

Notice No.: MKTG-2022-025

Issue Date: 02 September 2022

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

Notice to all Members,

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Pursuant to the DGCX By-Laws and Clearing Rules of the DCCC, the following is hereby notified to all Members:

Details of a Designated Market Maker scheme (**DMM Scheme**) for DGCX specified, Contracts as provided in Annexure 1 of this Notice.

The DMM Scheme will run for a period of up to **12 months** from **Monday, January 02, 2023**, until the close of business on **Friday, December 29, 2023**.

Applicants for the DMM Scheme should complete and submit to DGCX the DMM Scheme Tender Application Form (**DMM Tender Application**) by close of business on **Friday, September 30, 2022**. Guidance on how to complete the DMM Tender Application can be found at Annexure 2, and the DMM Tender Application itself is in Annexure 3. Applicants should also complete and submit the KYC Form that can be found at Annexure 4, along with their DMM Tender Application.

When submitting the completed DMM Tender Application, please password protect the document and separately provide DGCX with the password after close of business on **Friday, September 30, 2022** and before close of business on **Monday, October 03, 2022**, to the following email address: tender@dgcx.ae.

The validity of DMM Tender Applications is subject to proof of successful market making capability testing, suitable connectivity and confirmation that an applicant's supporting infrastructure is capable of supporting Market Making activity. In addition, applicants are required to display a previous track-record of Market Making with DGCX. Where no such previous track-record exists, references will be requested. Applicants will be required to undertake "Know Your Customer" (KYC) checks that will be performed by DGCX. Those tenders that meet Exchange recommended minimum obligation will be invited into a Framework Agreement. Appointment of DMMs will be at the sole discretion of DGCX, with no appeal permitted.

Members who wish further information with regard to this Notice should contact their Relationship Manager.

For Dubai Gold & Commodities Exchange

Louis Hems
Commercial Director

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Annexure 1: DGCX Contracts Designated Market Maker Scheme Details

1. Introduction

The Designated Market Maker (**DMM**) scheme (**DMM Scheme**) is intended to encourage liquidity in DGCX Futures, Options and Shari'ah Compliant contracts (**DGCX Contracts**) by inviting DMMs to provide competitive two-way price quotes at, or better than, defined volumes and depths in the DGCX (**Exchange**) order book.

The DMM Scheme is open to all existing Broker and Trade Members as well as all Clients holding accounts with a Broker Clearing Member.

Capitalised terms used in this Notice shall, unless otherwise stated, have the meaning attributed to those terms in the DGCX By-laws.

2. Benefits for DMMs

- 2.1. Subject to fulfillment of the obligations contained in clause 3 below, each DMM may receive:
 - 2.1.1. a waiver on Exchange trade and final settlement fees for DMM transactions in DGCX Contracts in which they are acting as a DMM;
 - 2.1.2. a waiver of Exchange co-location and DMA fees, where otherwise applicable, and/or
 - 2.1.3. a model that reflects the DMM's costs of acting in a DMM capacity or a combination of the following options:
 - 2.1.3.1. a revenue sharing model where the Exchange would share the revenue of the transaction costs with the DMM;
 - 2.1.3.2. a fixed monthly stipend for the obligations provided;
 - 2.1.3.3. a monthly stipend consisting of a fixed and variable stipend component with the variable stipend contingent on volumes of the DMM in the DGCX Contract; and/or
 - 2.1.3.4. any other models the DMM may propose that are acceptable to the Exchange.
- 2.2. All clearing fees and SCA (Securities and Commodities Authority) regulatory fees (as applicable), shall be passed on by the Exchange, and will be incurred by the DMM. The Parties agree that all fees and stipend are payable in accordance with applicable UAE VAT legislation.
- 2.3. Names of DMMs and the nature of their commitments may be promoted by the Exchange and included on the Exchange's website. Applicants who do not want their names to appear in such publicity must expressly state this in their DMM application form, a copy of which is provided in Annexure 3 (**DMM Application Form**).

