

Notice No.: MKTG-2013-005

Issue Date: February 18, 2013

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

Notice to all Members,

Sub: Invitation to apply for Designated Market Maker (DMM) Status in the specified DGCX Futures and Options 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 3 months from **April 01, 2013** to the close of business on **June 28, 2013**.

Applicants should complete and submit the provided DMM Application Form by close of business on **March 4, 2013**. The DMM Application Form is provided in Annexure 2.

The validity of application is subject to successful testing of the Applicants ability and/or infrastructure for Market Making or previous track record of Market Making with DGCX.

Members are requested to take note of the above.

For Dubai Gold & Commodities Exchange

Gary Anderson
Chief Executive Officer

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Annexure 1: DGCX Futures and Options 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 prices and volume quotes.

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 Futures Contracts in which they are acting as a DMM; and

2.1.2. A monthly stipend that reflects the DMM's costs of acting in a DMM capacity.

*Clearing fee, currently US\$10 per contract per side & ESCA regulatory fees, currently US\$2 per contract per side that apply to DGCX Contracts shall be passed on by DGCX, and will be incurred by the DMM.

2.2. Introduction of the new Technology and Features for the Benefit of DMM Members

DGCX will migrate to the new technology "EOS" with a go live date designated as 22 February 2013. The new technology offers DMM with distinct advantages.

2.2.1. Speed of The Trading Engine : The new technology provided by Cinnober Systems makes DGCX one of the fastest exchanges in the world in terms of speed of order execution

2.2.2. MASS Quote : Several bid ask, strikes in "one message", cancellation of multiple quotes in one go.

2.2.3. Industry standard FIX 5.0 compliant for order routing.

2.2.4. Easily available co-location facilities inclusive of availability of a PaaS model (Platform as a Service), with dedicated hardware and hosting owned and managed by DGCX along with 2 Megabyte outbound internet bandwidth.

2.2.5. Implied In and Implied Out spread contracts.

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- 2.3.** 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.** 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. 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;
- 3.2.** Appendix A sets out the minimum obligations. Applications which improve upon the obligations set out in the attached Appendix 'A' are encouraged; and
- 3.3.** Applicants and their respective Clearing Members should 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 should endeavor to successfully test its ability and/or infrastructure for 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 (see1 – Introduction) are eligible to apply for DMM status. Applicants should submit a completed DMM Application Form (provided in Annexure 2) by close of business on **March 04, 2013**.

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 **April 01, 2013**.

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4.2 The applicant should state (i) the products in which they wish to participate as a DMM; (ii) the obligations that they are prepared to meet for each contract; (iii) 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 available 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.

DMM appointments will be made on the basis of the liquidity that applicants propose to provide, the stipend they wish to charge, and the supporting information on their structure (as outlined in 4.2) and experience.

4.4 The appointment of a DMM will be subject to a binding 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. Failure to meet obligations may result in the stipend payment being adjusted accordingly. Continued DMM failure to fulfill obligations will result in the agreement being terminated by the Exchange and the DMM agreeing to forfeit all remaining stipend payments.
- 4.6** The DMM obligations as defined in Appendix A are final and binding. Inability to meet the specified obligations for less than 50% of the defined parameters for DMM performance will be subjected to a fixed liability payable by the DMM to DGCX as per the schedule defined in Appendix A.

For further information prospective applicants should contact: Relationship Management at RM@dgcx.ae or Product Management at meng.shu@dgcx.ae

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Appendix 'A' - Designated Market Maker Benchmark Obligations

- 1) The DMM will quote two way prices continuously for at least 90% of the Trading Day, at the minimum sizes and maximum spreads required for the DGCX Precious and Base Metals, Index Futures contracts, and specified Currency Futures contracts, as reflected in Table 1 and 2 below.
- 2) In addition to the quote obligations specified in Table 1 and Table 2, the DMM will provide minimum depth of three (3) levels in the order book through ladder two way prices.
- 3) In relation to the front month of the Gold and Silver Futures 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.
- 4) The DMM will be expected to quote the spread contract (M1/M2) from the 10th business day prior to the start of the tender period for all Contracts.
- 5) In the case of an announcement of significant economic news, and during periods of significant market volatility or technical issues, the DMM would be permitted after prior agreement with DGCX to widen its spread by 2 times the agreed spread.
- 6) The DMM will respond to Request for Quotes (RFQ) to the best of their ability.

