 of the UAE Federal Law No. 18 of 1993 or the UAE Federal Law No. (20) of 2016 (as amended).

28.1.3. The Clearing House may in accordance with these Rules, the Collateral Policy, the Margin Policy and/or the Procedures require a Clearing Member or a Settlement Agent to transfer Collateral to the Clearing House in respect of:

- (a) in the case of a Clearing Member, CM Initial Contribution; or in the case of a Settlement Agent, SA Initial Contribution;
- (b) in the case of a Clearing Member and the Contracts registered in its name, Initial Margin and Variation Margin if there is a shortfall to its Available Collateral Balance; and
- (c) in the case of a Clearing Member, Additional Contributions,

in such form and manner required by the Clearing House and at such times as may be prescribed by the Procedures.



- 28.1.4. The amount of Collateral required and/ or held by the Clearing House in respect of each Clearing Member and each Settlement Agent will be calculated and determined by the Clearing House on each Business Day in accordance with the Margin Policy.
- 28.1.5. Each Clearing Member and each Settlement Agent shall transfer or provide Collateral to the Clearing House in such amounts, in such forms and at such times as are required pursuant to this Chapter Five, the Collateral Policy, the Margin Policy and the Procedures and otherwise as may be prescribed by the Clearing House and notified to Clearing Members from time to time, in each case, in accordance with these Rules and the Procedures.
- 28.1.6. Each transfer or delivery of Collateral shall be and become due and payable at the times specified by the Clearing House in the Margin Policy and the Procedures.
- 28.1.7. The Clearing House may impose, amend or withdraw additional Collateral requirements in respect of any Clearing Member or Settlement Agent at any time and in its discretion.

## 28.2. **Eligible Collateral**

- 28.2.1. All Eligible Collateral which may be transferred by a Clearing Member or a Settlement Agent to the Clearing House will be set out in the Collateral Policy and may comprise all or any of:
- (a) Eligible Currency;
  - (b) Eligible Securities;
  - (c) Eligible Guarantees; or
  - (d) any other assets approved by the Clearing House in respect of that Clearing Member or Settlement Agent in accordance with Rule 28.2.3 below.
- 28.2.2. In the event that a Clearing Member or a Settlement Agent transfers assets for Collateral which are not Eligible Collateral, such assets will be valued at zero (0), other than for the purposes of Rule 11.6 (*Suspension or termination of membership*) and Rule 12.4 (*Resignation of membership*).
- 28.2.3. Without prejudice to these Rules, the Clearing House may at its absolute and sole discretion accept assets as Eligible Collateral up to an agreed amount in a form other than those specified in Rule 28.2.1 or the Collateral Policy, subject always to the Clearing House's prior assessment as to the appropriateness of such proposed assets in accordance with its standard risk management procedures and to any special arrangements or requirements which the Clearing

House may prescribe in each case (including, without limitation, requirements as to the jurisdiction in which such assets are legally situated and any Valuation Percentage).

- 28.2.4. The Clearing House may invest Collateral deposited in cash by a Clearing Member or Settlement Agent in accordance with investment policies to be approved by the Executive Committee from time to time, provided that the Clearing House is under no obligation to make any payments or deliveries to a Clearing Member or a Settlement Agent of distributions, coupons or other payments of an income nature that are received by the Clearing House which emanates from the Collateral transferred to it.

### 28.3. Valuation of Eligible Collateral

- 28.3.1. Where the Eligible Collateral is an asset-type other than Eligible Currency in Emirati Dirhams, the Clearing House may apply a haircut in its determination of the applicable Valuation Percentage of such other Eligible Currency or, as applicable, a haircut in its determination of the applicable Valuation Percentage of such Eligible Collateral for the purposes of determining the amount of Collateral required from a Clearing Member or a Settlement Agent.
- 28.3.2. The Valuation Percentages that are in force in respect of each type of Eligible Collateral are set out in the Collateral Policy and may be amended from time to time at the discretion of the Clearing House by notice to the Clearing Members and the Settlement Agents.
- 28.3.3. Each Clearing Member and each Settlement Agent acknowledge and agree that any Valuation Percentage applied by the Clearing House in respect of Eligible Collateral:
- (a) represents the risk borne by the Clearing House in accommodating such Eligible Collateral, having regard to the risk management procedures of the Clearing House; and
  - (b) does not constitute a penalty on the Clearing Member or the Settlement Agent of using such Eligible Collateral.

### 28.4. Collateral Ineligibility

- 28.4.1. The Clearing House may, on any Business Day, publish a notice on its website or otherwise provide written notice to all Clearing Members and Settlement Agents stating:
- (a) one or more items of Eligible Collateral either has ceased to satisfy or, as of a specified date, will cease to satisfy, collateral eligibility requirements under Applicable Law or the risk management procedures of the Clearing House (the "**Collateral Eligibility Requirements**");

- (b) the list of the types of Eligible Collateral that have ceased to satisfy or as of a specified date, will cease to satisfy, the Collateral Eligibility Requirements; and
- (c) the date on which such Eligible Collateral has ceased to satisfy or as of a specified date, will cease to satisfy, the Collateral Eligibility Requirements (the "**Collateral Ineligibility Date**").

Any Eligible Collateral which is the subject of a notice under this Rule 28.4.1 shall be valued at zero (0) as of the Collateral Ineligibility Date, other than for the purposes of Rule 11.6 (*Suspension or termination of membership*) and Rule 12.4 (*Resignation of membership*).

28.4.2. Following a Collateral Ineligibility Date, the Clearing House will as soon as reasonably practicable, transfer to such Clearing Member or Settlement Agent the Equivalent Collateral in respect of any item compromised as Collateral delivered by that Clearing Member or Settlement Agent which has a value of zero (0) *provided that* the Clearing House will only be obliged to deliver any such Equivalent Collateral in accordance with this Rule 28.4.2 if, as of the date of transfer of such Equivalent Collateral, that Clearing Member or Settlement Agent has satisfied all of its transfer obligations under this Rule 28 (*Margin and Collateral*).

## 28.5. **Initial Contributions**

28.5.1. The amount of CM Initial Contribution required from each Clearing Member and SA Initial Contribution required from each Settlement Agent shall be determined by the Clearing House and shall be published from time to time by the Clearing House on its website or as otherwise provided by way of notice by the Clearing House to a Clearing Member or a Settlement Agent.

28.5.2. CM Initial Contribution or, as applicable, SA Initial Contribution in the form of Eligible Collateral shall be paid or transferred by a Clearing Member or a Settlement Agent (respectively):

- (a) as a condition to its admission as a Clearing Member or, as applicable, a Settlement Agent to the Clearing House;
- (b) as a condition to any change to the membership category of a Clearing Member or, as applicable, a Settlement Agent; and
- (c) otherwise upon demand by the Clearing House on any Business Day where the Clearing House has determined there is a shortfall to the value of the CM Initial Contribution or, as applicable, SA Initial Contribution previously transferred by that Clearing Member or Settlement Agent including, without limitation, as a result of

fluctuations in the market value of the Collateral, compliance with Collateral Eligibility Requirements, a change to the Valuation Percentage applicable to one or more classes of Eligible Collateral,

in each case, at the times and in the manner prescribed in the Margin Policy and the Procedures.

28.5.3. The Clearing House shall apply:

- (a) CM Initial Contributions in respect of each Clearing Member as its contribution to the Settlement Default Fund and its Available Collateral Balance; and
- (b) SA Initial Contributions in respect of each Settlement Agent in the event that a Settlement Agent does not fulfil its payment obligations following its acceptance to participate in an outstanding Contract and, if the Procedures permit a Settlement Agent to transfer Initial Margin or Variation Margin on behalf of a Clearing Member in respect of the relevant outstanding Contracts which a Settlement Agent has accepted participation of, as Client Posted IM or Client Posted VM.

The amount of CM Initial Contribution allocated as Settlement Default Fund contribution and Available Collateral Balance of each Clearing Member will be determined by the Clearing House in its sole discretion.

Any amount of CM Initial Contribution allocated for Available Collateral Balance may be applied in respect of the obligation Clearing Member under Rule 14.2 (*Transfer of Initial Margin and Variation Margin*).

Any amount of CM Initial Contribution allocated as Settlement Default Fund contribution may only be applied in accordance with the Default Rules.

For the avoidance of doubt, no amount of SA Initial Contribution shall be allocated to the Settlement Default Fund.

28.5.4. If, on any Business Day, the Clearing House determines in accordance with its standard risk management procedures that there is insufficient CM Initial Contribution transferred by a Clearing Member, the Clearing House shall make a demand for Additional Contributions as set out in Rule 28.7 (*Additional Contributions*) and the Procedures.

28.5.5. The Clearing House may impose, amend or withdraw additional requirements on CM Initial Contribution or SA Initial Contribution in respect of any Clearing Member or, as the case may be, any Settlement Agent at any time and in its discretion.

28.5.6. Without prejudice to the foregoing, if in the opinion of the Clearing House, any

asset which has been transferred to it by a Clearing Member or a Settlement Agent (respectively) as CM Initial Contribution or SA Initial Contribution pursuant to these Rules is no longer either of sufficient value or otherwise acceptable to the Clearing House, the Clearing House shall be entitled to demand further Collateral from such Clearing member or Settlement Agent. Such Collateral shall be transferred by such Clearing Member or Settlement Agent to the Clearing House on demand in accordance with the Procedures, *provided that:*

- (a) at any time the Clearing House shall be entitled to demand that a Clearing Member or a Settlement Agent to replace all or part of any Collateral comprising its CM Initial Contribution or, as the case may be, SA Initial Contribution previously transferred to the Clearing House with Collateral in the form of Eligible Currency; and
- (b) following replacement of Collateral in accordance with this Rule 28.5.6 by a Clearing Member or a Settlement Agent, the Clearing House will, promptly upon demand by the relevant Clearing Member or Settlement Agent, transfer to such Clearing Member or Settlement Agent the Equivalent Collateral with equal value in respect of any Collateral which has been replaced by a delivery of substitute Eligible Collateral pursuant to this Rule 28.5.6.