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3. DMM Obligations

- 3.1. Some DGCX Contracts will have minimum obligations as detailed in Annexure 2, which outlines the benchmarks that the Exchange would expect a DMM to fulfill. **Applicants are, however, positively encouraged to improve on the benchmarks indicated.** DMMs shall propose their commitment obligations for those contracts that have no indicative obligations.
- 3.2. Applicants should state in their DMM Application Form, the contract(s) in which they wish to act as a DMM and the obligations that they would be prepared to meet. Annexure 2 sets out the parameters of the DMM as well as the DGCX Contracts in which market making (**Market Making**) is required.
- 3.3. Applicants and their respective Clearing Members must ensure that they have sufficient clearing commitment deposited with the Dubai Commodities Clearing Corporation DMCC (**DCCC**) to fulfill their DMM obligations at all times.
- 3.4. First time DMM applicants must successfully test to the Exchange's satisfaction, their Market Making capability, including their Clearing Members approval and infrastructure to support Market Making. Such testing must be completed at least two weeks prior to the applicant signing a DMM Contract (as that term is defined in clause 4.7 below). All costs associated with DMM testing, connectivity and initial set-up are to be borne by the DMM. During the testing period the DMM will receive benefits as outlined in clause 2 above.

4. Application Process

- 4.1 All applicants with appropriate trading rights and clearing arrangements are eligible to apply for DMM status.
- 4.2 Members can apply to become a DMM. Where a Member is not a Clearing Member, it may only apply for DMM status with the agreement of the relevant Broker Clearing Member. If a DMM requires co-location, a co-location agreement must be signed by the Broker Member.
- 4.3 All applicants are expected to carry out their Market Making commitments with effect from **Monday, January 02, 2023.**
- 4.4 DGCX has provided the expected minimum obligations for each of the products in this notice in Annexure 2.
- 4.5 Applicant must clearly state in their DMM Application Form the following information:
 - the products in which they wish to participate as a DMM;
 - the obligations that they are prepared to meet for each contract in line with the minimum obligations defined in Annexure 2; and
 - the compensation structure for performing those obligations.

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Applicants should also provide detailed supporting information, which they deem to be relevant with their DMM Application Form. Such information may include (but is 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 application and support they will be using, and the likely message per second usage. For the avoidance of doubt, DMM applicants using automated systems will be given preference over manual methods;
- the level of risk capital that the applicant will commit to support their Market Making commitment;
- previous Market Making experience either with the Exchange and/or other derivative Exchanges; and
- details of connectivity and software which will be used to access the Exchange.

The Exchange reserves the right to introduce daily message allocation for price injection models used by a DMM in fulfilling its obligations.

- 4.6 DMMs will be appointed through a competitive tender process. A Market Maker Review Panel, comprised of DGCX management, will evaluate the applications received for DMM status in the DGCX Contracts. The decision(s) taken by the Panel shall be binding on all applicants and shall not be subject to external scrutiny. DGCX maintains total discretion in appointing any DMM.
- 4.7 The Exchange shall 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.
- 4.8 The appointment of a DMM shall be subject to execution of a contract between the DMM and the Exchange (**DMM Contract**). For the avoidance of doubt, a completed DMM Application Form does not constitute a DMM Contract. Members who have made successful applications will receive from the Exchange a DMM Contract for execution.
- 4.9 The DMM will be required to meet its market making obligations in full. Should circumstances arise which prevent, inhibit or hinder this (**Problem**), the DMM shall notify the Exchange immediately of the Problem, the expected duration of the Problem and what is being done to rectify the situation.
- 4.10 Should a DMM materially fail to meet their obligations the Exchange may adopt any remedy deemed appropriate, including, but not limited to:
- 4.10.1 terminating the DMM's participation in the DMM Scheme;
 - 4.10.2 reducing or removing any entitlements of the DMM; and
 - 4.10.3 where appropriate, re-charging in part or in full any benefits made available under the terms of the DMM Scheme.

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4.11 The Exchange may, at its absolute discretion, cease DMM support for a contract or change the parameters of the DMM obligations and compensation by giving a minimum of one month notice to the DMM.

