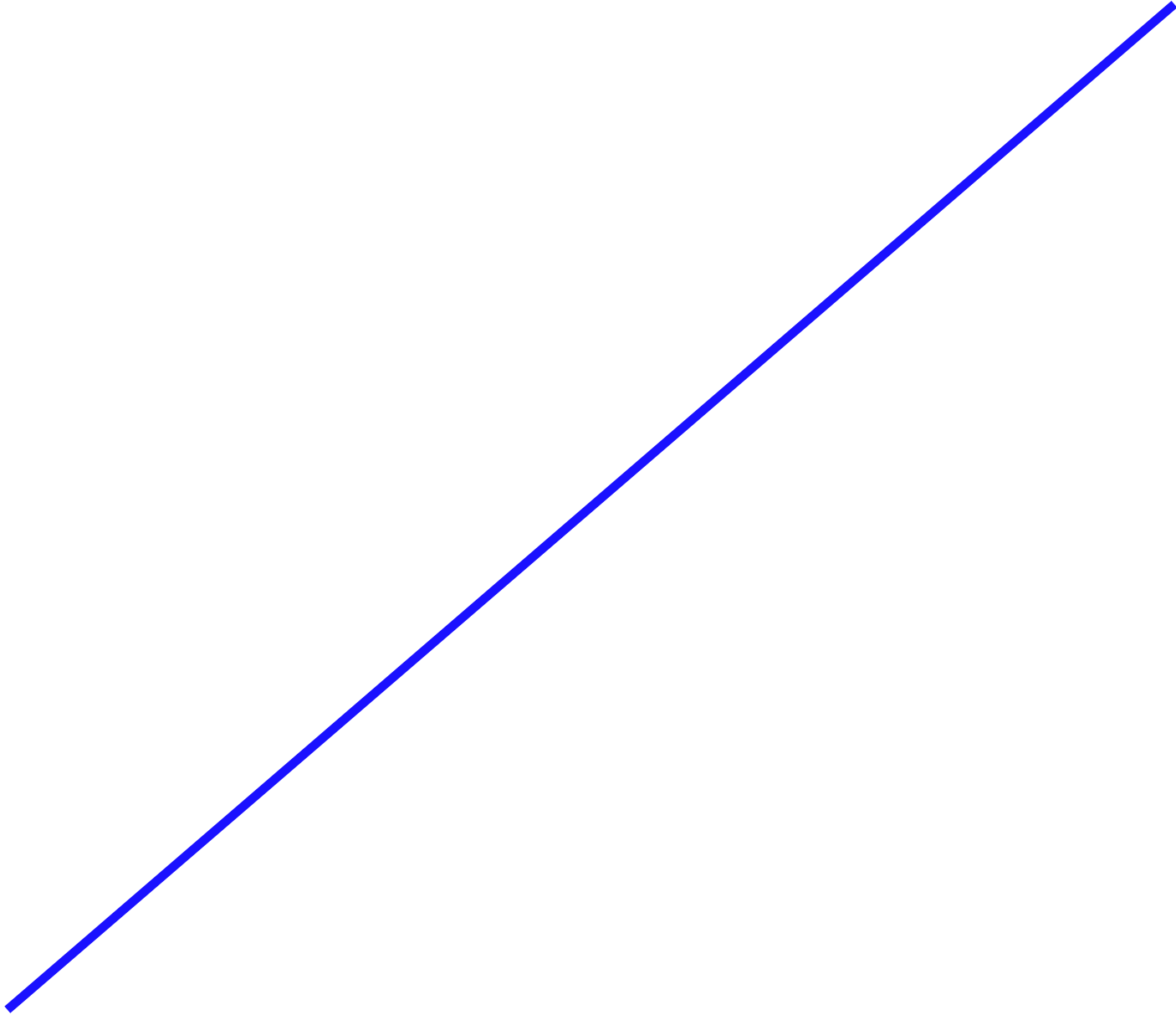




DVP SETTLEMENT PROCEDURES FOR DUBAI CLEAR PARTICIPANTS



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1. Introduction

- 1.1. These procedures are issued by the Dubai Clear for use by Dubai Clear Participants only and are not applicable to parties other than Dubai Clear Participants.
- 1.2. Dubai Clear Participants means Clearing Members and Settlement Agents of Dubai Clear.
- 1.3. Members can be divided into 2 groups as follows for implementation of these procedures:
 - 1.3.1. Members with clients using Settlement Agents for settlement of trades, herein referred to as Group 1 Members;
 - 1.3.2. Members without clients using Settlement Agents for settlement of trades, herein referred to as Group 2 Members.
- 1.4. The following existing key Dubai Clear market features will remain unchanged:
 - 1.4.1. T+2 settlement cycle: The existing securities and cash settlement timings will remain unchanged; and
 - 1.4.2. Pre-validation of sell orders will be maintained: This means that a client's direct trading account with the Trading Member or the Agent Trading Account with the Settlement Agent must have available securities balances for pre-validation before a sell order can become a valid order. Once pre-validated, securities will be placed under a 'pending' status until settlement on T+2.
- 1.5. These enhancements apply only to settlement of trades by Settlement Agent clients and do not apply to retail investors settling trades using direct trading accounts.
- 1.6. The following is a summary of DVP procedures which are applicable to Settlement Agents, Group 1 and Group 2 Members.

	Procedures	Procedures Applicable To:		
		Settlement Agents	Group 1 Members	Group 2 Members
1.	Rejection Accounts [updated 21.6.2011]	x	✓	x
2.	Late Confirmation Period [updated 15.7.2012]	✓	✓	x
3.	Granting Late Confirmation Period to Clients	✓	✓	x
4.	Submitting Rejections	✓	✓	x
5.	Permitting Rejection of Buy Trades by Settlement Agents	✓	✓	x
6.	Transfer of rejected buy securities arising from late confirmation of buy rejections[updated 15.7.2012]	✓	✓	x
7.	Sell-out of Rejected Buy Securities [updated 21.6.2011]	✓	✓	x
8.	Summary of Buy Rejection Processes [amended 15.7.2012]	✓	✓	x
9.	Permitting Rejection of Sell Trades by Settlement Agents	✓	✓	x
10.	Reversal of Sell Rejections[updated 15.7.2012]	✓	✓	x
11.	Purchase of Securities from Market to Settle Negative Balance	✓	✓	x
12.	Buy-in Mechanism	✓	✓	✓
13.	Optional Buy-in on T+2/T+3	✓	✓	x
14.	Mandatory Buy-in on T+4	✓	✓	x
15.	Posting Member Sell Rejection House Account with negative balance to Dubai Clear Buy-in Board	x	✓	x
16.	Placing Sell Offers to Buy-in Board	✓	✓	✓
17.	Buy-in User Guide	x	✓	✓
18.	Mandatory Cash Closeout against selling Settlement Agent client	✓	✓	x
19.	Settlement of Trade Corrections [updated 17.7.2012]	✓	✓	x
20.	New Inquiry Screens for Participants	✓	✓	✓
21.	Sample File/File Specifications for Buy-in Trade Log	✓	✓	✓
22.	Prescribed Letter Formats [amended 15.7.2012]	✓	✓	x
23.	Penalties for DVP Late Confirmation[issued 6.6.2011]	✓	✓	x
24.	Transfer Fees for Late Transfer of Buy Rejection Securities[issued 26.1.2012]	x	✓	x
25.	Standardization of Trade Reporting to Settlement Agents [issued 21.6.2011]	x	✓	x
26.	Treatment of Mandatory Corporate Actions [issued 14.2.2012]	✓	✓	✓
27.	Adjustment of Maximum Buy-in Price for Mandatory Securities Corporate Action[issued 17 July 2012]	✓	✓	✓

- 1.7. The key operational changes are summarized below:
 - 1.7.1. Permitting Settlement Agents the ability to reject sell and/or buy trades for settlement if settlement/matched settlement instructions are not received from client whereby the cash and securities settlement obligations of the rejected sell and/or buy trade will be passed back to the selling and/or buying Trading Member for settlement. This is to ensure that Settlement Agents have full control of assets thus making it unnecessary to operate dual accounts.
 - 1.7.2. Introduction of a Client Buy Rejection Account for a Trading Member trading for a client using a Settlement Agent for settlement.
 - 1.7.3. Introduction of a late confirmation period of 2 market days from T+2 ie. T+4 or S+2 (2 settlement cycles), whereby a rejected trade may subsequently be accepted for settlement by the Settlement Agent due to receipt of settlement or matched settlement instructions by Settlement Agent subject to agreement by the Trading Member's Clearing Member. Therefore, Settlement Agent clients may, subject to agreement by Trading Member's Clearing Member, have an opportunity to provide matched instructions and complete settlement during this late confirmation period which will begin on T+2 and end at 2:00 pm on the T+4 or S+2.
 - 1.7.4. Introduction of a buy-in mechanism for purchasing securities to settle the rejected sell trade accepted by the selling Trading Member and
 - 1.7.5. Introduction of a new functionality for any Trading Member to sell securities to the DFM buy-in board for buy-in bids posted by a selling Trading Member with a negative balance.

2. [Rejection Accounts \[applicable to only Group 1 Members\] \[updated 25 February 2022\]](#)

- 2.1. In addition to the Client Buy Rejection Account, a Sell Rejection House Account will also be opened by Dubai Clear per Trading Member.
- 2.2. Types of Rejection Accounts: There will be 2 types of rejections accounts assigned by Dubai Clear as follows:
 - 2.2.1. A Sell Rejection House Account under the Trading Member's Investor Number.
 - 2.2.2. An **Account Type H** Client Buy Rejection Account under the Settlement Agent's Client Investor Number per client per Trading Member using a Settlement Agent for settlement.
- 2.3. Trading Member Sell Rejection House Account: Sell Trades rejected by Settlement Agents are transferred to this account.
- 2.4. Dubai Clear will setup this Sell Rejection House Account for existing Trading Members before go-live.
- 2.5. For post go-live, Clearing Members of new Trading Members or existing Group 2 Trading Members intending to trade for clients using Settlement Agents for settlement. Dubai Clear are responsible for setting-up this account.
- 2.6. Client Buy Rejection Account:
 - 2.6.1. All buy trades rejected by Settlement Agents are transferred to this account on a per client per Trading Member basis. [updated 25 February 2022]
 - 2.6.2. Dubai Clear will setup a Client Buy Rejection Account per Trading Member automatically whenever a DVP trading account is opened by a Member.
- 2.7. Introduction of the Member Buy Rejection Sellout Account [updated 21 June 2011]
 - 2.7.1. Rejected buy securities paid by the buying Trading Member will continue to be transferred to the Client Buy Rejection Account upon execution of buy rejection requests by Dubai Clear on T+2.
 - 2.7.2. However, instead of transferring the rejected buy securities to the client Trading Account for sellout using the Client Buy Rejection Account, the buying Trading Member will need to transfer the rejected buy securities to the new Trading Member Buy Rejection Sellout Account.

