Notice No: TRDG-2020-009 **Issue Date:** 5 February 2020

Subject: Corporate Action Policy

Notice to all Members,

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Pursuant to the DGCX By-laws, and Clearing Rules of DCCC, Members are hereby advised as follows.

Members will be aware that Part S of the DGCX By-Laws details the contract specifications for Single Stock Futures contracts ("the Products"). These Products may be subject to corporate actions undertaken by the underlying company, which may have a material impact on the market prices for its stock. In such cases the policy of DGCX shall be to effect such changes as are necessary to maintain economic equivalence with regard to open positions held by Members and their clients immediately prior to and post the effective date of any such corporate action. However, in the event that changes cannot be fairly carried out, DGCX retains the right to determine how the Products should be best adjusted (if at all), and this may include, inter alia, a decision to undertake a forced close out of all open positions held at the effective date of the corporate action.

This Notice provides further information on typical corporate action adjustments, the adjustment ratios and process of effecting the adjustments.

1. Bonus issue - A bonus issue is a stock dividend, allotted by the company to shareholders and are issued out of the reserves of the company, and are typically allotted in fixed ratio such as 1:2, 1:1 etc.

Adjustment ratio for Bonus = (X+Y)/Y for ratios such as 1:2

where X is the Cum amount of shares (old); and
where Y is the Ex amount of shares (new)

2. Stock Split and Consolidations - A company increases or decreases the number of shares it has issued such that the value of each shareholder's holding remains unchanged relative to the market capitalisation of the company.

Adjustment ratio for Stock Split and Consolidations = X/Y for ratios such as 1:2 (X: Y),

where X is the Cum amount of shares (old); and
where Y is the Ex amount of shares (new)

3. Extraordinary dividends - Payable by the company to distribute the profits made by the company during the year to its shareholders, dividends are paid on a per share basis and should be over 5% of the market price of the underlying stock to qualify as extraordinary and eligible for adjustments.

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Rights issue - To raise fresh capital, companies approach the existing shareholders, who can then subscribe to the issue in the proportion of their shareholding.

Adjustment ratio for rights issue = X: Y

where X is equal to the number of shares to be issued for every Y shares held in the underlying company

Benefit per right entitlement (Z): A – B,
where A is the underlying settlement price on the last cum date in the primary market; and
where B is the subscription price of the rights

Benefit per share (E): Z / X+Y and adjustment ratio = (A-E)/A

4. Mergers and takeovers - Mergers happen when two or more companies combine into a single entity.

Adjustment ratio for mergers and takeover =X/Y,

where Y is equal to the number of shares offered under the headline offer for every X shares held in the underlying company

Any adjustment to the Products shall be effected on the last day on which the underlying shares carry the entitlement to the corporate action (known as the “cum-date”), and shall be undertaken after the close of trading at DGCX.

Where it is not possible to effect an adjustment to the Products then all open positions held as at the close of business on the cum-date shall be force closed-out, using the daily settlement price as determined by DGCX for the relevant Product.

DGCX shall communicate to the market participants details of any corporate action adjustment that impacts the Products, and such communication shall include details of any proposed adjustment.

Members seeking further information with regard to this Notice should contact their relationship manager.

For Dubai Gold & Commodities Exchange

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