
Date

6 August 2008

Recipients

All DME Members

From

Thomas Leaver, Chief Operating Officer

Category

Compliance

Proposal

Proposed changes to consultation periods for comments on proposed changes to DME Rulebook

Consultation Paper 08-007 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 period for comments of consultation papers to be issued by DME in the future.

To whom does this Consultation Paper apply?

Consultation Paper 08-007 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.

How is this structured?

Proposed changes to the DME Rulebook are presently subject to a 28 day public consultation period. DME proposes to adopt a more flexible approach such that the consultation period will reflect the materiality of the proposed change.

Rationale for the Rule changes

At present, proposed changes to the DME Rulebook are subject to a 28 days consultation, followed by approval from the DFSA. This period was set when the Exchange was first opened but in the light of experience since launch, the period is now deemed to be too rigid and inflexible and may, in certain circumstances, represent an unnecessary administrative burden.

In future it is proposed that the DME will adopt a more flexible and considered approach and the consultation period will reflect the materiality of the proposed change, and in consequence, the period may be reduced. The principle to consult will not change: the Exchange regards Members and user feedback as vital before proceeding with any rule change. As such, all new rules or rule changes, except those made in an emergency, shall be subject to user consultation.

However, where the change is only immaterial, administrative or where there has already been significant discussion with user groups and speed of implementation is important for competitive reasons, the Exchange may, following the usual consultation with DFSA, consult for a shorter period.

This flexible approach follows an analysis of other major regulatory regimes and is fully commensurate with other global futures and equities exchanges.

In order to give assurance that major changes will still be subject to the full period, the Exchange has determined what it regards as material by defining clear criteria.

Material means a change that will impact notably or significantly upon the Member/user community to the extent that it:

- requires changes to internal or electronic systems;
- affects the way that business is transacted;
- has significant legal or regulatory implications; or,
- will, or is likely to, cause substantial financial or resource outlay to Members.

In these circumstances the full 28 days consultation period shall apply and, if necessary, the Exchange shall continue with its current policy of discussing the issues with Members and users before the change to the rules is put out for formal consultation.

In other circumstances the nature and tenure of consultation shall be commensurate with the materiality and likely impact upon the Exchange user community. This assessment will be the judgement of Exchange senior management and the Chief Compliance Officer, and, if appropriate, subject to advice from the DME Compliance Review Committee and the Board. Where the rule change is considered to be non-material, i.e. falling outside the criteria above, or where there has already been significant discussion with user groups and speed of implementation is important for competitive reasons, the consultation period shall be reduced.

Consultation periods shall range from the full 28 days in the case of important material changes, decreasing to as little as 48 hours where the proposed change is minimal and the Exchange is confident that Members and users will not be impacted in any discernible way. The Exchange may also reduce the consultation significantly where a prolonged consultation period would encourage a competitive threat. In these circumstances the Exchange would ensure that confidential pre-consultation discussions with Members and users enabled the Exchange to ensure that the consultation reduced period would not disadvantage any market user unfairly.

How to provide comments?

The deadline for providing comments on the proposals in this Consultation Paper is 28 days from the date of this Consultation Paper. All comments on the proposed changes should be addressed to:

Mr Thomas Leaver
Chief Operating Officer
Dubai Mercantile Exchange Limited
P.O. Box 66500
Dubai
United Arab Emirates
or Thomas.leaver@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.

Signed

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Thomas Leaver

Chief Executive Officer

Please pass comments to:
Mr Thomas Leaver, Chief Operating Officer
Thomas.leaver@dubaimerc.com