- 2.7.3. The Trading Member Buy Rejection Sellout Account will be a separate Member Account setup by Dubai Clear for the purposes of sellout of rejected buy securities.
- 2.7.4. Dubai Clear will inform Members details of the Member Buy Rejection Sellout Account via email. This account will be carry an Account Type “R” and will only be used to hold rejected buy securities.
- 2.7.5. Only 1 Buy Rejection Sellout Account per Trading Member will be created by Dubai Clear.
- 2.7.6. Trading Members must transfer the rejected buy securities from the Client Buy Rejection Account to this Member Buy Rejection Sellout Account latest by T+5 if the Settlement Agent client fails to confirm settlement of the rejected buy trade by 3.00pm on T+4.
- 2.7.7. If the Trading Member’s Clearing Member has not agreed with the Settlement Agent’s client on a Late Confirmation Period, then the rejected buy securities may be transferred from the Client Buy Rejection Account to the Trading Member Buy Rejection Sellout Account earlier anytime between T+2 after rejection by Dubai Clear and T+5. Fees are payable for transfers from T+6 onwards.
- 2.7.8. Transfer Fees will be levied for 2 situations as follows:
- 2.7.8.1. T+5 Transfer Fee: this Transfer Fee will be applicable where the Clearing Member’s Trading Member failed/omitted to transfer the paid purchased securities from the Client Buy Rejection Account to the client’s Agent Account of a Settlement Agent by T+4 upon receiving payment from the client within the late confirmation period of T+2 to 2.45 pm on T+4.
- 2.7.8.1.1. This T+5 Transfer Fee is not applicable to transfers of unpaid purchased securities from Client Buy Rejection Account to the Buy Rejection Sellout Account on T+5.
- 2.7.8.1.2. For Dubai Clear to process the transfer request, the Clearing Member must provide:
- a. Evidence to Dubai Clear that the client (via the Settlement Agent) had paid the Member by 2.45 pm on T+4 eg. bank statement or copy of SWIFT payment message;
 - b. Evidence of communication between the Settlement Agent and the Member evidencing the notification to the Settlement Agent for the transfer.
- 2.7.8.1.3. For the avoidance of doubt, a Member cannot accept payment after 2.45 pm on T+4 and subsequently use this transfer procedure by paying the Transfer Fee.
- 2.7.8.2. T+6 Transfer Fee: this Transfer Fee will be applicable where the Member failed to transfer unpaid purchased securities from the Client Buy Rejection Account to the Member’s Buy Rejection Sellout Account by the existing prescribed T+5 deadline.
- 2.7.9. The Transfer Fees are as follows:

2.7.10.

1.	Reversal of buy rejections from T+5 and onwards due to omissions	AED3000 or 0.5% of trade value whichever is the higher (Transfer fees to be paid by Member)
2.	Transfers to Client Buy Rejection Account to Member Buy Rejection Sellout Account from T+6 onwards	AED3000 or 0.5% of trade value whichever is the higher (Transfer fees to be paid by Member)

3. The Late Confirmation Period

[These operational enhancements are NOT applicable to Group 2 Members]

- 3.1. The Late Confirmation Period is from T+2 to 2:45 pm on T+4 or S+2.
- 3.2. The late confirmation period is a market infrastructure provided by Dubai Clear to facilitate trade settlement.
- 3.3. It is a commercial decision of the Clearing Member to determine whether or not a late confirmation period should be offered to its client for using a Settlement Agent for settlement.

4. Granting of Late Confirmation Period to Clients [applicable to Group 1 Members only]

- 4.1. All Group 1 Members must agree in writing with its clients using a Settlement Agent on the period of Late Confirmation before the Clearing Member's Trading Member is permitted to close-off a sell or buy rejection [for sell rejection, cover the negative balance; for buy rejection, sell the rejected buy securities].
- 4.2. The Trading Member must provide the client 14 trading days notice if it decides NOT to provide a client the benefit of a Late Confirmation Period before the Member can commence closing-off a sell or buy rejection.
- 4.3. All agreement regarding the Late Confirmation Period between Member and client using a Settlement Agent for settlement must be copied to the Settlement Agent.

5. Submitting Rejections

[These operational enhancements are NOT applicable to Group 2 Members]

- 5.1. Settlement Agents will submit rejection requests in a Dubai Clear prescribed format for rejection of sell and/or buy trades for settlement via the existing operational processes.
- 5.2. A copy of the rejection request shall be forwarded by the Settlement Agent to the Trading Member.
- 5.3. Please note that rejections requests will now be processed by Dubai Clear based on the market order numbers derived from the Dubai Clear trading system and not trade values.
- 5.4. This means that the order number must be provided by the Settlement Agent to Dubai Clear to execute rejections.
- 5.5. Trading Members must therefore furnish Settlement Agents the order numbers and associated contract note number to facilitate trade rejections by Dubai Clear.
- 5.6. Splitting of market order numbers for rejections is not permitted.

6. Permitting Settlement Agents the ability to reject settlement of buy trades

[These operational enhancements are NOT applicable to Group 2 Members]

- 6.1. Settlement Agents will continue to reject settlement of buy trades by the -imposed cut-off time on T+1 if there are no settlement instructions from client by submitting the prescribed rejection letter format.
- 6.2. The enhancements will ensure that rejected buy securities will be placed under the control of the buying Member if a Settlement Agent rejects settlement of the buy trade.
- 6.3. This means that the buying Member will pay Dubai Clear on T+2 (instead of the Settlement Agent) based on adjusted cash settlement positions sent by Dubai Clear to settlement banks on T+2 morning after execution of rejections. Dubai Clear credits the rejected buy securities to a Client Buy Rejection Account.

7. Transfer of rejected buy securities arising from Late Confirmation of Buy Rejections [updated 15 July 2012]

- 7.1. If the Settlement Agent client subsequently accepts settlement of the buy trade within the late confirmation period and, subject to agreement by the buying Member, the Clearing Member of the buying Trading Member will request Dubai Clear to execute a transfer of the rejected buy securities from the Client Buy Rejection Account back to the Settlement Agent client's Agent Trading Account.
- 7.2. The request for transfer by the buying Member [using the prescribed request letter format] is subject to the Settlement Agent paying the buying Member the cash proceeds for the rejected buy securities first.
- 7.3. The Late Confirmation period for buy trades is from T+2 after completion of securities settlement up to 2:00pm on T+4.
- 7.4. The Late Confirmation period is however subject to any trade settlement agreement deadlines between the buying Trading Member and its client which may be earlier than the last settlement day of the Late Confirmation period but shall not be later.
- 7.5. Dubai Clear may levy penalties on the investor for late confirmations and collect the relevant penalty through the Settlement Agent of the client (NIN holder) which the trade was executed for.
- 7.6. Penalties for late confirmations are as follows effective trades of 01 February 2012 onwards:

	Sell rejection reversed on:	Penalty rate
1.	T+3 (waived from implementation date to trades of 31 January 2012)	AED500 or 0.05% of trade value whichever is the higher (Penalties to be paid by Settlement Agent)
2.	T+4	AED2500 or 0.25% of trade value whichever is the higher (Penalties to be paid by Settlement Agent)

8. Sell-out of Rejected Buy Securities [updated 21 June 2011]

- 8.1. Waiver of T+6 Mandatory Sellout of Rejected Buy Securities
 - 8.1.1. Procedure 8.1 of the Updated DVP Procedures for Dubai Clear Participants issued 26 May 2011, on mandatory sellout of rejected buy securities by T+6, is waived with immediate effect until further notice.
 - 8.1.2. Members who have implemented the Client Buy Rejection Sellout Account will be able to request Dubai Clear to transfer the rejected buy securities from the Client Buy Rejection Account to the Member Buy Rejection Sellout Account by using the prescribed Transfer of Securities – Sellout of Buy Rejection Securities Letter format.
 - 8.1.3. Members will now have the discretion of whether or not to sellout the rejected buy securities using the Member Buy Rejection Sellout Account or keep the rejected buy securities in the Member Buy Rejection Sellout Account.
 - 8.1.4. However, the T+4 Late Confirmation Period for transfer of rejected buy securities from the Client Buy Rejection Account to the client's Settlement Agent Account will remain unchanged.
- 8.2. Any gains arising from the disposal shall be paid to Dubai Clear by the Member. Gains shall include any cash or securities corporate actions. Where it is a securities corporate action, the Member shall dispose the corporate action securities and shall determine any gains on a 'full-picture' basis ie. total proceeds from disposal of principal trade plus disposal of corporate action securities against original traded value to determine net gains.
- 8.3. Calculation of Gains Arising from Correction Trades/Sell-out of Rejected Buy Securities. [updated 21 June 2011]

- 8.3.1. Gains shall be calculated based on the difference between the gross trade value [ie. quantity x price] of the sell trade and the buy trade.
- 8.3.2. The Member shall be charged Net Fees for both trades.
- 8.3.3. The Member shall not be entitled to deduct Net Fees from the gains even though the trade may be an error trade.
- 8.3.4. Dubai Clear shall calculate any gains and deduct the gains directly from proceeds to be paid to the Member where possible and inform the Member accordingly.
- 8.3.5. Loss will be borne by the Member.

