

Notice No.: TRDG-2007-014

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Sub.: Modifications in Silver Futures Contract Specifications

Notice to all Members,

Sub.: Modifications in Silver Futures Contract Specifications

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

The contract specifications for Silver futures are amended in order to provide for an additional option to settle outstanding contracts by way of cash at the expiry of futures contract.

The amendments in contract specifications shall be applicable for all contracts expiring on or after September-2007.

The key features of amended Silver futures contract specifications & amendments in By-Laws of the Exchange are enclosed in Annexure 1 & 2 respectively.

Members are requested to take note of the above.

For Dubai Gold & Commodities Exchange

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Head of Market Operations

Annexure 1 – Key Features of amended Dubai Silver Contract Specifications

Trading:

Contract Size	1,000 troy ounces.
Quality Specification	Min 0.999 purity, as per Dubai Good Delivery Standard
Trading Months	Mar, Jul, Sep and Dec
Last Trading Day	Fifth Delivery Day of the Delivery Month.
New Contract Listing	Trading Day immediately following Last Trading Day of Expiring Contract
Price Quote	US\$ quoted in Cents per troy ounce
Minimum Tick Size	US\$ quoted in Cents - 0.5 Cent
Trading Days	Monday through Friday
Trading Hours	0830 – 2330 Hrs

Delivery & Cash Settlement related information:

Delivery Unit	30 Kg
Deliverable Weight	30 Kilograms cast in one bar of 1,000 troy ounces (10% more or less)
Deliverable Quality	Minimum 0.999 fineness – Note 2*
Delivery Period	First through Fifth Delivery Day of the Delivery Month
First Notice Day	Business Day immediately preceding First Delivery Day
Last Notice Day	Business Day immediately preceding Fifth Delivery Day
Option for Cash Settlement	Open Positions that have not been Closed Out on the Last Day of Trading shall be subject to Cash Settlement as per Silver Cash Settlement Price declared by the Exchange
Silver Cash Settlement Price	Silver Cash Settlement Price shall be the London Silver Fixing Price (expressed in US Dollars per troy ounce) of The London Silver Market Fixing Limited published by The London Bullion Market Association (LBMA) on the Last Day of Trading. – Note 3*

Note 2*: If Silver of higher fineness is delivered, no premium shall be paid.

Note 3*: All parties acknowledge that all references to the London Silver Fixing Price are used with the permission of The London Silver Market Fixing Limited which for the avoidance of doubt has no involvement with and accepts no responsibility whatsoever for the underlying product for which the London Silver Fixing Price may be referenced.

Annexure 2 – Relevant Extracts of Amended By-Laws

Add New Definitions as follows:

LBMA	The London Bullion Market Association
London Silver Fixing Price	the price of silver, expressed in US Dollars per troy ounce, determined by the procedures of LBMA
Silver Cash Settlement Price	the price determined in accordance with By-Law J.9A.2

Part J. Silver Futures and Options Contract Specification

J.1 Silver Futures Contract

J.1.1 Contract Unit

One thousand (1000) troy ounces of refined silver.

J.1.2 Vacant

J.1.3 Delivery Months

Trading in Silver Futures Contracts shall be conducted for such Delivery Months as the Exchange may determine from time to time.

J.1.4 Minimum price fluctuations

Minimum price fluctuations for trading in Silver Futures Contracts shall be U.S. Dollars 0.005 per troy ounce.

J.1.5 Trading hours

Hours for trading in Silver Futures Contracts shall be as determined by the Exchange from time to time.

J.1.6 Trading days

Days for trading in Silver Futures Contracts shall be determined by the Exchange from time to time.

J.1.7 Last trading day

The Last Trading Day for Silver Futures Contracts shall be the fifth Delivery Day of the Delivery Month.

J.2 Deliverable Silver

J.2.1 Description of Deliverable Silver

- (a) Deliverable silver shall be thirty (30) kilograms of refined silver (plus or minus 10%) of 0.999 fineness, cast in one (1) bar by an Approved Silver Refiner and located in an Approved Silver Vault.
- (b) Each bar shall have been stamped by the Approved Silver Refiner with the following information:
 - (i) the weight of the bar, expressed in troy ounces, kilograms or grams
 - (ii) the fineness of the bar
 - (iii) the year of manufacture of the bar
 - (iv) the stamp of the Approved Silver Refiner
- (c) A delivered bar may be accompanied by a certification, issued by an Approved Silver CMI, as to weight and fineness of the bar, in which case the information so certified shall take precedence over that referred to in By-Law J.2.1 (b) (i) and (ii) respectively.

