



Notice No.: MKTG-2014-038

Issue Date: November 03, 2014

Subject : Invitation to apply for Designated Market Maker Status in the specified DGCX Contracts

Notice to all Members,

Sub: Invitation to apply for Designated Market Maker Status in the specified DGCX 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 Futures and Options Contracts are provided in Annexure 1.

The DMM Scheme will run for a period of **12 months** from the **April 01, 2015** to the close of business on the **March 31, 2016**.

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

The validity of application is subject to successful testing of the Applicants, their supporting 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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Annexure 1: DGCX Contracts Designated Market Maker Scheme Details

1. Introduction

This Designated Market Maker (DMM) Scheme is intended to encourage liquidity in the DGCX Futures 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 may receive:

- 2.1.1. A waiver on Exchange transaction fees for DMM transactions in the DGCX Contracts in which they are acting as a DMM; and/or
- 2.1.2. A waiver of Exchange co-location 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 market maker; and/or
 - 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 components with the variable stipend contingent on volumes of the market maker in the contract;
 - 2.1.3.4. Any other models the DMM may propose that are acceptable to the exchange

Note: Clearing fees and SCA regulatory fees, as applicable 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. Some contracts will have minimum obligations as detailed in Annexure 2, which outlines the benchmarks that the Exchange would expect a DMM to fulfill; however, **applicants are positively encouraged to improve on the obligations indicated.** DMMs shall propose



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their commitment obligations for those contracts that have no indicative obligations.

- 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. Annexure 2 sets out the parameters of the Market Making as well as the contracts in which market making is required
- 3.3. Annexure 3 sets out the minimum levels of DMM obligations with specific parameters for certain contracts, where applicable.
- 3.4. 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.
- 3.5. 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 Annexure 4, by close of business on the **Monday, December 01, 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 **April 01, 2015.**

- 4.2 The applicant should state:
 - the products in which they wish to participate as a DMM;
 - the obligations that they are prepared to meet for each contract;



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- and the compensation structure 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 application and support they will be using, and the likely message per second usage. DMM using automated system will be given preference over manual 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 binding on all applicants 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.
- 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



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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 benefits made available under the terms of this DMM scheme.

4.7 The exchange 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 Market Maker.

5. DMM Benchmark Obligations

5.1 The DMM will quote two way prices continuously for a minimum proportion of the Trading Day and, at the minimum sizes and maximum spreads as per the contractual agreement with the exchange.

5.2 In addition to the quote obligations specified the DMM will provide minimum visible depth in the order book through two way prices or as agreed with DGCX on specific products.

5.3 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.

5.4 The DMM may be expected to facilitate rolling over of positions and quote the spread contract (M1/M2) from the seventh (7th) business day prior to the start of the tender period for all Contracts. At the outset, DMM is encouraged to quote both the front and second month at all times.

5.5 In the case of an announcement of significant economic news and during periods of significant market volatility the DMM may be permitted, after prior agreement with DGCX, to widen its spread by 2 times the agreed spread.

5.6 The DMM will respond to Request for Quotes (RFQ) to the best of their ability.

5.7 **DMMs are encouraged to suggest alternative ways of providing liquidity to specified contracts within regulatory requirements.**

5.8 For further information prospective applicants should contact: Product Management at product@dgcx.ae



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Annexure 2 - List of Contracts and Market Making Parameters

List of Contracts – Futures & Options

(Contract specifications are available at www.dgcx.ae)

Currencies

- Mini Indian Rupee-US Dollar Futures
- Indian Rupee-US Dollar Futures
- Indian Rupee Spreads (Implied in-Implied Out)
- Indian Rupee-Euro Futures
- Indian Rupee-Great British Pound Futures
- Euro-US Dollar Futures
- Great British Pound–US Dollar Futures
- Japanese Yen–US Dollar Futures
- Swiss Franc–US Dollar Futures
- Canadian Dollar-US Dollar Futures
- Australian Dollar-US Dollar Futures
- China Renminbi–US Dollar Futures*
- China Renminbi–Indian Rupee Futures*
- Russian Rouble–US Dollar Futures*
- Korean Won–US Dollar Futures*
- South African Rand–US Dollar Futures*

