

**Notice No.:** RISK-2020-060

**Issue Date:** 21 September, 2020

**Subject: Amendment to Clearing Rules – Default Auction**

---

Notice to all Members,

**Subject: Amendment to Clearing Rules – Default Auction**

---

Clearing Members are advised that DCCC has received approval from SCA for proposed amendments to the DCCC Clearing Rules as detailed in Appendix I.

These amendments enhance DCCC's default management capabilities and were the subject of Clearing Member consultation in 2019.

Clearing Members requiring further information with regard to this Notice should contact their Relationship Manager.

**For Dubai Commodities Clearing Corporation**

**Andrew Dodsworth**  
**Director – Operations and Risk**

**Appendix I**

**Amendments to DCCC Clearing Rules**

**H.2.3 The Auction Process and Subsequent Allocation of Loss**

- (a) Notwithstanding the provisions of Rule H.2.1. the Clearing Corporation may determine in its absolute discretion to undertake an auction process with regard to Open Contracts of the Clearing Member in Default. This auction process shall apply on a per-Defaulting Clearing Member basis, so that in the event that more than one Clearing Member has been declared in default under the Rules, the auction process shall be applied separately in respect of each such Clearing Member in Default.
- (b) In the event that the Clearing Corporation decides to undertake an auction then it shall advise all Clearing Members of the timetable for the auction, and all Clearing Members will be required to participate in the auction. Any Clearing Member that does not participate in the auction will be deemed to be in breach of these Rules and may be subject to disciplinary action.
- (c) Notwithstanding (b) above, the Clearing Corporation may, at its absolute discretion waive the requirement for participation in an auction for a Clearing Member(s) if it considers that such non-participation would be in the best interests of all other Clearing Members.
- (d) The Clearing Corporation shall provide each Clearing Member with sufficient information as to the Open Contracts that will allow Clearing Members to undertake their own assessment as to the value of the Open Contracts.
- (e) The Clearing Corporation shall not specify a minimum bid price for the auction but shall assess the bids received and select the winning bid. The decision of the Clearing Corporation shall be final and binding and not be subject to appeal by any Clearing Member.
- (f) The Clearing Corporation may accept the best price that it believes accurately reflects the risk of the Open Contracts. If two or more Clearing Members submit a bid of the same value, then the winning bid will be that which was received first by the Clearing Corporation.
- (g) Prior to commencing an auction, the Clearing Corporation shall determine the juniorisation approach that shall be applied in the event that the losses incurred by the Clearing Corporation require the use of the Default Fund.
- (h) The Clearing Corporation shall rank all bids received, and in the event that a Clearing Member does not submit a bid then they shall be ranked last, preceded by the least competitive bid received and ending with the bid that was closest to the successful bid. Clearing Members that have been granted a waiver in accordance with Rule H.2.3 (c) shall be excluded from the ranking process described herein. The Clearing Commitment of any such Clearing Member shall be applied only after the Clearing Commitment of all those Clearing Members that participate in an auction has been applied to the losses incurred by the Clearing Corporation.

**Notice No.:** RISK-2020-060

**Issue Date:** 21 September, 2020

**Subject: Amendment to Clearing Rules – Default Auction**

---

- (i) The Clearing Corporation shall use the ranking performed in (h) above to allocate losses as appropriate.
- (j) In the event that the Clearing Corporation determines that none of the bids received during an auction are reflective of the risk of the Open Contracts, then it shall declare the auction to be closed. In such an event the Clearing Corporation may carry out a further auction if it considers that such action would be appropriate.
- (k) If the Clearing Corporation determines that it would not be appropriate to carry out a further auction, then it may resort to seeking to close out the Open Contracts in the market in accordance with Rule H.2.1, or to perform compulsory settlement in accordance with Rule I.5.