

Pre-Notice Paper: PNP-2008-001

Issue Date: April 22, 2008

Sub.: Implementation of Block Trades facility

**Pre-Notice Paper**

Introduction of Block trade facility for All Listed Contracts on DGCX

**Content May be Most Important for**

Operations Managers	<input checked="" type="checkbox"/>
Back-office Managers	<input checked="" type="checkbox"/>
Compliance Officer DGCX Operations	<input checked="" type="checkbox"/>

**Summary**

Further to requests received from Members and in line with standard practices, DGCX plans to introduce a Block trade facility.

The Block trade facility (BTF) is an off-market mechanism enabling Members to register transactions of significant size in specified contracts with DGCX and clear through DCCC. The key advantages of the BTF are:

- Price certainty: Since Block trades are transacted at pre-agreed price between counterparties; it provides a price certainty when a large size trade is executed.
- Execution certainty: All Block trades are approved by the Exchange as long as they are reported for eligible contracts and do not violate any stipulations of the BTF.
- Extended trading hours: Block trades may be reported up to fifteen (15) minutes after the Close of Trading on any Trading Day.
- Registration of Block trades does not affect O-H-L-C prices and volume information in the market. The posting of Block trades will not result in triggering any stop-loss orders in the system.

The document appended below provides detailed information on the planned BTF. Members are encouraged to provide their feedback to the Exchange regarding the facility and the process to be adopted by April 30, 2008.

Subject to feedback received, the Exchange seeks to make this facility available in all listed contracts by early May 2008.

**Contact**

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E-mail: [support@dgcx.ae](mailto:support@dgcx.ae)Website: [http://www.dgcx.ae/content/Home.en.Membership.Pre\\_Notices\\_Papers.aspx](http://www.dgcx.ae/content/Home.en.Membership.Pre_Notices_Papers.aspx)**For Dubai Gold & Commodities Exchange****Gaurang Desai****Chief Operating Officer**

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**Block trades facility (BTF) reporting and approval procedures**

The procedures for reporting of Block trades by Members and subsequent approval by the Exchange are prescribed below.

1. Parties of the intended Block trade transaction shall negotiate the terms and conditions of Block trades including the price and quantity and submit a request in the prescribed format "**BT1 - Request for Approval of Block Trade Transaction**" to the Exchange through their respective Trade/Broker Members.
2. Requests so submitted shall be in accordance with the guidelines prescribed in By-Laws of the Exchange and in particular shall adhere to sections pertaining to trading practices, handling client business, prohibited trading practices and related provisions.
3. Only Members who maintain at least \$500,000 (US\$ five hundred thousands) in the form of Clearing Commitment deposits with the DCCC shall be entitled to report such Block trades.
4. Additionally, the Member concerned should have adequate free deposits to cover margin liabilities arising post approval of such reported trade(s).
5. Block trades can be reported for quantities not less than prescribed quantities for respective class of contracts as communicated by the Exchange from time to time. For the purpose of this document, prescribed minimum quantities for Block trades shall be as follows:

SEGMENT	COMMODITY	PRESCRIBED MIN. QUANTITIES
Precious Metals	Gold	200 contracts
Precious Metals	Silver	200 contracts
Energy	Fuel Oil	200 contracts
Currencies	British Pound Sterling	200 contracts
Currencies	Euro	200 contracts
Currencies	Indian Rupee	200 contracts
Currencies	Japanese Yen	200 contracts
Base & Alloy Metals	Steel Rebar	200 contracts

6. Upon receipt of the Block trade request(s) from the Member in the prescribed format **BT-1**; the Exchange shall process such request(s) subject to following stipulations;
  - a. All such requests must be submitted to the Exchange before a cut-off time i.e. fifteen (15) minutes after Close of Trading on any Trading Day.
  - b. Notifications received after the cut-off time shall not be accepted; however the same request may be **re-presented** to the Exchange on the next Trading Day and shall be processed accordingly.
  - c. The Exchange may require submission of additional supporting documents to verify the validity and authenticity of the requested Block trade from any or both parties to the transaction prior to approval/rejection of the request.
  - d. On receipt of all documents, including additional supporting documents, if any, the Exchange will approve/reject the request.

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- e. All requests received during the day (i.e. before cut-off time) shall be approved/rejected on the same Trading Day.
7. The price at which a Block trade is executed must be fair and reasonable in light of
- (i) the size of the Block trade,
  - (ii) the prices quoted for transactions in the same class of contract on the Exchange at the time of reporting Block trade,
  - (iii) the prices quoted for transactions in other relevant markets, including but not limited to the underlying cash and futures markets, at the time of submission of request.
8. A Member shall not execute any order by means of a Block trade for a customer or aggregate customer orders unless such customer(s) has/have expressly approved execution of the same as a Block trade.
9. Members and Clients involved in the execution of Block trades must maintain complete record of the transaction in accordance with the Exchange By-Laws and DCCC rules.
10. The approval/rejection of the Block trade transaction shall be at the sole discretion of the Exchange. The Exchange shall not be bound to provide any reasons for the rejection of the proposed Block trade transaction submitted by the Member to the Exchange.
11. The volume of the Block trade transaction shall be updated in the Exchange records once the transaction is registered.
12. A message will be broadcasted for information of all participants on registration of the Block trades.
13. Execution of a Block trade will not trigger any stop-loss orders.

Pre-Notice Paper: PNP-2008-001

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**Annexure 1 - BT1 - Request for Approval of Block Trade Transaction****Note:**

1. To be printed on the letterhead of respective Clearing Member firm with all the blanks in the format duly filled and bearing the stamp of the member firm.
2. Requests from both counter-parties shall match in order to process the request further.

Date:

To:

Market Operations Team,  
Dubai Gold & Commodities Exchange (DGCX)  
Dubai, U.A.E.

**FAX No: +971-4-3611669**

Dear Sir/Madam,

**Sub: Request for Approval of a Block Trade Transaction**

In pursuance of the procedures issued by the Exchange to execute Block trades, we hereby submit our request for approval of a Block trade transaction as per details given below:

PARTICULARS	LONG POSITION HOLDER	SHORT POSITION HOLDER
CM Code & Name		
TM Code & Name		
Client Code, Name & Address		
Contract Details	<b>e.g. DG: 07-APR-2008 / DGJ08M08 – 07-APR-2008</b>	
Trade Quantity	<b>500 lots</b>	
Trade Price	<b>e.g. US\$ 1080 per Troy Oz.</b>	
Value in US\$		

We shall not hold the Exchange and/or the Clearing Corporation liable for any loss or damage caused to us in relation to this contract after completion of the Block trade exercise by the Exchange.

We certify that the information mentioned above is correct and we undertake to maintain all records in our books for necessary inspection and audit by the Exchange/regulatory authorities.

Yours faithfully,

**Authorized Signatory****Name:****Designation:**

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