

**Notice No.:** MKTG-2014-021**Issue Date:** June 12, 2014**Subject:** Invitation to apply for Designated Market Maker Status in the specified DGCX Options Contracts

Notice to all Members,

Sub: Invitation to apply for Designated Market Maker (DMM) Status in the specified DGCX Option Contracts

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

Details of a Designated Market Maker (DMM) Scheme for the DGCX specified Options and Options Contracts are provided in Annexure 1.

The DMM Scheme will run from the **July 15, 2014** to the close of business on the **March 31, 2015**.

Applicants should complete and submit the provided DMM Application Form by close of business on the **July 01, 2014**. The DMM Application Form is provided in Annex 2.

The validity of application is subject to successful testing of the Applicants, their infrastructure being capable of supporting market making activity and their previous track record of Market Making with DGCX.

Members are requested to take note of the above.

For Dubai Gold & Commodities Exchange**Ian Wright****Chief Business Officer**



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Annex 1: DGCX Options Contracts Designated Market Maker Scheme Details

1. Introduction

This Designated Market Maker (DMM) Scheme is intended to encourage liquidity in the DGCX Options Contracts by inviting DMMs to provide competitive two-way price quotes at, or better than, defined volumes and depths in the DGCX order book.

The DMM Scheme is open to all existing Broker and Trade Members and also to all Clients that hold accounts with a Broker Clearing Member.

2. Benefits for DMMs

2.1. Subject to fulfillment of the obligation as per clause 3 below, each DMM will receive:

- 2.1.1. A waiver on Exchange transaction fees for DMM transactions in the DGCX Options Contracts in which they are acting as a DMM; and
- 2.1.2. A waiver of Exchange co-location fees, where otherwise applicable, and
- 2.1.3. A monthly stipend that reflects the DMM's costs of acting in a DMM capacity.

*Clearing fee, currently US\$10 per contract per side & SCA regulatory fees, currently US\$3 per contract per side that apply to DGCX Contracts shall be passed on by DGCX, and will be incurred by the DMM.

- 2.2. The names of DMMs and the nature of their commitments may be promoted by the Exchange, and included on the DGCX website. Applicants not wishing their names to appear in such publicity should mention this on their application.

3. DMM Obligations

- 3.1. Obligations are detailed in Appendix A which outlines the benchmarks that the Exchange would expect a DMM to fulfill; however, applicants may include obligations in their applications, which vary from the benchmarks detailed.



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- 3.2.** Applicants should state in their application, the contract(s) in which they wish to act as a Market Maker and the obligations that they would be prepared to meet. Appendix A sets out the minimum obligations. Applications which improve upon the obligations set out in the attached Appendix A are encouraged.
- 3.3.** Applicants and their respective Clearing Members must ensure that they have sufficient clearing commitment deposited with the DCCC to fulfill their DMM obligations at all times.
- 3.4.** For first time Market Makers on the Exchange, Applicants must successfully test their market making capability, including their infrastructure to support Market Making to DGCX's satisfaction. It is expected to be carried out at least two weeks prior to signing of Market Making agreement.

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, provided in Annex 2, by close of business on the **July 1, 2014**.

Members can apply to become a DMM in their own right. Where the Member is not a Clearing Member, the Member should only apply for DMM status with the agreement of the relevant Broker Clearing Member.

A Non-Member may undertake the market making activities on behalf of a Broker Clearing Member; however, in such cases the performance of the DMM obligations remain the sole responsibility of the Broker Clearing Member and, as such, DMM applications must be submitted to the Exchange through, and with the full understanding, of the respective Broker Clearing Member.

All applicants are expected to carry out their Market Making commitments starting from the **July 15, 2014**.

- 4.2** The applicant should state:

- the products in which they wish to participate as a DMM;



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- the obligations that they are prepared to meet for each contract;
- and the stipend payment that they wish to charge for performing the obligations.

Applicants should also provide detailed supporting information with their application (which they feel would be relevant) including, but not limited to, the following:

- the number and experience of staff, both in terms of responsible persons and other staff, available to support the market making
- the trading system and support they will be using, and the likely message per second usage. DMM using automated software will be given preference over manual and other methods.
- the level of risk capital that they will commit to support the market making commitment
- previous market making experience at either DGCX and/or other derivative exchanges
- Connectivity to be used to access DGCX.

The Exchange reserves the right to introduce daily message allocation for price injection models used by the DMM in fulfilling its obligations.

- 4.3** DMMs will be appointed through a competitive tender process. A Market Maker Review Panel, comprising DGCX executives, will evaluate the applications received for DMM status in the Contracts. The decision(s) taken by the Panel shall be final and shall not be subject to external scrutiny.

The Exchange will 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.

- 4.4** The appointment of a DMM will be subject to contract between the DMM and the Exchange. A completed application form does not constitute such a contract. Members who have made successful applications will receive a formal contract for signature from the Exchange.