9. Permitting Settlement Agents the ability to reject settlement of sell trades

[These operational enhancements are NOT applicable to Group 2 Members]

- 9.1. Settlement Agents will continue to reject settlement of sell trades by the Dubai Clear cut-off time on T+1 if there are no settlement instructions from client.
- 9.2. However, a Settlement Agent will now have the option to reject both securities and cash settlement of sell trades executed by a selling Member against the Settlement Agent client Agent Trading Account if the Settlement Agent does not receive settlement or matched settlement instructions from the client.
- 9.3. Once the sell rejection request by the Settlement Agent to Dubai Clear is executed by Dubai Clear on T+2 morning, the cash and securities settlement obligations of the rejected sell trade will be transferred from the Settlement Agent to the Member Sell Rejection House Account of the selling Member immediately.
- 9.4. This means that the Settlement Agent is no longer responsible for settlement of the sell trade on T+2. An adjusted cash settlement obligation will be sent by Dubai Clear to the settlement bank on T+2 morning.
- 9.5. Therefore, Settlement Agents now have full control over shares in the client Agent Trading Account.
- 9.6. If the selling Trading Member has sufficient balance of securities in the Member Sell Rejection House Account: Dubai Clear will debit the available balance, settle the rejected sell trade and pay the selling Trading Member the cash proceeds on T+2.
- 9.7. An important point to note here is that once the rejected sell trade is settled by the selling Trading Member, the rejected trade will no longer be available to the Settlement Agent client for Late Confirmation.
- 9.8. If the selling Trading Member does not have sufficient balance in the Member Sell Rejection House Account: Dubai Clear will create a negative available balance of securities in the Member Sell Rejection House Account and will retain the cash proceeds to the selling Clearing Member of the selling Trading Member until final resolution of the failed trade.
- 9.9. Simultaneously, the Dubai Clear will retain the 'Pending' status flag on the securities held under the Settlement Agent client Agent Trading Account until final resolution of the failed trade.
- 9.10. The 'Pending' status means that the Settlement Agent client will not be entitled to corporate actions and cannot re-sell the securities.
- 9.11. There are 5 ways in resolving the sell rejection if the selling Member does not have sufficient balance in the Member Sell Rejection House Account:
 - 9.11.1. the client can subsequently send settlement instructions to the Settlement Agent to confirm settlement of the rejected sell trade by T+4 or S+2 provided the selling Member has not settled the rejected sell trade;
 - 9.11.2. the selling Member can purchase securities directly in the market on T+2 [and not after T+2] for settlement on T+4 or S+2;
 - 9.11.3. the selling Member can utilize the buy-in mechanism between T+2 and T+3 to purchase securities for immediate settlement;

- 9.11.4. if the sell rejection remains outstanding on T+4, a mandatory buy-in against the selling Member will be invoked by Dubai Clear by the prescribed deadline on T+4 or S+2; and
- 9.11.5. finally, a cash closeout on T+4 against the Settlement Agent client at the original traded price will be calculated against the outstanding unsettled quantity if the mandatory buy-in against the selling Member fails.

10. Reversal of Sell Rejections [subsequent confirmation of settlement] by Settlement Agent by 3.00pm on T+4.]

- 10.1. In most cases, the Settlement Agent client may subsequently provide matched settlement instructions during the Late Confirmation period subject to the selling Member agreeing to a late confirmation and the Settlement Agent will accept the settlement of the sell trade.
- 10.2. The Settlement Agent will request Dubai Clear to reverse the sell rejection by submitting the prescribed request format. Upon reversal of the sell rejection, the negative balance in the Member Sell Rejection House Account and the Pending status in the Settlement Agent client Agent Trading Account will be removed after 2.00pm on the day Dubai Clear executes the reversal request.
- 10.3. Cash settlement of the sell rejection reversal transaction will take place on the next settlement day by 10.00am and netted against the cash settlement obligations of trades due for settlement on the next market day.
- 10.4. Dubai Clear shall only reverse a sell rejection provided the rejected sell trade has not been settled by the selling Member.
- 10.5. Also, Dubai Clear may levy penalties on the investor for late confirmations and collect the relevant penalty through the Settlement Agent of the client (NIN holder) which the trade was executed for.
- 10.6. Penalties for late confirmations are as follows effective trades of 01 February 2012 onwards:

	Sell rejection reversed on:	Penalty rate
1.	T+3 (waived from implementation date to trades of 31 January 2012)	AED500 or 0.05% of trade value whichever is the higher (Penalties to be paid by Settlement Agent)
2.	T+4	AED2500 or 0.25% of trade value whichever is the higher (Penalties to be paid by Settlement Agent)

11. Purchase of securities directly from market to settle negative balance

- 11.1. This option should not be exercised if the selling Member agrees to a late confirmation for the Settlement Agent client.
- 11.2. Should the selling Member decides to settle the negative balance in the Member Sell Rejection House Account, the selling Member can purchase the securities directly in the market but must ensure that the purchased securities are settled by the last settlement day of the Late Confirmation period ie. T+4 or S+2. In such a case, the rejected sell trade will settle and Dubai Clear will pay the selling Member the sales proceeds the next settlement day after settlement of the buy trade.
- 11.3. Again here, it is to be noted, that once the negative balance quantity is settled by the selling Member, the trade will no longer be available to the Settlement Agent client for Late Confirmation.

12. Buy-in Mechanism to resolve negative balance in selling Member's Sell Rejection Account [applicable to Settlement Agents and ALL Members] [amended 15 July 2012]

- 12.1. A buy-in mechanism will be availed by Dubai Clear to the selling Member which accepted the Settlement Agent's sell rejection and have insufficient securities (herein referred to as the short Member). Details of the buy-in process are summarized as follows:
 - 12.1.1. The special electronic auction for the purpose of the buy-in process shall not be regarded as Regulated Market, and shall be regulated according to the DFM buy-in procedures.

- 12.1.2. The price and volumes of successful buy-in transactions shall not form part of the daily market price nor the daily market volume, and will not be eligible for the computation of any indices.
- 12.1.3. A flowchart of the process is attached as Appendix 1.

13. Optional Buy-in between T+2/T+3

- 13.1. The selling Member may opt to buy the securities through DFM's buy-in mechanism from 3.15pm each settlement day of T+2 and T+3. This option is only exercised if the selling Member wants to resolve the rejected sell trade without waiting for a late confirmation from the Settlement Agent client.
- 13.2. If the buy-in is successful, late confirmation from the Settlement Agent client will no longer be possible.

14. Mandatory Buy-in by Dubai Clear

- 14.1. All outstanding negative balances in the Member Sell Rejection House Account which are not settled by T+4 will be posted by Dubai Clear to the buy-in board for mandatory buy-in.
- 14.2. If the mandatory buy-in is successful either partially or in full, the negative balance in the Member Sell Rejection House Account and the Pending status in the Settlement Agent client Agent Trading Account will be settled based on the quantity of the successful buy-in on the day of the buy-in.
- 14.3. Cash settlement of the buy-in is on the next settlement day.

15. Posting Member Sell Rejection House Account with negative balance to the DFM buy-in board

[These operational enhancements are NOT applicable to Group 2 Members]

- 15.1. Only a short Member (ie. the Member with a negative balance in the Member Sell Rejection House Account) can access this function.
- 15.2. A short Member may opt to settle the negative balance in the Member Sell Rejection House Account either via a purchase of securities from the market, or via a purchase of securities using the buy-in board by posting negative balances from 03:15 pm each settlement day from T+2 onwards until T+3 of the Late Confirmation period.
- 15.3. If the short Member decides to purchase securities from the market, it must ensure that purchased securities are settled by T+4 failing which a mandatory buy-in will be invoked by Dubai Clear on T+4 or S+2.
- 15.4. A mandatory buy-in initiated against the short Member by Dubai Clear on T+4 means that the outstanding quantity of negative balance in the Member Sell Rejection House Account will be posted to the DFM buy-in board whereby new sellers can place offers to sell to the buy-in bid.
- 15.5. For successful buy-ins, Dubai Clear will pay the new selling Member which sold to the buy-in from cash proceeds retained by Dubai Clear originally due to the short Member for the rejected sell trade.
- 15.6. If the price of the securities purchased through the buy-in is higher than the original sell price, the short Member will be responsible for the shortfall to be collected by Dubai Clear on the next settlement day following the successful buy-in.
- 15.7. If the price of the securities purchased through the buy-in against the short Member is lower than the original sell price, the gains will be retained by Dubai Clear.
- 15.8. No Net Fees will be charged on the short Member for successful purchases via the buy-in process.
- 15.9. If the mandatory buy-in against the short Member on T+4 fails, Dubai Clear will perform a cash closeout against the Settlement Agent client, in which the rejected sell trade was executed against, at the Original Traded price.
- 15.10. The Settlement Agent will receive the cash closeout sum calculated based on the Original Traded Price multiplied by the quantity of securities closed-out.

16. Placing offers to sell to the buy-in board

[Applicable to ALL Group 1 and Group 2 Members]

16.1. All Members (including the Member with the negative balance in the Member Sell Rejection House Account) will be permitted to participate in the buy-in and offer their own securities or their clients' securities to the buy-in by quoting the relevant NIN number.

16.2. Please note that the Custodian client who rejected the sell trade may also offer securities to the buy-in.

~~16.2.~~16.3. Offers to the DFM buy-in board can only be placed between the times of 3.30pm to 3.45pm daily against any buy-in bids with an open status.

~~16.3.~~16.4. The maximum buy-in price permitted will be the daily closing price (duly adjusted for any relevant corporate actions) plus fifteen percent.

~~16.4.~~16.5. The quantity offered can either be equal to or less than the buy-in bid quantity.

~~16.5.~~16.6. The buy-in matching process will commence at 3.45pm.

~~16.6.~~16.7. Offers to the buy-in will be matched based on best price offered, quantity and time of offer placement.

~~16.7.~~16.8. All sell trades to the buy-in process shall be good for settlement and cannot be rejected for settlement.

~~16.8.~~16.9. Partial completion of buy-ins will be allowed. This means that buy-ins will be matched according to ticket numbers of an order. There will be no matching of partial ticket numbers.

~~16.9.~~16.10. If the buy-in is successful, Dubai Clear will proceed to settle the new sell trades to the buy-in bid and no rejections to settlement of any new sell trades to the buy-in are permitted.

~~16.10.~~16.11. The securities settlement of buy-ins will settle on the same day of the buy-in by 4.00pm, whilst the cash settlement will settle on the next settlement day following the successful buy-in (ie.T+1 basis) by 10.00am.

~~16.11.~~16.12. Net Fees of 0.001 for shares will be charged by Dubai Clear on the sell trades to the buy-in.

~~16.12.~~16.13. If the buy-in price is greater than the original traded price, the short Member must pay the difference. However, if the buy-in price is lower, then the Dubai Clear will retain the gains.

~~16.13.~~16.14. A buy-in trade file will be generated by Dubai Clear and emailed to all the successful new selling Members to the buy-in process.

17. Buy-in User Guide [applicable to Group 1 and 2 Members only]

17.1. The buy-in function has been moved to the trading system.

17.2. Please refer to the buy-in user guide issued by DFM for the new trading system.

18. Mandatory cash closeout against the selling Settlement Agent client [applicable to Settlement Agents and Group 1 Members only]

18.1. If the mandatory buy-in is partially successful or fails entirely, a mandatory cash closeout against the Settlement Agent client will be invoked by Dubai Clear on the outstanding negative balance based on the original traded price.

18.2. The Settlement Agent client shall be entitled to claim compensation from the selling Member if it is ascertained that the Settlement Agent client did not place the sell trade order.