J.2.2 Packaging of Deliverable Silver

Every bar of deliverable silver shall be packaged in a form approved by the Exchange

- (i) By-Law J.2.3 (a), or
- (ii) By-Law J.2.3 (b).

J.3 Approved Silver Refiners, Silver Vaults, and Silver CMIs

The Exchange shall from time to time determine and publish:

- (a) a list of Approved Silver Refiners whose silver bars shall be accepted as deliverable silver in fulfillment of a Silver Futures Contract; and whose certification as to weight and fineness shall be accepted for silver delivered in fulfillment of a Silver Futures Contract,

- (b) a list of Approved Silver Vaults in the UAE in which silver may be stored for delivery in fulfillment of a Silver Futures Contract;
- (c) a list of Approved Silver CMLs whose certification as to weight and fineness shall be accepted for silver delivered in fulfillment of a Silver Futures Contract; and

J.4 Delivery Notices

J.4.1 Issuance of Delivery Notices

- (a) A Clearing Member holding a short position ("Seller") intending to deliver shall provide to the Clearing Corporation a Delivery Notice by a time, prescribed by the Exchange, on the Business Day immediately preceding the Delivery Day on which delivery is to occur, containing such information regarding the silver to be delivered as the Exchange may prescribe.
- (b) A Delivery Notice, once issued, cannot be withdrawn or cancelled without the written agreement of the Clearing Corporation. Such withdrawal or cancellation shall in no circumstances occur after the close of trading on day on which the Delivery Notice is issued.

J.4.2 Silver to be Represented by a DGR

- (a) Silver that is the subject of a Delivery Notice shall be stored in an Approved Silver Vault and shall be represented by a DGR that complies with the requirements of these By-Laws.
- (b) Following issuance of a Delivery Notice the DGR referred to in By-Law J.4.2 may not be cancelled or transferred other than in accordance with By-Law J.8.

J.4.3 Delivery Days

For each Class of Contract the Delivery Days shall be five days determined by the Exchange and advised to Members prior to the commencement of trading in that Class of Contract.

J.4.4 Notice Days

For each Delivery Month:

- (a) the First Notice Day is the Business Day immediately preceding the first Delivery Day of the Delivery Month; and
- (b) the Last Notice Day is the Business Day immediately preceding the fifth Delivery Day of the Delivery Month.

J.5 Roles of Clearing Corporation and DMCC

J.5.1 Clearing Corporation to Act as Seller's Agent

Each Seller who has issued a Delivery Notice shall be deemed to appoint the Clearing Corporation to act as its agent to perform one or more the following to the extent necessary to effect the delivery of silver subject to that Delivery Notice:

- (a) to instruct an Approved Silver Vault to cancel a DGR representing such silver stored in the Approved Silver Vault; and/or
- (b) to instruct an Approved Silver Vault to issue two or more DGR's representing such silver in place of the cancelled DGR; and/or
- (c) to instruct DMCC to endorse by way of transfer to a Buyer or Buyers determined by the Clearing Corporation, the DGR or DGR's representing such silver.

J.5.2 DMCC May Act on Behalf of Clearing Corporation

The Clearing Corporation may, with the agreement of DMCC, authorize DMCC to act on its behalf to perform any of the acts referred to in By Law J.5.1

J.6 Settlement Value

J.6.1 Calculation of Settlement Value

The Settlement Value for each Contract shall be calculated as:

- (a) if the weight certified by the Approved Silver Refiner or Approved Silver CMI is expressed in troy ounces,

$$SV = W \times P$$

where

SV is the Settlement Value expressed in US Dollars;

W is the weight of the delivered silver (expressed in troy ounces) as stamped on the delivered bar or certified by an Approved Silver CMI, and determined in accordance with By-Law J.2.1 (c), and

P is the invoice price, expressed in US Dollars per troy ounce.

- (b) if the weight certified by the Approved Silver Refiner or Approved Silver CMI is expressed in kilograms,

$$SV = 32.1507 \times W \times P$$

where

SV is the Settlement Value expressed in US Dollars;

W is the weight of the delivered silver (expressed in kilograms) as stamped on the delivered bar or certified by an Approved Silver CMI, and determined in accordance with By-Law J.2.1 (c), and

P is the invoice price, expressed in US Dollars per troy ounce.

