AD CLEAR RULE BOOK

Issued by ADX Board Members decision
Nº (2-4-2024) dated 24 September 2024

Contents

1- Applicable regulatory provisions and laws

The Board of Abu Dhabi Clear LLC ("AD Clear"):

i. Having perused the Federal Law No. (4) Of 2000 concerning the Emirates Securities & Commodities Authority (ESCA) and ADX and its amendments.

ii. The regulations issued by the Securities and Commodities Authority (SCA), in accordance with the Federal Law No. 4 of 2000 concerning the Emirates Securities & Commodities Authority (ESCA) and ADX and its amendments.

iii. The SCA's decision No. 2 of 2001 concerning the Regulations as to Trading, Clearing, Settlement, Ownership Transfer and Custody of Securities and its amendments.

iv. The SCA's decision No. (3\R) of 2001 concerning the Regulations as to The Functioning of The Market

v. The Chairman of the SCA Board of Directors' Decision No. (22 / R.M) of 2016 Concerning the Regulation of the Central Clearing Party (CCP) Business.

vi. The Chairman of the SCA Board of Directors' Decision No. (22 _R.M) of 2018 Concerning the Regulation of Derivatives Contracts

vii. The Local Law of Emirate of Abu Dhabi No (8) of 2020 Concerning Abu Dhabi Securities Exchange Company (Public Joint Stok Company) and its amendment;

viii. And the regulations, rules, decisions and instructions issued by the Board of Directors of AD Clear.

2) General Provisions

1)This Rulebook is applicable to Abu Dhabi Clear LLC ("AD Clear") as the Clearing House, whereas AD Clear is a Central Clearing Counterparty licensed by UAE Securities and Commodities Authority ("Authority").

2)AD Clear may approve a Settlement Agent for settling the Delivery versus Payment or DVP Trades done by the Settlement Agent's Customers.

3)"Novation": A Trade done in Abu Dhabi Securities Exchange ("ADX") in ADX Securities Market or ADX Derivatives Market should be guaranteed by AD Clear where AD Clear imposes itself as the buyer to the original seller and the seller to the original buyer.

4)"T+2 Settlement": All Trades done in ADX Securities Market shall be expected to be settled on the second business day after the Trading Date.

5)"Buy-In Trade": A "Buy-In Trades" shall be conducted in the Exchange's "Buy-in" Board for the seller who does not deliver the Securities for the Sell Trade per T+2 Settlement timeline and such "Buy-In Trade" is expected to be settled at the same business day.

6)"Buyer Cash Compensation": If the Seller fails to deliver the securities after T+4, the Clearing House shall impose the "Buyer Cash Compensation" on the Seller.

7)"Customer Segregation": A Clearing Member or a Settlement Agent is required to segregate its customers' monies and assets from its proprietary monies and assets. This "Customer Segregation" is the same meaning and treatment according to the Authority's regulations applicable to a Clearing Member or a Settlement Agent. This refers to the practice of separating the assets and positions of customers from those of clearing members. This segregation is designed to protect customer assets in the event of a default of clearing members. By segregating customer assets in separate accounts, CCPs ensure that these assets are not used to cover losses or obligations unrelated to the customers' trades. Customer segregation enhances transparency, reduces counterparty risk, and promotes confidence in the clearing process, ultimately contributing to the stability and integrity of the financial markets.

8) “Exclusion of Liability”: The Clearing House shall not be liable to any Customer in respect of any damage, loss, cost or expense of whatsoever nature (whether direct, indirect, special or consequential, including without limitation any loss of business, revenue, goodwill, bargain or profit), suffered or incurred by such Customer, arising out of or in connection with any act or omission of the Clearing House in the performance of the Clearing House's obligations in Chapter 8 Default and Default Management or the exercise or non-exercise of its powers under Chapter 8.

9) These rules apply solely from 1/10/2024 to derivatives, and will be activated for other types of securities at a later stage.

3) Membership

3.1. Categories of membership

1) The types of Members eligible for admission to the Clearing House are outlined as follows:

i. Clearing Member; and

ii. Settlement Agent.

2) The Clearing House may approve an ADX Trading Clearing Member or an ADX General Clearing Member as its Clearing Member.

3) The Clearing House may approve a Bank or a financial institute who deals with the DVP trades for its Customers as a Settlement Agent of the Clearing House.

4) Each type of Clearing Member or Settlement Agent shall have rights and obligations which are prescribed in the Clearing Membership Application or the Settlement Agent Application.

5) The Clearing House may amend the rights and obligations attaching to each type of Clearing Member or Settlement Agent, by issuing a Circular or Notice from time to time.

3.1.1. Clearing Members

1) The types of Clearing Members eligible for admission to the Clearing House are outlined as follows:

i. Clearing Member; and

ii. Settlement Agent.

3.1.1.1. Direct Clearing Members of Exchange

1) The Clearing House may admit a “Participant”, which may have been admitted being a Direct Clearing Member of the Exchange, as a Clearing Member of the Clearing House.

2) Such a Participant has to be approved by the Authority to clear trades directly with the Clearing House without the need for an intermediary.

3)These Clearing Members can be either financial institutions or large entities with the capability and authorization to engage in direct clearing activities, including submitting trades, managing collateral, and fulfilling settlement obligations directly with the Clearing House.

3.1.1.2. General Clearing Members

1) The Clearing House may admit a "Participant" as a Clearing Member of the Clearing House, whereas the Participant has been approved by the Authority as a General Clearing Member under the Authority's Capital Market License.

2) Such a Participant with a "General Clearing Member" Capital Market License approved by the Authority may provide clearing services to the Participant's Customers who do not have direct access to the Clearing House.

3) General Clearing Members can act as intermediaries between its Customers and the Clearing House, facilitating the submission of Trades, managing Collateral, and fulfilling Settlement Obligations on behalf of their customers. General Clearing Members can include brokerage firms, financial institutions, or other entities that provide clearing services to clients who may not have direct access to the Clearing House.

3.1.2. Settlement Agents

1) The Clearing House may admit a Financial Institute which is licensed as Safe Custodian by the Authority to perform cash and securities settlement activities for the Delivery-versus-Payment Trades ("DVP Trades") – in favor of the Clearing House - on behalf of and under authorization from the Clearing Member as agreed.

3.2. Admission as Clearing Member or Settlement Agent

1) The admission of a Clearing Member or Settlement Agent to the Clearing House is subject to strict adherence to the established criteria outlined below:

i. Have in place all required regulatory authorizations, licenses, permissions, and approvals in the UAE.

ii. Have sufficient resources (including financial resources) to support its intended operations as a Clearing Member or Settlement agent.

iii. Comply with the minimum capital requirements specified by the Clearing House

iv. Meet the technical, technological, security, and business continuity requirements determined by the Clearing House to ensure that Applicants may connect to and once connected, maintain the efficiency and security of the relevant systems;

v. Have in place robust internal risk management systems, internal audit and IT systems;

vi. Have appropriately qualified employees for the provision of clearing services with sufficient knowledge, experience, training and competence to enable compliance with all requirements under these rules;

vii. Have sufficient knowledge, understanding and expertise in relation to the types of transactions that it intends to clear;

viii. Not be subject to any circumstances that could lead to an Event of Default;

ix. Be able to transfer cash collateral to/from the Clearing House by appointing a Local Bank;

x. Not subject to sanctions, either inside or outside the UAE.

xi. Have paid any applicable fees.