18.3. Dubai Clear's existing claims and arbitration policies will be applicable in resolving disputed trades.

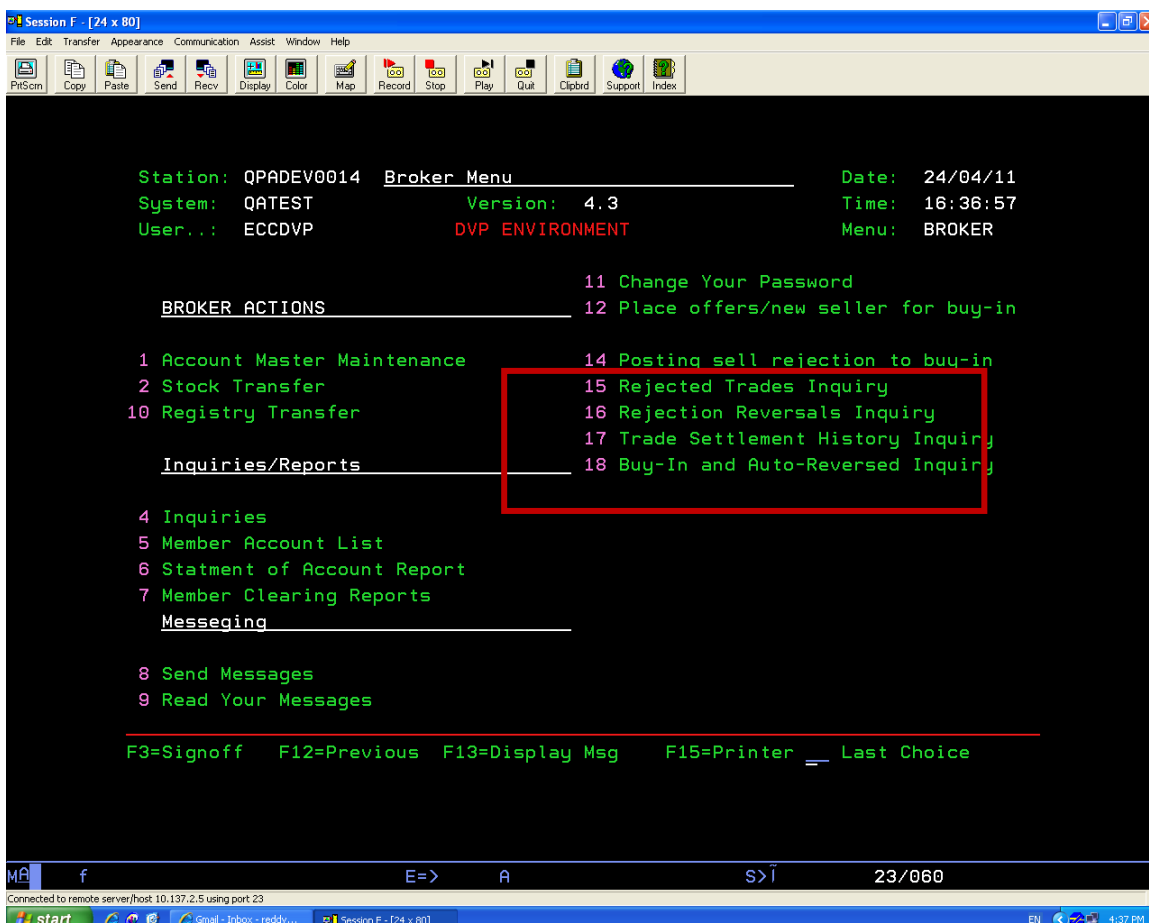
19. Settlement of Trade Corrections [applicable to Group 1 Members and Settlement Agents only] [updated 15 July 2012]

- 19.1. Dubai Clear 's existing error trade handling policies will apply.
- 19.2. Upon confirmation that a sell trade is an error trade, the selling Member must replace the securities sold in error plus any relevant corporate action which the Settlement Agent client may not have benefitted from.
- 19.3. Where a cash compensation to the Settlement Agent client is necessary, a Cash Replacement Amount shall be applicable and will be prescribed in the Dubai Clear procedures.
- 19.4. The settlement of trade correction procedures apply only to correction trades executed for clients using a Settlement Agent for settlement.
- 19.5. Please refer to Appendix 1 for the Settlement of Trade Correction Procedures. [updated 15 July 2012]

20. New Inquiry Screens [applicable to Members & Settlement Agents]

- 20.1. For Members, the following screenshot shows where the new inquiry screens can be found:

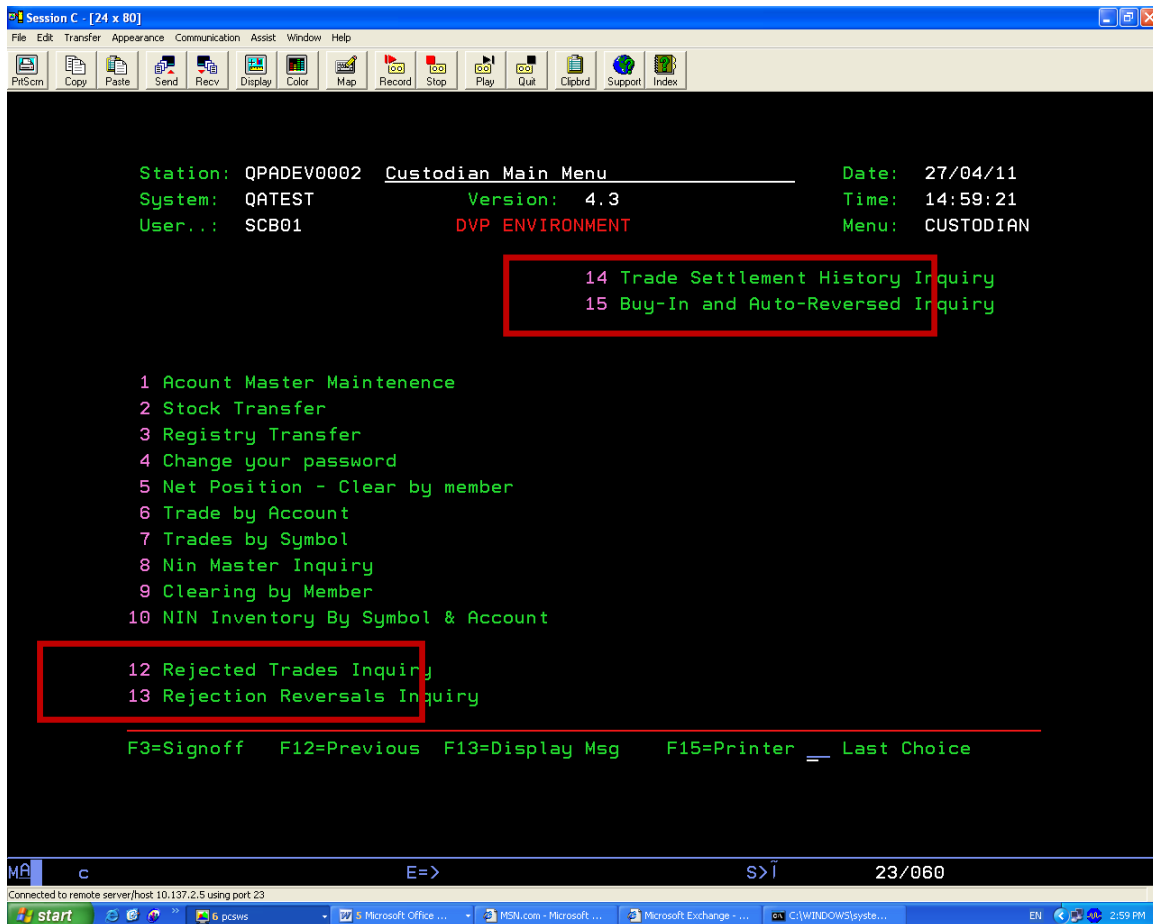
Main Menu of Equator Screen showing new inquiries for Members:



Note: Only Option 17 and 18[Buy-in] are no longer applicable for Group 2 Members since this function has been moved to the trading system.

20.2. For Settlement Agents, the following screenshot shows where the new inquiry screens can be found:

Main Menu of Equator Screen showing new inquiries for Settlement Agents:



21. Sample File/File Specifications for Buy-in Trade Log [applicable to Settlement Agents and Members]

- 21.1. The buy-in function has been transferred to the new trading system.
- 21.2. The buy-in trade logs can be generated from the new trading system.

22. Prescribed Request Formats [applicable to Settlement Agents and Group 1 Members only]

- 22.1. Please refer to Appendix 2 for the relevant request formats for:
 - 22.1.1. Request for Trade Settlement Rejections [applicable for Settlement Agents only];
 - 22.1.2. Request for Reversal of Sell Rejections [applicable for Settlement Agents only];
 - 22.1.3. Request for Transfer of Securities – Reversal of Buy Rejections [applicable for Group 1 Members only];
 - 22.1.4. Request for Transfer of Securities to Client Trading Account for Sell-out of Buy Rejection Securities [applicable for Group 1 Members only];
 - 22.1.5. Request for Settlement of Trade Corrections [applicable for Group 1 Members only].

23. Penalties for DVP Late Confirmation of Trade Settlement [applicable to Settlement Agents only] [updated 6 June 2011]

- 23.1. The following is a summary of the approved penalties for DVP Late Confirmation of trade settlement and market fee rates for Buy-in trades:

23.1.1. Penalties for DVP Late Confirmation of Trade Settlement

If the rejection reversal request (for sales) or transfer request (for buys) is executed by Dubai Clear on:		
1.	T+3	AED500 or 0.05% of trade value whichever is the higher
2.	T+4	AED2500 or 0.25% of trade value whichever is the higher

23.1.2. Buy-in Fees[applicable to Group 1, Group 2 Members and Settlement Agents]

The following are the approved fees in relation to buy-in trades:

No.	Type of Buy-in Trade	Fee
1.	Buy-in bids (rejected sell trade with negative balance posted to buy-in board)	No new charges
2.	Buy-in offers (new sellers selling to buy-in bids)	<p><u>For shares:</u> The buy-in fees shall be computed based on the trade fee condition of 0.00275 as follows:</p> <ul style="list-style-type: none"> i. SCA fee: 0.00025 ii. Market fee: 0.0005 iii. Dubai Clear /Dubai CSDfee:0.0005 iv. Member: 0.0015 v. Order fee: AED10 vi. VAT of 5% calculated in all fees categories except for SCA Fees. <p><u>For bonds:</u> The buy-in fees shall be computed based on the trade fee condition of 0.000275.</p> <ul style="list-style-type: none"> i. SCA fee: 0.000025 minum of AED 5 ii. Market fee: 0.00005 minum of AED 20 iii. Dubai CSD/Dubai Clear fee:0.00005 minum of AED 10 iv. Member: 0.00015 minum of AED 30 v. Order fee: AED10 vi. VAT of 5% calculated in all fees categories except for SCA Fees.

Buy-in fees are applicable with immediate effect.

