

**Date**

8 November 2007

**Recipients**

All DME Members

**From**

Sarah Watts, Chief Compliance Officer

**Category**

Business Development

**Proposal**

Proposed changes to DME Rules to introduce Block Trades

Consultation Paper 07-01 is issued in accordance with Dubai Mercantile Exchange Limited (DME) Rule 4.21 and Section 9 of the Authorised Market Institutions Module of the Dubai Financial Services Authority (DFSA) Rulebook. This Consultation Paper seeks comments on proposals to amend the DME Rulebook:

- to include a provision in the Rulebook to allow the submission of Block Trades

**To whom does this Consultation Paper apply?**

Consultation Paper 07-01 is directed primarily at DME Members and other users or prospective users of DME's facilities. DME also welcomes any comments from any organisation which represents groups of such users or prospective users.

**Rationale for the Rule changes**

The DME is seeking the following amendment to the DME Rulebook in order to further develop greater participation leading to increased transparency in the Exchange. Block Trades (privately negotiated transactions) are prevalent in the over-the-counter market and current and potential DME market participants have requested the DME to provide a venue to clear these transactions. Furthermore, Block Trades are a common instrument on other exchanges that trade petroleum futures contracts, and DME would like to mirror the existing practice at NYMEX, Inc and utilise their Clearport Clearing technology to submit these trades to the NYMEX clearinghouse. Procedures for Block Trades will be available on the DME website: [www.dubaimerc.com](http://www.dubaimerc.com)

Appendix 1 lists the proposed Rule amendment. Appendix 2 lists the proposed contract and quantity threshold for trading in Block Trades.

**Clearing and Settlement**

In accordance with the arrangements in place between DME and NYMEX, Inc. in relation to the clearing and settlement of DME trading, NYMEX, Inc. has agreed to accept permitted Block Trades for clearing. They will be cleared through DME Clearing Members. Clearing of the Block Trades will be subject to the NYMEX, Inc. Clearing Rules. NYMEX, Inc. Rules relating to the fixing, calculation and collection of margin from Clearing Members will apply to Block

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Trades, as between NYMEX, Inc. and the Clearing Members.

**How to provide comments?**

The deadline for providing comments on the proposals in this Consultation Paper is twenty eight calendar days from the date of this Consultation Paper. All comments on the proposed changes should be addressed to:

*Mr Jerald David*  
Head of Marketing  
Dubai Mercantile Exchange Limited  
P.O. Box 66500  
Dubai  
United Arab Emirates  
or Jerald.david@dubaimerc.com

**What is the next step?**

Unless specifically requested otherwise, DME may publish on its website any comments it receives in this consultation.

As soon as practicable following the deadline for comments on the proposals in this Consultation Paper, DME will consider whether any amendment or revision to the proposed changes is appropriate. DME will then implement the changes to the DME Rulebook (including any amendment or revision, if appropriate). The amendments to the DME Rules will only take effect once approved by the DFSA. DME will issue a Member Notice on the DME website confirming the date upon which the changes to the DME Rules will become effective.

**Appendix**

Appendix 1 and 2 are below.

Signed



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Sarah Watts  
Chief Compliance Officer

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Please pass comments to:  
Mr Jerald David, Head of Marketing or at Jerald.david@dubaimerc.com



## APPENDIX 1

### Chapter 1: Definitions and Interpretation

#### 1.1 Definitions

**Block Trade** means a transaction organised and executed in relation to Block Trades pursuant to Rule 6.31;

### Chapter 6: General Trading Rules

#### Rule 6.31:

(A) In this Rule 6.31, reference to a Member shall also include (i) a Guaranteed Customer and (ii) a Seat Lessee

(B) Block Trades (privately negotiated transactions) shall be permitted subject to the remaining provisions of this Rule 6.31. ;

(C) A Block Trade must be for a quantity that is at or in excess of the minimum quantity threshold prescribed by the Board from time to time. No Member may aggregate orders from multiple accounts in order to meet the minimum quantity threshold, unless that Member is permitted to do so by any regulator who is responsible for the activities of that Member on the Exchange. (D) A Member shall not execute any order by means of a Block Trade for a Customer unless that Customer has specified that the order is to be executed as a Block Trade.

(E) The price at which a Block Trade is executed must be fair and reasonable in light of:

- (1) the size of the Block Trade,
- (2) the prices and sizes of other transactions in the same contract at the relevant time,
- (3) the prices and sizes of transactions in other relevant markets, including without limitation the underlying cash and futures markets, at the relevant time, and
- (4) the circumstances of the markets or the parties to the Block Trade.

(F) Block Trades shall not trigger Stop Orders or any other conditional orders, permitted by these Rules, or otherwise affect orders in the regular market.

(G) The buyer and seller to each Block Trade must ensure that it is reported to the Exchange within five (5) minutes of the time of execution. The Block Trade must be submitted in accordance with procedures prescribed by the Exchange. The Exchange shall promptly publish information in respect of Block Trade(s) separately from the reports of transactions in the regular market.

(H) Members involved in the execution of a Block Trade must maintain a complete record of the transaction.



# DME

بورصة دبي للطاقة

Dubai Mercantile Exchange

Cleared by NYMEX بضمان NYMEX

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(I) Block Trades shall be permitted in accordance with this Rule 6.31 in such Exchange products as are prescribed by the Board from time to time.

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## APPENDIX 2

The DME Board is proposing that:

- The applicable minimum quantity threshold for Block Trades of DME Oman Crude Futures Contract shall be 100 lots.