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Precious Metals

Table 1. Quote for Level 1

Futures Contract	Front Month		Second Month	
	Minimum Volume (Lots)	Bid/Offer Spread (Ticks)	Minimum Volume (Lots)	Bid/Offer Spread (Ticks)
GOLD	6	2	6	4
SILVER	5	2	5	4
GOLD SPREAD (M1-M2)	6	2		
SILVER SPREAD(M1-M2)	5	2		

**Note 1: Complete margin offsets are available for quoting on the spread window*

Note 2: The system supports "implied-in" and "implied-out" spread trading from a technology perspective

Table 2. Depth of Quote (Ladder)

Precious Metal	Level	Bid/Offer Spread (Ticks)	No. of Lots
Gold 1 st Month	Level 2	4	2
Gold 1 st Month	Level 3	6	2
Gold 2 nd Month	Level 2	6	2
Gold 2 nd Month	Level 3	8	2
Silver 1 st Month	Level 2	4	2
Silver 1 st Month	Level 3	6	2
Silver 2 nd Month	Level 2	6	2
Silver 2 nd Month	Level 3	8	2

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Table 3. Capital Utilization

Precious Metal	Capital as Collateral
Gold	USD 3 million
Silver	USD 3 Million

Indian Rupee Futures

Table 4. Quote for Level 1

Futures Contract	Minimum Volume (Lots)	Bid/Offer Spread (Ticks)
MINI INR 1 st Month	30	1
INR 2 nd Month	5	2
INR 3 rd Month	5	2
INR 4 th Month	3	4
INR 6 th Month	3	4
INR Spread (M1-M2)	5	1
INR Spread (M1-M3)	5	1

**Note 1: Complete margin offsets are available for quoting on the spread window*

Note 2: The system supports "implied-in" and "implied-out" spread trading from a technology perspective

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Table 5. Depth of Quote (Ladder)

INR	Level	Bid/Offer Spread (Ticks)	No. of Lots
2 nd Month	Level 2	4	3
2 nd Month	Level 3	6	2

Table 6. Capital Utilization

Contract	Capital as Collateral
INR	USD 3 million

Copper Futures

Table 7. Quote for Level 1

Futures Contract	Minimum Volume (Lots)	Bid/Offer Spread (Ticks)
Copper 1 st Month	2	3
Copper 2 nd Month	2	6
Copper (M1-M2)	2	3

**Note 1: Complete margin offsets are available for quoting on the spread window*

Note 2: The system supports "implied-in" and "implied-out" spread trading from a technology perspective

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Table 8. Depth of Quote (Ladder)

Copper Futures	Level	Bid/Offer Spread (Ticks)	No. of Lots
Copper 1st Month	Level 2	5	4
Copper 1 st Month	Level 3	7	2
Copper 2 nd Month	Level 2	8	4
Copper 2 nd Month	Level 3	10	2

Table 9. Capital Utilization

Contract	Capital as Collateral
Copper	USD 3 million

G6 Currency Futures

Table 10. Quote for Level 1

Futures Contract	Minimum Volume (Lots)	Bid/Offer Spread (Ticks)
EUR USD 1 st Month	15	2
EUR USD 2 nd Month	7	4
EUR USD (M1-M2)	7	2
GBP 1 st Month	3	2
CHF 1 st Month	3	2
CAD 1 st Month	3	2
AUD 1 st Month	3	2
JPY 1 st Month	3	2

**Note 1: Complete margin offsets are available for quoting on the spread window*

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Note 2: The system supports "implied-in" and "implied-out" spread trading from a technology perspective

Table 11. Depth of Quote (Ladder)

Contract	Level	Bid/Offer Spread (Ticks)	No. of Lots
EURO 1 st Month	Level 2	4	10
EURO 1 st Month	Level 3	6	7