5. DMM Benchmark Obligations

5.1 The DMM shall quote two-way prices continuously for a minimum proportion of the Trading Day and, at the minimum sizes and maximum spreads as per the DMM Contract.

5.2 In addition to the quote obligations specified, the DMM shall provide minimum visible depth in the order book through two-way prices or as agreed with the Exchange on specific products.

5.3 In relation to front month 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.

5.4 A DMM is expected to facilitate the rolling over of positions and quote the spread contract (M1/M2), where applicable, from the fifth (5th) Trading Day prior to the start of the tender period or contract expiry for all Contracts or as specified as minimum obligations in Annexure 2 below. At the outset, it is preferred that the DMM quotes both the front month and first calendar spread at all times.

5.5 In the case of an announcement of significant economic news and during periods of significant market volatility, a DMM may be permitted, after prior agreement with the Exchange, to widen its spread by two (2) times the agreed spread.

5.6 A DMM will, to the best of its ability, respond to and request for quotes (or RFQ).

5.7 DMMs are encouraged to suggest alternative ways of providing liquidity to specified contracts within regulatory requirements.

5.8 For further information, any prospective applicant should contact the Agreements Team at the Exchange at: tender@dgcx.ae.

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Annexure 2 - List of Contracts and Market Making Parameters

List of Contracts – Futures, Rolling Futures, Options and Shari’ah Compliant

(Contract specifications are available at www.dgcx.ae)

Outright Futures Contracts	
Prod. Code	Full Name
DINR	Indian Rupee
DINRM	Mini Indian Rupee
DINRI	Indian Rupee Quanto
DINRW	Indian Rupee Weekly
DPKR	Pakistani Rupee
DEUR	G6 Currency Futures
DGBP	
DJPY	
DAUD	
DCAD	
DCHF	
DG	Dubai Gold
DGSG	Shari’ah Compliant Spot Gold*
20 SSF	20 Indian Single Stock Futures
DWTI	WTI Crude Oil
DBRC	Brent Crude Oil
DILS	Israeli Shekel

Spread Futures Contracts	
Prod. Code	Full Name
DINR	Indian Rupee
DINRM	Mini Indian Rupee
DINRI	Indian Rupee Quanto
DINRW	Indian Rupee Weekly
DPKR	Pakistani Rupee
DEUR	G6 Currency Futures
DGBP	
DJPY	
DAUD	
DCAD	
DCHF	
DG	Dubai Gold
20 SSF	50 Indian Single Stock Futures

Options Contracts	
Prod. Code	Full Name
DINRO	Indian Rupee Options

*Compulsory deliverable Spot product

Additional products may be listed on the Exchange where DMM status is not considered. Please contact your relationship manager for more information.

New products may be launched throughout the year after development and regulatory approval. Please mention on your DMM Application Form any additional products you may be interested in.

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Parameters for DMM Obligations (example of required format for a DMM Quote below)

1. Level One – Bid/Offer spread and number of lots
2. Levels Two and Three (Ladder) - Bid/Offer spread and the number of lots with reference to level one
3. Minimum Time Commitment – Percentage of DGCX trading hours
4. Maximum Open Interest commitment per product
5. Spread Contracts where applicable (Using parameters 1,2,3) - Across the term structure of the contract
6. Number of Active Strikes to be Quoted - Applicable to Options only
7. Deviation of Implied Volatility from Historical Volatility or Implied Volatility in the Reference Market - Applicable to Options only
8. Days of quoting 2nd month before expiry of 1st month
9. Reference market, if any
10. Ability to take/make delivery in deliverable contracts – Only for G6 Currencies, Shari'ah Compliant Spot Gold.
11. Connectivity and Software - Please specify
12. Compensation Structure - Fixed Stipend, Variable Stipend, Revenue Sharing or Hybrid
13. Inter product rebates required on other contracts, if necessary, for hedging purposes

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Example of a DMM Quote – please use the below format and use the reference tables provided. Please submit one table per contract you are tendering for:

