

Notice No.: MKTG-2011-016

Issue Date: August 1, 2011

Subject: Invitation to Apply for Designated Market Maker Status in DGCX DINRO Options Contract

Notice to all Members,

Sub: Invitation to Apply for Designated Market Maker Status in DGCX DINRO Options Contract

DGCX hereby notifies its Members the following relating to the Designated Market Maker Scheme:

Details of a Designated Market Maker (DMM) Scheme for the DGCX DINRO Options Contract, is provided in Annexure 1.

The DMM Scheme will run from **September 26, 2011** until **December 28, 2011**.

Applicants should complete and submit the provided DMM Application Form by close of business on **August 22, 2011**. The DMM Application Form is provided in Annexure 2.

Members are requested to take note of the above.

For Dubai Gold & Commodities Exchange

Gaurang Desai
Chief Operating Officer

Notice No.: MKTG-2011-016

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Annexure 1: DGCX DINRO Options Contract Designated Market Maker(DMM) scheme details

1. Introduction

This Designated Market Maker (DMM) Scheme is intended to encourage liquidity in the DGCX DINRO Options Contract, 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 DINRO Options Contracts in which they are acting as a DMM. Clearing fee, currently US\$ 10 per Contract per side and SCA 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.

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

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. Applicants should state in their application, the obligations that they would be prepared to meet. Obligations are detailed in the attached Appendix 'A' below, 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.

3.3. Applicants and their Clearing Member concerned should ensure that they have

Notice No.: MKTG-2011-016

Issue Date: August 1, 2011

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sufficient Clearing commitment deposited with the DCCC to fulfill their DMM obligations at all times.

4. Application Process

4.1 All applicants with appropriate trading rights and Clearing arrangements (see 1 – 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 August 22, 2011.

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 September 26, 2011.

4.2 The applicant should state (i) the obligations that they are prepared to meet for DINRO Options Contract; (ii) and the stipend payment that they wish to charge for performing the obligations.

Applications 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;

Notice No.: MKTG-2011-016

Issue Date: August 1, 2011

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- the level of risk capital available to support the market making commitment;
- previous market making experience at either DGCX and/or other derivative exchanges; and
- 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 DINRO Options Contract. 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.

4.5 The DMM will be required to meet its obligations in full. Should circumstance 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.

For further information, prospective applicants should contact:

Relationship Management at RM@dgcx.ae

Notice No.: MKTG-2011-016

Issue Date: August 1, 2011

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Appendix 'A' - Designated Market Maker Benchmark Obligations

- 1) The DMM will quote two way prices continuously for at least 85% of the Trading Day, at the minimum sizes and maximum spreads required for the DGCX DINRO Options Contract, in certain series as reflected in Table 1 below.
- 2) In relation to the front month of the DINRO Options Contract, the DMM is expected to meet their obligations up to the Last Day of Trading of that Contract and subsequently make markets in the succeeding front month, as required.
- 3) The DMM will respond to Request for Quotes (RFQ) to the best of their ability.

Table 1

DINRO Strike Price chain	Call/Put (8.30 am to 3.30 pm)		Call/Put (3.31 pm to 11.30 pm)	
	Minimum Volume (Lots)	Bid/Offer Spread (Ticks)	Minimum Volume (Lots)	Bid/Offer Spread (Ticks)
In-the-money with strike interval of INR 0.75	1	12	1	16
In-the-money with strike interval of INR 0.50	2	10	2	14
In-the-money with strike interval of INR 0.25	3	8	3	12
At-the-money	5	6	5	10
Out-of-the-money with strike interval of INR 0.25	3	8	3	12
Out-of-the-money with strike interval of INR 0.50	2	10	2	14
Out-of-the-money with strike interval of INR 0.75	1	12	1	16

Notice No.: MKTG-2011-016

Issue Date: August 1, 2011

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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:

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

DINRO Strike Price chain	Call/Put (8.30 am to 3.30 pm)		Call/Put (3.31 pm to 11.30 pm)	
	Minimum Volume (Lots)	Bid/Offer Spread (Ticks)	Minimum Volume (Lots)	Bid/Offer Spread (Ticks)
In-the-money with strike interval of INR 0.75				
In-the-money with strike interval of INR 0.50				
In-the-money with strike interval of INR 0.25				
At- the-money				
Out-of-the-money with strike interval of INR 0.25				
Out-of-the-money with strike interval of INR 0.50				
Out-of-the-money with strike interval of INR 0.75				

Notice No.: MKTG-2011-016

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6. The period of the Trading Day in which it is proposed to act as a DMM (the minimum obligation is 85% of the DGCX Trading Day):

7. Monthly stipend (USD) required to act as a market maker:
INR Option Contract:-

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

Which Exchange/Markets:

9. Trading system used:

Method of trading: Manual Automated
Do you currently have automated software: Yes No

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

11. Connectivity used to connect DGCX:

12. Market Making software to be used if any:

13. Counterparty arrangements Yes No

14. Banking Arrangements to meet DMM obligations Yes No

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

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

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

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

Notice No.: MKTG-2011-016

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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 August 22, 2011 to:

Deepak Sethi,
Head of Relationship Management,
Dubai Gold & Commodities Exchange
Emaar Business Park, Building No. 2, Level 1
Sheikh Zayed Road
PO Box 37736, Dubai, UAE
Fax: +971 43611617
E-mail: RM@dgcx.ae