

**Notice No.: MKTG-2021-012**

**Issue Date:** 16 March 2021

**Subject:** Invitation to apply for Designated Market Maker Status in DGCX Pakistani Rupee Futures Contracts

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Notice to all Members,

**Subject: Invitation to apply for Designated Market Maker Status for DGCX Pakistani Rupee Futures Contracts**

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Pursuant to the DGCX By-Laws and Clearing Rules of the DCCC, Members are hereby invited to apply for Designated Market Maker status (“DMM status”) for the DGCX Pakistani Rupee Futures Contracts (“the Contracts”), and details of the Designated Market Making Scheme (“the DMM Scheme”) for the Contracts can be found at Annexure I to this Notice.

The DMM Scheme will run from the launch date, **Friday, April 16, 2021**, until the close of business on **Friday, December 31, 2021**.

Applicants for the DMM Scheme should complete and submit to DGCX the DMM Scheme Tender Application Form (“DMM Tender Application”) by close of business on **Friday, April 02, 2021**. Guidance on how to complete the DMM Tender Application can be found at Annexure 2, and the DMM Tender Application itself is in Annexure 3. Applicants should also complete and submit the KYC Form that can be found at Annexure 4, along with their DMM Tender Application.

When submitting the completed DMM Tender Application, please password protect the document and separately provide DGCX with the password after close of business on **Friday, April 02, 2021** and before close of business on **Monday, April 05, 2021**, to the following email address: [tender@dgcx.ae](mailto:tender@dgcx.ae).

DMM status shall be awarded to those applicants that have been able to demonstrate successful market making capability testing, suitable connectivity and confirmation that an applicant’s supporting infrastructure is capable of supporting Market Making activity. In addition, applicants are required to display a previous track-record of Market Making with DGCX. Where no such previous track-record exists, references may be requested. Applicants will be required to undertake “Know Your Customer” (KYC) checks that will be performed by DGCX. The awarding of DMM status shall be at the sole discretion of DGCX, with no appeal permitted.

Members who wish further information with regard to this Notice should contact their Relationship Manager.

**For Dubai Gold & Commodities Exchange**

**Sayed Bekab**  
**Commercial Director**

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## **Annexure 1: DGCX Pakistani Rupee Futures Contracts Designated Market Maker Scheme Details**

### **1. Introduction**

The Designated Market Maker (“DMM”) scheme (“DMM Scheme”) is intended to encourage liquidity in DGCX Pakistani Rupee Futures Contracts (“the Contracts”) by inviting DMMs to provide competitive two-way price quotes at, or better than, defined volumes and depths in the DGCX (Exchange) order book. The DMM Scheme is open to all existing Broker and Trade Members as well as all Clients holding accounts with a Broker Clearing Member. Capitalized terms used in this Notice shall, unless otherwise stated, have the meaning attributed to those terms in the DGCX By-laws.

### **2. Benefits for DMMs**

- 2.1. Subject to fulfillment of the obligations contained in clause 3 below, each DMM may receive:
  - 2.1.1. a waiver on Exchange trade and final settlement fees for DMM transactions in DGCX Contracts in which they are acting as a DMM;
  - 2.1.2. a waiver of Exchange co-location and DMA fees, where otherwise applicable, and/or
  - 2.1.3. a model that reflects the DMM’s costs of acting in a DMM capacity or a combination of the following options:
    - 2.1.3.1. a revenue sharing model where the Exchange would share the revenue of the transaction costs with the DMM;
    - 2.1.3.2. a fixed monthly stipend for the obligations provided;
    - 2.1.3.3. a monthly stipend consisting of a fixed and variable stipend component with the variable stipend contingent on volumes of the DMM in the DGCX Contract; and/or
    - 2.1.3.4. any other models the DMM may propose that are acceptable to the Exchange.
- 2.2. For the avoidance of doubt clearing and fees due to the Securities and Commodities Authority (“SCA”) shall be paid in full by the DMMs.
- 2.3. The Parties agree that all fees and stipend are payable in accordance with applicable UAE VAT legislation.
- 2.4. Names of DMMs and the nature of their commitments may be promoted by the Exchange and included on the Exchange’s website. Applicants who do not want their names to appear in such publicity must expressly state this in their DMM application form, a copy of which is provided in Annexure 3 (DMM Application Form).

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### **3. DMM Obligations**

- 3.1. Applicants should state in their DMM Tender Application, the contract(s) in which they wish to act as a DMM and the obligations that they would be prepared to meet.
- 3.2. Applicants and their respective Clearing Members must ensure that they have sufficient clearing commitment deposited with the Dubai Commodities Clearing Corporation DMCC (DCCC) to fulfill their DMM obligations at all times.
- 3.3. First time DMM applicants must successfully test to DGCX's satisfaction, their Market Making capability, including their Clearing Member's approval and infrastructure to support Market Making. Such testing must be completed at least two weeks prior to the applicant signing a DMM Contract (as defined in clause 4.9 below). All costs associated with DMM testing, connectivity and initial set-up are to be borne by the DMM. During the testing period the DMM will receive benefits as outlined in clause 2 above.