## 28.6. **Initial Margin and Variation Margin**

28.6.1. The Clearing House shall calculate on each Business Day and in respect of each Clearing Member its Client Contract Exposures and its Prop Contract Exposures at the times specified in the Procedures to determine the amount of:

- (a) Initial Margin to be transferred as Client Posted IM and Prop Posted IM; and
- (b) Variation Margin to be transferred as Client Posted VM and Prop Posted VM,

by that Clearing Member pursuant to Rule 14.2 (*Transfer of Initial Margin and Variation Margin*).

28.6.2. Initial Margin and Variation Margin in the form of Eligible Collateral shall be paid or transferred by a Clearing Member:

- (a) as a condition to the registration of a Prop Contract or a Client Contract by the Clearing House; and
- (b) otherwise upon demand by the Clearing House pursuant to Rule 28.6.3 on any Business Day,

in each case, at the times and in the manner prescribed in Rule 14.2 (*Transfer of Initial Margin and Variation Margin*), the Margin Policy and the Procedures.

- 28.6.3. The Clearing House shall be entitled, at its discretion, to make an intra-day call for Initial Margin or any other amount payable to it if the Initial Margin or Variation Margin provided is insufficient (including, if there is insufficient Available Collateral Balance). In the event of such a call being made, the Clearing House will give notice to each Clearing Member which is required to transfer such additional Initial Margin or Variation Margin to the Clearing House of the amount of such additional Initial Margin or Variation Margin and time by which such transfer or delivery must be made.
- 28.6.4. The Clearing House shall be entitled to demand Collateral to be immediately transferred by a Clearing Member under this Rule 28.6 without reference to official quotations or reference prices in respect of any outstanding Contract in such Clearing Member's name if, in the opinion of the Clearing House, the transfer to the Clearing House by that Clearing Member is necessary in the circumstances then prevailing which may be affecting or may in the Clearing House's opinion be likely to affect market conditions or performance by that Clearing Member of its obligations under the terms of the Contracts.
- 28.6.5. If a Clearing Member fails to transfer Initial Margin before the IM Cut-off Time, the Variation Margin before the VM Cut-off Time or within any times specified by the Clearing House in the case of a call for additional Initial Margin or Variation Margin pursuant to Rule 28.6.3 or the Margin Policy, the Clearing House may, at its discretion:
- (a) treat such failure as an Event of Default with respect to such Clearing Member; or
  - (b) reduce, with immediate effect, the Daily Trading Limits of such Clearing Member by an amount which the Clearing House, in its sole opinion, is commensurate with its uncollateralised exposures against that Clearing Member in respect of the outstanding Contracts registered in its name.
- 28.6.6. At any time the Procedures permit a Settlement Agent to transfer Initial Margin or Variation Margin on behalf of a Clearing Member in respect of the relevant outstanding Contracts which it has accepted participation of, the Settlement Agent acknowledges that such Collateral can be subject to Porting as Ported Collateral (each as defined in the Default Rules) in accordance with the Default Rules if the Clearing Member of such relevant Contract becomes a Defaulting Clearing Member.

## 28.7. Additional Contributions

### 28.7.1. If, on any Business Day:

- (a) the value of the Settlement Default Fund falls below the Clearing House's requirements; or
- (b) there is a shortfall to the Collateral of a Clearing Member by reference to the Clearing House's standard risk management policies,

the Clearing House will give notice to each Clearing Member which is required to make a transfer or delivery of the amount of Additional Contribution which it is required to transfer and the time by which such transfer or delivery must be made.

28.7.2. The Clearing House shall be entitled, at its discretion, to make an intra-day call for Additional Contribution or any other amount payable to it if the Additional Contribution provided is insufficient. In the event of such a call being made, the Clearing House will give notice to each Clearing Member which is required to make payment to the Clearing House of the amount payable by such Clearing Member and such payment must be made on the same Business Day as such call.

28.7.3. Unless specified otherwise by the Clearing House in the notice or notice of intra-day call, any Collateral provided as Additional Contribution must be in the form of Eligible Currency.

28.7.4. At any time the Procedures permit a Settlement Agent to transfer Initial Margin or Variation Margin on behalf of a Clearing Member in respect of the relevant outstanding Contracts which it has accepted participation of, the Clearing House may give notice to a Settlement Agent which is required to make a transfer of Additional Contribution if there is a shortfall to the Collateral of such Settlement Agent by reference to the Clearing House's standard risk management policies, together with the amount of Additional Contribution which it is required to transfer and the time by which such transfer or delivery must be made.

## 28.8. Approved Financial Institutions and Eligible Guarantees

28.8.1. The Clearing House may maintain a list of Approved Financial Institutions for the purposes of Eligible Guarantees.

28.8.2. A Clearing Member may only use an Eligible Guarantee in respect of Collateral requirements for its CM Initial Contribution.

28.8.3. The Clearing House shall determine the Valuation Percentage of the Eligible Guarantee and the Clearing House may specify that the Eligible Guarantee



comprises partial consideration for fulfilment of a Clearing Member's obligations in respect of its CM Initial Contribution or a Settlement Agent's obligations in respect of Collateral. Furthermore, during the ten (10) Business Days preceding the expiry of an Eligible Guarantee or the recognition of the Eligible Guarantee as Collateral, the Eligible Guarantee may be ascribed a Collateral value of zero (0).

## 28.9. Return of Surplus Collateral

28.9.1. If, on any Business Day, the Clearing House determines that there is Surplus Collateral in respect of a Clearing Member, the Clearing House shall provide notice to that Clearing Member of the value of such Surplus Collateral in accordance with the Procedures.

28.9.2. Upon a demand made by a Clearing Member following a notice delivered pursuant to Rule 28.9.1 above and *provided that*:

- (a) that Clearing Member has satisfied all of its transfer obligations under this Rule 28 (*Margin and Collateral*);
- (b) in the case of a Clearing Member, no Event of Default or potential Event of Default has occurred in respect of that Clearing Member;
- (c) no Disruption Event or event or circumstance set out in Rule 32 (*Disorder, Impossibility or Force Majeure*) has occurred and is continuing; and
- (d) that Clearing Member is not a Suspended Member, a Terminated Member or a Resigning Member,

in each case, as of the date on which a transfer would be made by the Clearing House pursuant to this Rule 28.9, then the Clearing House shall return to that Clearing Member an amount of Equivalent Collateral which is equal to the Surplus Collateral at the time and in the manner set out in the Procedures (or if not specified in the Procedures then as soon as practicable following a demand under this Rule 28.9.2), subject to the set-offs contemplated by Rule 34.2 (*Set-off*).

## 28.10. Rights relating to transferred Collateral

28.10.1. Each Clearing Member and each Settlement Agent will act as principal and not as agent in providing Collateral to the Clearing House. The Clearing House will take no account of any right or interest which any person, other than a Clearing Member or a Settlement Agent, may have in Collateral furnished by such Clearing Member or Settlement Agent to the Clearing House and the Clearing House shall be entitled to assume that all Eligible Collateral and other assets transferred by a Clearing Member or a Settlement Agent to the Clearing House



pursuant to these Rules, the Collateral Policy, the Margin Policy and/or the Procedures or under the terms of any agreement made with a Clearing Member or a Settlement Agent are the sole legal and beneficial property of that Clearing Member or Settlement Agent.

28.10.2. The Clearing House shall be entitled to accept without enquiry and shall not be obliged to investigate, any right and title that any Clearing Member or Settlement Agent may have to any Collateral transferred by it to the Clearing House and shall not be liable for, or bound to enquire, compliance by the Clearing Member or the Settlement Agent with Rule 28.10.1 above.

28.10.3. Each Clearing Member and each Settlement Agent will be deemed to represent and warrant to the Clearing House on each date on which such Clearing Member or such Settlement Agent transfers Collateral to the Clearing House that:

- (a) immediately prior to any such Collateral being transferred to the Clearing House, such Clearing Member or Settlement Agent is or was the sole legal and beneficial owner of all such assets (or such assets are provided with all legal and beneficial owners' unconditional consent for their use and application pursuant to these Rules;
- (b) such Collateral is provided on the basis that it may be used by the Clearing House and applied in accordance with these Rules;
- (c) the Clearing Member or Settlement Agent will not claim that any use of Collateral by the Clearing House in accordance with Rules or the relevant Clearing Membership Agreement or Settlement Agent Participation Agreement is contrary to or in breach of any requirement of Applicable Law, third party right or other contractual obligation (provided that the Clearing House does not cause such breach by amending these Rules);
- (d) the Clearing Member or Settlement Agent is not in breach of any of its contractual obligations or other Applicable Laws towards any third party as a result of the transfer of Collateral to the Clearing House (provided that the Clearing House does not cause such breach by amending these Rules) or its collection from or receipt of any assets from its Clients or, as applicable, its GCM Prop clients.

28.10.4. A Clearing Member or Settlement Agent shall take any action reasonably requested by the Clearing House that may be necessary or desirable to create, preserve, perfect or validate the right title, or interests of the Clearing House in Collateral which is intended to be created under these Rules and the relevant Clearing Membership Agreement or Settlement Agent Participation Agreement to enable the Clearing House to exercise or enforce any of its rights with respect

thereto.