23.2. Penalty Rates. The following is a summary of the late confirmation penalty fee:

If the rejection reversal request (for sales) or transfer request (for buys) is executed by DFM on:		
1.	T+3	AED500 or 0.05% of trade value whichever is the higher
2.	T+4	AED2500 or 0.25% of trade value whichever is the higher

23.3. T+3 or T+4 is calculated from the original trade date of the rejected trade. For example, if the trade date of a buy/sell trade is Sunday, 04 September 2011, any request for reversals executed on Thursday, 08 September 2011 will be charged the T+4 penalty rate.

- 23.4. No penalties for any reversal of rejections executed by Dubai Clear on T+2. There shall also be no penalties for cash closeout on T+4 [or any other deadline as may be prescribed by Dubai Clear] or for transfer of rejected buy securities by the Member to the Member Buy Rejection Sellout Account or for reversals arising from error trades.
- 23.5. Penalty is based on date of execution of the rejection reversal by Dubai Clear ie. if Dubai Clear executes the rejection reversal on T+3, the T+3 penalty rate will apply. If Dubai Clear executes the rejection reversal on T+4, then the penalty rate of T+4 will apply ie. AED2500 or 0.25% of trade value whichever is the higher.
- 23.6. Minimum penalty: Where the value of the penalty computed is less or equal to the minimum penalty of AED500[T+3 penalty] or AED2500[T+4 penalty], then the minimum penalty will be levied.
- 23.7. Please refer to the following examples for calculating the reversal value of sell rejections for calculating penalties:

23.7.1. Example 1:

Rejection Date: 06/09/2011

Rejection Reversal Date: 08/09/2011[T+4]

Settlement Agent for Client A NIN 45678 rejected a sell trade of AED300,000.00 consisting of the following orders for EMAAR:

Order No.	Value of Orders
20110601-1234	AED50,000
20110601-1235	AED50,000
20110601-1236	AED50,000
20110601-1237	AED50,000
20110601-1238	AED50,000
20110601-1239	AED50,000
Total Value of Orders	AED300,000

- 23.7.2. Penalties will be calculated based on the T+4 rate on total value of orders basis per sell rejection transaction per Investor NIN as follows: The greater of [AED300,000 x 0.25%] or the minimum of AED2500. AED2500 will be the penalty sum.

23.7.3. Example 2:

Rejection Date: 6/09/2011

Rejection Reversal Date: 08/09/2011[T+4]

Settlement Agent for Client A NIN 45678 rejected sell trade of AED2,500,000.00 consisting of the following orders for EMAAR:

Order No.	Value of Orders
20110601-1234	AED500,000
20110601-1235	AED500,000
20110601-1236	AED500,000
20110601-1237	AED500,000
20110601-1238	AED500,000
Total Value of Orders	AED2,500,000

- 23.7.4. Penalties will be calculated based on the T+4 rate on the total value of orders per sell rejection transaction per Investor NIN as follows: The greater of [AED2,500,000 x 0.25%] or the minimum of AED2500. AED6250 will be the penalty sum.

- 23.8. If Client A has a sell and a buy rejection reversal on the same day [Thursday, 08 September 2011], the penalty will be charged on the value of the sell rejection transaction and the value of the buy rejection transaction separately as 2 different transactions. For example, the executing Member requested Dubai Clear to reverse a buy rejection by transferring 100,000 EMAAR shares with trade value of AED250,000 on Thursday, 08 September 2011 to Settlement Agent XYZ Agent Account and Settlement Agent XYZ also requested to reverse a sell rejection of AED2,500,00. Dubai Clear will levy

Client A a penalty of AED2,500 for the reversal of the buy rejection and AED6250 for the reversal of the sell rejection.

- 23.9. Penalties will be invoiced to Settlement Agents on a monthly basis for collection from clients. Dubai Clear must be paid no later than 14 settlement days from date on invoice.
- 23.10. Settlement Agent Clearing Members are advised to inform their clients accordingly of the impending implementation of penalties for late confirmation.

24. Transfer Fees for Late Transfer of Buy Rejection Securities [applicable only to Group 1 Members] [updated on 26 January 2012]

24.1. The Transfer Fees will be levied on Members for two situations:

24.1.1. **T+5 Transfer Fee:** this Transfer Fee will be applicable where the Member failed to request Dubai Clear to transfer the paid purchased securities from the Client Buy Rejection Account to the client's Agent Account of a Settlement Agent by the cut-off time of 2.00PM on T+4 upon receiving payment from the client within the late confirmation period of T+2 to T+4.

24.1.2. **T+6 Transfer Fee:** this Transfer Fee will be applicable where the Member failed to transfer unpaid purchased securities from the Client Buy Rejection Account to the Member's Buy Rejection Sellout Account by the existing prescribed T+5 deadline.

24.1.3. The Transfer Fees are as follows:

<u>1</u>	T+5 onwards for transfers of securities arising from reversals of buy rejection	AED3000 or 0.5% of trade value whichever is the higher (Transfer Fees should be paid by Member)
<u>2</u>	T+6 onwards for transfers of securities from client buy rejection account to Member buy rejection sellout house account	AED3000 or 0.5% of trade value whichever is the higher (Transfer Fees should be paid by Member)

25. Standardization of Trade Reporting to Settlement Agents for Dubai Clear to Process Rejections [applicable only to Group 1 Members] [issued on 21 June 2011]

- 25.1. Currently, there is no standardized format for Group 1 Members to report trades to Settlement Agents. This is affecting the rejection process whereby Dubai Clear were not furnished with complete trade details.
- 25.2. In order to ensure that consistency and completeness of information received by Dubai Clear for processing rejections, Dubai Clear is implementing a standard format for Group 1 Members to report trades to Settlement Agents.
- 25.3. With immediate effect, Group 1 Members MUST use the format attached herewith as Appendix 3 to report trades to Settlement Agents.
- 25.4. Members MUST ensure the following requirements are complied with at all times:
 - 25.4.1. Send the report in MS Excel format only;
 - 25.4.2. Complete all details required in full correctly.
 - 25.4.3. Failure to comply may result in action to be taken by Dubai Clear .

26. Treatment of Mandatory Corporate Actions [applicable to Group 1, Group 2 Members and Settlement Agents] [issued on 14 February 2012]

- 26.1. Dubai Clear clearing members [Members and Settlement Agents] will be affected by a mandatory corporate action as follows when a Settlement Agent rejects either a sell or buy trade for settlement.
- 26.2. Rejection of buy trades for settlement

- 26.2.1. Currently, all buy trades rejected by Settlement Agents on settlement day[S-Day] are transferred to the Client Buy Rejection Account created on a per client per Member basis.
- 26.2.2. The Client Buy Rejection Account is opened under the name of the Settlement Agent client's investor number.
- 26.2.3. If S-Day is the book close date for a corporate action, a share book generated on S-Day will reflect the Client Buy Rejection Account in the share book for the corporate action purposes.
- 26.2.4. For a mandatory securities-type of corporate action, the securities corporate action will be credited to the Client Buy Rejection Account. This ensures that the Settlement Agent client will be entitled to mandatory corporate actions subject to settlement of the buy rejection by the Settlement Agent client with the buying Member.
- 26.2.5. For a cash-type of corporate action, cash payments will be made to the Settlement Agent. This also ensures that the Settlement Agent client will be entitled to mandatory cash corporate actions subject to settlement of the buy rejection by the Settlement Agent client with the buying Member.
- 26.2.6. The following table explains how corporate actions will be handled depending on the outcome of the buy rejection:

Type of mandatory corporate action	Is the Buy Rejection reversed?	
	A. YES [request by buying Member between S-Day to S+2 by 2:45 pm]	B. NO [by 2:45 pm on S+2]
Securities	<ol style="list-style-type: none"> The securities corporate action will be credited to the Client Buy Rejection Account on book close date. The buying Member will request Dubai Clear, via the same transfer of paid rejected buy securities procedures, to transfer the corporate action securities and the paid rejected buy securities from the Client Buy Rejection Account to the Settlement Agent client's Agent Account. In instances where the securities corporate action is credited only after the transfer of the paid rejected buy securities, the buying Member will request Dubai Clear, via the same transfer of paid rejected buy securities procedures, to transfer the corporate action securities once the corporate action securities is credited into the Client Buy Rejection Account. 	<ol style="list-style-type: none"> The buying Member will request Dubai Clear, via the same transfer of unpaid rejected buy securities procedures, to transfer the corporate action securities and the unpaid rejected buy securities from the Client Buy Rejection Account to the Member Buy Rejection Sellout Account. In instances where the securities corporate action is credited only after the transfer of the unpaid rejected buy securities to the Member Buy Rejection Sellout Account, the Member will request Dubai Clear, via the same transfer of unpaid rejected buy securities procedures, to transfer the corporate action securities from the Client Buy Rejection Account to the Member Buy Rejection Sellout Account once the corporate action securities is credited by Dubai Clear.

Type of mandatory corporate action	Is the Buy Rejection reversed?	
	A. YES [request by buying Member between S-Day to S+2 by 2:45 pm]	B. NO [by 2:45 pm on S+2]
Cash	<ol style="list-style-type: none"> Cash corporate action proceeds will be paid directly to the Settlement Agent 	<ol style="list-style-type: none"> Cash corporate action proceeds will be paid directly to the Settlement Agent. Buying Member to claim directly from the Settlement Agent the cash corporate action for the unpaid rejected buy securities.

26.2.7. Please refer to the diagram in Appendix 4 for a summary of corporate action entitlements depending on the outcome arising from a buy rejection.

26.3. Rejection of sell trades for settlement

26.3.1. Currently, the securities in the Settlement Agent client Agent Account underlying a sell trade rejected by a Settlement Agent on settlement day[S-Day] will be placed under a 'Pending' status.

26.3.2. The table below explains how corporate actions will be handled depending on the outcome of the sell rejection:

Type of mandatory corporate action	Is the Sell Rejection reversed?	
	A. YES [request by Settlement Agent between S-Day to S+2 by 2:45pm]	B. NO [by 2:45 pm on S+2]
Securities & Cash	<ol style="list-style-type: none"> The selling Settlement Agent client will not receive any corporate action entitlements as long as the Settlement Agent client had sold on or before the entitlement date of the corporate action ie. S-Day minus 2 [S-2] unless a buy-in described below is successful. However, if the selling Member decides to undertake a buy-in on S-Day and is successful in the buy-in, the Settlement Agent client will receive corporate action entitlements. Any new seller to a buy-in on S-Day will not receive corporate action entitlements because settlement of buy-in is on an immediate basis. Any new seller to a buy-in on S+1 or S+2 will only receive corporate action entitlements if the new seller is on the share book on S-Day. 	<ol style="list-style-type: none"> If the Settlement Agent does not request for a reversal of the sell rejection, a mandatory buy-in is invoked by Dubai Clear. If the mandatory buy-in fails, Dubai Clear will invoke a cash close out. The selling Settlement Agent client will not receive corporate action entitlement. If the sell trade is an error trade, the Settlement Agent client claims directly from the selling Member any lost corporate action entitlements.