### **4. Application Process**

- 4.1 All applicants with appropriate trading rights and clearing arrangements are eligible to apply for DMM status. Applicants should submit a completed DMM Application Form by close of business on the **Friday, April 02, 2021**.
- 4.2 Non-Clearing Members may apply to become a DMM but must provide confirmation that their Clearing Member agrees to the application. Where a DMM requires co-location, a co-location agreement must be signed by the Broker Member.
- 4.3 All applicants are expected to carry out their Market Making commitments with effect from **Friday, April 16, 2021**.
- 4.4 Applicants must clearly state in their DMM Tender Application the following information:
  - 4.4.1 the Contracts in which they wish to participate as a DMM;
  - 4.4.2 the obligations that they are prepared to meet for each contract; and
  - 4.4.3 the compensation structure for performing those obligations.
- 4.5 Applicants should also provide such detailed supporting information, which they deem to be relevant. Such information may include (but is not limited to), the following:
  - 4.5.1 the number and experience of staff, both in terms of responsible persons and other staff, available to support the Market Making;
  - 4.5.2 the trading application and support they will be using, and the likely message per second usage (for the avoidance of doubt, DMM applicants using automated systems will be given preference over manual methods);

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- 4.5.3 the level of risk capital that the applicant will commit to support their Market Making commitment;
- 4.5.4 previous Market Making experience either with DGCX and/or other derivative exchanges; and
- 4.5.5 details of connectivity and software which will be used to access DGCX.
- 4.6 DGCX reserves the right to introduce daily message allocation for price injection models used by a DMM in fulfilling its obligations.
- 4.7 DMMs will be appointed through a competitive tender process. A Market Maker Review Panel, comprised of DGCX management, will evaluate the applications received for DMM status in the DGCX Contracts. The decision(s) taken by the Panel shall be binding on all applicants and shall not be subject to external scrutiny. DGCX maintains total discretion in appointing any DMM.
- 4.8 DGCX shall appoint, at its absolute discretion, as many DMMs as it deems appropriate with the objective of providing the maximum benefit to the market whilst ensuring the effective operation of the DMM Scheme.
- 4.9 The appointment of a DMM shall be subject to execution of a contract between the DMM and DGCX ("DMM Contract"). For the avoidance of doubt, a completed DMM Tender Application does **not** constitute a DMM Contract. Members who have made successful applications will receive from DGCX a DMM Contract for execution.
- 4.10 The DMM will be required to meet its market making obligations in full. Should circumstances arise which prevent, inhibit or hinder this, the DMM shall notify DGCX immediately
- 4.11 Should a DMM materially fail to meet their obligations DGCX may adopt any remedy deemed appropriate, including, but not limited to:
  - 4.11.1 terminating the DMM's participation in the DMM Scheme;
  - 4.11.2 reducing or removing any entitlements of the DMM; and
  - 4.11.3 where appropriate, re-charging in part or in full any benefits made available under the terms of the DMM Scheme.
- 4.12 DGCX may, at its absolute discretion, cease DMM support for a contract or change the parameters of the DMM obligations and compensation by giving a minimum of one month's notice to the DMM.

## **5. DMM Benchmark Obligations**

- a. The DMM shall quote two-way prices continuously for a minimum proportion of the Trading Day and, at the minimum sizes and maximum spreads as per the DMM Contract.

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- b. In addition to the quote obligations specified, the DMM shall provide minimum visible depth in the order book through two-way prices or as agreed with DGCX.
- c. In the case of an announcement of significant economic news and during periods of significant market volatility, a DMM may be permitted, after prior agreement with DGCX, to widen its spread by two (2) times the agreed spread.
- d. A DMM will, to the best of its ability, respond to and request for quotes (or RFQ).
- e. For further information, any prospective applicant should contact the Agreements Team at DGCX at: [tender@dgcx.ae](mailto:tender@dgcx.ae).

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## **Annexure 2 - Market Making Parameters**

### **Parameters for DMM Obligations (example of required format for a DMM Quote below)**

1. Level One – Bid/Offer spread and number of lots
2. Levels Two and Three (Ladder) - Bid/Offer spread and the number of lots with reference to level one
3. Minimum Time Commitment – Percentage of DGCX trading hours
4. Spread Contracts where applicable (Using parameters 1,2,3) - Across the term structure of the contract
5. Number of Active Strikes to be Quoted - Applicable to Options only
6. Deviation of Implied Volatility from Historical Volatility or Implied Volatility in the Reference Market - Applicable to Options only
7. Days of quoting 2nd month before expiry of 1st month
8. Reference market, if any
9. Connectivity and Software - Please specify
10. Compensation Structure - Fixed Stipend, Variable Stipend, Revenue Sharing or Hybrid
11. Inter product rebates required on other contracts if necessary, for hedging purposes.

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**Example of a DMM Quote – please use the below format.**

DGCX Futures Contracts	Front Month		Second Month		Minimum Obligation in Time Commitment
	Minimum Quantity	Maximum Tick Spread	Minimum Quantity	Maximum Tick Spread	
DPKR Level 1	XX	X	XX	X	XX%
DPKR Level 2	XX	X	XX	X	XX%
DPKR Level 3	XX	X	XX	X	XX%
DPKR Level 4	XX	X	XX	X	XX%
Reference Market					
Contract Rollover (Spread)		Example – X Trading days			
<b>COMPENSATION STRUCTURE</b>					
Fixed / Variable / Revenue Sharing: XXXX / At 1000 Lots - XXXX at 2000 Lots XXXX / XX%					