28.10.5. Each Clearing Member and Settlement Agent acknowledges that the Clearing House is bound to follow any directions given by the Authority in respect of the application or liquidation of any Collateral transferred to the Clearing House and agrees that it shall not take any steps or bring any proceedings in any forum to challenge the actions taken by the Clearing House or any of its directors or other officers in complying with any such directions given by the Authority. This Rule 28.10.5 is without prejudice to any other rights that a Clearing Member or Settlement Agent might have at law with respect to any other party.

#### 28.11. **Re-use Risks and Consequences**

Each Clearing Member agrees and acknowledges and will procure that its Clients and, as applicable, its GCM Prop clients acknowledge and agree that, where it transfers Eligible Collateral by way of Eligible Currency and Eligible Securities (together, the "**Transferred Assets**") to the Clearing House as Collateral:

28.11.1. the rights, including any proprietary rights which such Clearing Member may have had in the Transferred Assets will be replaced by an unsecured contractual claim for delivery of Equivalent Collateral subject to the terms of the Clearing Membership Agreement;

28.11.2. the Clearing House does not hold those Transferred Assets in accordance with client asset rules applicable to the Clearing Member (or, for the avoidance of doubt, any client asset rules applicable to any Settlement Agent) and, if those Transferred Assets had benefitted from any client asset protection rights prior to their transfer to the Clearing House, those protection rights will not apply (for example, the Transferred Assets will not be held subject to a trust, and nor will the Clearing House recognise any prior claim which any third party may have had against the Clearing Member or, as the case may be, any Settlement Agent in respect of the Transferred Assets);

28.11.3. in the event of any Bankruptcy and Insolvency Proceedings of the Clearing House, the claim of a Clearing Member against the Clearing House for re-delivery of the Equivalent Collateral will not be secured and will be subject to Applicable Law and the terms of the Clearing Membership Agreement. Accordingly, a Clearing Member may not receive such Equivalent Collateral nor recover the full value of the Transferred Assets (although the exposure of a Clearing Member to the Clearing House in respect of the re-delivery of any Transferred Assets may be reduced by operation of set-off under Rule 34.2 (*Set-off*));

28.11.4. as a result of the Clearing Member ceasing to have a proprietary right in the

Transferred Assets, the Clearing Member will not be entitled to any voting, consent or similar rights attached to any Transferred Assets comprising of Eligible Securities;

28.11.5. in the event that the Clearing House is not able to readily obtain Equivalent Collateral or Equivalent Collateral which is of the same asset class as the Transferred Assets to re-deliver to the Clearing Member at the time required under the Clearing Membership Agreement, such Clearing Member, Settlement Agent or their Client or, as applicable, GCM Prop client may be unable to fulfil its respective onward settlement obligation under a hedging or other transaction which it may have entered into in relation to those Transferred Assets;

28.11.6. the Clearing House will have no obligation to inform a Clearing Member or any Settlement Agent of any corporate events or actions in relation to any Transferred Assets comprising of Eligible Securities;

28.11.7. a Clearing Member will not be entitled to receive any dividends, coupon or other payments, interests or rights (including securities or property accruing or offered at any time) payable in relation to Transferred Assets comprising of Eligible Securities; and

28.11.8. the provision of Transferred Assets to the Clearing House, any exercise of a right of use by the Clearing House in respect of Transferred Assets comprising Eligible Collateral, and the re-delivery of the Transferred Assets or Equivalent Collateral by the Clearing House to a Clearing Member, may give rise to tax consequences that differ from the tax consequences that would otherwise have applied in relation to the holding of such Transferred Assets by the Clearing Member or its Clients or, as applicable, GCM Prop clients.

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## CHAPTER SEVEN – MISCELLANEOUS

### 29. FEES, CHARGES AND EXPENSES OR CHARGES

- 29.1. The Clearing House shall be entitled to levy fees in respect of such matters (including, without limitation, in respect of late payments and breaches of obligations) and at such rates as may from time to time be prescribed by notice to all Clearing Members and Settlement Agents. Such fees shall be payable by Clearing Members and Settlement Agents, by such times and in such manner as may be prescribed in the Procedures.
- 29.2. Any changes to be made to the fees and charges payable pursuant to Rule 29.1 above shall take effect as prescribed by the Procedures.
- 29.3. The Clearing House shall not be bound to account to any party for retaining any fees or charges paid to it.
- 29.4. The Clearing House shall be authorized to debit the Cash Settlement Account of the Clearing Member or, as applicable, the Settlement Agent with any amount of fees, charges and expenses due to the Clearing House pursuant to the Clearing membership Agreement or, as applicable, the Settlement Agent Participation Agreement.

### 30. INDEMNITIES

#### 30.1. Currency Indemnity

30.1.1. If any sum due from a Clearing Member or a Settlement Agent under the Clearing Membership Agreement or, as applicable, the Settlement Agent Participation Agreement (each, a "Sum"), or any order, judgment or award given in relation to a Sum, has to be converted from the currency (the "**First Currency**") in which that Sum is payable into another currency (the "**Second Currency**") for the purpose of:

- (a) making or filing a claim or proof against that Clearing Member or Settlement Agent; or
- (b) obtaining or enforcing an order, judgment or award in relation to any litigation, arbitration or dispute resolution proceedings,

that Clearing Member or, as the case may be, Settlement Agent shall as an independent obligation, within three (3) Business Days of demand, indemnify the Clearing House against any cost, expenses, loss or liability arising out of or as a result of the conversion including discrepancy between (A) the rate of exchange used to convert that Sum from the First Currency to the Second Currency and (B) the rate or rates of exchange available to the Clearing House at the time of its receipt of that Sum.

30.1.2. Each Clearing Member and Settlement Agent waives any right that it may have in any jurisdiction to pay any amount under the Clearing Membership Agreement or, as applicable, the Settlement Agent Participation Agreement in a currency or currency unit other than that in which it is expressed to be payable.

#### 30.2. Tax Indemnity

Each Clearing Member and Settlement Agent shall, within three (3) Business Days of demand, pay to the Clearing House an amount equal to the loss, liability or cost which the Clearing House determines will be or has been (directly or indirectly) suffered by the Clearing House in respect of the Clearing Membership Agreement or, as applicable, the Settlement Agent Participation Agreement for or on account of any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

#### 30.3. Other Indemnities

Without prejudice and in addition to each other right (including any other indemnities provided under these Rules or the Default Rules) that the Clearing House has under the Clearing Membership Agreement, the Settlement Agent Participation Agreement and Applicable Law, each Clearing Member and each Settlement Agent hereby indemnifies

the Clearing House, the DFM Group, their respective agents, nominees and/ or representatives and holds each of them harmless against all costs, expenses, fees, liabilities, taxes, assessment, losses and damages of any nature whatsoever arising, incurred or suffered, whether directly or indirectly, as a result of:

- 30.3.1. the performance of the Clearing services;
- 30.3.2. acting or relying on any instructions or notices received from the Clearing Member or the Settlement Agent;
- 30.3.3. the exercise of rights, powers, discretions, authorities or remedies and performance of obligations under the Clearing Membership Agreement or, as applicable, the Settlement Agent Participation Agreement, including as a result of any CCP Buy-In (including a failed CCP Buy-In), any Mandatory Buy-In or the actions taken pursuant to the Default Rules;
- 30.3.4. investigating any event which is a Default (as defined in the Default Rules) or in respect of any settlement failures or rejections;
- 30.3.5. the taking, holding, protection or enforcement of any Collateral; and
- 30.3.6. instructing lawyers, accountants, tax advisers or other professional advisers or experts in respect of any of the above.

#### 30.4. **Survival of Indemnities**

Each Clearing Member and each Settlement Agent expressly acknowledges and agrees that the continuation of its indemnity obligations under this Rule 30 (*Indemnities*) notwithstanding termination of the Clearing Membership Agreement or, as applicable, the Settlement Agent Participation Agreement, in respect of the obligations and liabilities accrued during the term of the Clearing Membership Agreement or the Settlement Agent Participation Agreement.

#### 30.5. **Priority of Indemnities**

Each Clearing Member and each Settlement Agent expressly acknowledges and agrees that the Clearing House may, in priority to any payment to any other persons, indemnify itself out of the Collateral transferred by that Clearing Member or, as applicable, that Settlement Agent in respect of, and pay and retain, all sums necessary to give effect to the indemnity in this Rule 30 (*Indemnities*) and shall have a lien on the Collateral and the proceeds of enforcement of the Collateral for all monies payable to the Clearing House.

### 31. AMENDMENTS

- 31.1. Save as expressly stated to the contrary, the Risk Management Committee (acting at all times in accordance with its terms of reference) may at any time, in its sole discretion, alter, amend, modify or supplement the terms of a Clearing Membership Agreement or a Settlement Agent Participation Agreement, provided that:
- 31.1.1. to the extent that the approval of the Authority is required pursuant to the CCP Regulation, such approval is sought; and
- 31.1.2. notice is delivered by the Clearing House to the Clearing Members or Settlement Agents (as applicable) within twenty-one (21) days of such alteration, amendment or extension.
- 31.2. Any such alterations, modifications, amendments or supplements may be made with immediate effect or at such later date as the Risk Management Committee may, in its sole discretion, determine.
- 31.3. Notwithstanding Rule 31.1 above, the Authority may (in accordance with the rules and regulations of the Authority, in its sole discretion, require that the Clearing House alter, amend, modify or supplement the terms of a Clearing Membership Agreement or a Settlement Agent Participation Agreement. The Clearing House shall at all times comply with such request in accordance with any time limit stipulated by the Authority.
- 31.4. Failure to give notice under this Rule to, or the non-receipt of notice under this Rule by, any Clearing Member or Settlement Agent (as the case may be) shall not invalidate the alteration, modification, amendment or supplement with which the notice is concerned.
- 31.5. Any alteration, modification, amendment or supplement pursuant to this Rule 31 (*Amendments*) shall be binding on the Clearing Members and the Settlement Agents and shall form part of their Clearing Membership Agreement or, as applicable, their Settlement Agent Participation Agreement with the Clearing House from time to time.



