

Notice No.: CLRG-2008-005

Issue Date: March 3, 2008

**Sub.: Dealing with default in physical settlement of Steel Rebar contracts**

Notice to all Members,

**Sub.: Dealing with defaults in physical settlement of Steel Rebar contracts**

In pursuance to By-Laws of DGCX, Clearing Rules of DCCC and in continuation of Notice No. CLRG/2006/017 dated June 19, 2006; the following is hereby notified regarding procedures to deal with default in physical settlement of Steel Rebar contracts:

**Ascertainment of Penalty and Losses in case of Steel Rebar:**

1. The member in default shall be levied with a sum equivalent to:
  - Penal charge of 3% of the settlement price as of the last trading day of the contract.
  - Additionally; an amount equivalent to Delivery margin of \$60/MT shall be levied.
2. 90% of the Total penal charges so collected shall be utilized towards compensating the member affected by the default for the damages and/or costs incurred by them to fulfill their delivery related obligations.
3. Remaining 10% of penal charges collected from defaulting member shall be transferred to Settlement Guarantee Fund maintained by the Clearing Corporation or such other account as decided by the Exchange/Clearing Corporation. The compensation payable to the member not in default, is determined by the Corporation after 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.

An illustration for calculation of penal charges is shown below:

Steel Rebar Settlement Price on Last trading date= \$850/MT

Penalty @3% of FSP = \$25.50/MT ( $\$850 * 3\% = \$ 25.50$ )

**ADD** Delivery margin = \$60.00/MT

Total Penal Charges = **\$85.50/MT**

Members are requested to take note of the above.

**For Dubai Gold & Commodities Exchange**

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