26.3.3. Please refer to the diagram in Appendix 4 for a summary of corporate action entitlements depending on the outcome arising from a sell rejection.

27. Adjustment of Maximum Buy-in Price for Mandatory Securities Corporate Action *[applicable to Group 1, Group 2 Members and Settlement Agents] [new procedures]*

27.1. Maximum Buy-in Price

27.1.1. The maximum buy-in price permitted will be adjusted as follows in the event of a mandatory securities corporate action:

27.1.1.1. On Ex Date[EX] and Book Close Date[BCD], the existing fifteen percent plus:

27.1.1.1.1. On EX: the closing price of EX multiplied by the corporate action factor;

27.1.1.1.2. On BCD: the closing price of BCD multiplied by the corporate action factor.

27.1.1.1.3. On BCD+1 and BCD+2: No change ie. The daily closing price plus fifteen percent.

27.1.2. The objective of the adjustment in paragraph 27.1.1 is to ensure that the buy-in is conducted in an efficient manner whereby new sellers to the buy-in will not be entitled for the corporate action and therefore should be incentivized by the buy-in price in lieu of entitlement to corporate action.

27.1.3. Please also note that:

27.1.3.1. Any new sellers selling to a buy-in after Entitlement Date will NOT be entitled to the corporate action although the seller sold after Entitlement Date. Members MUST ensure their clients are aware of this information before keying-in a buy-in offer.

27.1.3.2. A Member may use the buy-in option to correct a wrong sell trade provided the error trade has already been rejected by the Settlement Agent.

27.1.3.3. Any successful buy-ins on either EX or BCD for an error trade on Entitlement Date will result in the original seller being entitled to the corporate action as opposed to the Member executing the correction buy on the market either on EX or BCD.

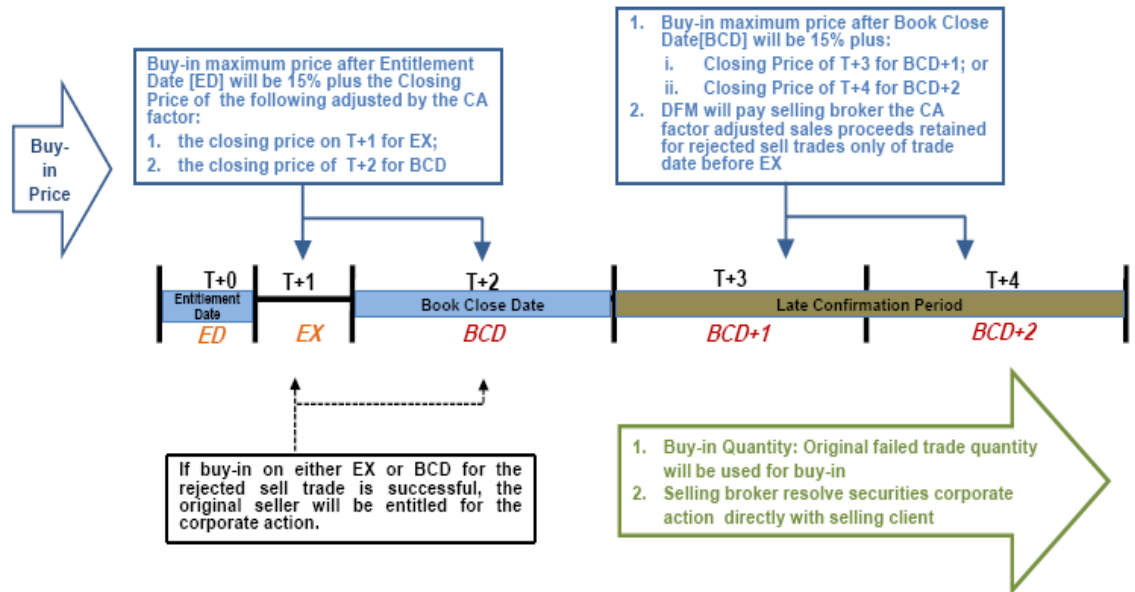
27.1.3.4. For example: Member A made an error sell trade on Settlement Agent client B's account on Entitlement Date of Sunday, 12/02/2012. Member A has 2 options to resolve the error trade – [i]buy from market, or [ii]use the buy-in option. If Option [i] is opted, then Settlement Agent client B will be entitled to corporate actions [including bonus issues] if the market buy happens on Sunday, 12/02/2012 itself. If the market buy happens after Sunday, 12/02/2012, Settlement Agent client B will not be entitled for corporate actions. For Member A to exercise Option [ii], the error sell trade must first be rejected by the Settlement Agent for settlement. Member B can then post the rejected sell trade for buy-in. If the buy-in is successful on Monday, 13/02/2012 or Tuesday, 14/02/2012[optional buy-ins], Settlement Agent client B will be entitled to corporate actions, including a bonus issue with a book close date of Tuesday, 14/02/2012.

27.2. Buy-in Quantity on Book Close Date [BCD]+1 and BCD+2 for rejected trades of trade date before EX

27.2.1. Dubai Clear will not adjust the quantity of buy-ins in relation to rejected trades of trade date before EX if the buy-ins are posted on BCD+1 and BCD+2. Buy-in will be based on original failed quantity.

27.2.2. For a securities type of corporate action resulting in an adjustment of market price, the balance of sale proceeds retained by Dubai Clear arising from the sell rejection on BCD will be refunded back to selling Member for the selling Member to resolve the securities corporate action directly with the client. This may include the selling Member buying the corporate action shares from the market.

- 27.2.3. The balance of sale proceeds will be refunded minus any gains. For example: on BCD, a sell trade of 100 shares @ aed1.00 was rejected. A 1:1 bonus was declared. On BCD+1, only 100 can be posted for optional buy-in whereas on BCD+2, 100 will be posted for mandatory buy-in if there is no reversal of the sell rejection. If the successful buy-in value is aed0.50 or less [eg. aed0.40], Dubai Clear will retain any gains [ie. aed10] & refund aed50 on the next settlement day via adjustment letter. Where the buy-in value is aed0.51 or more [eg. aed55], Dubai Clear will debit Dubai Clear actual buy-in value [ie. aed55] via the settlement report. The balance of sale proceeds of aed45 in Dubai Clear will be refunded to selling Member the next settlement day after successful buy-in via adjustment letter.
- 27.2.4. Please refer to the diagram below for a summary of the procedures for the buy-in process in the event of a securities type of corporate action event:



*** END ***

APPENDIX 1 - Settlement of Trade Corrections [updated 15 July 2012]

Dubai Clear Procedures for Settlement of Rejections of Contra Trades [Issued 28 September 2011 & updated 15 July 2012]

A. Special Procedures for settlement of buy rejections with pending settlement of contra sell trade:

1. Contra trades are defined as either a buy or sell trade followed by a corresponding sell or buy trade within the T+2 settlement cycle.
2. A buy trade with a pending settlement of sell trade which results in a zero (0) Available balance or if there are insufficient balance in the Agent Account of the Settlement Agent(SA) to settle the sell trades, will be rejected by Dubai Clear using Special Procedures outlined below.
 - a. For example, the opening balance is 5,000 while the client bought another 5,000 shares on T-Day and sold on T or T+1, 10,000 shares and there is a request to reject the buy trade of 5,000 shares on T+2 settlement date. The buy rejection will be processed by Dubai Clear using the Special Procedures explained below.
3. Dubai Clear will execute a request for a buy rejection using Special Procedures whereby the cash settlement obligations of the rejected buy trade will be paid by the buying Member while the rejected buy securities will remain in the Agent Account of the SA earmarked for settlement of the contra sell trade.
4. Dubai Clear will notify the buying Member of rejection using the Special Procedures where the rejected buy securities will not be credited to the Client Buy Rejection Account when adjusting the buying Member's market cash settlement obligations for the buy rejection.
5. Where the quantity of the rejected buy trade is greater than the contra sell trade, Dubai Clear will transfer any balance of rejected buy securities to the Client Buy Rejection Account on the date of the buy rejection.
6. The following are scenarios on how Dubai Clear will apply the Special Procedures depending on how the rejection trades are settled:
 - a. Where the rejected buy trade is accepted by Settlement Agent client and contra sell trade is accepted by Settlement Agent client or is cash closed-out on T+4 [Contra sell trade executed with same Member]:
 - i. If the client subsequently confirms settlement of the rejected buy trade, the buying Member will collect the payment due from the Settlement Agent [outside the Dubai Clear system] but the buying Member will not transfer any securities to the Settlement Agent (SA) because the rejected buy securities has been earmarked in the Agent Account of the SA for settlement of the pending sell trade.
 - ii. If the contra sell trade is either accepted by the Settlement Agent for settlement or is cash closed-out, the Settlement Agent will receive the sell proceeds from Dubai Clear on the settlement date of the contra sell trade or receive the retained sell proceeds on the cash close-out date + 1.
 - b. Where the rejected buy trade is accepted by Settlement Agent(SA) client and contra sell trade NOT accepted by Settlement Agent client and buy-in is successful [Contra sell trade executed with same Member]:
 - i. If the client subsequently confirms settlement of the rejected buy trade, the buying Member will collect the payment due from the Settlement Agent [outside the Dubai Clear system) but will not transfer any securities to the Settlement Agent because the rejected buy securities has been earmarked in the Agent Account of the SA for settlement of the pending sell trade.
 - ii. If the contra sell trade is rejected by the Settlement Agent; the rejected buy securities earmarked for settlement of the rejected contra sell trade will be placed under a Pending status when the contra sell trade is rejected to the Sell Rejection House Account.