2) The Clearing House reserves the right to modify, through periodic notification, the rights and responsibilities associated with each category of Clearing Member or Settlement Agent, and may introduce additional classifications of Clearing Members, Settlement Agents, or Clearing House membership, defining their respective rights and responsibilities as deemed appropriate by the Clearing House.

3.3. Suspension or Termination of Membership

1) Without prejudice to the rights of the Clearing House, the Disciplinary Panel or the Appeals Panel under these Rules, a Clearing Member or Settlement Agent's privileges may be suspended in whole or in part if any of the following circumstances occurs:

i. a Pre-Default Event, whether or not it is a Declared Default.

ii. any violation of these Rules, Circulars, Notices or any Applicable Laws by the Clearing Member or any or its Officers, Representatives, employees, contractors, settlement agents or Customers.

iii. failure to meet any minimum capital and financial requirements under Securities and Commodity Authority SCA Requirements or under these Rules, Circulars or Notices on an ongoing basis.

iv. failure to maintain contributions, meet settlement obligations or make payments for charges, fees, deposits, dues, contributions, or any other amount due to the Clearing House within the specified time.

v. any alleged violation of these Rules, Circulars or Notices or any Applicable Laws by the Clearing Member or any of its Officers, Representatives, employees, contractors, agents or Customers, where such violation could have a material adverse effect on the Clearing House.

vi. cessation, suspension or termination of its (or any of its Affiliate's) membership (if any) with the Exchange or with any other exchange or other clearing facility or its Capital Market License (if applicable);

vii. non-satisfaction of any judgment or court order of any court in or outside the United Arabic Emirates.

viii. the Clearing Member, the Settlement Agent or any of its Officers or Representatives is convicted of any offence involving fraud, dishonesty or financial impropriety.

ix. any disciplinary proceedings under these Rules are pending with respect to the Clearing Member or the settlement agent; or

x. if, in the Clearing House's opinion, it is necessary or desirable, to protect the financial integrity, reputation or interest of the Clearing House or the Exchange, to promote a fair, orderly and transparent Market or a safe and efficient Clearing House.

3.4. Resignation of Membership

1) A Clearing Member or a Settlement Agent may resign from their membership with the Clearing House by providing a written notice (“Resignation Notice”).

2) “Resignation Period": The 3-month time period between:

i. the date when the Clearing House receives the Clearing Member’s Resignation Notice.

ii. the effective date when a Clearing or a Settlement Agent officially resigns from the Clearing House.

3) For avoidance of doubt, a Clearing Member or a Settlement Agent shall continue to comply with these Rules, Circulars and Notices as may be imposed by the Clearing House until resignation.

3.5. Termination

1) The Clearing House also has the authority to require a Member's retirement from the Clearing House with the same notice period. The resignation or retirement process becomes effective after all outstanding contracts are settled or transferred, following the specified date in the notice. Once the Clearing House confirms that the resigning member is not in default and has fulfilled all collateral obligations, any collateral held by the Clearing House is returned to the resigning member. However, the resigning Clearing Member remains accountable for any losses related to any Event of Default that occurred before their resignation effective date. Membership fees paid to the Clearing House are non-refundable upon resignation unless the Clearing House decides otherwise.

3.6. Supervision on Clearing Members and Settlement Agents

3.6.1. Clearing House Investigations

1) The Clearing House may investigate on a Clearing Member or a Settlement Agent if:

i. the investigation involves a possible breach of the Laws, the Clearing Rules, Circulars or Notices.

ii. the Clearing House receives a written complaint involving a Clearing Member or a Settlement Agent, or its director, officer, employee or agent;

iii. there is a dispute between Clearing Members/Settlement Agents on a clearing and settlement matter; or

iv. in the Clearing House's opinion, the circumstances warrant it.

3.6.2. Clearing House Inspections

1) The Clearing House may appoint any person or persons to conduct inspections of Clearing Members or Settlement Agents (the "Clearing House Inspectors").

2) The Clearing House may conduct an inspection on a Clearing Member or a Settlement Agent at any time.

3) A Clearing Member or a Settlement Agent, its director, officer, employee or agent shall give the Clearing House Inspector access to all information, books and records as requested. For the

avoidance of doubt, reference to "information, books and records" in relation to a Clearing Member or a Settlement Agent shall refer to information, books and records falling within the respective Clearing Member or Settlement Agent's business governed by these Rules.

4) The Clearing House shall give a copy of the inspection report to the respective Clearing Member or Settlement Agent.

5) The Clearing House may charge a fee for the inspection. The fee is payable immediately by the respective Clearing Member or the Settlement Agent.

3.7. Disciplinary Actions

1) If an investigation or inspection reveals that a Clearing Member or a Settlement Agent, any of its directors, employees or agents has breached any Clearing Rule, Circulars or Notice, the Clearing House may take any of the following forms of disciplinary action, namely:

i. to charge the Clearing Member or a Settlement Agent before the Disciplinary Committee.

ii. to impose a fine to the Clearing Member or a Settlement Agent; or

iii. to issue a letter of warning to the Clearing Member or a Settlement Agent.

3.7.1. Disciplinary Committee

1) The Disciplinary Committee shall comprise people appointed by the Board or the General Manager of the Clearing House.

3.7.2. Appeals

1) The Clearing House or the person charged may appeal against the decision of the Disciplinary Committee.

2) The decision of the Appeal Committee is final and binding

4) Account Structures

1) AD Clear (the Clearing House) as a Central Counterparty Clearing “CCP” implements an account structure, wherein those Accounts will be used for settlement, margining and clearing. The accounts are created depending for the Clearing Members and Settlement Agents to manage their trades and positions within the ADX Securities and Derivatives Markets.

4.1. Settlement Accounts “SA”

4.1.1. House Settlement Account

1) At least one Settlement Account shall be established at the Clearing House with respect to all House/Proprietary activities belonging to a Clearing Member or a Settlement Agent and such account to be known as a House Settlement Account.

2) Each House Settlement Account shall be the account where all obligations owing to or from the Clearing House in relation to relevant House Positions of a Clearing Member or a Settlement Agent shall be represented.

4.1.2. Customer Settlement Account

1) In addition to the House Settlement Account, an account shall be established at the Clearing House, each such account to be known as Customer Settlement Account, where each Customer Settlement Account shall be the account to which all obligations owing to or from a Clearing Member with respect to relevant Customer Positions shall be represented and to which all liabilities relating to such Customer Positions shall be collected.

