

Notice No.: MKTG-2012-027

Issue Date: November 14, 2012

Subject: Invitation to apply for Designated Market Maker Status in the specified DGCX Futures Contracts

Notice to all Members,

Sub: Invitation to apply for Designated Market Maker (DMM) Status in the specified DGCX Futures and Options Contracts

In pursuance of DGCX By-Laws and the Clearing Rules of the DCCC, the following is hereby notified:

Details of a Designated Market Maker (DMM) Scheme for the DGCX specified Futures and Options Contracts are provided in Annexure 1.

The DMM Scheme will run for a period of 3 months from **January 02, 2013** to the close of business on **March 29, 2013**.

Applicants should complete and submit the provided DMM Application Form by close of business on **December 3, 2012**. The DMM Application Form is provided in Annexure 2.

The validity of application is subject to successful testing of the Applicants ability and/or infrastructure for Market Making or previous track record of Market Making with DGCX.

Members are requested to take note of the above.

For Dubai Gold & Commodities Exchange

Samir Shah
Chief Business Officer

Notice No.: MKTG-2012-027

Issue Date: November 14, 2012

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Annexure 1: DGCX Futures and Options Contracts Designated Market Maker Scheme Details

1. Introduction

This Designated Market Maker (DMM) Scheme is intended to encourage liquidity in the DGCX Futures Contracts and DINRO Options Contract, by inviting DMMs to provide competitive two-way prices and volume quotes.

The DMM Scheme is open to all existing Broker and Trade Members and also to all Clients that hold accounts with a Broker Clearing Member.

2. Benefits for DMMs

2.1. Subject to fulfillment of the obligation as per clause 3 below, each DMM will receive:

2.1.1. A waiver on Exchange transaction fees for DMM transactions in the DGCX Futures Contracts in which they are acting as a DMM; and

2.1.2. A monthly stipend that reflects the DMM's costs of acting in a DMM capacity.

*Clearing fee, currently US\$10 per contract per side & ESCA regulatory fees, currently US\$2 per contract per side that apply to DGCX Contracts shall be passed on by DGCX, and will be incurred by the DMM.

2.2. The names of DMMs and the nature of their commitments may be promoted by the Exchange, and included on the DGCX website. Applicants not wishing their names to appear in such publicity should mention this on their application.

3. DMM Obligations

3.1. Applicants should state in their application, the Contract(s) in which they wish to act as a Market Maker and the obligations that they would be prepared to meet. Obligations are detailed in Appendix 'A' which outlines the benchmarks that the Exchange would expect a DMM to fulfill; however, applicants may include obligations in their applications, which vary from the benchmarks detailed;

3.2. Appendix A sets out the minimum obligations. Applications which improve upon the obligations set out in the attached Appendix 'A' are encouraged; and

3.3. Applicants and their respective Clearing Members should ensure that they have sufficient clearing commitment deposited with the DCCC to fulfill their DMM obligations at all times.

3.4. For first time Market Makers on the Exchange, Applicants should endeavor to successfully test its ability and/or infrastructure for Market Making to DGCX's satisfaction. It is expected

Notice No.: MKTG-2012-027

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to be carried out at least two weeks prior to signing of Market Making agreement.

4. Application Process

4.1 All applicants with appropriate trading rights and clearing arrangements (see1 – Introduction) are eligible to apply for DMM status. Applicants should submit a completed DMM Application Form (provided in Annexure 2) by close of business on **December 3, 2012**.

Members can apply to become a DMM in their own right. Where the Member is not a Clearing Member, the Member should only apply for DMM status with the agreement of the relevant Broker Clearing Member.

A Non-Member may undertake the Market making activities on behalf of a Broker Clearing Member; however, in such cases the performance of the DMM obligations remain the sole responsibility of the Broker Clearing Member and, as such, DMM applications must be submitted to the Exchange through, and with the full understanding, of the respective Broker Clearing Member.

All applicants are expected to carry out their Market making commitments starting from **January 2, 2013**.

4.2 The applicant should state (i) the products in which they wish to participate as a DMM; (ii) the obligations that they are prepared to meet for each contract; (iii) and the stipend payment that they wish to charge for performing the obligations.