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- 4.5** The DMM will be required to meet its obligations in full. Should circumstances arise which prevent this, the DMM will have to notify DGCX immediately that it is unable to fulfill its DMM obligations for a period of time, and advise DGCX what is being done to rectify the situation.
- 4.6** Should a DMM materially fail to meet their obligations the Exchange may terminate the DMM's participation in this scheme, or reduce or remove any entitlement of the DMM and, where appropriate, to re-charge in part or in full any rebates and payments made under the terms of this DMM scheme.

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Appendix A to Annex 1 - Designated Market Maker Benchmark Obligations

1. The DMM will quote two way prices continuously for a minimum proportion of the Trading Day and, at the minimum sizes and maximum spreads required for the specified DGCX contracts, as reflected in Tables 1 & 2 below.
2. In relation to the front month Contracts, the DMM is expected to meet their obligations up to the last Trading Day of that Contract and subsequently make markets in the succeeding front and second month, as required.
3. In the case of an announcement of significant economic news and during periods of significant market volatility the DMM would be permitted, after prior agreement with DGCX, to widen its spread by 2 times the agreed spread.
4. The DMM will respond to Request for Quotes (RFQ) to the best of their ability.
5. For further information prospective applicants should contact: Product Management at products@dgcx.ae



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A. CURRENCY OPTIONS

A.1 Indian Rupee Options (INRO)

Table 1 Quote for Level 1 Front Month

Price Quote					
1st Month INR Options	Calls		Puts		Time Commitment
	Min Quantity (Lots)	Max Bid/Offer Spread (Ticks)	Min Quantity (Lots)	Max Bid/Offer Spread (Ticks)	
At the money strike	2	2	2	2	95%
Two nearest in the money strikes	2	2	2	2	95%
Two nearest out of the money strikes	2	2	2	2	95%
All strikes with Open Interest	1	2	1	2	95%
Volatility Quote					
1st Month INR Options	Calls		Puts		
	Implied Volatility	Permitted Deviation	Implied Volatility	Permitted Deviation	
Volatility	As per same tenure volatility of the underlying DINR Futures	Plus/Minus 0.25%	As per same tenure volatility of the underlying DINR Futures	Plus Minus 0.25%	

Note: The strikes will be in band of 5 INR with strikes at distance of 0.25 INR converted in US Cents

Table 2 Capital Allocation

Contract	Capital as Collateral
INRO	USD 1 million



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Annex 2 – DMM APPLICATION FORM

1. Name of Member:

2. Name of Client (where a Client wishes to be a DMM via a Broker Clearing Member, subject to an application being supported by a copy of an agreement with a Broker Clearing Member):

3. Membership Type:

4. Clearing Member to be used, if not a Clearing Member:

5. Name and designation of main contact person to discuss this application:



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The List of Options on which the Applicant seeks to make markets in:

Price Quote					
1st Month INR Options	Calls		Puts		Time Commitment
	Min Quantity (Lots)	Max Bid/Offer Spread (Ticks)	Min Quantity (Lots)	Max Bid/Offer Spread (Ticks)	
At the money strike					
Two nearest in the money strikes					
Two nearest out of the money strikes					
All strikes with Open Interest					
Volatility Quote					
1st Month INR Options	Calls		Puts		
	Implied Volatility Reference	Permitted Deviation	Implied Volatility Reference	Permitted Deviation	
Volatility					

CAPITAL COMMITMENT

INR Options	Capital as Collateral
INRO	

6. The period of the Trading Day in which it is proposed to act as a DMM (the minimum obligation is 95% of the DGCX Trading Day): The DMM can specify product specific availability percentages as per tick size and lot size separately

7. Market Making Experience in related markets: Yes No

If yes, state the number of years:



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Which Exchange/Markets:

8. Trading system used:

Method of trading: Manual Automated

Do you currently have automated software: Yes No

9. Number of sources used as based prices to support market making operation:

10. Connectivity used to connect DGCX:

11. Market Making software to be used if any:

12. Counterparty arrangements Yes No

13. Banking Arrangements to meet DMM obligations Yes No

14. Email id(s) you wish to register for Request For Quotes purpose:

15. Name(s) of proposed Market Maker Traders (MMT) responsible for market making:
(Please include their CVs)

16. Date from which the applicant can carry out market making commitments:

17. Company can be promoted as DMM for publicity purposes: Yes No
Please attach any additional information that may be relevant to the application

The Applicant hereby declares that all the information contained in this application form, and otherwise supplied, is complete, true, accurate and not misleading.

Authorized Signature:



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Name:

Designation:

_____ Date: _____

Please return by the close of business on the July 01, 2014 to:

Ian Wright

Chief Business Officer
Dubai Gold & Commodities Exchange
Emaar Business Park, Building No. 2, Level 1,
Sheikh Zayed Road; PO Box 37736, Dubai, UAE

Telephone: +971 4 361 1630
Fax: +971 4 361 1617
email: ian.wright@dgcx.ae