2) Each Customer Settlement Account may be managed under the following account structure:

i. Customer Omnibus Settlement Account: This Account is set up for Customers other than Customer Segregated Settlement Accounts.

ii. Customer Segregated Settlement Account: This Account is set up for a customer to allow his Trades and Positions to be settled separately from other Customers.

3) All monies or liabilities owing to or from a Clearing Member with respect to relevant Customer Positions shall be represented and collected to the relevant Customer Clearing Account, as identified in the books and records of the Clearing House.

4) A Settlement Account can be linked to multiple clearing accounts under the Clearing Members.

4.2. Clearing Accounts for the Securities Market

1) The Clearing House shall set up at least one House Clearing Account for each Clearing Member. All the Trades and Positions recorded in all the Investor Trading Accounts and Physical Delivery Accounts, which are linked to a specific Clearing Member, should be aggregated to such Clearing Account and the Margin Requirement should be calculated for the Clearing Account (CA). Many Trading Accounts and Pool accounts can be linked to a clearing account (CA).

2) The Clearing House shall set up at least one House Clearing Account for each Settlement Agent. All the Trades and Positions recorded under all the Settlement Agent Investor Trading accounts and Settlement Agent Physical Delivery Account, which are linked to a specific Settlement Agent, should be aggregated to such Clearing Account and the Initial Requirement should be calculated for the Clearing Account (CA). Many Settlement Agent accounts and pool accounts can be linked to a clearing account (CA).

4.2.1. House Clearing Account

1) A Clearing Account or Clearing Accounts shall be established at the Clearing House with respect to each Clearing Member or a Settlement Agent, each such Clearing Account to be known as a House Clearing Account.

4.2.2. Customer Segregated Clearing Account

2) This type of Clearing Account is set up for a customer to allow his Trades, Positions and Margin requirement to be segregated from other Customers.

4.2.3. Customer Omnibus Clearing Account

1) This type of Clearing Account is set up for multiple Customers, wherein the Trades, the Positions, and the Margin Requirement for all the CMs customer should be represented in this Clearing Account.

4.3. Collateral Pledged Accounts “CPA”

1) The clearing house shall create the collateral pledged account to record and report the collaterals held for the Clearing Member or a Settlement Agent based on their margin requirements or Initial Requirements respectively for both the Securities and Derivatives Markets. These accounts will be used to determine if a margin call for the Clearing Member or Settlement Agent is required or not throughout the day.

4.3.1. House Collateral Pledged Account

1) At least one Collateral Pledged Account or Collateral Pledged Accounts shall be established at the Clearing House with respect to each Clearing Member or Settlement Agent, each such Collateral Pledged Account to be known as a House Collateral Pledged Account. The Clearing house will hold all of the house collateral under this account.

4.3.2. Customer Segregated Collateral Pledged Account

1) This type of Collateral Pledged Account is set up for a customer to allow his Collateral to be segregated from other Customers.

4.3.3. Customer Collateral Pledged Account

1) This type of Collateral Pledged Account will hold the aggregated collateral for the Clearing Member or Settlement Agent customers based on their activity and exposure.

4.4. Physical Delivery Accounts “PDA”

1) The Clearing House shall set up at least one House Physical Delivery Account and at least one Customer Physical Delivery Account for each Clearing Member or Settlement Agent. “PDAs” will be used to aggregate all the Member’s or Agent’s activity (house) or the Clearing members or Settlement Agents Customer’s activities (Customer) in the Securities Market and used to initiate the Settlement instructions on Settlement Date.

4.4.1. House Physical Delivery Account

1) At least one Physical Delivery Account or Physical Delivery Accounts shall be established at the Clearing House with respect to each Clearing Member or Settlement Agent, each such Physical Delivery Account to be known as a House Physical Delivery Account. The Clearing house will hold all of the house traded securities under this account for settlement.

4.4.2. Customer Physical Delivery Account

1) At least one Physical Delivery Account or Physical Delivery Accounts shall be established at the Clearing House with respect to each Clearing Member's or Settlement Agent 's customers, each such Physical Delivery Account to be known as a Customer Physical Delivery Account. The Clearing house will hold all of the Clearing Member's or Settlement Agent 's customers traded securities under this account for settlement.

4.5. Investor Trading Accounts "ITA"

1) These accounts are the main trading accounts holding the details of the client's trades. These records are received from Central Depository, and the trading activities of these accounts assist in securities movements and holding along with the pool accounts.

4.6. Broker Trading Accounts for DVP/Settlement Agent Trades "BTA" for Securities Market

1) The Clearing House requires all Settlement Agent Trading accounts (Settlement Agent ITA) to establish a Broker Trading Account through which they are allowed to trade in the Securities Market using an existing trading Clearing Member. Broker Trading Accounts (BTA) are unique in their function, wherein any trade executed by the BTA will be pending Settlement Agent's acceptance to be transferred to Settlement Agent ITA. As such, we have two scenarios that are present:

i. Settlement Agent accepts the trade done on behalf of the client by the trading Clearing Member, the obligation, and Initial Requirement of the trade falls under the Settlement Agent.

ii. Settlement Agent rejects the trade done on behalf of the client by the trading Clearing Member, the obligation and margin requirement of the trade falls under the trading Clearing Member.

2) The clearing House reserves the use of BTAs only to Settlement Agent Trades.

4.7. Trading and Clearing Accounts "TCA" for the Derivatives Market

1) The Clearing House shall create Trading and Clearing Accounts solely to be used in the Derivatives Market, where these accounts will combine the functions of trading on the Derivatives contracts and calculating the margin of the open position of the Clearing Member and their customers.

4.7.1. House Trading and Clearing Account

1) At least one Trading and Clearing Account or Trading and Clearing Accounts shall be established at the Clearing House with respect to each Clearing Member or its Affiliate Corporation, each such Trading and Clearing Account to be known as a House Trading and Clearing Account. These accounts to be used for House / Proprietary Derivatives trading, the House Account is a "Net Clearing Account" for their margins and obligations.

4.7.2. Customer Trading and Clearing Account for a single beneficiary owner.

1) The Clearing House shall allow Clearing Members to open Trading and Clearing Accounts for their clients, wherein one account will belong to a single beneficial owner. These accounts are a "Net Clearing Account" for their margins and obligations.

4.7.3. Customer Omnibus Trading and Clearing Account

1) At least one Trading and Clearing Account shall be established at the Clearing House with respect to each Clearing Member's Customers, such Trading and Clearing Account to be known as an Omnibus Trading and Clearing Account. This account is for all customers without a sole TCA for their Derivatives trading, the Omnibus Account is a "Gross Clearing Account "for their margins and obligations.

4.7.4. Net and Gross Clearing Accounts

1) "Net Clearing Account": A Clearing Member may request a Clearing Account to be set as "Net Clearing Account", only when it is registered under only a single-beneficiary owner. The Trades and Positions for such Clearing Account will be netted off to only one-sided positions. The Margin Requirement for such a Clearing Account shall be calculated on a net basis.