## **32. DISORDER, IMPOSSIBILITY OR FORCE MAJEURE**

32.1. In relation to any Contract, if the Clearing House or the Authority determines that one of the following conditions is satisfied:

- 32.1.1. a state of war exists or is imminent or threatened or civil unrest or terrorist or other criminal action has occurred or is imminent or threatened, and is likely to affect or has affected the normal course of business, including, but not limited to, performance under a Contract; or
- 32.1.2. the government of any nation, state or territory or any institution or agency thereof has proclaimed or given notice of its intention to exercise, vary or revoke controls which appear likely to affect the normal course of business, including, but not limited to, performance under a Contract; or
- 32.1.3. the UAE federal government, any UAE local governments or any international organization, or any institution or agency thereof, has introduced, varied, terminated or allowed to lapse any provision so as to be likely to affect the normal course of business, including, but not limited to, performance under a Contract, or has given notice of its intention to do so or appears to be about to do so, or
- 32.1.4. there is an act of god, an act of the public enemy, acts of a civil war or military other than the acts referred to in the foregoing Rules 32.1.1 to 32.1.3, terrorist or other criminal action, civil unrest, embargoes, fire, flood, labour dispute, unavailability or restriction of computer or data processing facilities, energy supplies settlement systems or of bank transfer systems or wires, and any other causes beyond the parties' reasonable control including, without prejudice to the foregoing, any causes specified in the Market Rules,

then the Clearing House shall be entitled to require any of the affected Contracts to be performed in accordance with directions issued by the Executive Committee of the Clearing House or by the Authority, and shall be entitled to require the Clearing Members and/ or Settlement Agents to take such action as the Clearing House or the Authority may direct in respect of such Contracts.

32.2. Without prejudice and in addition to the rights of the Clearing House under Rule 32.1 above, if the Clearing House is so directed by the Authority or the Executive Committee, the Clearing House may register opposite Contracts between itself and the relevant Clearing Members in respect of the affected Contracts, on identical terms as the affected Contracts but for:

- 32.2.1. in respect of affected Buying Contracts, the parties to such opposite Contract will be the Clearing House as buyer and the Buyer Clearing Member as seller;
- 32.2.2. in respect of affected Selling Contracts, the parties to such opposite Contract



will be the Seller Clearing Member as buyer and the Clearing House as seller;

- 32.2.3. the price for the relevant Securities or Derivatives under such opposite Contracts will be a price determined by the Risk Management Committee which determination, at the discretion of the Risk Management Committee, may be made in consultation with the relevant board or committee of the relevant Market to which the Securities or Derivatives relate; and
- 32.2.4. the Settlement Day for such opposite Contracts shall be immediate and made in discharge the parties' obligations in respect of the affected Contract to which an opposite Contract relates, notwithstanding any further change of circumstances.
- 32.3. Opposite Contracts effected and registered by the Clearing House pursuant to Rule 32.2 above shall be binding on the parties to such opposite Contract as a final settlement of their respective rights and obligations under the original Contract and such corresponding opposite Contract.
- 32.4. Without prejudice and in addition to all rights of the Clearing House under the Clearing Membership Agreement, the Settlement Agent Participation Agreement (as applicable) and Applicable Law, all instructions for the transfer of payments, all payments transferred or to be transferred, all instructions for the deliveries and the deliveries made or to be made in respect of any opposite Contract pursuant to this Rule 32 (*Disorder, Impossibility or Force Majeure*) are subject to the Settlement Finality Regulations.

### 33. DISCLOSURE, REPORTING AND INSPECTION

- 33.1. The Clearing House may disclose any information concerning a Clearing Member or Settlement Agent (including, without limitation, the Contracts registered to its name or, as applicable, to which it participates in) to:
- 33.1.1. any Market or Central Securities Depository with whom the Clearing House has entered into an agreement pursuant to which the parties have agreed to provide information as required or contemplated by the relevant Market Rules or, as the case may be, the rules of the relevant Central Securities Depository;
  - 33.1.2. any person to whom disclosure is required to be made by applicable law or court order or pursuant to the rules or regulations of any supervisory or regulatory body;
  - 33.1.3. any person in connection with any actual or potential judicial proceedings;
  - 33.1.4. any person to whom the Clearing House is, in its reasonable opinion, legally required to disclose the same;
  - 33.1.5. the Authority, including pursuant to Rule 33.3 below;
  - 33.1.6. any person or body to which the Clearing House has agreed to provide such information;
  - 33.1.7. any person who has provided or may be contemplating entering into arrangements to provide the Clearing House directly or indirectly with financing, insurance cover, guarantee or any other financial backing, which the Clearing House has been requested or is legally required to disclose to assist such person in relation to the provision of, or continued provision of, such financing, insurance cover, guarantee or financial backing;
  - 33.1.8. a trade or data repository or similar body on an ongoing basis in the ordinary course of business; or
  - 33.1.9. any Central Securities Depository or securities settlement system on an ongoing basis in the ordinary course of business.
- 33.2. In accordance with the CCP Regulations, each Clearing Member and Settlement Agent shall permit the Clearing House and/or accountants or other professional advisors and contractors of the Clearing House free access at all reasonable times and a reasonable notice and at the risk and cost of such Clearing Member or Settlement to:
- 33.2.1. the records, audits, books and/or financial statements of such Clearing Member or Settlement Agent; and

33.2.2. meet and discuss matters with the senior management officers of such Clearing Member or Settlement Agent,

in each case, in connection with any of the services offered by the Clearing House.

- 33.3. The Authority may, at any time (and at its sole discretion) perform an inspection of the records, audits, books and/or financial statements of the Clearing House (and Clearing Members and Settlement Agents) and the premises of the Clearing House, and all information available to it, so as to check for the compliance of all applicable legislation and regulations (an "**Authority Inspection**").
- 33.4. Following the occurrence of an Authority Inspection, the Clearing House shall supply to the Clearing House any such information and documents (including in relation to Clearing Members and/or Settlement Agents) as the Authority may reasonably request for control and investigation purposes.

### 34. SET-OFF

- 34.1. Save as expressly stated to the contrary, any payment to be made by a Clearing Member or a Settlement Agent pursuant to a Clearing Membership Agreement or Settlement Agent Participation Agreement shall be made in full without any set-off, restriction, condition or deduction for or on account of any counterclaim.
- 34.2. The Clearing House may set off any matured obligation due from a Clearing Member or a Settlement Agent under the Clearing Membership Agreement or, as applicable, the Settlement Agent Participation Agreement against any matured obligation owed by the Clearing House to such Clearing Member or, as applicable, such Settlement Agent, regardless of the place of payment or currency of either obligation. If the obligations are in different currencies, the Clearing House may convert either obligation at a market rate of exchange representing the then-prevailing rate which it would be able to obtain from its Settlement Bank. This Rule 34.2 shall be without prejudice and in addition to any right of set-off, combination of accounts, lien or other right which the Clearing House is at any time entitled (whether by operation of law, contract or otherwise).

### 35. ELECTRONIC COMMUNICATION

- 35.1. Save as expressly stated to the contrary, any communication to be made by the Clearing House under or in connection with the Clearing Membership Agreement or Settlement Agent Participation Agreement may be made by electronic mail (email) or other electronic means (including, without limitation, by way of posting to the Clearing House's website).
- 35.2. Unless and until notified by the Clearing House to a Clearing Member or Settlement Agent to the contrary, any electronic communication specified in Rule 35.1 above is to be an accepted form of communication (including, for the avoidance of doubt, for the purposes of any notices, certificates and communications dispatched or made pursuant to the Default Rules), and each Settlement Agent and each Clearing Member consents to the use of such form of communication.
- 35.3. A Settlement Agent or Clearing House shall promptly upon becoming aware of its occurrence notify the Clearing House if the Clearing House's website cannot be accessed due to technical failure.

**36. WAIVER**

No failure to exercise, nor any delay in exercising, on the part of the Clearing House, any right or remedy (in whole or in part) under the Clearing Membership Agreement or Settlement Agent Participation Agreement shall operate as a waiver of the Clearing House's rights or remedies upon that or any subsequent occasion, nor shall any single or partial exercise of any right or remedy prevent any further exercise thereof or any other right or remedy.

**37. PARTIAL VALIDITY**

If, at any time, any provision of a Clearing Membership Agreement or Settlement Agent Participation Agreement is or becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions of such Clearing Membership Agreement or Settlement Agent Participation Agreement nor the legality, validity, or enforceability of such provision under the law of any other jurisdiction shall in any way be affected or impaired thereby.

**38. CHANGE OF PARTIES**

- 38.1. No Clearing Member or Settlement Agent may purport to transfer, novate, assign, pledge, deal or otherwise encumber its rights as a Clearing Member or Settlement Agent (respectively) under the Clearing Membership Agreement or, as the case may be, the Settlement Agent Participation Agreement.
- 38.2. The membership status, category or tier of a Clearing Member or a Settlement Agent is not transferable to any other party.

## CHAPTER EIGHT – GOVERNING LAW AND JURISDICTION

### 39. GOVERNING LAW

The Clearing Membership Agreement and Settlement Agent Participation Agreement (including, for the avoidance of doubt, these Rules, the Default Rules and the Procedures) and all non-contractual or other obligations arising out of or in connection with it shall be governed by and construed in accordance with the laws of the Emirate of Dubai and the federal laws of the United Arab Emirates as applicable in the Emirate of Dubai.

