

Subject: Introduction of Asset Allocation Facility

Notice to all Members,

Subject: Introduction of Asset Allocation Facility

Pursuant to the DGCX By-Laws, and Clearing Rules of the DCCC Members are hereby advised of the following.

1. Members will be aware that DGCX provides Wholesale Trading Facilities which permit Members to organize and execute transactions outside of the Central Order Book. These facilities include Block Trades, Exchange for Physical and Exchange for Swap transactions, and despite the attractiveness of these facilities, Members currently have no ability to execute strategy trades that comprise of more than one product – e.g. Gold Futures vs. Silver Futures – other than in the Central Order Book. This exposes Members to “legging risk” where the prices of the two products fluctuate to the extent that the single strategy price is become unachievable. This frustrates the growth of the market and encourages market participants to execute such transactions in the Over-the-Counter market.
2. Therefore, in response DGCX will be making available an additional Wholesale Trading Facility, to be called Asset Allocations (“AAs”). AAs will permit Members who wish to trade as a single order a combination of products at a single, agreed price. These transactions would be organised and executed outside of the Central Order Book in the same way that Block Trades are arranged. The necessary amendments to the DGCX By-Laws are detailed in Appendix I below.
3. Members will be permitted to organize and execute any combination of products that they wish – i.e. there will be no limit to the number of products that could comprise an AA. Further, there will be no minimum volume threshold for AAs, and the price of the component legs must be within the daily high/low of the relevant contract. Once an AA has been executed it must be submitted to DGCX in the format set out in Appendix II below, without delay for authorisation and processing.
4. The fee scheme for these transactions would be that the trade fee would be reduced by 50%, but that the clearing and regulatory fees would be for the full amount – i.e. if an AA was executed in two contracts, each of which had a fees of \$0.35 (trade), \$0.10 (clearing), and \$0.03 (SCA), then the resulting trade fee that would apply to each component leg would be reduced in half.

All of the above changes shall be effective on and from 13 May 2019.

Members wishing further information with regard to this Notice should contact their relationship manager.

For Dubai Gold & Commodities Exchange

Andrew Dodsworth
Director – Operations & Risk



Proposed Amendments to the DGCX By-Laws

Extract from DGCX By-Laws

Additions are underlined, and deletions ~~struck through~~.

A.2 Definitions

Asset Allocation A transaction which is organized and executed in accordance with the provisions described in By-Law D.9.

D.9 Wholesale Trading Facilities

The Exchange may make available from time to time facilities that permit Members to organize and execute transactions, subject this By-Law outside of the Central Order Book. Members must retain all information relating to the use of Wholesale Trading Facilities for ten (10) years.

D.9.1 Exchange for Physical and Exchange for Swap Transactions

- (a) Exchange for Physical Transactions and Exchange for Swap Transactions may be transacted only in Contracts which have been designated for those purposes, and during the hours specified by the Exchange.
- (b) The price at which an Exchange for Physical Transactions or Exchange for Swap Transactions may be transacted must be within the daily high/low trading range of the Contract.
- (c) Once an Exchange for Physical Transaction or Exchange for Swap Transaction has been negotiated it must be submitted to the Exchange in accordance with the procedures as published to the market from time to time by the Exchange.

D.9.2 Block Trade Facility

- (a) The Block Trade Facility may be used to organize and execute transactions only in Contracts which have been designated for that purpose, and during the hours specified by the Exchange.
- (b) The Exchange shall publish the minimum volume thresholds for each Contract, and where a strategy involves the trading of two or more different Contracts, then the smaller of the minimum volume thresholds will apply, and where the trading involves two or more different Delivery/Expiry Months, the minimum volume threshold will apply to the lot size of each leg of the trade, where relevant.
- (c) Where a Member receives an order which meets or exceeds the minimum volume threshold, he may aggregate orders on the matching side only, in order to facilitate the execution of the Block Trade.



- (d) Members should ensure when negotiating a Block Trade that their Clients and potential counterparty(ies) are made aware that the price being quoted is a Block Trade price.
- (e) Once a Block Trade has been negotiated it must be submitted to the Exchange in accordance with the procedures as published to the market from time to time by the Exchange.

D.9.3 Asset Allocations

- (a) Asset Allocation Transactions may be organized and executed only in Contracts which have been designated for that purpose, and during the hours specified by the Exchange.
- (b) When submitting an Asset Allocation Transaction to the Exchange for registration, the Member must specify the price for each component leg of the Transaction.
- (c) The price for each component leg of an Asset Allocation Transaction must be within the daily high/low trading range of the respective Contract.

D.9.2 Prohibitions

No transaction subject to By-Law D.9 may be negotiated where:

- (a) the parties to each side of the Block Trade, Asset Allocation, physical transaction or the Commodity Swap transaction, as the case may be, are the same or are acting on behalf of the same person; or
- (b) where both sides of the futures trade are taken out by the same Member on its own account or are taken out on behalf of the same Client

D.9.3 Exchange may Prescribe Additional Provisions

The Exchange may, where it believes that it is necessary in order to maintain a fair, orderly, transparent market, prescribe additional provisions in relation to the execution of Exchange for Physical Transaction, Exchange for Swap Transactions, Asset Allocations, and transactions organized and executed under the Block Trading Facility.

Asset Allocation Reporting Form

Clearing Member (CM) Name	
CM Code	
Trading Member (TM) Name	
TM Code	
Client Name	
Client Code	
Contract Name 1	
Expiry/Delivery Month	
Series (Call/Put) If applicable	
Number of Lots	
Buy/Sell	
Price	
Value in USD	
Contract Name 2	
Expiry/Delivery Month	
Series (Call/Put) If applicable	
Number of Lots	
Buy/Sell	
Price	
Value in USD	
Asset Allocation Price (price of the transaction)	
Name of person submitting Block Trade	
Date	
Time of Negotiation	

Subject: Introduction of Asset Allocation Facility

If an Asset Allocation involves more than 2 contracts, then additional fields must be added to the form to reflect the additional contracts.

The Exchange and/or Clearing Corporation shall not be held liable for any loss or damage caused in the processing of this Asset Allocation.

The Member certifies that the information included in this form is correct, that the individual submitting the Asset Allocation is authorized to do so, and undertakes to maintain all records and books for inspection and audit by the Exchange/regulatory authorities as appropriate.