2) "Gross Clearing Account": If Trades and Positions under a Clearing Account could belong to different beneficiary owners, such Clearing Account has to be set as a "Gross Clearing Account". All the Trades and Positions will be aggregated.

4.8. Trading Account for Derivatives Market

1) The Clearing house reserve the Trading Account to Non-Clearing Members who have an agreement with another Clearing Member who will clear their trades in the Derivatives Market. These accounts can be set as:

i. House Trading Accounts

ii. Customer Trading Account for a single beneficiary owner

iii. Omnibus Customer Trading Account.

5) Trade and Position Management

1) This section is applicable to both Securities and Derivatives Markets, unless otherwise stated.

5.1. Trade Registration and Novation

1) A Securities Contract traded in ADX Securities Market shall be deemed to be recorded by the Exchange and registered with the Clearing House upon the ADX Trading System producing a matched trade record of the transaction.

2) A Derivatives Contract traded in ADX Derivatives Market shall be deemed to be recorded by the Exchange and registered with the Clearing House upon the ADX Trading System producing a matched trade record of the transaction.

3) Only Clearing Members shall be entitled to have Securities Contracts and/or Derivatives Contracts registered in their name.

4) A Settlement Agent may accept and clear the Securities Contracts for its Customers by accepting the Delivery-versus-Payment Trades ("DVP Trades) done by a Trading Member of ADX Securities Market.

5) Novation of a Securities Contract: Upon and by virtue of registration with the Clearing House, a Securities Contract shall be replaced with two new Securities Contracts which shall be binding on the Clearing House and Clearing Members or Settlement Agent by virtue of Novation.

6) Novation of a Derivatives Contract: Upon and by virtue of registration with the Clearing House, a Derivatives Contract shall be replaced with two new contracts which shall be binding on the Clearing House and Clearing Members by virtue of Novation.

7) All Securities Contracts and Derivatives Contracts shall be subject to these Rules.

8) Clearing Member or Settlement Agent as Principal for a Securities Contract: Each Securities Contract shall be between the Clearing House and one of the following as principal and not as agent. No other person (including any Trading Member which is guaranteed by the Clearing Member) shall have any rights or obligations under any Securities Contract between the Clearing House:

i. the Clearing Member who may guarantee the Securities Contract done for the following:

a) Its own proprietary account in House Account) or

b) its Customers (This may include the Trading Members who are cleared by the Clearing Member); or

ii. the Settlement Agent who guarantees the Securities Contract for the Delivery-versus-Payment Trade ("DVP Trade").

9) Clearing Member as principal for a Derivatives Contract: Each Derivatives Contract shall be between the Clearing House and a Clearing Member as principal and not as agent. No other person (including any Trading Member which is guaranteed by the Clearing Member) shall have any rights or obligations under any Open Contract between the Clearing Member and the Clearing House.

5.2. Clearing House's Power to Transfer Derivatives Contracts

1) The Clearing House may allow the transfer of a Derivatives Contract held in the name of a Clearing Member (the "Transferor Clearing Member") to another Clearing Member (the "Transferee Clearing Member)

5.3. Clearing House's Power to Decline to Effect Transfer

1) The Board or the Chief Executive may in their absolute discretion decline to affect a transfer without giving any reason. Due note the following:

i. Conditions of Transfer - A Transfer may be made subject to the Transferor Clearing Member and Transferee Clearing Member complying with any conditions imposed by the Clearing House including the deposit of Margin, cash, securities, or collateral by either or both of the Transferor and Transferee Clearing Member or any other party.

ii. Effecting of Transfer - The Transfer shall be carried out in such manner and at such time as the Clearing House determines and shall be subject to the consent of the Transferee Clearing Member. For the purpose of determining the terms of the Open Contract to be transferred the determining time shall be the time of acceptance.

iii. New Contract Created Upon Transfer - Upon the Transferee Clearing Member accepting the Transfer in the manner prescribed by the Clearing House the Open Contract between the Transferor Clearing Member and the Clearing House shall be extinguished and a new Open Contract will come into existence between the Clearing House and the Transferee Clearing Member to which the Open Contract has been transferred on the same terms as the extinguished Open Contract.

5.4. Trade Split

1) A Clearing Member may split a Customer Trade into a few Trades and transfer or give-up partial or all the Trades to another Clearing Member under Customer's name Account or other Clearing Accounts of the same Clearing Member under the Customer's name.

5.5. Trade Transfer due to Errors

1) A Clearing member may transfer a trade made in error after getting the required Approvals from the Exchange to another Customer, the Clearing House will review and allow corrective action.

5.6. Trade Give-up

1) A Customer may request his Clearing Member (Executing Clearing Member) to give up his Trades to another Clearing Member (Receiving Clearing Member) under his name, or to another Clearing Account of the same Clearing Member under his name. Such Trades shall be treated as Give-up Trades.

2) Before the Receiving Clearing Member accepts the Give-Up Trades, the Executing Clearing Member is responsible for all the rights and obligations of such Trades.

3) Upon the acceptance of the Give-up Trades, the Receiving Clearing Member should be responsible for all the rights and obligations of such Trades. This action is called "Take-up".

4) The Give-up and Take-up of Trades has to be done by the timeline specified in Clearing Procedures. After the timeline, the Give-up or Take-up shall not be allowed, but a Customer may request his Clearing Member to transfer his Contract to another Clearing Member under his name.

5.7. Delivery versus Payment ("DVP Trade") and Give-up & Take-up for Securities Market

1) A Delivery versus Payment Trade ("DVP Trade) is done by a Trading Member in ADX Securities Market via the Broker Trading Account (BTA), and such DVP Trades will facilitate the Give-up Trades between the Trading Member of ADX Securities Market and the Settlement Agent of the Clearing House, as follows:

i. A DVP Trade shall be registered via a BTA Account, which is linked to an Investor Trading ITA Account for the Customer of a Settlement Agent. This link signifies that all DVP Trades executed by the BTA Account are linked to that specific Customer under the Settlement Agent, and as such a Give-up Trade is made from the Trading Member of the Exchange (Executor) to the Settlement Agent (Receiving Settlement Agent)

ii. Before the Receiving Clearing Member accepts the Give-Up Trades, the Clearing Member for the Executor is responsible for all the rights and obligations of such DVP Trades.

iii. Upon the acceptance of the Give-up Trades, the Receiving Settlement Agent should be responsible for all the rights and obligations of such Trades. This action is called “Take-up”.

iv. The Give-up and Take-up of Trades has to be done by the timeline specified in Clearing Procedures. After the timeline, the Give-up or Take-up shall not be allowed.

v. The Settlement Agents shall accept the DVP Trades before the cut-off time prescribed in the Clearing House’s Clearing Procedure. In addition, the Clearing House deems that the Settlement Agent to accept any pending “Take-up” Trades if no rejected is done by the Settlement Agent before the cut-off time.