### 40. ARBITRATION

- 40.1. Any dispute, claim, difference or controversy arising out of or in connection with the formation, performance, interpretation, nullification, termination or invalidation of every document/ transaction comprising a Clearing Member Agreement or a Settlement Agent Participation Agreement or arising therefrom or related thereto in any manner whatsoever and any non-contractual or other dispute (a "**Dispute**") shall be settled by arbitration in accordance with the Arbitration Rules of the Dubai International Arbitration Centre (for the purposes of this Rule 40, the "**DIAC Rules**"), which DIAC Rules are deemed to be incorporated by reference into this Rule 40.
- 40.2. The arbitral tribunal shall consist of three arbitrators.
- 40.3. Within fifteen (15) days from the receipt by the Dubai International Arbitration Centre of the response to the request for arbitration, the claimant(s), irrespective of number, shall nominate jointly one arbitrator and the respondent(s), irrespective of number, shall nominate jointly the second arbitrator. A third arbitrator, who shall serve as chairman, shall be nominated by the two party-nominated arbitrators within fifteen (15) days of the last of their appointments.
- 40.4. The seat, or legal place of arbitration, shall be the Emirate of Dubai (excluding the Dubai International Financial Centre). The language used in the arbitral proceedings shall be English.
- 40.5. The arbitral tribunal may include in its award an allocation to any party of such costs and expenses of the arbitration, including legal fees, as the arbitral tribunal shall deem reasonable.
- 40.6. For the purposes of arbitration pursuant to this Rule 40, the parties waive any right to refer points of law or to appeal to the courts, to the extent that such waiver can validly be made.
- 40.7. For the avoidance of doubt, each Clearing Member and each Settlement Agent agrees that the arbitration agreement in this Rule 40 is deemed to be incorporated by reference into each and every document/ transaction comprising the Clearing Membership Agreement or, as applicable, the Settlement Agent Participation Agreement.

#### 41. WAIVER OF IMMUNITY

Each Clearing Member and each Settlement Agent irrevocably and unconditionally:

- 41.1. agrees not to claim any immunity from any proceedings for dispute resolution, arbitration or litigation (each a "**Proceeding**") in respect of any Dispute and will ensure that no such claim is made on its behalf;
- 41.2. consents generally to the giving of any relief of the issue of any process in connection with any Proceedings;
- 41.3. agrees that nothing in the UAE Federal Law No.11 of 1992 (the "**Law**") will prevent the Clearing House from attaching any assets owned or held by it or the execution and/ or attachment of any judgment or award against it or any of its assets;
- 41.4. acknowledges that it does not consider any assets owned or held by it to be public assets within the meaning of Article 247 of the Law and it will not seek to rely on Article 247 of the Law or any similar provision in any Proceedings brought by or on behalf of the Clearing House;
- 41.5. waives all rights of immunity in respect of it or its assets (including in relation to any Proceedings for the enforcement of any judgment or arbitral award and/ or any execution and/ or attachment of that judgment or award against any of its assets); and

in respect of any Proceedings arising out of or in connection with the enforcement, attachment and/ or execution of any judgment or award made against it, submits to the jurisdictions in which such Proceedings are brought.



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**Annex to General Rules**  
(*Client Clearing Mandatory Provisions*)

The Client Clearing Mandatory Provisions which:

- (a) Clearing Members are required to incorporate into the terms of its clearing services agreements (howsoever described) with each of its Clients are set out in this Part A (*Clients of Clearing Members*); and
- (b) General Clearing Members are required to procure their GCM Prop clients to incorporate into the terms of the GCM Prop client's clearing services agreements (howsoever described) with each of its Clients are set out in this Part B (*Clients of GCM Prop clients*)

A version in Word format of these Client Clearing Mandatory Provisions is available upon request from the Clearing House.

**Part A**  
**Clients of Clearing Members**

**CLIENT CLEARING MANDATORY PROVISIONS**

**1. General**

- 1.1 In the event of any conflict between these Client Clearing Mandatory Provisions and the terms of the [**Agreement**]<sup>1</sup> (the "**Agreement**"), the terms of these Client Clearing Mandatory Provisions shall prevail with respect to the transactions of the Client for the sale and/or purchase of Securities that are Cleared by the Clearing House.
- 1.2 All terms which begin with a capital letter in these Client Clearing Mandatory Provisions but which are not defined shall have the meaning given to them in the "General Rules" of Dubai Clear L.L.C. found at [www.dubaiclear.ae](http://www.dubaiclear.ae).
- 1.3 To the extent permitted by Applicable Law, only the Clearing House shall have the right to enforce and enjoy the benefit of the terms of these Client Clearing Mandatory Provisions.

**2. Clearing Member as principal in dealings with the Clearing House**

- 2.1 The Clearing House provides Clearing services to Clearing Members on the basis that the Clearing House and the Clearing Member can enter into Contracts from time to time on a "principal-to-principal" basis for the sale and purchase of Securities that were traded on the Market. The Clearing Member is subject to the terms of the General Rules,

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<sup>1</sup> Clearing Member to insert description of its clearing services agreement.

the Default Rules and the Procedures (each as defined in the General Rules and together, the "**Rulebook**") in all its dealings with the Clearing House.

- 2.2 Where a transaction for the sale and purchase of Securities (a "**Market Transaction**") is traded on the Market and is subject to Clearing, the Clearing Member will enter into a corresponding transaction (a "**Contract**") with the Clearing House on the same economic terms as the Market Transaction, under which the Clearing Member and the Clearing House are acting on a "principal-to-principal" basis. If the Market Transaction was entered into for a Client, then the Clearing House will recognise the Contract as a "Client Contract" for the purposes of the Rulebook, but this does not affect the Client Contract being a "principal-to-principal" Client Contract between the Clearing Member and the Clearing House.
- 2.3 The Clearing Member is required to provide Collateral to the Clearing House from time to time, both as margin in respect of outstanding Contracts that are registered in the name of the Clearing Member and also as contributions in accordance with the Rulebook. All Collateral is transferred to the Clearing House on a "principal-to-principal" basis.
- 2.4 This means that the Clearing House does not have any relationship with any Client of a Clearing Member and a Client has no rights of recourse against the Clearing House.
- 2.5 At all times, the Client will remain a client of the Clearing Member and not of the Clearing House.

### 3. **Client Representations**

The Client represents and warrants to the Clearing Member and for the benefit of the Clearing House that it has read and understood these Client Clearing Mandatory Provisions, including the provisions of the Rulebook incorporated herein, and where it wishes to do so, has sought its own independent professional advice to understand the consequences to it of the use of Clearing services by the Clearing Member.

### 4. **Client undertakings**

The Client acknowledges and agrees for the benefit of the Clearing House that:

- 4.1 it will be bound by the terms of these Client Clearing Mandatory Provisions;
- 4.2 the Clearing services provided by the Clearing House to the Clearing Member will be subject to and governed by the Rulebook, and the Client will not act so as to cause (directly or indirectly) any breach of the Rulebook by any person;
- 4.3 it may not instruct the Clearing House to act or to omit to act in any manner at any time but: (i) the Clearing House may (at its discretion) accept instructions that it receives

- from a Client following an Event of Default with respect to the Clearing Member, solely in relation to Porting of Client Contracts that are attributable to the Client under the terms of the Default Rules; and (ii) it may notify the Clearing House directly if it has appointed a Back-up Clearing Member prior to the Event of Default of a Clearing Member;
- 4.4 it will not be entitled to any information from the Clearing House as to any balance held by the Clearing House for any person at any time, but the Clearing House may provide such information to the Client upon the completion of any Porting or the Default Management Process following the Event of Default of a Clearing Member of that Client;
- 4.5 the Clearing House will not hold any assets transferred to it on trust, for the account of, or to the order of any person, and no person may assert any claims on such assets;
- 4.6 the Clearing House does not owe any fiduciary duty, duty of care or other duty to the Client, to the extent permitted by Applicable Law;
- 4.7 it is the sole responsibility of the Client to obtain its own independent advice, and undertake its own due diligence, in respect of any effects of the Clearing services on its Market Transactions; and
- 4.8 any information which it obtains from the Clearing House (including, without limitation, from the website of the Clearing House) does not constitute advice and it may not rely on it.
- 5. Collateral held by the Clearing House**
- 5.1 The Clearing House will attribute all Collateral provided by a Clearing Member to such Clearing Member only.
- 5.2 The Collateral provided by a Clearing Member shall be allocated for use by the Clearing House in accordance with the Rulebook. The Collateral which is allocated as margin in respect of outstanding Contracts that are registered in the name of the Clearing Member will be separately recorded by the Clearing House as follows:
- (a) Client Posted IM and Client Posted VM; from
- (b) Prop Posted IM and Prop Posted VM.
- 5.3 Each of Client Posted IM and Client Posted VM will be held by the Clearing House on an omnibus basis with all of the Initial Margin and Variation Margin (respectively) in relation to all outstanding Client Contracts registered to that Clearing Member.

