



Notice No.: CLRG-2014-006

Issue Date: February 13, 2014

Subject: Dealing with default in physical settlement of Plastic Futures Contracts

Notice to all Members,

Subject: Dealing with default in physical settlement of Plastic Futures Contracts

In pursuance of the By-laws of DGCX, Clearing Rules of the DCCC (the "Corporation"), 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 advised that failure to deliver commodities or pay money for commodities to be delivered is considered as a serious violation of the Clearing Rules of the Corporation and any such instance shall be dealt with accordingly by the Corporation.

Members should be made aware that on expiration of Plastic Futures Contracts, all Open Positions aligned to the prescribed Minimum Delivery Unit shall be compulsorily settled by delivery. 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 appropriate payment in respect of commodities to be delivered, the Corporation:

1. shall determine the compensation payable to the party not in default and levy a penal charge as outlined below;
2. may suspend the Member or terminate their membership of the Clearing Corporation as deemed appropriate by the Board;
3. may advise the Exchange to withdraw trading rights and/or liquidate existing open positions; and
4. any other action it deems fit.

Determination of Charges and Penalty

(1) Compensation payable to the Member not in default

The Member in default shall pay to the Corporation an amount equivalent to 15% of the Final Settlement Value, which shall be reimbursed to the counterparty to physical delivery to compensate for any losses subsequently incurred in making or taking delivery of the commodity via an alternate counterparty.

(2) Penalty payable to the Corporation by the Member in default

The Member in default shall pay to the Corporation an amount equivalent to 5% of the Final Settlement Value as penalty for failure to make or take delivery. Penal charges such collected may be transferred to the Settlement Guarantee Fund maintained by the Corporation or any other account as deemed appropriate by the Corporation.



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

Illustrations for calculation of penal charges under parts (1) and (2) above are shown in the section below:

- Trading Unit (TU) to Delivery Unit (DU) = 5 TU (i.e. 5 tonnes) to 1 DU (i.e. 25 tonnes)
- Delivery Units in Default = 10
- Plastic Final Settlement Price = \$ 1500 per tonne

Total charges calculated = \$15000 (20% of \$1500 x 10 x 5); broken down as -

(1) Compensation payable to Member not in default = 15% of (\$1500 x 10 x 5) = \$11250

(2) Penal Charges = 5% of (\$1500 x 10 x 5) = \$3750

Members are requested to take note of the above.

For Dubai Gold & Commodities Exchange

Gaurang Desai
Chief Operating Officer