

Notice No.: RISK-2020-077

Issue Date: 19 November 2020

Subject: Approved Collateral – Update

Notice to all Clearing Members,

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Pursuant to the Clearing Rules of the DCCC, the following policy will be implemented with effect from **1 December, 2020**.

SCA (“the Authority”) has revised its regulations with respect to Commodities Clearing Houses (“Clearing Houses”), such that Clearing Houses are now permitted to allow Clearing Members to use Bank Guarantees as collateral for margin obligations, subject to the following conditions:

- a. Issued by one of the banks operating in the State [United Arab Emirates].
- b. Unconditional, unrestricted, and payable on demand by the Clearing House or the Authority at any time.
- c. Comprehensive and clearly identify the purposes of the guarantee.
- d. The possibility of liquidating the guarantee in whole or in part at any time by the Clearing House or by the Authority to ensure settlement of the clearing member’s transactions and fulfilling the obligations agreed upon with the Clearing House.
- e. It is not permissible to cancel the guarantee without the approval of the Clearing House and the Authority.

Therefore, Clearing Members who wish to use Bank Guarantees as Acceptable Collateral must provide DCCC with written confirmation from the issuing bank that the guarantee that has been provided to the Clearing Member is unconditional, unrestricted and payable on demand – i.e. that it will be payable within no later than 24 hours from the time of presentation – and that it complies with the relevant SCA regulations in force from time to time. Further, the issuing bank will honour a request to pay the bank guarantee that has been sent by DCCC via email, in the name of an authorised representative of DCCC.

Any failure on the part of the issuing bank to provide the written confirmation referred to above will result in DCCC not accepting the bank guarantee as Acceptable Collateral.

For the avoidance of doubt, the following are Acceptable Collateral:

Instruments	Collateral Type	Haircut	Cash/Non-Cash
Cash	AED	5%	Cash
	USD	Nil	
Term Deposit	AED	5%	Cash
	USD	2.50%	
Bank Guarantees	USD		Non Cash

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DCCC has approved Emirates NBD; Bank of Baroda; and Standard Chartered Bank for the issuance of Term Deposits.

Clearing Members are requested to take note of the above.

For Dubai Commodities Clearing Corporation

Andrew Dodsworth
Director – Operations and Risk