5.4 The provisions of Rule 28.11 (*Re-use Risks and Consequences*) of the General Rules is re-produced below and applies in the case of any Collateral in the form of cash or securities which the Clearing Member has transferred to the Clearing House (which cash or securities may or may not have been originally provided by a Client to its Clearing Member):

**"28.11 *Re-use Risks and Consequences***

*Each Clearing Member agrees and acknowledges and will procure that its Clients and, as applicable, its GCM Prop clients acknowledge and agree that, where it transfers Eligible Collateral by way of Eligible Currency and Eligible Securities (together, the "Transferred Assets") to the Clearing House as Collateral:*

28.11.1. *the rights, including any proprietary rights which such Clearing Member may have had in the Transferred Assets will be replaced by an unsecured contractual claim for delivery of Equivalent Collateral subject to the terms of the Clearing Membership Agreement;*

28.11.2. *the Clearing House does not hold those Transferred Assets in accordance with client asset rules applicable to the Clearing Member (or, for the avoidance of doubt, any client asset rules applicable to any Settlement Agent) and, if those Transferred Assets had benefitted from any client asset protection rights prior to their transfer to the Clearing House, those protection rights will not apply (for example, the Transferred Assets will not be held subject to a trust, and nor will the Clearing House recognise any prior claim which any third party may have had against the Clearing Member or, as the case may be, any Settlement Agent in respect of the Transferred Assets);*

28.11.3. *in the event of any Bankruptcy and Insolvency Proceedings of the Clearing House, the claim of a Clearing Member against the Clearing House for re-delivery of the Equivalent Collateral will not be secured and will be subject to Applicable Law and the terms of the Clearing Membership Agreement. Accordingly, a Clearing Member may not receive such Equivalent Collateral nor recover the full value of the Transferred Assets (although the exposure of a Clearing Member to the Clearing House in respect of the re-delivery of any Transferred Assets may be reduced by operation of set-off under Rule 34.2);*

28.11.4. *as a result of the Clearing Member ceasing to have a proprietary right in the Transferred Assets, the Clearing Member will not be entitled to any voting, consent or similar rights attached to any Transferred Assets comprising of Eligible Securities;*

28.11.5. *in the event that the Clearing House is not able to readily obtain Equivalent Collateral or Equivalent Collateral which is of the same asset class as the Transferred Assets to re-deliver to the Clearing Member at the time required under the*

*Clearing Membership Agreement, such Clearing Member or their Client or, as applicable, GCM Prop client may be unable to fulfil its respective onward settlement obligation under a hedging or other transaction which it may have entered into in relation to those Transferred Assets;*

28.11.6. *the Clearing House will have no obligation to inform a Clearing Member or any Settlement Agent of any corporate events or actions in relation to any Transferred Assets comprising of Eligible Securities;*

28.11.7. *a Clearing Member will not be entitled to receive any dividends, coupon or other payments, interests or rights (including securities or property accruing or offered at any time) payable in relation to Transferred Assets comprising of Eligible Securities; and*

28.11.8. *the provision of Transferred Assets to the Clearing House, any exercise of a right of use by the Clearing House in respect of Transferred Assets comprising Eligible Collateral, and the re-delivery of the Transferred Assets or Equivalent Collateral by the Clearing House to a Clearing Member, may give rise to tax consequences that differ from the tax consequences that would otherwise have applied in relation to the holding of such Transferred Assets by the Clearing Member or their Clients or, as applicable, GCM Prop clients."*

5.5 Additionally, the Clearing House will take no account of any right or interest which any person, other than a Clearing Member, may have in Collateral furnished by such Clearing Member to the Clearing House and the Clearing House shall be entitled to assume that all Eligible Collateral and other assets transferred by a Clearing Member to the Clearing House pursuant to the Rulebook are the sole legal and beneficial property of that Clearing Member.

5.6 The Client acknowledges and agrees for the benefit of the Clearing House that the Clearing House is bound to follow any directions given by the Authority in respect of the application or liquidation of any Collateral transferred to the Clearing House by its Clearing Member or its Settlement Agent and agrees that it shall not take any steps or bring any proceedings in any forum to challenge the actions taken by the Clearing House or any of its directors or other officers in complying with any such directions given by the Authority. This paragraph 5.6 is without prejudice to any other rights that the Client might have at law with respect to any other party.

## 6. **Event of Default of Clearing Member**

6.1 If an Event of Default is declared against a Clearing Member by the Clearing House, the rights and obligations of the Defaulting Clearing Member will be dealt with in accordance with the Default Rules.

- 6.2 In respect of any outstanding Client Contracts registered to a Defaulting Clearing Member, the Default Rules provide, amongst other actions to mitigate the losses caused by that Defaulting Clearing Member, that the Clearing House may:
- (a) **Port** – transfer the equivalent of the rights and obligations under that outstanding Client Contract and such associated Collateral as the Clearing House may see fit to a Back-up Clearing Member; and/or
  - (b) **Close-out** – close-out the outstanding Client Contract with a deemed opposite contract at a price determined at the Clearing House's sole discretion in accordance with the Determination Objectives set out in the Default Rules.
- 6.3 The Client acknowledges and agrees that, if the Clearing Member is declared to be a Defaulting Clearing Member by the Clearing House and either: (i) the Client has failed to appoint a Back-up Clearing Member; or (ii) the Clearing House has not received the necessary authorisations or communications from the Client to Port the positions of the outstanding Client Contracts registered in the name of such Defaulting Clearing Member; or (iii) the Back-up Clearing Member declines to accept the Porting of any such outstanding Client Contract, then the Clearing House would apply the Default Management Process set out in the Default Rules in respect of such outstanding Client Contract.
- 6.4 The Client acknowledges and agrees for the benefit of the Clearing House that the Clearing House is bound to follow any directions given by the Authority in respect of the steps taken by the Clearing House under the Default Management Process (which instructions may relate to the Porting of Client Contracts and the associated Collateral) and agrees that it shall not take any steps or bring any proceedings in any forum to challenge the actions taken by the Clearing House, any entity which is wholly or partially owned by Dubai Financial Market PJSC from time to time or any of their directors or other officers in complying with any such directions given by the Authority. This paragraph 6.4 is without prejudice to any other rights that the Client might have at law with respect to any other party.
- 6.5 For the avoidance of doubt, a Back-up Clearing Member can be appointed prior to a Clearing Member being declared to be a Defaulting Clearing Member, but the Clearing House is under no obligation or duty to procure any Back-up Clearing Member in respect of a Client.
7. **Confidentiality waiver**
- 7.1 Notwithstanding anything to the contrary in the Agreement or any other agreement between the Client and any party, the Client hereby consents to the disclosure of information by the Clearing Member and the Clearing House:



- (a) to the extent required or permitted under, or made in accordance with, the provisions of any applicable law, regulation, rule, code guidance, regulatory requirement, judgment or decision of a governmental authority or other regulatory body ("**Applicable Law**") to the Clearing Member or the Clearing House which mandates the reporting, disclosure and/ or retention of information relating to transactions or the Client (the "**Disclosure Requirements**");
- (b) to and between the Clearing House's or the Clearing Member's respective head office, branches or affiliates or any persons or entities who provide services to such party or its head office, branches or affiliates in connection with the Disclosure Requirements;
- (c) to the professional advisers, service providers and insurers or insurance brokers of the Clearing Member or the Clearing House who are under a duty of confidentiality to, respectively, the Clearing Member the Clearing House;
- (d) to any trade repository or to any person as required by law or regulation or any government, quasi-government, administrative, regulatory or supervisory body or authority, court or tribunal.

#### 7.2 The Client acknowledges that:

- (a) the destination jurisdiction where the information is being disclosed may have different data protection and confidentiality laws to those in its home jurisdiction and may not offer an adequate or equivalent level of protection according to the laws of its home jurisdiction; and
- (b) the contents of the information disclosed pursuant to the Disclosure Requirements may contain transaction data which the Client may consider to be price sensitive information but for such transaction having become the subject of the Clearing services, and that pricing data can become public as a result of compliance by the Clearing Member or the Clearing House of the Disclosure Requirements,

and under no circumstances, to the extent permitted by Applicable Law, will the Clearing House be liable to the Client or any other party for any loss as a result of the disclosures made by the Clearing House pursuant to paragraph 7.1 above.

### 8. **Delivery of Securities**

The Client acknowledges and agrees that:

- 8.1 in respect of any Securities that it sells on the Market which becomes the subject of Clearing, the Clearing Member will be party to a corresponding Selling Contract with the Clearing House in accordance with the terms of the Rulebook. Under certain

circumstances where the Clearing Member fails to effect timely delivery of the sold Securities, the Clearing Member will be liable to pay amounts of losses, costs and expenses to the Clearing House in respect of the actions taken by the Clearing House to resolve the failed deliveries, which may exceed the transaction value of the Selling Contract. Such costs of the Clearing Member may be passed to the Client for its account under the terms of any agreement between the Client and its Clearing Member; and

8.2 in respect of any Securities that it buys on the Market which becomes the subject of Clearing, the Clearing Member will be party to a corresponding Buying Contract with the Clearing House in accordance with the terms of the Rulebook. Under certain circumstances including, but not limited to:

- (a) Corporate Actions taking place during the Settlement Cycle, the number, type, nominal value or description of the Securities actually delivered may not be the same as the Securities that were originally the subject of such Buying Contract; and
- (b) where the Clearing Member or the Settlement Agent of the Client fails to effect timely payment for the purchased Securities, the delivery of such Securities by the Clearing House may be delayed or adjusted in accordance with the Procedures and the Clearing Member may be liable to pay amounts of losses, costs and expenses to the Clearing House in respect of the actions taken by the Clearing House to resolve the payment delay. Such costs of the Clearing Member may be passed to the Client for its own account under the terms of any agreement between the Client and its Clearing Member,

and under no circumstances will the Clearing House be liable to the Client or any other party for any loss as a result of the Securities delivered by the Clearing House in accordance with the terms of the Rulebook.

## 9. Authorisation of the Clearing House

9.1 The Client acknowledges and agrees that there will be certain circumstances where the Clearing House will give instructions to the Central Securities Depository in respect of Securities which are credited to the account of the Client.

9.2 These situations are limited to circumstances where:

- (a) there is a settlement rejection of a Client Contract (for example, because a Settlement Agent has either not accepted settlement or the Settlement Agent has failed to pay or deliver on time);
- (b) the Clearing Member fails to pay or deliver on time under a Client Contract; or



- (c) the Clearing Member is declared to be a Defaulting Clearing Member and the Clearing House is Porting, Closing-out or taking measures under the Default Management process under its Default Rules.

