

# Trading Gold on DGCCX



**DGCCX**

بورصة دبي للذهب والسلع  
DUBAI GOLD & COMMODITIES EXCHANGE

## The Dubai Gold & Commodities Exchange

The Dubai Gold & Commodities Exchange (DGCX) commenced trading in November 2005 as the Middle East's first commodity derivatives exchange and has become today, the leading derivatives exchange in the region.

Our range of futures contracts offer participants of the physical commodities markets, such as producers, manufacturers and end users, with a sophisticated means of hedging their price risk exposure. Such price risk management has previously been unavailable to producers in the Middle East. In addition, DGCX provides trading opportunities to financial communities and investment houses in both the Middle East and around the globe who wish to access the growing asset class of commodity and currency derivatives.

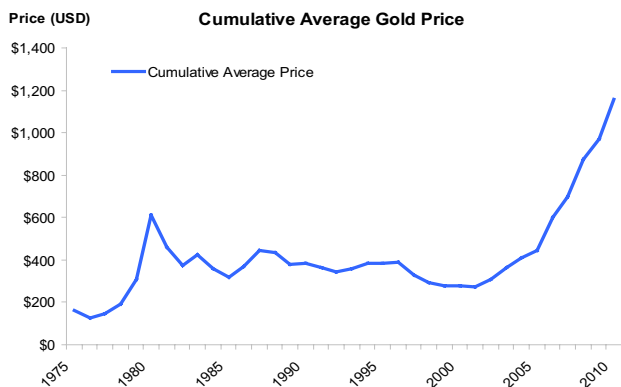
Benefits specific to DGCX include:

- Trading in a range of products from the precious metal, base metal, energy and currency sectors
- Guaranteed settlement and reduced counterparty risk provided by Dubai Commodities Clearing Corporation (DCCC), a subsidiary 100% owned by DGCX
- The advantage of transacting and clearing business within the UAE and thus the local taxation and regulatory regimes
- A simple fee structure - one fee for all participants. All participants also pay the same margin, whether commercial or non-commercial entities
- An opening to both regional and international liquidity pools
- Robust risk management and surveillance systems
- Uninterrupted trading hours from 8:30am – 11:30pm (GMT +4, IST+1.5)
- Regulated by the Emirates Securities & Commodities Authority (ESCA)

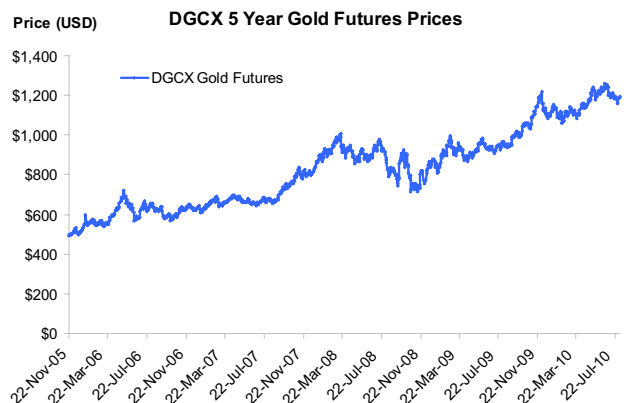
## Gold

As a valuable and precious metal, gold has a long history at the centre of the world's monetary system. Many years ago, prior to the emergence of foreign currencies, gold was the most common form of exchange. Although gold is rarely adopted as a form of legal tender in everyday life these days, it still has a very important role to play in the global economy. This is especially true during times of economic uncertainty, when gold is seen as a safe haven, as has been witnessed with the price rises and volatility during the credit crisis.

### Historical Gold Prices (1975 to 2010)



### DGCX Gold Prices (2005 to 2010)



## International Gold Derivatives Activity

International trading activity in gold derivatives has also risen in recent years, with the Over-the-Counter (OTC) gold derivatives market reaching US \$48 billion gross market value as at December 2009, compared with US \$28 billion in 2002. (Source: Bank of International Settlements).

## Dubai “The City of Gold”

Dubai, also known as “The City of Gold”, has developed a significant role in the international trade of gold and is ideally situated for trade flows between Europe and the Sub Continent.

According to Dubai World Statistics, in 2009, 979 tonnes of gold were imported and exported to Dubai, valued at US \$29,320 million. In the first quarter of 2010, these figures reached 250 tonnes and a value of US \$8,338 million.

Gold futures were the first contract to trade on The Dubai Gold & Commodities Exchange when it launched in November 2005. The DGCX one kilo bar gold futures contract is tailored specifically to the local market and has become a regional price benchmark. Delivery for DGCX gold futures and options contracts takes place in approved vaults located in Dubai.

Volumes for DGCX gold futures contracts have grown steadily since inception and the contract remains the flagship product of the exchange.

## DGCX Gold Trading Opportunities

DGCX offers trading in both gold futures and options contracts.

A gold futures contract is an agreement (contract) to buy or sell gold on an agreed future date and for a price fixed in advance.

The underlying asset of a futures contract can be gold or any other commodity, foreign currency, equity, interest rate, real estate etc and the contracts are traded exclusively on exchanges, with standardised contract specifications and in a regulated environment.

Buying or selling a futures contract is not a physical transaction. The contract allows you to buy or sell gold for example, at a later date in the future. The value of the futures contract can rise or fall and is bought and sold on

DGCX.

A gold options contract is the right, but not the obligation, to buy or sell a specific amount of gold at a specified strike price, in a specified period of time. The buyer of a gold options contract pays a premium to the seller for the contract. There are two types of DGCX gold option contracts i) Call Options, which are the right, but not the obligation, to buy gold futures and ii) Put Options, which are the right, but not the obligation, to sell gold futures.