- iii. If the rejected contra sell trade is NOT accepted by the Settlement Agent(SA) and a buy-in is successful, the Pending status of the securities in the Agent Account of the SA will be released by Dubai Clear on the date of the buy-in.
- c. Where the rejected buy trade is NOT accepted by Settlement Agent client and the contra sell trade is accepted by Settlement Agent client or is cash closed-out on T+4 [Contra sell trade executed with same Member]:
 - i. Dubai Clear will adjust the cash settlement obligations of the buying Member on T+2 – buying Member pays for rejected buy trade but does not receive rejected buy securities.
 - ii. If the contra sell trade is either accepted by the Settlement Agent for settlement or is cash closed-out, Dubai Clear will adjust the cash settlement obligations of the Settlement Agent either on the settlement date of the contra sell trade or on the cash close-out date + 1 whereby the sell proceeds will be debited from the Settlement Agent and **credited to the buying Member**.
 - iii. This means that the Settlement Agent will NOT receive the sell proceeds if the client rejected the buy trade but confirms the contra sell trade for settlement.
- d. Where the rejected buy trade is NOT accepted by Settlement Agent(SA) and the contra sell trade is also NOT accepted by Settlement Agent, either because both trades are error trades or because the sell rejection is due to late confirmation and buy-in is successful [Contra sell trade executed with same Member]:
 - i. Dubai Clear will adjust the cash settlement obligations of the buying Member on T+2 – buying Member pays for rejected buy trade but does not receive rejected buy securities.
 - ii. If the contra sell trade is also rejected by the Settlement Agent(SA):
 - I. Where the sell trade is an error trade, Dubai Clear will also reject the sell trade using Special Procedures whereby only the cash proceeds will be adjusted and credited to the selling Member net of any gains whereas the securities for the sell rejection will settle from the Agent Account of the SA. No entries will be reflected in Equator when such special procedures are invoked.
 - II. Where the sell rejection is a late confirmation, the rejected buy securities earmarked for settlement of the rejected contra sell trade will be placed under a Pending status when the contra sell trade is rejected to the Sell Rejection House Account.
 - iii. If the rejected contra sell trade is NOT accepted by the Settlement Agent and a buy-in is successful, securities under Pending status in the Agent Account of the SA will be transferred by Dubai Clear to the Client Buy Rejection Account of buying Member on date of the successful buy-in and Dubai Clear will notify the buying Member accordingly.
 - iv. If the Member & Settlement Agent subsequently finds out that the late confirmation is actually an error trade, at the request of the Member, Dubai Clear will withdraw the buy-in against the Member for the sell rejection to be cash close-out against the rejected buy securities in the client Agent Account of the SA if the client fails to confirm the sell rejection by T+4 to ensure that a buy-in against the Member does not occur. Dubai Clear will also adjust the cash settlement obligations to ensure that the cash closeout proceeds is not paid to the Settlement Agent.
- e. Where the rejected buy trade is accepted by Settlement Agent client and the contra sell trade is accepted by Settlement Agent client or is cash closed-out on T+4 [Contra sell trade executed with **different Member**]:
 - i. If the client subsequently confirms settlement of the rejected buy trade, the buying Member will collect the payment due from the Settlement Agent [outside the Dubai Clear system] but the buying Member will not transfer any securities to the Settlement Agent because the rejected buy securities has been earmarked in the Agent Account of the SA for settlement of the pending sell trade.
 - ii. If the contra sell trade is either accepted by the Settlement Agent for settlement or is cash closed-out, the Settlement Agent will receive the sell proceeds from Dubai Clear on the

settlement date of the contra sell trade or receive the retained sell proceeds on the cash close-out date + 1.

- f. Where the rejected buy trade is accepted by Settlement Agent client and the contra sell trade is NOT accepted by Settlement Agent client and buy-in is successful [Contra sell trade executed with **different Member**]:
- i. If the client subsequently confirms settlement of the rejected buy trade, the buying Member will collect the payment due from the Settlement Agent [outside the Dubai Clear system] but will not transfer any securities to the Settlement Agent because the rejected buy securities has been earmarked in the Agent Account of the SA for settlement of the pending sell trade.
 - ii. When the contra sell trade is rejected by the Settlement Agent; the rejected buy securities earmarked for settlement of the rejected contra sell trade will be placed under a Pending status when the contra sell trade is rejected to the Sell Rejection House Account of the different Member.
 - iii. If the rejected contra sell trade is NOT accepted by the Settlement Agent and rejected contra sell trade is resolved by:
 - I. **Market buy by the different Member:** Sell proceeds retained by Dubai Clear will be paid to the different Member; securities under Pending status in the Agent Account of the SA will be removed from Pending status on date of the settlement of the market buy by the different Member and will remain under the Agent Account of the SA;
 - II. **Successful buy-in by the different Member:** Sell proceeds retained by Dubai Clear will be paid to the new selling Member to the buy-in. The securities under Pending status in the Settlement Agent Agent Account will be released on the date of the successful buy-in.
- g. Where the rejected buy trade is NOT accepted by Settlement Agent client and the contra sell **trade is accepted** by Settlement Agent client or is cash closed-out on T+4 [Contra sell trade executed with **different Member**]:
- i. Dubai Clear will adjust the cash settlement obligations of the buying Member on T+2 – buying Member pays for rejected buy trade but does not receive rejected buy securities.
 - ii. If the contra sell trade is either accepted by the Settlement Agent for settlement or is cash closed-out, Dubai Clear will adjust the cash settlement obligations of the Settlement Agent either on the settlement date of the contra sell trade or on the cash close-out date + 1 whereby the sell proceeds will be debited from the Settlement Agent and **credited to the buying Member**.
 - iii. This means that the Settlement Agent will NOT receive the sell proceeds if the client rejected the buy trade but confirms the contra sell trade for settlement.
- h. Where the rejected buy trade is NOT accepted by Settlement Agent and the contra sell trade is NOT accepted by Settlement Agent and buy-in is successful [Contra sell trade executed with **different Member**]:
- i. Dubai Clear will adjust the cash settlement obligations of the buying Member on T+2 – buying Member pays for rejected buy trade but does not receive rejected buy securities.
 - ii. When the contra sell trade is rejected by the Settlement Agent; the rejected buy securities earmarked for settlement of the rejected contra sell trade will be placed under a Pending status when the contra sell trade is rejected to the Sell Rejection House Account of the different Member.
 - iii. If the rejected contra sell trade is NOT accepted by the Settlement Agent(SA) and rejected contra sell trade is resolved by:
 - I. **Market buy by the different Member:** Sell proceeds retained by Dubai Clear will be paid to the different Member; securities under Pending status in the Agent Account of the SA will be transferred by Dubai Clear to the Client Buy Rejection Account of

buying Member on date of the settlement of the market buy by the different Member and Dubai Clear will notify the buying Member accordingly;

ii. **Successful buy-in:** the securities under Pending status in the Agent Account of the SA will be transferred by Dubai Clear to the Client Buy Rejection Account of the buying Member on the date of the successful buy-in and the buying Member will be notified accordingly by Dubai Clear.

i. If the client fails to confirm the rejected buy trade, the Member may claim any loss from the client as is the current case.

B. Settlement of Contra Correction Trade [Error Trade Corrections]

1. Processing of correction trades will be based on Settlement Agent instructions to reject trades.
2. Members MUST liaise with Settlement Agents to settle correction trades; Settlement Agents must indicate which rejections are error trades and correction trades executed by Members for settlement.

C. The following procedures apply to the various error trade scenarios:

	Trade Type	Correction Trade Scenario
A	Buy	<p>AI. Scenario A [Buy on T; correction sell on T]</p> <ol style="list-style-type: none"> 1. Member to execute the contra correction sell trade using the Client Trading Account. 2. Member MUST inform Settlement Agent and Dubai Clear that the correction sell trade is to settle the buy trades. 3. Dubai Clear must be notified latest by end of T+1 by using the Settlement of Trade Correction Request Letter. 4. Settlement Agent requests rejection of buy[indicating buy trade is error trade] and sell trade on T+2 by 08:00 am, indicating that sell trade is correction trade. 5. On T+2 by 08:30am, Dubai Clear will act on error correction only if the Settlement Agent rejects both buy and sell trades and indicate that both are error trades: <ol style="list-style-type: none"> a. Dubai Clear will reject buy and sell trade using pre-DVP method and net the cash settlement obligations. b. The cash settlement will be part of Dubai Clear 's adjustment of cash obligation process on T+2. 6. Dubai Clear will retain gains. <p>AI. Scenario B [Buy on T; correction sell on T+1]</p> <ol style="list-style-type: none"> 1. Member to execute the contra correction sell trade using the Client Trading Account. 2. Member MUST inform Settlement Agent and Dubai Clear that the correction sell trade is to settle the buy trade latest by end of T+1 by using the prescribed Settlement of Trade Correction Request Letter. 3. Settlement Agent requests rejection of buy on T+2 by 08:00 am indicating that buy trade is error trade. On T+2 by 08:30am, Dubai Clear rejects buy trade to Client Buy Rejection Account. 4. Settlement Agent requests for rejection of sell trade on T+2 by 08:00 am, indicating that sell trade is correction trade. On T+3 by 08:00am, Dubai Clear rejects sell trade to Client Buy Rejection Account. 5. Dubai Clear settles cash obligations as follows: Buy trade on T+2; sell trade on T+3. <p>AI. Scenario C [Buy on T; correction sell between T+2 to T+4]</p> <ol style="list-style-type: none"> 1. Settlement Agent requests rejection of buy on T+2 by 08:00 am. On T+2 by 08:30am, Dubai Clear rejects buy trade to Client Buy Rejection Account. 2. Member MUST transfer buy rejection securities from the Client Buy Rejection Account to the Member Buy Rejection Sellout Account by using the Request for Transfer of Securities for Sell-Out of Buy Rejection Securities Letter.