- (c) if the weight certified by the Approved Silver Refiner or Approved Silver CMI is expressed in grams,

$$SV = .0321507 \times W \times P$$

where

SV is the Settlement Value expressed in US Dollars;

W is the weight of the delivered silver (expressed in grams) as stamped on the delivered bar or certified by Approved Silver CMI, and determined by By-Law J.2.1 (c), and

P is the invoice price, expressed in US Dollars per troy ounce.

J.6.2 Invoice Price

The invoice price referred to in By-Law J.6.1 shall be the Daily Settlement Price of the relevant Class of Contract on the Notice Day.

J.7 Allocation of Delivery Notices and Advice to Sellers and Buyers

J.7.1 Allocation of Delivery Notices

- (a) Following receipt of the Delivery Notice the Clearing Corporation shall, prior to the commencement of trading on the Business Day following the Notice Day allocate that Delivery Notice to a Clearing Member holding a long position ("Buyer").
- (b) Where the Delivery Notice is in respect of more than one Contract the Clearing Corporation may allocate that Notice to more than one Buyer.

J.7.2 Advice to Buyers and Sellers

- (a) Following allocation of a Delivery Notice in accordance with By-Law J.7.1 (a) the Clearing Corporation shall advise the Seller and Buyer accordingly.
- (b) Where a Delivery Notice is allocated to more than one Buyer in accordance with By-Law J.7.1 (b) the advice referred to in By-Law J.7.2 (a), shall provide to each Buyer details only of such silver as that Buyer is to receive under the allocation.
- (c) The advice to the Buyer and Seller referred to in By-Laws J.7.2 (a) shall include the Settlement Value for each Contract.

J.8 Delivery procedure

J.8.1 Delivery Where a Notice is Allocated to One Buyer

- (a) Where a Delivery Notice is allocated by the Clearing Corporation to one Buyer, on the Delivery Day immediately following the day on which the Notice is issued by a Seller the Clearing Corporation shall instruct DMCC , on behalf of the Seller in accordance with By-Law J.5, to endorse the relevant DGR or DGR's by way of transfer to the Buyer.
- (b) The issuing of the instruction to DMCC referred to in By Law J.8.1 (a) shall be subject to the receipt by the Clearing Corporation of the payment referred to in By Law J.9.1 from the Buyer.
- (c) The endorsement by DMCC referred to in By-Law J.8.1 (a) shall be performed not later than a time prescribed by the Corporation.

J.8.2 Delivery where a Notice is Allocated to More Than One Buyer

- (a) Where the Delivery Notice is allocated by the Clearing Corporation to more than one Buyer, the Clearing Corporation, on behalf of the Seller in accordance with By-Law J.5, and not later than a time prescribed by it, shall
 - (i) instruct the Approved Silver Vault in which the silver is stored to cancel the DGR referred to in By-Law J.4.2 (a); and
 - (ii) instruct the Approved Silver Vault to issue two or more DGR's in place of the cancelled DGR; and
 - (iii) subject to receipt of payment in accordance with By-Law J.9.1 from a Buyer to whom the Delivery Notice is allocated, instruct DMCC to endorse the relevant DGR by way of transfer to that Buyer.
- (b) The instruction issued by the Clearing Corporation under By-Law J.8.2 (a) (ii) shall include advice as to the number of silver bars that are to be represented by each of the DGR's that are to be issued by the Approved Silver Vault.

- (c) The issuing of the instruction to DMCC referred to in By-Law J.8.2 (a) (iii) shall be subject to the receipt by the Clearing Corporation of the payment referred to in By Law J.9.1 from the Buyer.
- (d) The endorsement by DMCC referred to in By-Law J.8.2 (a) (iii) shall be performed not later than a time prescribed by the Corporation.

J.8.3 Certification of DGR's

- (a) Subject to By-Law J.8.3 (b) a DGR referred to in By- Laws J.8.2 and J.8.3 (b) shall be either
 - (i) a CMI-Certified DGR issued by an Approved Silver Vault and shall include a certification by an Approved Silver CMI as to the weight and fineness of the silver that is the subject of the DGR; or,
 - (ii) a Standard DGR, in which case the information referred to in By-Law J.2.1 (b) (i) and (ii) shall be relied upon for the weight and fineness, respectively, of the delivered bar
- (b) Where, in order to comply with an instruction from the Clearing Corporation in accordance with By-Laws J.8.2 (a) and (b), an Approved Silver Vault is required to break a package of silver bars, for which it holds a single CMI-certification as to weight and fineness, into two or more DGR's, the newly issued DGR's shall be Standard DGR's to which By-Law J.8.3 (a) (ii) shall apply.
- (c) Where an Approved Vault issues a certification in accordance with By-Law J.8.3 (b) its responsibility for the accuracy of such certification shall be limited to that of ensuring that the information in the certification correctly reproduces that on the original certification issued by the Approved Silver CMI.

