

Notice No.: TRDG-2016-047

Issue Date: December 14, 2016

Subject: Guidelines and applicable provisions for Trade Bust

Notice to all Members,

Subject: Guidelines and applicable provisions for Trade Bust

In pursuance of By-laws of DGCX and Clearing Rules of DCCC the following is hereby notified:

The Exchange will permit its Members to request for Trade Busts for such trades executed outside the No trade Cancellation Range (NCR) in the prescribed format as provided by the Exchange from time to time.

This facility shall be available for all contracts listed for trading on the Exchange with effect from **January 02, 2017**.

Detailed guidelines on the reporting and approval procedures are provided in this notice.

Members are requested to take note of the above.

For Dubai Gold & Commodities Exchange

Navin D'souza
Director - Operations

Detailed guidelines on the reporting and approval procedures for Trade Bust

1. Definitions

- 1.1. **Beneficial Trade Member (BTM)** - Trade Member (TM) who is a counter party of an error trade and has financially benefited from the error trade.
- 1.2. **Requesting Trade Member (RTM)** –Trade Member (TM) requesting for a reversal of an error trade which has been erroneously executed and the TM has incurred financial losses from the trade.
- 1.3. **No Trade Cancellation Range (NCR)** – A defined price range for each instrument wherein a trade executed at a price falling within this NCR range shall not be reversed or price adjusted.
- 1.4. **Discretionary Trade Cancellation Range (DCR)** – A defined price range for each instrument wherein a trade executed at a price falling within this DCR range shall be reversed or price adjusted only with the consent of the BTM.
- 1.5. **Mandatory Trade Cancellation Range (MCR)** – A defined price range for each instrument wherein a trade executed at a price falling within this MCR range shall be reversed or price adjusted unilaterally by the Exchange.
- 1.6. **Reference Price (RP)** – A Reference Price is the fair market price at the time of the trade. RP is determined based on below criteria:
 - 1.6.1. For the nearest and the liquid future contract months, last trade price (LTP) executed on the relevant contract before erroneous trade/trades shall be used as RP.
 - 1.6.2. For the other future contract months reference price shall be determined by using one or more of the following methods;
 - 1.6.2.1. LTP executed just before the erroneous trade/trades may be considered as the RP.
 - 1.6.2.2. If no trades were executed during the day or if the LTP was stale (last trade was not executed close to the error trade time) then the RP shall be the midpoint of best bid price and best offer price just before the error trade.
 - 1.6.2.3. RP may be the theoretical prices which are calculated considering spot price of the underlying asset at the time of the error trade and the cost of carry for the relevant expiry of the futures contract.
 - 1.6.3. If the RP cannot be determined in accordance with the above methods, RP shall be such as may be determined by Exchange.

2. Trade Bust Policy

- 2.1. Exchange shall determine the Trade Bust Ranges- NCR, DCR and MCR for each instrument (Annexure 4). These ranges will be updated and published by the Exchange on a periodic basis.



Reference Price

- 2.2. Trade Bust can only be requested for such error trades wherein the trade price falls outside the NCR.
- 2.3. For accepted Trade Bust request, adjustments will be effected depending whether the trade price falls in the DCR or MCR bands.
- 2.4. For error trades falling in the DCR, trade reversal /price adjustment shall be effected only if approved by the Beneficial Trade Member (BTM). The following shall be applicable for error trades falling within DCR:
 - 2.4.1. The Exchange shall inform and seek acceptance for trade price adjustment, from the BTM; and
 - 2.4.2. The BTM has to respond within 30 minutes of intimation by the Exchange. In case the BTM agrees for the price adjustment, the BTM will have to specify the price at which he is ready to adjust the trade.
- 2.5. For error trades falling in the MCR, trade price adjustment will be performed unilaterally by the Exchange without BTM approval. In these cases, the trade price shall be adjusted to reflect the upper / lower limit of the NCR.

3. Trade Bust (TB) request and approval procedures

The procedures for Trade Bust request by Members and subsequent approval by the Exchange are prescribed below.