The seller of the option, in return for being paid a premium, is obliged to provide the gold futures contract at the specified price if the buyer chooses to exercise the option contract.

## DGCX Gold Futures Contract Specification

<b>Trading Symbol</b>	DG
<b>Contract Size</b>	32 troy ounces. (1 kg)
<b>Quality Specification</b>	0.995 purity, as per Dubai Good Delivery Standard
<b>Trading Months</b>	Feb, Apr, Jun, Aug, Oct and Dec
<b>Last Trading Day</b>	Business Day immediately preceding sixth Delivery Day
<b>New Contract Listing</b>	Business day immediately following last trading day
<b>Price Quote</b>	US\$ per troy ounce
<b>Tick Size</b>	US\$ 0.10 (US \$ 3.2 per contract)
<b>Price Movement Limit</b>	US\$ 30 - Note 1*
<b>Max Order Size</b>	200 contracts
<b>Trading Days</b>	Monday through to Friday
<b>Trading Hours</b>	08:30 - 23:30 Hours Dubai time (GMT+4)
<b>Wholesale Trades</b>	EFS, EFP, Block trade facilities available

## DGCX Options on Gold Futures Contract Specification

Trading Symbol	DGO
Contract Size	One DGCX Gold Futures contract
Price Quotation	US Dollars and cents per fine ounce
Tick Size	US\$ 0.10 per troy ounce
Maximum Daily Price	No Daily Limit
Delivery Months	The nearest three contract months (February, April, June, August, October and December) are available at all times. The options are American-style and can be exercised at any time up to expiration. On the first day of trading for any options contract month, there will be a minimum of 7 strike prices each for puts and calls.
Last Trading Day	Last trading day for options on gold futures is the tenth business day prior to the start of tender period of the underlying Gold futures contract. If the last trading day falls on a Friday or an Exchange holiday, last trading day occurs on the previous business day.
New Contract Listing	Business day immediately following the last trading day
Exercise of Options	On the last trading day, all in-the-money options are exercised automatically against Settlement Price, however, should a member choose not to exercise an in-the-money option, the member is required to notify the Exchange latest by 23:45 hrs (15 minutes after trading ceases). All out-of-the-money options automatically expire worthless and they can not be exercised.
Strike Prices	For each option contract, the strike prices are at increments of US\$10.00
Position Limit	Initially, same as specified for Gold Futures contract
Margin Requirement	Buyer pays full premium, while the seller is margined on the SPAN basis
Trading Hours	08:30 - 23:30 Hours Dubai time (GMT+4)
Trading Days	Monday through to Friday

- For traded contracts, The Exchange shall determine the Option Settlement Premium based on following order:
  - Value Weighted Average Price (VWAP) of trades executed in last 10 minutes for the trading day provided there were at least 15 trades executed during the last 10 minutes
  - VWAP of last 15 trades executed during the day provided 15 trades are executed
  - The Options Settlement Premium as declared by a Price Committee consisting of Exchange / Clearing Corporation officials
- For contracts not traded on a given trading day, Options Settlement Premium will be determined based on theoretical prices

## Gold Futures & Options Trading Example

An investor thinks that the gold price is going to increase from US \$1,100/ troy ounce level in the two months from August. As a result, he decides to buy an October gold futures contract at US \$1,200/troy ounce. Assume that his prediction is accurate and gold prices increase to US \$1,320/troy ounce; his profits would be US \$120/troy ounce.

However, should his prediction is inaccurate and gold price drop to US

\$1,000/troy ounce, then his losses would be US \$200/troy ounce.

Alternatively, the investor could have chosen to trade DGCX gold call options or DGCX gold put options, which provide protection against rising or falling price movements depending on whether you are the buyer or the seller of the options contract.

# DGCX

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## How to start trading futures and options contracts on DGCX

To trade DGCX futures and options contracts, buy and sell orders should be submitted via a member of the exchange, by telephone or possibly via an order routing (internet) service. Only exchange members can actually execute orders directly onto the exchange and so market participants should open a trading account with a member firm in order to start trading, or become a direct member of DGCX.

The list of DGCX member firms offering brokerage and clearing services can be found on our website at: [www.dgcx.ae/memberslist.aspx](http://www.dgcx.ae/memberslist.aspx).

Alternatively, if you would like to become a member of DGCX, please contact us.

## Delivery Mechanism and Settlement

Every night, DGCX publishes a Daily Settlement Price for every contract listed on the exchange. The daily settlement price is used to calculate the variation margin payments and daily profits / losses for open positions. This process of calculating the value of the contract against the daily settlement price is known as "Marked to Market".

Only approximately 1 - 5% of physically delivered contracts actually go to the expiry date and end up with the physical product being delivered and exchanged, the majority are settled beforehand. However, if the contract does finish in physical delivery, then the product, for example, gold, must be delivered according to the specifications in the contract in exchange for payment by the buyer.

The delivery instrument for DGCX gold futures is the 'Dubai Gold Receipt', which forms part of the Dubai Multi Commodities Centre's (DMCC) 'Global Multi Commodities Receipt' (GMR) platform. The GMR won Trade Finance "Deal of the Year" award in 2007 and 2008. In 2009, 309 transactions worth US \$306 million were processed.

The Dubai Gold Receipt (DGR) verifies the quality and quantity of gold and platinum and provides a mechanism for traders and commodity market participants to raise finance and funds against precious metals stored in approved Dubai vaults.

## Further Information

For further information on DGCX, our products and how to access our markets, please contact us on the details below. Alternatively, please refer to the contract specifications for product related information. Delayed prices for all DGCX contracts are available on our website.

### Dubai Gold & Commodites Exchange

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