J.9 Payment

J.9.1 Payment by Buyer

On the Delivery Day immediately following the day on which a Delivery Notice is issued a Buyer to whom that Delivery Notice is allocated shall, not later than a time prescribed by the Clearing Corporation, pay to the Clearing Corporation the Settlement Value.

J.9.2 Payment to Seller

On the Delivery Day immediately following the day on which a Delivery Notice is issued the Clearing Corporation shall, subject to completion of the endorsements referred to in By-Laws J.8.1 (a) or J.8.1 (b) (iii) , as the case may be, and not later than a time prescribed by it, pay the Settlement Value to the Seller.

J.9A Cash Settlement

J.9A.1 Description of Open Positions to be Cash Settled

Open Positions that have not been Closed Out on the Last Day of Trading shall be subject to this By-Law J9A.

J.9A.2 Silver Cash Settlement Price

- (a) Subject to By-Law J9A.2 (b), the Silver Cash Settlement Price shall be the London Silver Fixing Price (expressed in US Dollars per troy ounce) published by the LBMA on the Last Day of Trading.
- (b) In the event that the LBMA does not publish a London Silver Fixing Price on the Last Day of Trading the Clearing Corporation shall determine the Silver Cash Settlement Price having regard to such information regarding the price of silver as it regards as relevant.
- (c) All parties acknowledge that all references in these By-Laws to the London Silver Fixing Price are used with the permission of The London Silver Market Fixing Limited which for the avoidance of doubt has no involvement with and accepts no responsibility whatsoever for the underlying product for which the London Silver Fixing Price may be referenced.

J9A.3 Daily Settlement Price on Last Day of Trading

The Daily Settlement Price on the Last Day of Trading shall be the Silver Cash Settlement Price.

J.9A.4 Settlement

All contracts not Closed Out by the Close of Trading on the Last Day of Trading shall be settled at the Silver Cash Settlement Price.

J.10 Default

J.10.1 Default by Seller

- (a) Should a delivery not be duly made by a Seller or its Agent as provided in these Silver Contract Specifications, such Seller shall be in default.
- (b) Should a Seller not have issued a Delivery Notice in respect of an Open Position existing at the close of trading on the last trading day, such Seller shall be in default.

- (c) Should a Seller fail to deliver silver that conforms in all relevant respects to the description in By-Law J.2, such Seller shall be in default.

J.10.2 Default by Buyer

- (a) Should a delivery not be duly accepted by a Buyer or its Agent as provided in these Silver Contract Specifications, such Buyer shall be in default.
- (b) Should payment for any delivery not be made by the Buyer as provided in these Silver Contract Specifications the Clearing Corporation is authorized to sell the silver forthwith.

J.11 Claim by Buyer

- (a) where a Buyer has accepted and paid in full for a delivery in accordance with these By-Laws, and is dissatisfied with the weight and/or fineness of the delivered bar, such Buyer shall be entitled to make a claim against the Seller.
- (b) In order to make a claim under this By-Law the Buyer must lodge a written notice of claim with the Clearing Corporation not later than 5.00 p.m. Dubai time on the second Business Day following the Delivery Day.
- (c) Following receipt of a notice of claim the Clearing Corporation shall submit the bar to an Approved Silver CMI of its choice for sampling and assaying.
- (d) The cost of sampling and assaying referred to in By-Law J.11 (c) shall in the first instance be borne by the Buyer.
- (e) In the event that the sampling and assaying referred to in By-Law J.11 (c) determines a deficiency in weight and/or fineness in the delivered bar relative to the minimum deliverable specification, the Buyer shall be entitled to be compensated by the Seller for
- (i) the cost of the sampling and assaying,
 - (ii) the deficiency in weight and/or fineness in the delivered bar relative to the minimum deliverable specification, and
 - (iii) any cost of replacement of the silver

J.12 Silver Options Contract

J.12.1 Contract Unit

One Silver Futures Contract

J.12.2 Minimum premium fluctuations

As determined by the Exchange

J.12.3 Quotation of Strike Prices

As determined by the Exchange

J.12.4 Expiry Months

As determined by the Exchange

J.12.5 Declaration Date

As determined by the Exchange

J.12.6 Time at which trading ceases on Declaration Date

As determined by the Exchange