Applicants should also provide detailed supporting information with their application (which they feel would be relevant) including, but not limited to, the following:

- the number and experience of staff, both in terms of responsible persons and other staff, available to support the market making
- the trading system and support they will be using, and the likely message per second usage. DMM using automated software will be given preference over manual and other methods.
- the level of risk capital available to support the market making commitment
- previous market making experience at either DGCX and/or other derivative exchanges
- Connectivity to be used to access DGCX.

The Exchange reserves the right to introduce daily message allocation for Price Injection

Notice No.: MKTG-2012-027

Issue Date: November 14, 2012

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Models used by the DMM in fulfilling its obligations.

4.3 DMMs will be appointed through a competitive tender process. A Market Maker Review Panel, comprising DGCX executives, will evaluate the applications received for DMM status in the Contracts. The decision(s) taken by the Panel shall be final and shall not be subject to external scrutiny.

The Exchange will appoint, at its absolute discretion, as many DMMs as it deems appropriate with the objective of providing the maximum benefit to the market whilst ensuring the effective operation of the DMM Scheme.

DMM appointments will be made on the basis of the liquidity that applicants propose to provide, the stipend they wish to charge, and the supporting information on their structure (as outlined in 4.2) and experience.

4.4 The appointment of a DMM will be subject to a binding contract between the DMM and the Exchange. A completed application form does not constitute such a contract. Members who have made successful applications will receive a formal contract for signature from the Exchange.

4.5 The DMM will be required to meet its obligations in full. Should circumstance arise which prevent this, the DMM will have to notify DGCX immediately that it is unable to fulfill its DMM obligations for a period of time, and advise DGCX what is being done to rectify the situation. Failure to meet obligations may result in the stipend payment being adjusted accordingly. Continued DMM failure to fulfill obligations will result in the agreement being terminated by the Exchange and the DMM agreeing to forfeit all remaining stipend payments.

4.6 The DMM obligations as defined in Appendix A are final and binding. Inability to meet the specified obligations for less than 50% of the defined parameters for DMM performance will be subjected to a fixed liability payable by the DMM to DGCX as per the schedule defined in Appendix A.

For further information prospective applicants should contact: Relationship Management at RM@dgcx.ae or Product Management at meng.shu@dgcx.ae

Notice No.: MKTG-2012-027

Issue Date: November 14, 2012

Subject: Invitation to apply for Designated Market Maker Status in the specified DGCX Futures Contracts

Appendix 'A' - Designated Market Maker Benchmark Obligations

- 1) The DMM will quote two way prices continuously for at least 90% of the Trading Day, at the minimum sizes and maximum spreads required for the DGCX Precious and Base Metals, Index Futures contracts, and specified Currency Futures contracts, as reflected in Table 1 and 2 below.
- 2) In addition to the quote obligations specified in Table 1 and Table 2, the DMM will provide minimum depth of three (3) levels in the order book through ladder two way prices.
- 3) In relation to the front month of the Gold and Silver Futures Contracts, the DMM is expected to meet their obligations up to the last Trading Day of that Contract and subsequently make markets in the succeeding front and second month, as required.
- 4) The DMM will be expected to quote the spread contract (M1/M2) from the 10th business day prior to the start of the tender period for all Contracts.
- 5) In the case of an announcement of significant economic news, and during periods of significant market volatility or technical issues, the DMM would be permitted after prior agreement with DGCX to widen its spread by 2 times the agreed spread.
- 6) The DMM will respond to Request for Quotes (RFQ) to the best of their ability.

Table 1 for Futures Contracts

Futures Contract	Front Month		Second Month	
	Minimum Volume (Lots)	Bid/Offer Spread (Ticks)	Minimum Volume (Lots)	Bid/Offer Spread (Ticks)
GOLD	10	2	9	4
SILVER	10	2	5	4
SENSEX*	TBD	TBD	TBD	TBD
COPPER	5	2	5	8
GBP /USD	25	2	25	4
EUR /USD	25	2	25	4
JPY /USD	25	2	25	4
AUD /USD	25	2	25	4
CAD /USD	25	2	25	4
CHF/USD	25	2	25	4

*SENSEX index futures contract launch to be announced

^TBD – To be decided

Notice No.: MKTG-2012-027

Issue Date: November 14, 2012

Subject: Invitation to apply for Designated Market Maker Status in the specified DGCX Futures Contracts