9.3 The Client hereby authorises the Clearing House to:

- (a) instruct the Central Securities Depository to transfer or settle the Securities which are credited to the account which the Client holds at the Central Securities Depository (the "**Client CSD Account**") as is necessary to give effect to the Rulebook in respect of the circumstances set out in paragraph 9.2 above;
- (b) instruct the Central Securities Depositor to accept the transfer of Securities for credit to the Client CSD Account to give effect to the Rulebook in respect of the circumstances set out in paragraph 9.2 above; and
- (c) take all actions and complete all formalities with the Central Securities Depository and any relevant third parties to effect the instructions referred to in the foregoing paragraphs (a) and (b).

9.4 The Client hereby agrees to ratify and confirm all acts (or omissions) done or caused to be done by the Clearing House pursuant to the authorisation granted under paragraph 9.3 above.

9.5 The Client hereby agrees that all costs and expenses in connection with the lawful performance (or omission) of the foregoing by the Clearing House shall, without prejudice to any rights of the Client against any other party under applicable laws, be for the Client's own account.

9.6 The Clearing House shall at no time be liable to the Client or any third party for any act, omission or performance under paragraph 9.3 above or the Rulebook.

9.7 The authorisation of the Client under paragraph 9.3 above shall remain in force and effect at all times that the Clearing Member engages in Clearing services under the Agreement.

## Part B

### Clients of GCM Prop clients

#### CLIENT CLEARING MANDATORY PROVISIONS

##### 1. General

- 1.1 In the event of any conflict between these Client Clearing Mandatory Provisions and the terms of the [**Agreement**]<sup>2</sup> (the "**Agreement**"), the terms of these Client Clearing Mandatory Provisions shall prevail with respect to the transactions of the Client for the sale and/or purchase of Securities that are Cleared by the Clearing House.
- 1.2 All terms which begin with a capital letter in these Client Clearing Mandatory Provisions but which are not defined shall have the meaning given to them in the "General Rules" of Dubai Clear L.L.C. found at: [www.dubaiclear.ae](http://www.dubaiclear.ae)
- 1.3 To the extent permitted by Applicable Law, only the Clearing House shall have the right to enforce and enjoy the benefit of the terms of these Client Clearing Mandatory Provisions.

##### 2. Clearing Member as principal in dealings with the Clearing House

- 2.1 The Clearing House provides Clearing services to Clearing Members on the basis that the Clearing House and the Clearing Member can enter into Contracts from time to time on a "principal-to-principal" basis for the sale and purchase of Securities that were traded on the Market. The Clearing Member is subject to the terms of the General Rules, the Default Rules and the Procedures (each as defined in the General Rules and together, the "**Rulebook**") in all its dealings with the Clearing House.
- 2.2 Where a transaction for the sale and purchase of Securities (a "**Market Transaction**") is traded on the Market through a trading member of the Market (an "**Exchange Trading Member**") and is subject to Clearing, if that Exchange Trading Member is not a Clearing Member then that Market Transaction will be Cleared by the Exchange Trading Member's General Clearing Member entering into a corresponding transaction (a "**Contract**") with the Clearing House on the same economic terms as the Market Transaction, under which the General Clearing Member and the Clearing House are acting on a "principal-to-principal" basis. If the Market Transaction was entered into for a Client, then the Clearing House will recognise the Contract as a "Client Contract" for the purposes of the Rulebook, but this does not affect the Client Contract being a "principal-to-principal" Client Contract between the General Clearing Member and the Clearing House.

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<sup>2</sup> Trading members to insert description of the terms of business/ master terms and conditions in place with Clients under which it can submit Client trades to General Clearing Members for clearing.

- 2.3 The General Clearing Member is required to provide Collateral to the Clearing House from time to time, both as margin in respect of outstanding Contracts that are registered in the name of the General Clearing Member and also as contributions in accordance with the Rulebook. All Collateral is transferred to the Clearing House on a "principal-to-principal" basis.
- 2.4 This means that the Clearing House does not have any relationship with any Client of an Exchange Trading Member (or, for the avoidance of doubt, a Client of any General Clearing Member) and a Client has no rights of recourse against the Clearing House.
- 2.5 At all times, the Client will remain a client of the Exchange Trading Member and not of the Clearing House.

### 3. **Client Representations**

The Client represents and warrants to the Exchange Trading Member and for the benefit of the Clearing House that it has read and understood these Client Clearing Mandatory Provisions, including the provisions of the Rulebook incorporated herein, and where it wishes to do so, has sought its own independent professional advice to understand the consequences to it of the use of Clearing services through the Exchange Trading Member.

### 4. **Client undertakings**

The Client acknowledges and agrees for the benefit of the Clearing House that:

- 4.1 it will be bound by the terms of these Client Clearing Mandatory Provisions;
- 4.2 the Clearing services provided by the Clearing House to a General Clearing Member who enters into Client Contracts for an Exchange Trading Member will be subject to and governed by the Rulebook, and the Client will not act so as to cause (directly or indirectly) any breach of the Rulebook by any person;
- 4.3 it may not instruct the Clearing House to act or to omit to act in any manner at any time but: (i) the Clearing House may (at its discretion) accept instructions that it receives from a Client following an Event of Default with respect to the General Clearing Member, solely in relation to Porting of Client Contracts that are attributable to the Client under the terms of the Default Rules; and (ii) it may notify the Clearing House directly if it has appointed a Back-up Clearing Member prior to the Event of Default of a General Clearing Member;
- 4.4 it will not be entitled to any information from the Clearing House as to any balance held by the Clearing House for any person at any time, but the Clearing House may provide such information to the Client upon the completion of any Porting or the Default Management Process following the Event of Default of a General Clearing Member

- who had entered into outstanding Client Contracts that were Ported in respect of that Client;
- 4.5 the Clearing House will not hold any assets transferred to it on trust, for the account of, or to the order of any person, and no person may assert any claims on such assets;
- 4.6 the Clearing House does not owe any fiduciary duty, duty of care or other duty to the Client, to the extent permitted by Applicable Law;
- 4.7 it is the sole responsibility of the Client to obtain its own independent advice, and undertake its own due diligence, in respect of any effects of the Clearing services on its Market Transactions; and
- 4.8 any information which it obtains from the Clearing House (including, without limitation, from the website of the Clearing House does not constitute advice and it may not rely on it.
- 5. Collateral held by the Clearing House**
- 5.1 The Clearing House will attribute all Collateral provided by a General Clearing Member to such General Clearing Member only.
- 5.2 The Collateral provided by a General Clearing Member shall be allocated for use by the Clearing House in accordance with the Rulebook. The Collateral which is allocated as margin in respect of outstanding Contracts that are registered in the name of the General Clearing Member will be separately recorded by the Clearing House as follows:
- (a) Client Posted IM and Client Posted VM; from
- (b) Prop Posted IM and Prop Posted VM.
- 5.3 Each of Client Posted IM and Client Posted VM will be held by the Clearing House on an omnibus basis with all of the Initial Margin and Variation Margin (respectively) in relation to all outstanding Client Contracts that are registered to that General Clearing Member.
- 5.4 The provisions of Rule 28.11 (*Re-use Risks and Consequences*) of the General Rules is re-produced below, where an Exchange Trading Member is referred to as a "GCM Prop Client". Rule 28.11 applies in the case of any Collateral in the form of cash or securities which the General Clearing Member has transferred to the Clearing House (which cash or securities may or may not have been originally provided by a Client to its Exchange Trading Member):

**"28.11 *Re-use Risks and Consequences***

*Each Clearing Member agrees and acknowledges and will procure that its Clients and, as applicable, its GCM Prop clients acknowledge and agree that, where it transfers Eligible Collateral by way of Eligible Currency and Eligible Securities (together, the "Transferred Assets") to the Clearing House as Collateral:*

*28.11.1. the rights, including any proprietary rights which such Clearing Member may have had in the Transferred Assets will be replaced by an unsecured contractual claim for delivery of Equivalent Collateral subject to the terms of the Clearing Membership Agreement;*

*28.11.2. the Clearing House does not hold those Transferred Assets in accordance with client asset rules applicable to the Clearing Member (or, for the avoidance of doubt, any client asset rules applicable to any Settlement Agent) and, if those Transferred Assets had benefitted from any client asset protection rights prior to their transfer to the Clearing House, those protection rights will not apply (for example, the Transferred Assets will not be held subject to a trust, and nor will the Clearing House recognise any prior claim which any third party may have had against the Clearing Member or, as the case may be, any Settlement Agent in respect of the Transferred Assets);*

*28.11.3. in the event of any Bankruptcy and Insolvency Proceedings of the Clearing House, the claim of a Clearing Member against the Clearing House for re-delivery of the Equivalent Collateral will not be secured and will be subject to Applicable Law and the terms of the Clearing Membership Agreement. Accordingly, a Clearing Member may not receive such Equivalent Collateral nor recover the full value of the Transferred Assets (although the exposure of a Clearing Member to the Clearing House in respect of the re-delivery of any Transferred Assets may be reduced by operation of set-off under Rule 34.2);*

*28.11.4. as a result of the Clearing Member ceasing to have a proprietary right in the Transferred Assets, the Clearing Member will not be entitled to any voting, consent or similar rights attached to any Transferred Assets comprising of Eligible Securities;*

*28.11.5. in the event that the Clearing House is not able to readily obtain Equivalent Collateral or Equivalent Collateral which is of the same asset class as the Transferred Assets to re-deliver to the Clearing Member at the time required under the Clearing Membership Agreement, such Clearing Member or their Client or, as applicable, GCM Prop client may be unable to fulfil its respective onward settlement obligation under a hedging or other transaction which it may have entered into in relation to those Transferred Assets;*

*28.11.6. the Clearing House will have no obligation to inform a Clearing Member or any Settlement Agent of any corporate events or actions in relation to any Transferred Assets comprising of Eligible Securities;*

28.11.7. *a Clearing Member will not be entitled to receive any dividends, coupon or other payments, interests or rights (including securities or property accruing or offered at any time) payable in relation to Transferred Assets comprising of Eligible Securities; and*

28.11.8. *the provision of Transferred Assets to the Clearing House, any exercise of a right of use by the Clearing House in respect of Transferred Assets comprising Eligible Collateral, and the re-delivery of the Transferred Assets or Equivalent Collateral by the Clearing House to a Clearing Member, may give rise to tax consequences that differ from the tax consequences that would otherwise have applied in relation to the holding of such Transferred Assets by the Clearing Member or their Clients or, as applicable, GCM Prop clients."*

5.5 Additionally, the Clearing House will take no account of any right or interest which any person, other than a General Clearing Member, may have in Collateral furnished by such General Clearing Member to the Clearing House and the Clearing House shall be entitled to assume that all Eligible Collateral and other assets transferred by a General Clearing Member to the Clearing House pursuant to the Rulebook are the sole legal and beneficial property of that General Clearing Member.