5.8. Late Acceptance of a DVP Trade by a Settlement Agent

1) A Settlement Agent may initiate a “Late Acceptance” request on their previously rejected trade to accept those DVP Trades. This is only allowed on the scheduled time period prescribed in Clearing Procedures.

2) Such “Late Acceptance” DVP Trade has to be settled on the same day.

5.9. Position close-out for Derivatives Market

1) Close-out of Trades and Positions for Customer Omnibus Trading and Clearing Accounts (Gross Account)

i. A Clearing Member may close out the same quantity of Derivatives Buy Trades (or Long Positions) and Derivatives Sell Trades (or Short Positions) for such Trading and Clearing Account, when the buy and sell trades belong to the same beneficiary owner.

ii. For the avoidance of doubts, a Clearing Member is prohibited to close out the Trades and Positions which belong to different beneficiary owners.

2) Automatic Net-off of Derivatives Trades and Positions for a Trading and Clearing Account (Net Account)

5.10. Position Transfer for Derivatives Market

1) A Clearing member may transfer an open position made in error to another client, provided that he has received the Clearing House approval.

5.11. Position Give-up for Derivatives Market

1) At the discretion of the Clearing House, a customer may request his Clearing Member (Executing Clearing Member) to give up his positions to another Clearing Member (Receiving

Clearing Member) under his name, or to another Clearing Account of the same Clearing Member under his name. Such positions shall be treated as Give-up positions.

2) After Confirming with the Receiving Clearing Member, the Clearing House will allow the member to accept the Give-up.

6) Margin Requirement, Initial Requirement, Collateral and Default Fund

6.1. Margin Requirement and Initial Requirement

1) The Clearing House calculates Margin Requirements for all the Trades (in terms of Securities Contracts for ADX Securities Market and Derivatives Contracts and Positions for ADX Derivatives Market) belonging to the following:

i. a Clearing Member itself,

ii. the Customers of a Clearing Member.

2) The Clearing House also calculates the Initial Requirements for all the Trades (in terms of Securities Contracts for ADX Securities Market) belonging to following:

iii. a Settlement Agent itself,

iv. the Customers of a Settlement Agent.

3) The Clearing Member is required to meet the Margin Requirements in the form of Approved Collaterals, as specified in these rules and in the Clearing Procedures.

4) The Settlement Agent is required to meet the Initial Requirements in the form of Approved Collaterals, as specified in these rules and in the Clearing Procedures.

5) When the balance of the Collaterals of a Clearing Member falls below the Margin Requirement, the Clearing House shall issue a Margin Call to the Clearing Member, prompting them to transfer additional collateral to ensure their balance meets the requirement. This transfer must adhere to the timing and the manners outlined in the Clearing Procedures.

6.1.1. Margin Requirements for Securities Market (Clearing Members)

1) The Clearing House prescribes the following Margins for the Securities Market:

i. Initial Margin - Designed to cover the cost of liquidating a default participant.

ii. Variation Margin - Designed to cover the shift in risk due to unsettled positions.

iii. Fails Margin - Designed to cover the additional risk due to overdue settlement.

iv. Concentration Margin - Designed to cover the additional risk over the Initial Margin due to the aggregated Trades exceeding a threshold set by the Clearing House to avoid concentrating in a particular Securities Contract for the Clearing Member.

6.1.2. Margin Requirements for Derivatives Market

1) The Clearing House prescribes the following Margins for the Derivatives Market:

i. Initial Margin: calculated using leading practices Risk Based Margining Methodologies based on long historical prices, high confidence level and adequate time horizon.

ii. Variation Margin: The Clearing House shall settle the Trades and Positions on a daily basis, where all Trades and Positions have to be marked to market to either the Daily Settlement Price on a normal day or the Final Settlement Price on its Last Trading Day or Expiry Date.

6.1.3. Initial Requirement for Settlement Agent

1) The Clearing House prescribes the Initial Requirement amount required from each Settlement Agent, which is communicated by AD Clear to the Settlement Agents periodically.

2) Settlement Agents are obligated to provide their Initial Requirement in the form of Approved Collateral, either upon their admission to the Clearing House or upon demand by the Clearing House on any Business Day if the balance of their Approved Collaterals fails to meet the Initial Requirement, as specified in the Clearing Procedures.

3) The Clearing House will utilize Settlement Agent's Approved Collaterals for Initial Requirements, if a Settlement Agent fails to meet its payment obligations after accepting a Securities Contract (as a Delivery versus Payment Trade "DVP Trade").

4) Furthermore, The Clearing House reserves the right to impose, modify, or remove additional requirements regarding Settlement Agents' Initial Requirements at its discretion and at any time.

6.1.4. Additional Margins

1) The Clearing House may, from time to time, impose Additional Margins to a Trading and Clearing Account (TCA), a Clearing Account (CA) or a Settlement Account (SA) belonging to a Clearing Member with the concerns in Position Concentration, Large Exposure, Credit Concerns, or any other perceived risks by the Clearing House.

6.1.5. Margin Call for Clearing Member

1) The Clearing House, at its discretion, may issue a Margin Call during the intra-day or at the end of day for Margins or any other amount payable if the provided available collateral balance is deemed insufficient. In such cases, the Clearing House will notify each Clearing Member of the intraday or end of day margin call amount and the deadline for the transfer of the collateral as described in the Clearing Procedures.

2) The Clearing House is entitled to demand immediate transfer of additional Collateral by a Clearing Member, if in the Clearing House's opinion, such transfer is necessary due to prevailing circumstances that may affect market conditions or the Clearing Member's performance of its obligations to the CCP.

3) The Clearing House shall impose, amend, and withdraw the Margin Requirements for all Accounts cleared by a Clearing Member from time to time.

6.2. Collateral Management

1) The Clearing House accepts Collateral from Clearing Members and Settlement Agents, such as cash, securities, or any other Collateral (collectively called "Approved Collaterals"), for the provision of Margin Requirements, Default Fund and Initial Requirements, in accordance with UAE Laws and Regulations. The detailed information regarding Approved Collaterals is outlined in AD Clear Procedures.

6.2.1. Collateral to be shown in Collateral Pledge Account

1) Each Clearing Account ("CA Account) or Clearing and Trading Account ("TCA Account") as referred to in these Rules, shall be linked to a Collateral Pledge Account ("CPA Account") opened in the name of the Clearing Member or Settlement Agent, for the guarantee of Trades and Positions registered in its own name.

2) The Customers' Collaterals shall not be used to meet the losses or Margin Requirements in the "House" side.

6.2.2. Approved Collaterals

1) The Clearing House accepts Approved Collaterals from Clearing Members and Settlement Agents for meeting their Margin Requirements, Default Fund Contributions, and Initial Requirements, subject to the following conditions:

2) Cash Collateral:

i. Clearing Members may deposit cash as collateral to the following:

a) a Settlement Bank, which is approved by Clearing House; or

b) the United Emirates Arabic Central Bank "UAECB".

ii. The Clearing House may invest the cash collateral at its discretion in a high-quality instrument which are approved by the Authority.