- 3.1. The Requesting Trade Member (RTM) shall submit a request for Trade Bust in the prescribed format “**TB1 – Trade Bust Request**” to the Exchange by fax (Telephone No +9714 3611699) or through their official email id registered with the Exchange to support@dgcx.ae (Annexure 3)
- 3.2. RTM shall ensure the following, prior to submission of Trade Bust request:
 - 3.2.1. that the Member had taken adequate precautions such as defining trade protection limits of order quantity and order turnover for individual and aggregate order entry validations, and all other risk management measures provided by the Exchange from time to time.
 - 3.2.2. that the orders related to the trade(s) were routed as per prudent risk management principles of the Trading Member.
 - 3.2.3. that the Member concerned has adequate free deposits to cover margin liabilities arising post approval of such Trade Bust(s).
- 3.3. Requests so submitted are in accordance with the guidelines prescribed in By-Laws of the Exchange and in particular shall adhere to sections pertaining to trading practices, handling client business, prohibited trading practices and related provisions.
- 3.4. Exchange shall verify the following conditions are fulfilled for processing the Trade Bust request;
 - 3.4.1. Trade Busts can only be requested for such trades wherein the trade price falls outside the “No Trade Cancellation Range” - Annexure 4.
 - 3.4.2. Trade Bust requests should be submitted to the Exchange within 30 minutes of the execution of the trade. Any request received after the cut-off time shall not be accepted.
 - 3.4.3. Any Trade Bust request has to be placed by the Trading Member of the Exchange, who was party to the aforesaid transaction.

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- 3.5. After necessary verifications, the Trading Member shall be informed by the Exchange that the executed trade is under investigation.
- 3.6. The Exchange may require submission of additional supporting documents to verify the validity and authenticity of the Trade Bust request from any or both parties to the transaction prior to approval/ rejection of the request.
- 3.7. For Trade Bust request of error trades falling within the DCR, trade reversal/ price adjustment shall be effected only if approved by the BTM. The Exchange shall reverse the original error trade and insert a new trade with the adjusted price accepted by the BTM. Detailed illustration is provided in Annexure 2.
- 3.8. For Trade Bust request of error trades falling within the MCR, trade adjustment will be performed unilaterally by the Exchange without BTM approval. The Exchange shall reverse the original error trade and insert a new trade at the adjusted price to reflect the upper / lower limit of NCR. Detailed illustration is provided in Annexure 2.
- 3.9. A message shall be broadcasted for information to all market participants on the execution of the Trade Bust request.
- 3.10. Execution of the reversal of the error trade or the price adjusted trade request will not trigger any stop-loss orders.
- 3.11. Trade Bust fee equivalent to 0.05% of the value of trade(s) for which the Trade Bust is requested, subject to a minimum fee of USD 500 and maximum fee USD 2,000 shall be levied on the Member requesting the Trade Bust. Normal applicable trade transaction charges shall apply for the price adjustment trade to effect the reversal of the error trade by the Exchange.
- 3.12. The approval/rejection of the Trade Bust request shall be at the sole discretion of the Exchange. The Exchange shall not be bound to provide any reasons whatsoever for the rejection of the Trade Bust request submitted by the Member to the Exchange.
- 3.13. All Trade Bust requests received shall be acted upon by the Exchange on the same day itself. However, in case of Trade Bust requests received during the last one hour of trading on any Business Day – only the process of verification of the Trade Bust request will be completed while the trade price adjustment execution shall be undertaken on the next Business Day.

4. Summary of the Trade Cancellation policy is provided below

Elements	Conditions for DGCX trade cancellation policy
Reporting timings	Cut off time for reporting trade cancellation will be 30 minutes from execution of the error trade.
Any other conditions to be met	<ol style="list-style-type: none"> 1. Trades shall not be cancelled if trade price is inside “No Cancellation Range” 2. Member has ensured adequate operational and technical controls are in place.
No trade cancellation range (NCR)	1/3 rd of daily static price band is taken as NCR. Trades are not busted within this range.

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Discretionary trade cancellation range (DCR)	More than 1/3 rd and up to 2/3 rd of daily static price band is taken as DCR. Trades are busted only upon counterparty acceptance.
Mandatory trade cancellation range (MCR)	More than 2/3 rd of daily static price band is taken as MCR. Trades are compulsorily busted.
Charges	Trade cancellation fee equivalent to 0.05% of the value of trade(s) for which the trade cancellation is requested, subject to a minimum fee of USD 500 and maximum fee of USD 2,000, shall be imposed on the Member requesting the trade cancellation.