Table 12. Capital Utilization

Contract	Capital as Collateral
EURO	USD 3 million
GBP, AUD, CHF, JPY, CAD	USD 1 million

SENSEX INDEX FUTURES

Table 13. Quote for Level 1

Futures Contract	Bid Offer Spread	Lot Size
SENSEX 1 st Month	4	15
SENSEX 2 nd Month	8	5
SENSEX Spread (M1-M2)	4	5

**Note 1: Complete margin offsets are available for quoting on the spread window*

Note 2: The system supports "implied-in" and "implied-out" spread trading from a technology perspective

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Table 14. Depth of Quote (Ladder)

Contract	Level	Bid/Offer Spread (Ticks)	No. of Lots
SENSEX 1 st Month	Level 2	7	15
SENSEX 1 st Month	Level 3	10	10

Table 15. Capital Utilization

Contract	Capital as Collateral
SENSEX	USD 1 million

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Stipend Payout Details

- 1) The following table is the desired monthly stipend payout based on the quotation commitments listed below:

Quotation Commitment	Stipend Ratio
90% and above	100% payout on Stipend
below 90% and more than or equal to 80%	75% payout on Stipend
below 80% and more than or equal to 70%	50% payout on Stipend
below 70%	0% payout on Stipend

- 2) The following table lists the applicable penalty values based on the quotation commitments listed below:

Quotation Commitment	Penalty Ratio
35% to 50%	25% of stipend value payable by DMM to DGCX
Below 35%	50% of stipend value payable by DMM to DGCX

Outright inability to quote for two straight trading days without valid reasons and prior intimation to the Exchange will result to a penalty of 50% of stipend value payable by DMM to DGCX.

- 8) A surety deposit equivalent to 50% of stipend value shall be borne by the DMM to DGCX account, refundable after the expiry of the DMM agreement.

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Annexure 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 Future Products on which the Applicant seeks to make markets in:

Futures Contract	Quote Details		STIPEND
	Minimum Volume (Lots)	Bid/Offer Spread (Ticks)	
GOLD 1 st Month			
GOLD 2 nd Month			
SILVER 1 st Month			
SILVER 2 nd Month			
GOLD SPREAD (M1-M2)			
SILVER SPREAD(M1-M2)			
MINI INR 1 st Month			
INR 2 nd Month			
INR 3 rd Month			
INR 4 th Month			
INR 6 th Month			
INR Spread (M1-M2)			
INR Spread (M1-M3)			
EUR USD 1 st Month			
EUR USD 2 nd Month			
EUR USD (M1-M2)			
GBP 1 st Month			
CHF 1 st Month			

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CAD 1 st Month			
Copper 1 st Month			
Copper 2 nd Month			
SENSEX 1 st Month			
SENSEX 2 nd Month			

LADDER

Precious Metal	Level	Minimum Spread vs Level 1 (Number of Ticks)	Bid/Offer Spread (Ticks)	No. of Lots
Gold 1 st Month	Level 2			
Gold 1 st Month	Level 3			
Silver 1 st Month	Level 2			
Silver 1 st Month	Level 3			
Copper 1 st Month	Level 2			
Copper 1 st Month	Level 3			
EURO 1 st Month	Level 2			
EURO 1 st Month	Level 3			
SENSEX 1 st Month	Level 2			
SENSEX 1 st Month	Level 3			
INR 2 nd Month	Level 2			
INR 2 nd Month	Level 3			

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CAPITAL COMMITMENT

Contract	Capital as Collateral
GOLD	
SILVER	
DINR	
COPPER	
SENSEX	
DEUR	
DCHF, DGBP, DJPY, DCAD, DAUD	

6. The period of the Trading Day in which it is proposed to act as a DMM (the minimum obligation is 90% 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:

Which Exchange/Markets:

8. Trading system used:

Method of trading: Manual Automated

Do you currently have automated software: Yes No

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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

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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:

Name:

Designation:

_____ Date: _____

Please return by the close of business on 04 March 2013 to:

Meng-Chan Shu

Head of Product Management

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