3) Non-Cash Collateral:

i. The Clearing House would prescribe a list of Non-Cash Collaterals as part of "Approved Collateral". Such non-cash collateral shall meet stringent criteria to ensure high liquidity and low risk concerning market, credit, and concentration risks. The Clearing House would prescribe discount rates (haircut) reflecting market and credit risks and set limits for non-cash collaterals.

ii. The Clearing House would publish the details for Approved Collaterals in its Procedures.

iii. The Clearing House has the full discretion to remove certain collateral as it deems fit.

6.2.3. Collateral Deposit

1) A Clearing Member or Settlement Agent may deposit the cash collateral from its bank account to the Clearing House's bank account under the Settlement Bank or the United Emirates Arabic Central Bank "UAECB".

2) A Clearing Member or Settlement Agent may deposit the non-cash collateral from its Securities Account to AD Clear designated Securities Account.

6.2.4. Collateral Withdrawal

1) A Clearing Member or a Settlement Agent may withdraw the excess Collateral for its Margin Requirement, Initial Requirement, the Clearing Member Contribution, or the Settlement Agent Contribution after the Clearing House approves such withdrawal.

2) For the cash withdrawal, the Clearing House will make the requested payment from Clearing House's bank account of the designated Settlement Bank to the Clearing Member's bank account.

3) For the withdrawal of non-cash collateral, the Clearing House will transfer the requested non-cash collateral from Clearing House's Security Account of Clearing Member's designated Securities Account.

6.3. Settlement Finality

1) All cash payments between the Clearing House and each Clearing Member or Settlement Agent are irrevocable and settlement shall be considered final and settled upon the bank account of Clearing House being credited or debited with the cash payment amount.

2) All non-cash collateral transfers between the Clearing House and each Clearing Member or Settlement Agent are irrevocable and settlement shall be considered final and settled upon the respective Security Account of Clearing House being credited or debited with such non-cash collateral.

6.4. Default Fund and Contributions

1) The Clearing House sets up the Default Fund to cover any debit balances that may result from managing the Default of a Clearing Member or a Settlement Agent. The Default Fund is the sum of Clearing Member Contributions, Settlement Agent Contributions and Clearing House Contribution.

6.4.1. Clearing Member Contributions

1) The Clearing House determines and informs, in its sole discretion, the amounts of Clearing Member Contributions due from Clearing Members periodically.

2) The Clearing House may accept a Clearing Member Contribution in the form of cash, securities, or any other assets according to these Rules, and as detailed in the Clearing Procedures.

3) The Clearing Member is required to maintain the balance of its Collateral to meet its Clearing Member Contribution. If there is any shortfall, the Clearing Member should pay up the Approved Collateral due to the Clearing House within the time specified in the notice.

6.4.2. Settlement Agent Contributions

1) The Clearing House determines and informs, in its sole discretion, the amount of Settlement Agent Contributions due from Settlement Agents periodically.

2) The Clearing House may accept a Settlement Agent Contribution in the form of cash, securities, or any other assets according to these Rules, and as detailed in the Clearing Procedures.

3) The Settlement Agent is required to maintain the balance of its Collateral to meet its Settlement Agent Contribution. If there is any shortfall, the Settlement Agent should pay up the Approved Collateral due to the Clearing House within the time specified in the notice.

6.4.3. Clearing House Contribution

1) The Clearing House contributes to the Default Fund with an amount published in Clearing Procedures, in accordance with the UAE Laws and Regulations.

6.4.4. Allocation of Default Fund upon a Default

1) In the event that the Default Fund has been utilized, the amount withdrawn shall be allocated proportionally to the Clearing Members, depending on their respective Contribution made in the most recent recalculation or replenishment.

6.4.5. Restoration of Default Fund after a Default

1) Clearing Members and Settlement Agents shall be obliged to restore their Contributions to the Default Fund whereas the Clearing House determines, following the procedures, within the periods and within the limits stipulated, where appropriate, by a notice or a Circular.

7) Settlement

1) All Trades for Securities Contracts in Securities Market under a Clearing Member or a Settlement Agent should be settled via a Payment against a Delivery of Securities Contract the Settlement & Delivery System belonging the Central Settlement Depository approved by the Clearing House. The payments shall be grouped within the same Settlement Account below and netted between the receiving and paying cash obligations.

i. House Settlement Account.

ii. Customer Omnibus Settlement Account; or

iii. Customer Segregated Settlement Account.

7.1. Netting and Settlement of Cash Obligations for Trades in Securities Market

1) A Clearing Member or a Settlement Agent should settle a single payment "Cash Settlement Obligation" which equals to the net value of the following:

i. the sum of the contract values for all buy trades (A); and

ii. the sum of the contract values for all sell trades (B).

2) within the same Settlement Account and for the same Settlement Date, where

i. When the (A) above is greater than the (B) above, it is a net Buy Value and the Clearing Member, or the Settlement Agent should pay the Clearing House for such amount through the.

ii. When the (B) above is greater than the (A) above, it shall be a Net Sell Value and the Clearing House should pay the Clearing Member or the Settlement Agent.

3) The Clearing Member or the Settlement Agent shall pay or receive the payment through the is a payment from the Clearing House to the Clearing Member or When the payment channel described in the Clearing Procedures.

4) "Settlement Default" - If a Clearing Member or a Settlement Agent fails to pay the payment within the time specified in the Clearing Procedures, the Clearing Member or the Settlement Agent is deemed as "Settlement Default".

7.2. Settlement of Delivery Obligation of Securities for Trades in Securities Market

1) The Clearing House should instruct the Abu Dhabi Depository LLC "ADCSD" or the relevant Central Securities Depository to transfer the traded quantity of the Securities from the Seller's Securities Account to the Buyer's Securities Account according to the quantity of the Trade for the Securities.

2) In the case of the Seller's Securities Account does not have enough Securities for the Trade, it's the responsibility of the Seller's Clearing Member or Settlement Agent to fulfill the Delivery Obligation.

7.3. Failure to meet the Delivery Obligations for Trades in Securities Market on the Intended Settlement Date (T+2)

1) If a Clearing Member or a Settlement Agent fails to meet the Delivery Obligation in full quantity by the Intended Settlement Date (T+2), the Clearing House should impose a "Fails Margin".

7.4. Buy-in Orders for Failure to meet the Delivery Obligations for Trades in Securities Market after the Intended Settlement Date (T+2) and until the 2nd Business Day after the Intended Settlement Date (T+4)

1) The Clearing House would produce a Buy-in Order to be sent to the Exchange Trading System when a Clearing Member or a Settlement Agent fails to meet its Delivery Obligations based the terms and conditions prescribed in the Clearing Procedures from the Intended Settlement Date (T+2) and until the 2nd Business Day after the Intended Settlement Date (T+4),

2) A Buy-in Order shall be displayed and matched in the Exchange Trading System in a manner specified in the respective Exchange Rules.