Metals

- Gold
- Silver
- Copper
- Steel Rebar
- Mini Gold quoted in Indian Rupee*
- Spot Gold*

Equity

- SENSEX
- MSCI India
- MSCI India – Total return India
- Single Stock Futures - Component Stocks of Nifty 50*



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Hydrocarbons

- WTI
- Poly Propylene
- Poly Ethylene*

Agro Products

- Soy Bean Oil*
- Black Pepper*

*** To be confirmed - Draft contract specification are available on request**

Parameters for DMM Obligations

1. Level One - Bid offer spread and the number of lots
2. Ladder - Bid offer spread and the number of lots with reference to level one
3. Time Availability - Within DGCX trading hours
4. Far Months (Using parameters 1,2,3) - Across the term structure of the contract
5. Number of Active Strikes to be Quoted (Applicable to Options)
6. Deviation of Implied Volatility from Historical Volatility or Implied Volatility in the Reference Market (Applicable to Options)
7. Days of Quoting 2nd Month Before Expiry of 1st Month
8. Reference Market, if any
9. Spread Contracts, where applicable (using parameters 1,2,3,)
10. Ability to Take/Make delivery in deliverable contracts - specify quantum and buy/sell or both
11. Margin Commitment
12. Ability to Quote During Closed Operating Hours of the Reference Market



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13. Block Trades, Quantum and Spread from Level One

14. Connectivity and Software (Please Specify)

15. Compensation Structure- Fixed Stipend, Fixed + Variable Stipend, Revenue Sharing

16. Inter product rebates required on other contracts if necessary for hedging

Example of a DMM Quote

DGCX Futures Contracts	Front Month		Second Month		Minimum Obligation in Time Commitment
	Minimum Quantity	Maximum Tick Spread	Minimum Quantity	Maximum Tick Spread	
DXXX Level 1	40	2	10	3	95%
COMPENSATION STRUCTURE Fixed Stipend Monthly Variable Stipend : At 1000 Lots - XXXX at 2000 Lots XXXXX					

DEPTH

Front Month	Lots	Spread ticks	Second Month	Lots	Spread ticks
L2	10	3	L2	5	4
L3	10	5	L3	5	6
L4	10	7	L4	5	8
Time commitment for ladder at 95%					



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Annexure 3 - Desired DMM Obligations for Specific Contracts

1) DINR : Indian Rupee-US Dollar Futures

MM Specifications for DINR - Indian Rupee -US Dollar Futures			
Front Month			
	Minimum Quantity Lots	Maximum Tick Spread	Time Obligation
Level 1	150	3	95%
Second Month			
	Minimum Quantity	Maximum Tick Spread	Time Obligation
Level 1	90	5	95%
Third Month			
	Minimum Quantity	Maximum Tick Spread	Time Obligation
Level 1	30	6	95%



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Annexure 4 - 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:

6. The List of Products on which the Applicant seeks to make markets in:

7. The specification of the parameters for the DMM obligation as per Annexure 2

Note: List to include all DGCX listed products for which DMM support at depth is required.

8. CAPITAL COMMITMENT

DMM need to specify the level of margin capital that will be committed to the DCCC in order to support each or all of the contracts for which the DMM is submitting the tender.

Note: *It will assist DGCX in selecting the DMM for specific products if the capital commitment for each specific product is indicated.*

9. 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:

10. Market Making Experience in related markets: Yes No
If yes, state the number of years:



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Name:

Designation:

_____ Date: _____

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

DGCX Product Management Team
Dubai Gold & Commodities Exchange
Gold Tower, Level UP
JLT, PO Box 37736
Dubai, UAE.

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