

Notice No.: RISK-2020-074

Issue Date: 12 November 2020

Subject: Clearing Member Default Fund Contributions – Source of Funds

Notice to all Clearing Members,

Subject: Clearing Member Collateral and Default Contributions – Source of Funds

Clearing Members will be aware that DCCC implemented a Default Fund in 2019, for which a methodology by which Clearing Member contributions was detailed and published to the market.

DCCC wishes to take this opportunity to remind Clearing Members, that the collateral and the contribution to the Default Fund must be by way of US Dollars cash – i.e. not term/fixed deposits.

Further, the contribution must be met from the Clearing Member's own funds. Additionally, the collateral related to clients' funds cannot be kept in a form of fixed deposit. This is in accordance with SCA Regulation No. (66/R) of 2007, Concerning the Rules and the Mechanism for the Separation of Accounts with Brokers, which states:

1. It shall be prohibited for a Broker to dispose the funds deposited in Client Accounts other than pursuant to the provisions of the agreement for the opening of the Client Account entered into with the clients, and pursuant to the provisions of the Law and the regulations and decisions issued pursuant thereto.
2. It shall be prohibited for a Broker to receive any interest on funds deposited in Client Accounts with banks.
3. It shall be prohibited for a Broker to maintain funds deposited in Client Accounts in the form of fixed deposits, or using the funds deposited in Client Accounts as collateral to obtain any credit facilities or bank loans.
4. The funds deposited in Client Accounts with banks shall not be subject to any charge, attachment, liquidation, bankruptcy or any other procedures to which the Broker may be subject as a result of obligations incumbent upon it.

Clearing Members requiring further information with regard to this Notice should contact their Relationship Manager (rm@dccc.ae).

For Dubai Commodities Clearing Corporation

Andrew Dodsworth
Director – Operations and Risk