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Annexure 1- Changes to DGCX By-Laws in relation to Trade Busts

Additions to the By-Laws are shown in **Bold Red**

Addition to the Part D of the By-Laws relating to Trading on the Exchange

By-Law D.5.5 Exchange right to cancel **or insert Orders **and Trades****

(a) Subject to By-Law D.5.5 (b) the Exchange may, in its sole discretion, cancel an order/ **trade and insert an order/trade** or direct a Member to withdraw an order, where in the opinion of the Exchange:

- (i) an order has been entered which is not in the best interests of an orderly, fair and transparent market;
- (ii) a trade has been executed which is not in the best interests of an orderly, fair and transparent market; and**
- (ii) the matter cannot be adequately or appropriately dealt with pursuant to Part F of these By Laws.

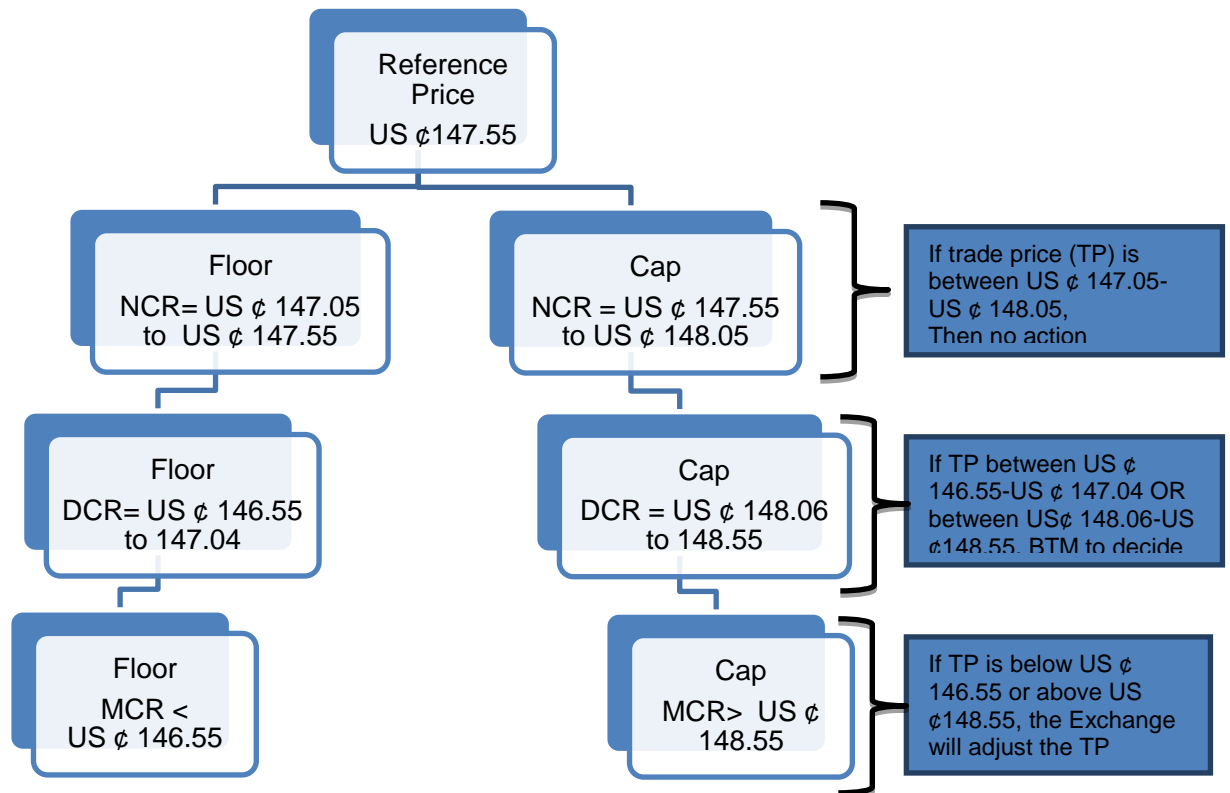
(b) The Exchange will give notice of a decision made under this By-Law D.5.5 to the Members concerned as soon as possible.

(c) No decision of the Exchange under this By-Law D.5.5 shall be subject to appeal.

Annexure 2 - Trade Bust Illustrations

1. Graphical representation of the Trade Bust Ranges

NCR < US ¢ 0.50, DCR = US ¢ 0.51 to US ¢ 1.00, MCR > US ¢ 1.00



2. Numerical representation of Trade Bust

a) No cancellation of error trades falling within the No trade Cancellation Range (NCR):

Indian Rupee Futures Price	US Cents / INR 100
Error trade price – DINR-20161228	148.00
Exchange reference price (RP) at the time of error trade	147.55
Price differential from RP	0.45
NCR Range for DINR	0.50
The error trade falls within the NCR as price differential =45 ticks and hence the trade shall not be reversed or price adjusted.	