Table 2 for Indian Rupee Futures Contract

USD Contracts		Bid/Offer Spread (Ticks)
Front Month	100	2
Second Month	100	5
Third Month	100	6
Sixth Month	100	6
Twelve Month	100	8

- 7) The following table is the desired monthly stipend payout based on the quotation commitments listed below:

Quotation Commitment	Stipend Ratio
90% and above	100% payout on Stipend
below 90% and more than or equal to 80%	75% payout on Stipend
below 80% and more than or equal to 70%	50% payout on Stipend
below 70%	0% payout on Stipend

- 8) The following table lists the applicable penalty values based on the quotation commitments listed below:

Quotation Commitment	Penalty Ratio
35% to 50%	25% of stipend value payable by DMM to DGCX
Below 35%	50% of stipend value payable by DMM to DGCX

Outright inability to quote for two straight trading days without valid reasons and prior intimation to the Exchange will result to a penalty of 50% of stipend value payable by DMM to DGCX.

- 8) A surety deposit equivalent to 50% of stipend value shall be borne by the DMM to DGCX account, refundable after the expiry of the DMM agreement.

Notice No.: MKTG-2012-027

Issue Date: November 14, 2012

Subject: Invitation to apply for Designated Market Maker Status in the specified DGCX Futures Contracts

Annexure 2 – DMM APPLICATION FORM

1. Name of Member:

2. Name of Client (where a Client wishes to be a DMM via a Broker Clearing Member, subject to an application being supported by a copy of an agreement with a Broker Clearing Member):

3. Membership Type:

4. Clearing Member to be used, if not a Clearing Member:

5. Name and designation of main contact person to discuss this application:

The List of Future Products on which the Applicant seeks to make markets in:

Futures Contract	Front Month		Second Month	
	Minimum Volume (Lots)	Bid/Offer Spread (Ticks)	Minimum Volume (Lots)	Bid/Offer Spread (Ticks)
GOLD				
SILVER				
SENSEX				
COPPER				
GBP/USD				
EUR/USD				
JPY/USD				
AUD/USD				
CAD/USD				
CHF/USD				

Notice No.: MKTG-2012-027

Issue Date: November 14, 2012

Subject: Invitation to apply for Designated Market Maker Status in the specified DGCX Futures Contracts

INR/USD Contracts	Minimum Volume (Lots)	Bid/Offer Spread (Ticks)
Front Month		
Second Month		
Third Month		
Sixth Month		
Twelfth Month		

6. The period of the Trading Day in which it is proposed to act as a DMM (the minimum obligation is 90% of the DGCX Trading Day):

7. Monthly stipend (USD) required to act as a market maker:

Gold:- _____ Silver:- _____ SENSEX:- _____

Copper:- _____

EUR:- _____ GBP:- _____ JPY:- _____

AUD:- _____ CAD:- _____ CHF:- _____

DINR:- _____

8. Market Making Experience in related markets: Yes No

If yes, state the number of years:

Which Exchange/Markets: _____

9. Trading system used:

Method of trading: Manual Automated

Do you currently have automated software: Yes No

10. Number of sources used as based prices to support market making operation:

11. Connectivity used to connect DGCX:

12. Market Making software to be used if any:

13. Counterparty arrangements Yes No

Emaar Business Park, Building 2, Level 1, P.O Box 37736, Dubai, UAE.

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Notice No.: MKTG-2012-027

Issue Date: November 14, 2012

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14. Banking Arrangements to meet DMM obligations Yes No

15. Email id(s) you wish to register for Request For Quotes purpose:

16. Name(s) of proposed Market Maker Traders (MMT) responsible for market making:
(Please include their CVs)

17. Date from which the applicant can carry out market making commitments:

18. Company can be promoted as DMM for publicity purposes: Yes No
Please attach any additional information that may be relevant to the application

The Applicant hereby declares that all the information contained in this application form, and otherwise supplied, is complete, true, accurate and not misleading.

Authorized Signature:

Name:

Designation:

Date: _____

Please return by the close of business on 3 December 2012 to:

Meng-Chan Shu

Head of Product Management

Dubai Gold & Commodities Exchange

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Sheikh Zayed Road

PO Box 37736, Dubai, UAE

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