5.6 The Client acknowledges and agrees for the benefit of the Clearing House that the Clearing House is bound to follow any directions given by the Authority in respect of the application or liquidation of any Collateral transferred to the Clearing House by its General Clearing Member or its Settlement Agent and agrees that it shall not take any steps or bring any proceedings in any forum to challenge the actions taken by the Clearing House or any of its directors or other officers in complying with any such directions given by the Authority. This paragraph 5.6 is without prejudice to any other rights that the Client might have at law with respect to any other party.

## 6. **Event of Default of Clearing Member**

6.1 If an Event of Default is declared against a General Clearing Member by the Clearing House, the rights and obligations of the Defaulting Clearing Member will be dealt with in accordance with the Default Rules.

6.2 In respect of any outstanding Client Contracts registered to a Defaulting Clearing Member, the Default Rules provide, amongst other actions to mitigate the losses caused by that Defaulting Clearing Member, that the Clearing House may:

- (a) **Port** – transfer the equivalent of the rights and obligations under that outstanding Client Contract and such associated Collateral as the Clearing House may see fit to a Back-up Clearing Member; and/or



- (b) **Close-out** – close-out the outstanding Client Contract with a deemed opposite contract at a price determined at the Clearing House's sole discretion in accordance with the Determination Objectives set out in the Default Rules.
- 6.3 The Client acknowledges and agrees that, if the General Clearing Member is declared to be a Defaulting Clearing Member by the Clearing House and either: (i) the Client has failed to appoint a Back-up Clearing Member; or (ii) the Clearing House has not received the necessary authorisations or communications from the Client to Port the positions of the outstanding Client Contracts registered in the name of such Defaulting Clearing Member; or (iii) the Back-up Clearing Member declines to accept the Porting of any such outstanding Client Contract, then the Clearing House would apply the Default Management Process set out in the Default Rules in respect of such outstanding Client Contract.
- 6.4 The Client acknowledges and agrees for the benefit of the Clearing House that the Clearing House is bound to follow any directions given by the Authority in respect of the steps taken by the Clearing House under the Default Management Process (which instructions may relate to the Porting of Client Contracts and the associated Collateral) and agrees that it shall not take any steps or bring any proceedings in any forum to challenge the actions taken by the Clearing House, any entity which is wholly or partially owned by Dubai Financial Market PJSC from time to time or any of their directors or other officers in complying with any such directions given by the Authority. This paragraph 6.4 is without prejudice to any other rights that the Client might have at law with respect to any other party.
- 6.5 For the avoidance of doubt, a Back-up Clearing Member can be appointed prior to a General Clearing Member being declared to be a Defaulting Clearing Member, but the Clearing House is under no obligation or duty to procure any Back-up Clearing Member in respect of a Client.
7. **Confidentiality waiver**
- 7.1 Notwithstanding anything to the contrary in the Agreement or any other agreement between the Client and any party, the Client hereby consents to the disclosure of information by the Exchange Trading Member, the General Clearing Member and the Clearing House:
- (a) to the extent required or permitted under, or made in accordance with, the provisions of any applicable law, regulation, rule, code guidance, regulatory requirement, judgment or decision of a governmental authority or other regulatory body ("**Applicable Law**") to the Exchange Trading Member, the General Clearing Member or the Clearing House which mandates the reporting, disclosure and/ or retention of information relating to transactions or the Client (the "**Disclosure Requirements**");

- (b) to and between the respective head office, branches or affiliates of the Clearing House, the Exchange Trading Member or the General Clearing Member or any persons or entities who provide services to such party or its head office, branches or affiliates in connection with the Disclosure Requirements;
- (c) to the professional advisers, service providers and insurers or insurance brokers of the Clearing House, the Exchange Trading Member or the General Clearing Member who are under a duty of confidentiality to, respectively, the Clearing House, the Exchange Trading Member or the General Clearing Member;
- (d) to any trade repository or to any person as required by law or regulation or any government, quasi-government, administrative, regulatory or supervisory body or authority, court or tribunal.

#### 7.2 The Client acknowledges that:

- (a) the destination jurisdiction where the information is being disclosed may have different data protection and confidentiality laws to those in its home jurisdiction and may not offer an adequate or equivalent level of protection according to the laws of its home jurisdiction; and
- (b) the contents of the information disclosed pursuant to the Disclosure Requirements may contain transaction data which the Client may consider to be price sensitive information but for such transaction having become the subject of the Clearing services, and that pricing data can become public as a result of compliance by the Exchange Trading Member, the General Clearing Member or the Clearing House of the Disclosure Requirements,

and under no circumstances, to the extent permitted by Applicable Law, will the Clearing House be liable to the Client or any other party for any loss as a result of the disclosures made by the Clearing House pursuant to paragraph 7.1 above.

### 8. Delivery of Securities

The Client acknowledges and agrees that:

- 8.1 in respect of any Securities that it sells on the Market which becomes the subject of Clearing, the General Clearing Member will be party to a corresponding Selling Contract with the Clearing House in accordance with the terms of the Rulebook. Under certain circumstances where the General Clearing Member fails to effect timely delivery of the sold Securities, the General Clearing Member will be liable to pay amounts of losses, costs and expenses to the Clearing House in respect of the actions taken by the Clearing House to resolve the failed deliveries which may exceed the transaction value of the Selling Contract. Such costs of the General Clearing Member may be passed to



the Client for its account under the terms of any agreement between the Client and its Exchange Trading Member; and

8.2 in respect of any Securities that it buys on the Market which becomes the subject of Clearing, the General Clearing Member will be party to a corresponding Buying Contract with the Clearing House in accordance with the terms of the Rulebook. Under certain circumstances including, but not limited to:

- (a) Corporate Actions taking place during the Settlement Cycle, the number, type, nominal value or description of the Securities actually delivered may not be the same as the Securities that were originally the subject of such Buying Contract; and
- (b) where the General Clearing Member or the Settlement Agent of the Client fails to effect timely payment for the purchased Securities, the delivery of such Securities by the Clearing House may be delayed or adjusted in accordance with the Procedures and the General Clearing Member may be liable to pay amounts of losses, costs and expenses to the Clearing House in respect of the actions taken by the Clearing House to resolve the payment delay. Such costs of the General Clearing Member may be passed to the Client for its account under the terms of any agreement between the Client and its Exchange Trading Member,

and under no circumstances will the Clearing House be liable to the Client or any other party for any loss as a result of the Securities delivered by the Clearing House in accordance with the terms of the Rulebook.

## 9. Authorisation of the Clearing House

9.1 The Client acknowledges and agrees that there will be certain circumstances where the Clearing House will give instructions to the Central Securities Depository in respect of Securities which are credited to the account of the Client.

9.2 These situations are limited to circumstances where:

- (a) there is a settlement rejection of a Client Contract (for example, because a Settlement Agent has either not accepted settlement or the Settlement Agent has failed to pay or deliver on time);
- (b) the General Clearing Member fails to pay or deliver on time under a Client Contract; or
- (c) the General Clearing Member is declared to be a Defaulting Clearing Member and the Clearing House is Porting, Closing-out or taking measures under the Default Management process under its Default Rules.

- 9.3 The Client hereby authorises the Clearing House to:
- (a) instruct the Central Securities Depository to transfer or settle the Securities which are credited to the account which the Client holds at the Central Securities Depository (the "**Client CSD Account**") as is necessary to give effect to the Rulebook in respect of the circumstances set out in paragraph 9.2 above;
  - (b) instruct the Central Securities Depositor to accept the transfer of Securities for credit to the Client CSD Account to give effect to the Rulebook in respect of the circumstances set out in paragraph 9.2 above; and
  - (c) take all actions and complete all formalities with the Central Securities Depository and any relevant third parties to effect the instructions referred to in the foregoing paragraphs (a) and (b).
- 9.4 The Client hereby agrees to ratify and confirm all acts (or omissions) done or caused to be done by the Clearing House pursuant to the authorisation granted under paragraph 9.3 above.
- 9.5 The Client hereby agrees that all costs and expenses in connection with the lawful performance (or omission) of the foregoing by the Clearing House shall, without prejudice to any rights of the Client against any other party under applicable laws, be for the Client's own account.
- 9.6 The Clearing House shall at no time be liable to the Client or any third party for any act, omission or performance under paragraph 9.3 above or the Rulebook.
- 9.7 The authorisation of the Client under paragraph 9.3 above shall remain in force and effect at all times that the Exchange Trading Member acts for the Client under the Agreement on Market Transactions that are subject to Clearing.

## **PART II – Default Rule**