DGCX Contract Name HERE	Front Month		Second Month		Minimum Obligation in Time Commitment
	Minimum Quantity	Maximum Tick Spread	Minimum Quantity	Maximum Tick Spread	
Level 1	XX	XX	XX	XX	XX
Level 2	XX	XX	XX	XX	XX
Level 3	XX	XX	XX	XX	XX
Reference Market	<i>Examples - ICE, CME, SGX, LME, HKEX,</i>				
M2 - Contract Rollover (Spread)	<i>Example – 7 Trading days</i>				
COMPENSATION STRUCTURE Fixed / Variable / Revenue Sharing: XXXX / At 1000 Lots - XXXX at 2000 Lots XXXX / XX%					
Maximum Open Interest					

Reference Tables and Guidance

- Exchange recommended minimum obligation (highlighted and marked in bold) per product category is indicated below.
- The below are Exchange recommended for Level 1. The invitation by the market maker can be submitted for Level 1, Level 2 and Level 3 based on the reference table provided below.
- The quoting of M2 to fulfill contract roll over is preferred to be 7 working days prior to the last business day of each of the M1 contract. The market maker can submit his preferred time frame to start quoting M2.

DINR	Lots
M1	100
	80
	70
	60
	40

DINR	Spread
M1	2
	3
	4
	5
	6

DINR	Performance %
M1	95%
	90%
	85%
	80%
	75%

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DINRM	Lots	DINRM	Spread	DINRM	Performance %
M1	100	M1	2	M1	95%
	80		3		90%
	70		4		85%
	60		5		80%
	40		6		75%

DINRI	Lots	DINRI	Spread	DINRI	Performance %
M1	10	M1	2	M1	95%
	20		3		90%
	30		4		85%
	40		5		80%
	50		6		75%

DINRW	Lots	DINRW	Spread	DINRW	Performance %
M1	5	M1	2	M1	95%
	10		3		90%
	15		4		85%
	20		5		80%
	25		6		75%

DPKR	Lots	DPKR	Spread	DPKR	Performance %
M1	2	M1	2	M1	95%
	10		4		90%
	20		6		85%
	30		8		80%
	40		10		75%

G6	Lots	DEUR	Spread	DEUR	Performance %
M1 (DEUR, DGBP, DJPY, DAUD, DCAD, DCHF)	2	M1	2	M1	95%
	5		3		90%
	8		4		85%
	11		5		80%
	14		6		75%

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DG	Lots	DG	Spread	DG	Performance %
M1	2	M1	2	M1	95%
	5		3		90%
	8		4		85%
	11		5		80%
	14		6		75%

DGSG	Lots	DGSG	Spread	DGSG	Performance %
M1	2	M1	20	M1	95%
	5		40		90%
	8		60		85%
	11		80		80%
	14		100		75%

Indian SSF	Lots	DGSG	Spread	DGSG	Performance %
M1 (minimum of 20 stocks)	\$ 25 K	M1	0.0007 * price	M1	95%
	\$ 50 K		0.001 * price		90%
	\$ 75 K		0.0012 * price		85%
	\$ 100 K		0.0015 * price		80%
	\$ 125 K		0.0020 * price		75%

DWTI	Lots	DWTI	Spread	DWTI	Performance %
M1	5	M1	2	M1	95%
	10		3		90%
	15		4		85%
	20		5		80%
	25		6		75%

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DBRC	Lots	DBRC	Spread	DBRC	Performance %
M1	5	M1	2	M1	95%
	10		3		90%
	15		4		85%
	20		5		80%
	25		6		75%

DILS	Lots	DILS	Spread	DILS	Performance %
M1	5	M1	2	M1	95%
	10		3		90%
	15		4		85%
	20		5		80%
	25		6		75%

DINRO	Lots	DINRO	Spread	DINRO	Performance %
M1 (minimum of 10 strikes)	5	M1	2	M1	95%
	10		3		90%
	15		4		85%
	20		5		80%
	25		6		75%