

SETTLEMENT PROCEDURE POLICY

- 1.1 This Settlement Procedure Policy outlines Dowgate MTF's approach to settlement in relation to its transactions carried out on its MTF.
- 1.2 As a market operator of an MTF, Dowgate has a responsibility to *“have in place the arrangements necessary to facilitate the efficient settlement of the transactions concluded under its systems.”* This responsibility applies to all MTF operators irrespective of market model or prevailing settlement convention e.g. bi-lateral settlement or central clearing and settlement arrangements.
- 1.3 Dowgate has two primary approaches to settlement, which depend on the type of trading being conducted on the Dowgate MTF, specifically, whether it is:
 - (a) Disclosed Trading (as defined below); and
 - (b) Undisclosed Trading (as defined below).
2. **DISCLOSED TRADING**
 - 2.1 In relation to "disclosed trading" ("**Disclosed Trading**"), Dowgate MTF does not settle trades for the participants. In this respect, disclosed transactions are effected on a bilateral basis between the relevant two Participants (for example, a transaction carried out via a bid/offer matching on the order book), creating rights and obligations between those Participants.
 - 2.2 Dowgate MTF or any other affiliate of Dowgate MTF is not a party to a transaction carried out under Disclosed Trading. **Therefore Dowgate MTF is not responsible or liable for the settlement of the Transactions executed by a Participant on the MTF for a disclosed transaction.**
 - 2.3 As set out in the Dowgate MTF rulebook:
 - (a) Dowgate MTF, will provide or make available to each Participant the details of each transaction in order to facilitate the prompt settlement of these transactions by that Participant; and
 - (b) Each Participant shall be required to have adequate arrangements in place for the clearing and settlement of transactions. In particular, each Participant shall ensure that every transaction is settled in accordance with applicable law (including any obligations in respect of central securities depositories regulation ("CSDR"), where relevant).
 - 2.4 For certain derivative transactions carried out on Dowgate MTF at the point of trade, both parties must agree to centrally clear the OTC derivative contract. In this case, an appointed Central Counterparty ("**CCP**") steps into the middle of the trade, becoming the buyer to every seller and the seller to every buyer. Please see section four in respect of such cleared derivatives.

3. UNDISCLOSED TRADING

- 3.1 In relation to undisclosed trading ("**Undisclosed Trading**"), a group affiliate of Dowgate ("**Matched Affiliate**") will, under the rules of the Dowgate MTF, face the Participant on a matched principal basis. This will facilitate anonymised trading between the Dowgate MTF Participants.
- 3.2 The Matched Affiliate will be responsible for its settlement obligations, in respect of its side of the transaction. In this respect, a settlement agent selected by the Matched Affiliate and notified to the Participant will act on behalf of the Matched Affiliate in relation to the clearing and settlement of all Undisclosed Transactions, and settlement of such trades is subject to the procedures of such firm.
- 3.3 Notwithstanding the above, a transaction between the Participant and the Matched Affiliate will settle on a delivery versus payment basis. This means that the Matched Affiliate would be the buyer to a seller and the seller to a buyer, and will near simultaneously settle both sides of the transaction (as matched principal) via the settlement agent, as notified to the Participant. In certain cases, there may also be the right for the buyer to exercise "buy-in rights", meaning that where the seller to the Matched Affiliate fails to settle/make delivery, the buyer to the Matched Affiliate may have the right to secure delivery of those securities from a third party (appointed buy-in agent). In this case, the buyer would issue a buy-in against the Matched Affiliate, who would appoint a buy-in agent, to execute the buy-in. Additionally, the Matched Affiliate would provide a pass-on statement to the seller, who has failed to make settlement. If the buy-in agent successfully buys in securities, the Matched Affiliate will settle against the buyer, and the seller on the basis of the bought in securities (with any difference in agreed price being transferred between the parties).

4. DERIVATIVES

- 4.1 Where a transaction is undertaken on the Dowgate MTF in relation to a derivative which is either required to be cleared under applicable law, or is voluntarily cleared by the relevant Participants ("**Cleared Derivatives**"), Dowgate MTF has to take into account the Commission Delegated Regulation 2017/582 ("**Clearing RTS**") and its requirements for such derivatives.
- 4.2 Generally, the Clearing RTS are aimed at ensuring that a cleared derivative transaction will be accepted for clearing by a CCP at an early stage and therefore requires trading venues, clearing members and CCP's, in certain situations, to undertake specific actions, including imposing obligations regarding pre-trade checks (the "**Pre-Trade Checks**") and time requirements for the transfer of information (the "**Time Requirements**") (discussed below).
- 4.3 Cleared Derivatives concluded on Dowgate MTF will be cleared via relevant clearing houses, which will be notified to all Participants (who will generally be Clearing Members of such clearing house). Dowgate MTF may require additional information from such members in order to be able to clear derivatives through the relevant clearing house. No Participant will be permitted to trade on Dowgate MTF unless Dowgate MTF has such information.

4.4 Where Participants trading on Dowgate MTF meet the following conditions Dowgate MTF will not subject such trading to the Pre-Trade Checks or the Time Requirements set out below:

- (a) The Participants on the Dowgate MTF are a clearing member of a CCP, or if not a clearing member of a CCP have a contractual arrangement with a clearing member of a CCP under which the clearing member automatically becomes counterparty to the cleared derivative transaction;
- (b) The rules of the CCP provide that the cleared derivative transaction concluded on a Dowgate MTF is cleared automatically and immediately, and the clearing member either is or becomes the counterparty to the CCP; and
- (c) The Participant becomes the counterparty to the cleared derivative transaction after the cleared derivative transaction is cleared (either because the Participant is a clearing member or because it has direct or indirect clearing arrangements with a clearing member).

Pre-Trade Checks

4.5 Where the conditions at 4.4 do not apply, Dowgate MTF will:

- (a) provide tools to ensure pre-conclusion screening on an order-by-order basis by each clearing member of the limits set and maintained by that clearing member for its client pursuant to Commission Delegated Regulation (EU) 2017/589;
- (b) ensure that before the conclusion of the order that the order of the client is within the limits applicable to the client in accordance with paragraph 4.3(a) above, according to the following time-scales:
 - (i) within 60 seconds from the receipt of the order when the order is entered into electronically; and
 - (ii) within 10 minutes from receipt of the order when the order is not entered into electronically.
- (c) When the order is not within the limits applicable to the client Dowgate MTF will inform the client and the clearing member that the order cannot be concluded in accordance with the following timelines:
 - (i) on a real-time basis (where the order is entered into electronically); and
 - (ii) within 5 minutes as from the moment when the order was checked against the applicable limits (where the order is not entered into electronically).

Time Requirements

4.6 Where the conditions at 4.4 do not apply, Dowgate MTF will:

- (a) send the information related to each transaction to the CCP within 10 seconds from the conclusion of the transaction (for Cleared Derivatives traded electronically);
- (b) send the information related to each transaction to the CCP within 10 minutes from the conclusion of the transaction (for Cleared Derivatives that are concluded on Dowgate MTF non-electronically).

Cleared Derivatives not accepted for clearing

- 4.7 Where a Cleared Derivative concluded on Dowgate MTF is not accepted by the CCP, Dowgate MTF will void the contract.