7.5. Buy-in Trades to be settled on the same day of Trade Date for fulfilling the Failed Delivery Obligations

1) The Seller of a Buy-in Trade should deliver the Securities on the same day of the Trade Date (T+0).

2) To avoid any doubts, if the Seller of a Buy-in Trade fails to meet the Delivery Obligation, it's the responsibility of the Seller's Clearing Member or Settlement Agent to fulfill the Delivery Obligation.

7.6. Buyer Cash Compensation for Failed Delivery Obligation on the 3rd Business Day after the Intended Settlement Date (T+5)

1) When a Clearing Member or a Settlement Agent does not fulfill its Delivery Obligations to Clearing House in terms of Settlement for the buy trade or the sell trade for a Securities Contract in Securities Market

7.7. Settlement Default

1) If a Clearing Member or a Settlement Agent fails to pay the payment within the time specified in the Clearing Procedures, the Clearing Member or the Settlement Agent is deemed as "Settlement Default".

7.8. Settlement for Derivatives Contract in Derivatives Market

1) Settlement for Variation Margins in Cash: The Variation Margins should be settled in cash according to the Contract Specification for that respective Derivatives Contract.

2) Offset of Variation Margins: The Variation Margins of all Clearing Accounts (CA) and Trading and Clearing Account (TCA) linked to a Settlement Account (SA) can be offset and aggregated. If there is not enough cash collateral, the Clearing House shall make a Margin Call for the Clearing Member to pay up the deficit.

7.9. Settlement Finality

1) The following actions are irrevocable.

i. A payment for the "Cash Settlement Obligation" or a Margin Call payment is credited to the Clearing House's Bank Account.

ii. A payment for the "Cash Settlement Obligation" or a Cash Withdrawal payment is debited from the Clearing House's Bank Account.

iii. When a Securities has transferred to the Buyer's Securities Account for a Trade in Securities Market.

iv. When non-cash collateral is deposited in the respective account belonging to the Clearing House.

v. When non-cash collateral is debited from the respective account belonging to the Clearing House.

2) The person or a legal entity carrying, supervising, or managing any bankruptcy proceedings shall not be entitled to take any action or claim which contradicts the Clearing Rules.

8) Default and Default Management

8.1. Pre-Default Events

1) The occurrence of any of the following events with respect to a Clearing Member or a Settlement Agent shall constitute a Pre-Default Event and will be dealt with in accordance with these Rules:

i. The Clearing Member (or any of the Clearing Member's Officers, employees, contractors, agents, Representatives or Customers) is in violation or deemed violation of any of these Rules.

ii. The Clearing Member or the Settlement Agent fails to make any payment required to be made under or pursuant to these Rules, Circulars or Notices. Payments may include without limitation any payment towards fees, transaction charges, fines or its clearing and settlement obligations, Margin Requirements, Initial Requirements, Contribution, or any other dues ("Financial Default").

iii. The Clearing Member or the Settlement Agent commits a Settlement Default.

iv. The Clearing Member defaults on any other obligation under these Rules which, if capable of being remedied, is not remedied to the satisfaction of the Clearing House within the time prescribed by the Clearing House for such rectification.

v. An application, in United Arab Emirates or in any other jurisdiction, is filed or an order made for the winding up, dissolution, bankruptcy, management or administration of the Clearing Member or similar event, or an assignment or composition is made by the Clearing Member for the benefit of creditor(s) (save for the purposes of amalgamation and reconstruction which has been approved by the Clearing House) or any steps have been taken towards the foregoing;

vi. Any representation, warranty or document made or submitted by a Clearing Member in its membership application was or has become false in any material respect.

vii. The Clearing Member or any of its Officers, employees, contractors, agents, Representatives or Customers, is in violation of any Applicable Laws governing its business and affairs.

viii. The Clearing Member or any of its Officers or Representatives is charged in any court of law in connection with an offence involving fraud, dishonesty or financial impropriety, whether in or outside United Arab Emirates.

ix. The Clearing Member or any of its Officers or Representatives is insolvent or any steps towards bankruptcy or winding up are initiated by or against any of them.

x. Any material action being taken against the Clearing Member (including, without limitation, any declaration of default, material adverse notice or finding, material fine, suspension or expulsion or withdrawal of revocation of or failure to renew any permission, exemption, license, or authorization) by any Governmental Authority, Regulatory Authority, the Exchange or Clearing Organization.

xi. Any similar event that would affect the business and the financial condition (including its ability to pay its debts as and when they fall due) of the Clearing Member and its affairs with the Clearing House; or

xii. Any other event which in the Clearing House's opinion materially impacts or may materially impact the Clearing Member's ability in meeting any of its obligations under these Rules.

2) The Clearing House may assume that the occurrence of any Pre-Default Event means that a Clearing Member is unable, or likely to be unable, to meet its obligations in respect of any Contract or Trade to which it is a party.

8.2. Declaration of Default

1) The Clearing House shall, at its absolute discretion, determine whether it shall treat a Pre-Default Event as a "Declared Default" and shall determine the date and time of such Declared Default. The Clearing Member or the Settlement Agent with respect to whom the Declared Default has occurred shall be declared a "Defaulter".

2) A Default is declared by the Board or the General Manager of the Clearing House in respect of a Clearing Member or a Settlement Agent under any of these Rules.

3) The Clearing House shall notify, in writing, the Defaulter as well as other Clearing Members and Settlement Agents of the Declared Default and its date and timing. The Clearing House may inform any relevant Authority of a Declared Default and disclose such information to such Authority as it sees fit.

8.3. Default Management

1) Upon declaration by the Board or General Manager of the Clearing House that a Default has occurred with respect to a Defaulter, the Clearing House shall in its absolute discretion have the power to do all necessary action in accordance with these Rules and Clearing Procedures of the Clearing House.

8.3.1. Treatment of Trades and Open Positions on Derivatives Market

1) The Clearing House may take any action as it deems appropriate, including without limitation, the following:

i. to transfer all or any Trade and/or Open Positions of a Customer of the Defaulter to another non-defaulting Clearing Member and it may include any Margin Requirements and Approved Collaterals which in the opinion of the Clearing House are held with respect to such Trade and/or Open Positions.

ii. to close out all or any Open Positions of the Defaulter, including, in its absolute discretion, Open Positions of any one or more of its Customers.

8.3.2. Treatment of Unsettled Trades and Securities on Securities Market

1) The Clearing House may take any action as it deems appropriate, including without limitation, the following:

i. to sell or force-sell the unsettled Securities owned by the Defaulter,

ii. to buy or buy-in Securities that have not been delivered by the Defaulter, so that the Clearing House can deliver shares to the non-affected Clearing Members and Settlement Agents.

