

Notice No.: RISK-2020-018

Issue Date: March 10, 2020

Subject: Revision of Policy Relating to Fixed Deposits as Collateral

Notice to all Members,

Subject: Revision of Policy Relating to Fixed Deposits as Collateral

Pursuant to the Clearing Rules of the DCCC, the following policy will be implemented with effect from **16 March 2020**.

Clearing Members will be aware that DCCC accepts both cash and non-cash as collateral towards margin obligations, but that non-cash collateral must not exceed 60% of the total placed with DCCC at any one time.

DCCC has previously defined non-cash collateral as being any eligible collateral other than cash itself, and this definition has also included fixed term deposits. DCCC has recently undertaken a review of its collateral policy and determined that it is no longer appropriate to consider fixed term deposits as non-cash in the context of collateral.

Whilst it would be more appropriate to consider fixed term deposits as cash, it is also recognised that it is not always possible to liquidate a fixed term deposit for value the same business day. This represents a liquidity risk to DCCC in the event that it is required to liquidate a fixed term deposit, and in order to address this risk DCCC proposes to implement a hair-cut of 2 ½% on the value of fixed term deposits pledged as collateral with DCCC. This hair-cut will be reviewed three months following the change in policy detailed herein to determine whether it is an appropriate safeguard against the envisaged liquidity risk.

Further, Clearing Members are advised that the cut-off time for accepting instructions to break a fixed term deposit prior to the termination date is 10:00 hours (Dubai time) daily. Any costs levied by the relevant bank and incurred by DCCC will be charged to the Clearing Member's account together with an administrative fee of \$1,000.

It should however be noted that there is no change in Default Fund Contributions or Minimum Clearing Commitments by members which will continue to be made in US Dollar Cash only.

With effect from **Monday 16 March, 2020** onwards fixed term deposits shall be considered as cash when determining the ratio of cash: non-cash collateral pledged by Clearing Members, but that any fixed term deposits so pledged shall be subject to a hair-cut of 2 ½% on the value of the fixed term deposit.

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