

Notice No.: CLRG-2015-039

Issue Date: December 08, 2015

Subject: Dealing with Default in physical settlement of Spot Gold Contract

Notice to all Members,

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In pursuance of By-Laws of DGCX, Clearing Rules of DCCC; the position of the Corporation in dealing with a Default in physical settlement is further clarified.

Members' attention is drawn to clause G.2.1 of the Clearing Rules which prescribes Delivery Procedures and effecting of delivery. Accordingly, Members are further advised that failure to deliver commodities or pay money for commodities is considered as a very serious violation of the Clearing Rules of the Corporation and any such instance shall be dealt with accordingly by the Corporation.

In the event of Default in physical settlement, the Corporation shall at its absolute discretion initiate any or all of the actions noted below against the Member in Default.

In an event where a Member fails to deliver commodities or make payment, the Corporation

1. may suspend the Member or terminate their membership as deemed appropriate;
2. may withdraw trading rights and liquidate existing open positions;
3. may levy a penalty as deemed appropriate in its absolute discretion;
4. any other action it deems fit.

Ascertainment of Penalty and Losses

1. The Member in Default shall pay to the Corporation an amount equivalent to:
 - 1.1. Difference between prevailing spot price on Delivery Day and Settlement Price on Tender Notice date
 - (i) **For Seller Member in Default** – the difference between spot price prevailing on the Delivery Day and Settlement Price as on Tender Notice date, where the spot price on delivery date is higher than the Settlement Price on Tender Notice date.
 - (ii) **For Buyer Member in Default** – the difference between spot price prevailing on the Delivery Day and Settlement Price as on Tender Notice date, where the spot price on Delivery Day is lower than the Settlement Price on Tender Notice date.
2. A penal charge of 3%, of the Settlement Price as of Tender Notice date shall be levied.
 - 2.1. A part of the penal charges so collected may also be utilized towards compensating the Member not in Default for the damages or cost incurred by them for giving or taking delivery of the commodity. The compensation payable, if any, to the Member not in Default, shall be determined by the Corporation taking into account the sale/purchase costs, logistics costs and such other factors as it deems appropriate.

The Corporation reserves its rights to change/modify the above procedure at any time without notice.

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Illustrations for calculation of charges under clause 1.1(i) , 1.1(ii) and 2 are shown below:

For 1.1.(i)

Gold Settlement Price = \$ 1050
Spot Price Delivery Day = \$ 1070
Difference per troy ounce (A) = \$ 20
Penal charge per troy ounce (B) = \$ 31.50
Total Penal Charge per troy ounce (A+B)
= \$ 51.50
(\$ 20 + (\$1050 * 3% = \$ 31.50))

For 1.1.(ii)

Gold Settlement Price = \$ 1050
Spot Price Delivery Day = \$ 1020
Difference per troy ounce(A)= \$ 30
Penal charge per troy ounce (B)=\$ 31.50
Total Penal Charge per troy ounce (A+B)
= \$ 61.50
(\$ 30 + (\$1050 * 3% = \$ 31.50))

Members are requested to take note of the revisions above.

For Dubai Commodities Clearing Corporation

Navin D'souza
Head of Operations