8.3.3. Utilization of Assets belonging to the Defaulter

1) The Clearing House shall retain all powers to sell, realize, apply and set off any monies, securities, collateral or other property deposited with the Clearing House by the Defaulter by way of Approved Collaterals, which are used to meet the Defaulter's Margin Requirements, Initial Requirements or Contributions, and other forms of assets which have been transferred to the Clearing House.

2) The Clearing House shall apply the proceeds without being required to give notice to or obtain the consent of the Defaulting Clearing Member with respect to Open Positions designated:

i. to a Customer Omnibus Settlement Account may be used to meet obligations in a Customer Omnibus Clearing Account and shall not be used to meet any obligations in a House Settlement Account; and

ii. to a Customer Segregated Settlement Account may not be used to meet obligations in an Omnibus Segregated Settlement Account or another Customer Segregated Settlement Account.

3) The Clearing House shall apply any surplus in any House Settlement Account of the Defaulter to any deficiency on any Customer Omnibus Settlement Account or Customer Segregated Settlement Account of the Defaulter.

4) The Clearing House shall do all such other necessary acts and things as are in the opinion of the Clearing House necessary to reduce or crystallize its exposure.

8.3.4. Total Default Loss by Clearing House during the Default Management

1) The Clearing House may collate and publish the sum ("Total Default Loss") of all the losses, costs or expenses incurred by the Clearing House from the start of the Pre-Default Event until the conclusion of all the trades and positions under the Defaulter's book being:

i. transferred to another Clearing Member,

ii. closed-out or

iii. liquidated.

8.3.5. Default Management Waterfall

1) The Clearing House shall utilize the following assets in the sequential order to offset the Total Default Loss:

i. The Approved Collaterals of the Defaulter held by the Clearing House for the Defaulter's Margin Requirements, Initial Requirements and/or the Contributions.

ii. The Clearing House Contribution.

iii. The Contributions of all other non-defaulting Clearing Members and Settlement Agents.

iv. Any other monies or other assets which may be available to the Clearing House.

8.3.6. Subsequent Recovery from the Defaulter

1) Any monies or assets later recovered from the Defaulter shall reduce the Total Default Loss of the Clearing House. Any such proceeds will be prorated back in reverse order of the Default Management Waterfall.

8.4. Default Management Exercise

1) All Clearing Members and Settlement Agents should participate in the Default Management Exercise organized and administrated by the Clearing House.

8.5. Recovery and Liquidation of Clearing House

1) The Clearing House may recover from a Declared Default by restoring its Default Fund according to these Rules.

2) The Clearing House may be liquidated according to the Laws in UAE and the Regulations issued by the Authority. In the event of voluntary or mandatory liquidation of the Clearing House, the liquidation shall be performed under the supervision and control of the Authority.

9) Business Continuity, Force Majeure, Compulsory Settlement and Liquidation

9.1. Business continuity

1) The Clearing House creates, executes, and upholds, within the Clearing Procedures, a series of standards concerning sufficient business continuity and disaster recovery. These standards are designed to guarantee the preservation of its functions and prompt restoration of operations during emergencies, disasters, or crises, including physical emergencies. Additionally, the Clearing House will adhere to all relevant requirements, subject to periodic amendments.

9.2. Market Emergencies at the Exchange

1) If the Clearing House identifies an unfavorable situation or practice emerging or already in place that undermines the maintenance of a fair and orderly market on the Exchange, it reserves the right to act, refrain from action, or instruct a Clearing Member to take or refrain from taking specific measures. These actions will be determined by the Clearing House to be appropriate and in the best interests of upholding a fair and orderly market or the underlying market.

i. The Clearing House shall be entitled to give effect to any direction of the SCA in relation to Derivatives or Securities Contracts or the operation of the Clearing House or any other lawful direction.

ii. In giving effect to a determination referred to in this Rule, the Clearing House shall be entitled to apply the Rules as varied or modified so far as necessary to give effect to a relevant decision or direction.

9.3. Force Majeure

1) If the operations of the Clearing House are significantly and adversely affected for any reason, including but not limited to emergency events, government intervention, natural disasters, technical failures, or other unforeseen circumstances such as those mentioned above, rendering the Clearing House unable to conduct its business properly, either wholly or partially, the Clearing House will be exempt from its obligations under these Rules to the extent that such obligations are impeded or prevented by the aforementioned circumstances.

2) The Clearing House reserves the right to adjust or amend these Rules as it deems reasonably necessary in such circumstances. Without limiting the scope of these measures, the actions that the Clearing House may take include:

iii. Compulsory Settlement in accordance with of all or some Open or unsettled Contracts at a price determined by the Exchange or failing that by the Clearing House.

iv. the Close Out of any Open Contract.

v. the exercise of any power which would be exercisable by the Clearing House in the event of a Default; and

vi. The liquidation of the Clearing House in accordance with these Rules.

9.4. Compulsory settlement

1) The provisions of this shall apply where the Clearing House invokes Compulsory Settlement or where such Compulsory Settlement is directed by the Exchange subject to these Rules.

9.4.1. Deemed Close Out of Open Contracts

1) Upon the Clearing House determining an Open Contract or Open Contracts shall be subject to Compulsory Settlement, the Open Contract shall be deemed to be Closed Out by an Opposite Open Contract at the price determined by the Clearing House at a price which in the opinion of the Clearing House is fair and reasonable.

9.4.2. Effecting of Compulsory Settlement

1) Compulsory Settlement shall be effected by the Clearing House giving notice to the Clearing Member holding the Open Contract or Open Contracts to be subject to Compulsory Settlement specifying the price at which that Compulsory Settlement is to occur and in such other manner and form as the Clearing House in its absolute discretion shall determine.

2) Compulsory Settlement will be in form of cash in the settlement currency of the contract.

9.4.3. Matters to Which Clearing House Shall Have Regard

1) Subject to any Exchange direction and subject to these Rules, the Clearing House shall direct the Compulsory Settlement of Open or unsettled Contracts in its absolute discretion having regard as far as practicable to the proportion of Open Contracts held by Clearing Members and with respect to Open Contracts and Clearing Members selected by the Clearing House.

9.4.4. Compulsory Settlement Final and Binding

1) Compulsory Settlement (and the determination of any price for Compulsory Settlement) shall be final and binding on all parties and Compulsory Settlement shall be a full and effective discharge of obligations under Open Contracts by the Clearing House.

9.5. Clearing House Liquidation

1) In the event the monies or other assets available to the Clearing House are insufficient to meet the obligations of the Clearing House under these Rules following the default of one or more Clearing Members or any other case when the Clearing House has to undergo optional or compulsory liquidation the Clearing House will be wound up in accordance with the relevant requirements in these Rules and the Clearing Procedures and subject to the supervision and control of the SCA related to Liquidation of the Clearing House.

AD Clear

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THANK YOU FOR CHOOSING
AD CLEAR

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