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b) Discretionary cancellation of error trade, wherein the error trade price falls within the DCR:

Indian Rupee Futures Price	US Cents / INR 100
Error trade price – DINR-20161228	148.30
Exchange RP at the time of error trade	147.55
Price differential from RP	0.75
DCR Range for DINR	0.51 – 1.00
The error trade falls within the DCR as price differential is between 51-100 ticks	
Reversal trade insert by Exchange - new trade	148.30
Adjusted trade price accepted by counter party	148.20
*DCR adjusted trade price	148.20
DCR adjusted trade price insert by Exchange - new trade	148.20

**DCR adjusted trade price = Price accepted by counterparty. Trade reversal/ price adjustment is done only if counterparty BTM agrees to accept price adjustment and adjusted trade price is decided by the BTM is final and binding.*

c) Mandatory cancellation of error trade by the Exchange, wherein the error trade price falls in the MCR:

Indian Rupee Futures Price	US Cents / INR 100
Error trade price – DINR-20161228	149.45
Exchange RP at the time of error trade	147.55
Price differential from RP (Error trade price >RP)	1.90
MCR Range for DINR	>1.00
The error trade falls in the MCR as price differential >100 ticks	
Reversal trade insert by Exchange - new trade	149.45
NCR for Indian Rupee futures	0.50
*MCR adjusted trade price	148.05
MCR adjusted trade price insert by Exchange – new trade	148.05

**MCR adjusted trade price = Reference Price ± NCR .Exchange shall unilaterally adjust the trade price to reflect the upper / lower limit of the NCR.*

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Annexure 3 - TB1 – Trade Bust Request

Note: To be printed on the letterhead of respective Trading Member firm with all the blanks in the format duly filled and bearing the stamp of the member firm.

Date:

To:

Market Operations Team,
Dubai Gold & Commodities Exchange (DGCX) Dubai, U.A.E.
FAX No: +971-4-3611669

Dear Sir/Madam,

Sub: Request for Trade Bust

In pursuance of the procedures issued by the Exchange to Trade Bust, we hereby submit our request for the same as per details given below:

Particulars	Details
CM Code & Name	
TM Code & Name	
User ID	
Client Code, Name & Address	
Contract Details	e.g. DAAPL-20161216
Trade No	
Trade Time	
Trade Quantity	500 lots
Trade Price	e.g. US\$ 117.62
Value in US\$	
Market Price	

Reasons for trade bust:-

We shall not hold the Exchange and/or the Clearing Corporation liable for any loss or damage caused to us in relation to this contract after completion of the Trade Bust exercise by the Exchange.

We certify that the information mentioned above is correct and we undertake to maintain all records in our books for necessary inspection and audit by the Exchange/regulatory authorities.

Yours faithfully,

Authorized Signatory

Name :

Designation:

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Annexure 4 - Trade Bust Ranges

Sr. No.	Symbol / Product	No trade Cancellation Range NCR (In Tick or %)	Discretionary trade Cancellation Range DCR (In Tick or %)	Mandatory trade Cancellation Range MCR (In Tick or %)
1	DAUD	50	51-100	>100
2	DBRC	100	101-200	>200
3	DBSX	200	201-400	>400
4	DCAD	50	51-100	>100
5	DCHF	50	51-100	>100
6	DCU	50	51-100	>100
7	DEUR	50	51-100	>100
8	DG	100	101-200	>200
9	DGBP	50	51-100	>100
10	DGSG	100	101-200	>200
11	DICO	100	101-200	>200
12	DIG	300	301-600	>600
13	DINR / DINRO	50	51-100	>100
14	DINRI	100	101-200	>200
15	DINRM	50	51-100	>100
16	DIS	500	501-1000	>1000
17	DJPY	50	51-100	>100
18	DMSI	20	21-40	>40
19	DMSU	20	21-40	>40
20	DPPM	20	21-40	>40
21	DPPMM	20	21-40	>40
22	DS	67	68-134	>134
23	DUSDCNH	130	131-260	>260
24	DUSDKRW	66	67-132	>132
25	DUSDRUB	1300	1301-2600	>2600
26	DUSDZAR	140	141-280	>280
27	DWTI	100	101-200	>200
28	DWTIM	100	101-200	>200
29	INREUR	50	51-100	>100
30	INRGBP	50	51-100	>100
31	SSF Contracts	1.67%	1.68% - 3.33%	>3.33%