	Trade Type	Correction Trade Scenario
		<p>3. To correct an error buy trade between T+2 and T+4, the Member MUST execute all correction sells or sell-out trades of buy rejection securities by using the Member Buy Rejection Sellout Account.</p> <p>4. Dubai Clear settles cash obligations as follows: Buy trade on T+2; sell trade depends on when the Member sell-out the rejected buy trade.</p> <p>IV. Special Procedures where securities of error buy trades is earmarked for settlement of contra sell trade</p> <p>1. Where the error buy is earmarked for the settlement of a contra sell trade, Dubai Clear will adopt Special Procedures explained in Part A section 6[d] to reject the error buy.</p> <p>2. Because securities underlying the rejected buy is earmarked for settlement of the contra sell, Dubai Clear cannot reject the error buy using the Equator rejection function.</p>
B	Sell	<p>BI. Scenario A [Sell on T; correction buy on T]</p> <p>1. Member to execute the correction buy trade using the Client Trading Account. Agent Account of the SA will have Pending In securities balance from T.</p> <p>2. Member MUST inform Settlement Agent(SA) and Dubai Clear that correction buy trade is to settle the sell trades latest by end of T+1 by using the prescribed Settlement of Trade Correction Request Letter.</p> <p>3. Settlement Agent requests rejection of buy and sell trade on T+2 by 08:00 am indicating that buy trade is correction buy.</p> <p>4. On T+2 by 08:30am, Dubai Clear will act on error correction only if the Settlement Agent rejects both buy and sell trades and indicate that both are error trades:</p> <p>a. Dubai Clear will reject buy and sell trade using pre-DVP method and net the cash settlement obligations.</p> <p>b. The cash settlement will be part of Dubai Clear 's adjustment of cash obligation process on T+2.</p> <p>5. Dubai Clear will retain gains.</p> <p>BII. Scenario B [Sell on T; correction buy on T+1]</p> <p>1. Member to execute the correction buy trade using the Client Trading Account. Agent Account of the SA will have Pending In securities balance from T+1.</p> <p>2. Member MUST to inform Settlement Agent (SA) and Dubai Clear that the correction buy trade is to settle the sell trades latest by end of T+1 by using the Settlement of Trade Correction Request Letter.</p> <p>3. Settlement Agent requests rejection of sell trade by T+2 by 08:00am on T+1 indicating that sell trade is an error trade. On T+2 by 08:30 am, Dubai Clear rejects sell trade to Client Buy Rejection Account before securities settlement.</p> <p>4. On T+2 by 7.00pm, Settlement Agent requests for rejection of buy trade indicating that buy trade is error correction. On T+3 by 9.00am, Dubai Clear rejects buy trade to Client Buy Rejection Account.</p> <p>5. Dubai Clear settles cash obligations settled as follows: Buy trade on T+3; sell trade on T+4 ie. one settlement day after the settlement of the negative balance in the Client Buy Rejection Account.</p> <p>BIII. Scenario C [Sell on T; correction buy on T+2]</p> <p>1. Settlement Agent requests rejection of sell trade on T+2 by 08:00 am. On T+2 by 08:30 am, Dubai Clear rejects sell trade to Member Sell Rejection House Account.</p> <p>2. Member to execute the correction buy trade using the Client Trading Account. Agent Account of the SA will have Pending In securities balance from T+2.</p> <p>3. Member MUST inform Settlement Agent and Dubai Clear that correction buy trade is to settle the sell trades latest by end of T+3 by using the Settlement of Trade Correction Request Letter .</p> <p>4. Settlement Agent requests rejection of the correction buy trade by T+3 by 7.00pm indicating that buy trade is correction buy. On T+4 by 9.00am, Dubai Clear rejects correction buy trade to Client Buy Rejection Account before securities settlement.</p>

	Trade Type	Correction Trade Scenario
		<p>5. On T+4 after securities settlement, Dubai Clear will transfer the rejected buy securities from the Client Buy Rejection Account to the Member Buy Rejection Sellout Account before moving the sell rejection from the Member Sell Rejection House Account to the Member Buy Rejection Sellout Account to settle the rejected sell trade.</p> <p>6. Dubai Clear settles cash obligations settled as follows: Buy trade on T+4; sell trade on T+5 ie. one settlement day after the settlement of the negative balance in the Member Sell Rejection Account.</p>

D. Deal Correction/Amendment [refers to the change of account process to amend trade from wrong account to correct account]

	Trade Type	Procedure
1	Buy	<p>In a scenario where the Member executed a buy trade for the wrong Settlement Agent client, the Settlement Agent must reject the wrong buy trade and notify Dubai Clear that the rejection is a Deal Correction:</p> <ol style="list-style-type: none"> Member to inform Settlement Agent (SA) and Dubai Clear of buy trade correction. Settlement Agent will request to reject the wrong buy trade by 08:00 am on T+2 & notify on the request form that the rejection is for <u>Deal Correction</u>. Dubai Clear will NOT use the Rejection function to reject the wrong buy trade. Dubai Clear to correct the wrong buy trade to the Agent Account of the SA of the correct client by 08:30 am on T+2 before securities settlement as per existing Deal Correction procedures. Where there are matched settlement instructions from the correct client: no further action by the Settlement Agent & Dubai Clear . Where there are no matched settlement instructions from the correct client: <ol style="list-style-type: none"> The Settlement Agent must submit a separate request for trade settlement rejection of the correct buy trade if no matched settlement instructions has been received from the correct client to settle the amended trade; Dubai Clear will execute the rejection of the correct client's trade to the Client Buy Rejection Account of the correct client by 9.00am on T+2 before securities settlement. Upon subsequent confirmation of settlement by the correct client, the Member will request Dubai Clear to transfer securities from the Client Buy Rejection Account of the correct client to the SA Agent Account of the correct client.
2	Sell	<ol style="list-style-type: none"> Member to inform Settlement Agent and Dubai Clear of the Deal Correction. Settlement Agent will reject the wrong sell trade by 08:00 am on T+2 and inform Dubai Clear that Member is requesting for Deal Correction in the rejection request form. Dubai Clear will NOT use the Rejection function to reject the wrong sell trade. Dubai Clear will transfer the wrong sell trade to the correct account with the Settlement Agent (SA) before securities settlement. Securities in wrong SA Agent Account will move to free once Dubai Clear initiates the correction. Where there are no matched settlement instructions from the correct client: <ol style="list-style-type: none"> The Settlement Agent <u>must also request for rejection of the correct sell trade</u>. After the Deal Correction process, Dubai Clear will reject the corrected sell trade to the Member Sell Rejection House Account by 9.00am on T+2 before securities settlement.

APPENDIX 2 – Prescribed Request Formats

Sample format: Request for Trade Settlement Rejection which needs to be submitted through e services portal.
 If NIL rejections exist then the e services form should be filled and NIL rejection box should be ticked.

Custodian Code	Member Code	Investor Number	Investor Name	Order Type	Symbol	Trade Date	Settlement Date	Order Number	Order Quantity	Order Value	Mkt Comm. & Fees	Is Irrevocable Rejection	Is the trade an Error Trade (Y/N)

Take note of the update on the **DVP Request Menu** in the eServices Portal - the Menu will show more options for SAs to select including the 2 new templates for Rejection Request and Sell Rejection Reversal Request.

If the automation process failed due to inconsistent data, the feedback will be given to the SA member through the eservice portal (status update) by Dubai Clear, and the SA will have to repost a manual request for with the failed cases only so that Dubai Clear can re-process the rejected transactions within the agreed time frame;

Option	Purpose
1. New Request for Trade Settlement Rejections- automated	To be used for initial submission, in case inconsistent cases was reported then SA will need to use option 3 to resubmit the inconsistent cases only for processing.
2. New Reversal of Late Confirmation of Sell Trades- automated	To be used for all reversals submissions (including ETFs)
3. Request for Trade Settlement Rejections - Manual	To be used in case inconsistent record was reported and for any ETFs rejections.
4. Reversal of Late Confirmation of Sell Trades- Manual	To be used only as a backup plan in case of failure of automated rejections.
5. Other DVP Requests	For other DVP related requests.

Sample format: Request for Reversal of Sell Rejections which needs to be submitted through e services portal.

Custodian Code	Member Code	Investor Number	Investor Name	Order Type	Symbol	Trade Date	Settlement Date	Order Number	Order Quantity	Order Value	Mkt Comm. & Fees
				this will always to be sell - to validate							



Sample format: Request for Transfer of Securities – Reversal of Buy Rejections

(Member Clearing Members Letterhead)

Date:
Ref:
To: The General Manager
Dubai Clear LLC
P.O. Box: 9700
Dubai. U A E

Transfer of Securities – Reversal of Buy Rejections
(Request must reach Dubai Clear before 1.45 PM for same day processing)

Dear Sir/Madam,

We hereby request Dubai Clear to effect a transfer of securities arising from Late Confirmation by our clients for settlement of the following buy trades:
Please transfer securities to the client's agent trading account with SETTLEMENT AGENT:

No.	Member	Rejection Date	Settlement Date	Client Rejection Account	Investor Name	Investor No.	Security (Symbol)	Total Contract Quantity	Contract Value(Amount)	Order Number	Quant
1.											
2.											

We confirm that the transfer request is in compliance with the relevant transfer conditions as set out in the Dubai Clear Rules , Policies and Procedures on Transfer of Securities arising from late settlement confirmation of buy trades by clients.

Thank you.

Yours faithfully

Signature
Name of authorized signatory

(Company Stamp)

CC.(SETTLEMENT AGENT)

Sample format: Request for Transfer of Securities to Member Buy Rejection Sellout Account for Sell-out of Buy Rejection Securities

(Member Clearing Members Letterhead)

 Date:
 Ref:

 To: The General Manager
 Dubai Clear LLC
 P.O. Box: 9700
 Dubai, U A E

Transfer of Securities – Sellout of Buy Rejection Securities
 (Request must reach Dubai Clear before 1.45 PM for same day processing)

Dear Sir/Madam,

We hereby request Dubai Clear to effect a transfer of securities from the Client Buy Rejection Account to the Member Buy Rejection Sellout Account for us to execute a sell-out of the rejected buy trades.

Please transfer securities to our Member Buy Rejection Sellout Account:

No.	Rejection Date	Rejection Letter Reference Number	Trade Date	Settlement Date	Transfer From Client Buy Rejection Account Number	Transfer To Member Buy Rejection Sellout Account Number	Investor Name	Investor Number	Symbol	Quantity	Order Value
1.											
2.											

Thank you.

Yours faithfully

 Signature
 Name of authorized signatory

(Company Stamp)

 CC.
 (SETTLEMENT AGENT)

Sample format: Request for Settlement of Trade Correction [AMENDED 15 JULY 2012]

(Member Letterhead)

 Date:
 Ref:

 To: The General Manager
 Dubai Clear LLC
 P.O. Box: 9700
 Dubai, U A E

Request for Settlement of Trade Correction [Dubai Clear Market]

Dear Sir/Madam,

We hereby request Dubai Financial Market to initiate settlement of the following correction trades:

Details of Correction Trade:

No.	Rejection Date	Buy or Sell	Trade Date	Settlement Date	Rejection Account Number	Investor Name	Investor Number	Symbol	Quantity	Contract Value	Order Value	Order No.
1.												
2.												



Details of Trade to be corrected:

No.	Rejection Date	Buy or Sell	Trade Date	Settlement Date	Rejection Account Number	Investor Name	Investor Number	Symbol	Quantity	Contract Value	Order Value	Order No.
1.												
2.												

Thank you.

Yours faithfully

Signature

Name of authorized signatory

(Company Stamp)

CC.

(SETTLEMENT AGENT)



APPENDIX 3 – Prescribed Format for Trade Reporting by Members to Settlement Agents for Dubai Clear to Process Rejections [updated 21 June 2011]

Broker Code	T. Date	S. Date	AccounNo.	Investor Name	investor No.	B/S	Security	ISIN	Quantity	Amount	NetAmount	Comm	Market Fees	BrokeReference	BrokeRemarks	Status	Main	Order Number	
XYZ	05.05.2011	05.05.2011	XXXX	XXXX	XXXXX	XXX	XXXX	XXXX	100 000	XXXX	XXXX	XXX	XXXX	XXXXX	XXXX	XXX			XXXXXXXXXX
																			XXXXXXXXXX
																			XXXXXXXXXX
																			XXXXXXXXXX
																			XXXXXXXXXX

APPENDIX 4: Corporate Action Entitlements [issued on 14 February 2012]

