COMPENSATION CALCULATION IN THE EVENT OF A DEFAULT

The following mechanism is applicable to determine the compensation amounts to the aggrieved parties in case of a trade default as highlighted in the Clearing House rules.

Compensation Payment Procedure – Seller Default

In the event of a Securities Default, the original Buyer will be compensated for the 2-day price risk and the opportunity loss. Following formula will be used to do the computation;

Compensation amount = P * Q + X%

Where,

P = Highest trade price between the T to T+1 (the period between trade date and one dayprior to the settlement date) – Purchase price

Q = Quantity of defaulted securities

X = 0.8%*

*A fixed percentage of 0.8% from the defaulted trade value will be charged from the defaulting investor and this component shall be retained by the Clearing Member of the innocent investor when passing the compensation to the innocent party.

Compensation Payment Procedure – Fund Default

In the event of a fund default by a buyer, the CSE Clear (CCL) shall complete the settlement to the seller as the Central Counter Party. Hence, no compensation shall be paid, and penalty will be charged from the buying Clearing Member in terms of CSE Clear rules.