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**Date**

21 August 2008

**Recipients**

All DME Members

**From**

Gary King, Chief Executive Officer

**Category**

Operations

**Proposal**

Proposed changes to Chapters 4 & 6 of the DME Rules

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Consultation Paper 08-008 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 certain rules in:

- Chapter 4 of the DME Rulebook – Rule 4.25 (Reporting Levels); and
- Chapter 6 of the DME Rulebook - Rule 6.15 (Errors and omissions in handling orders), Rule 6.16 (Trading Error Procedures)

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

Consultation Paper 08-008 is directed primarily at DME Members and other users or prospective users of DME's Trading Platform. DME also welcomes comments from any organisation which represents groups of such users or prospective users.

**How is this structured?**

**Rule 4.25 – Reporting Levels**

DME proposes to amend Rule 4.25 to remove references to de-listed contracts. Reporting levels for the purposes position reporting under Rule 4.24 will be prescribed by the DME Board of Directors ("the Board") and will be issued to DME Members and other users or prospective users of the Exchange via a Notice to Members and will be available on the DME website.

The quantities fixed for the purposes of filing a report under Rule 4.24 are expected to be:

- Oman Crude Oil Futures Contract – 25 contracts
- DME Brent Crude Oil Futures Contract – 25 contracts
- DME Oman Crude Oil Financial Contract – 25 contracts.

**Rule 6.15 (Errors and omissions in handling orders) Rule 6.16 (Trading Error Procedures)**

DME proposes to amend Rule 6.15 in relation to errors and omissions in handling orders to provide for a number of courses of action for a Member, Guaranteed Customer or Seat Lessee in the event of a failure to execute, or errors in handling, a Customer order. These courses of action are:

- Executing an order in the market and adjustment of the Customer if the price is worse than that which the Customer should have received;

- 
- Executing a spread contract; or
  - Taking the opposite side of the order.

The proposed changes also include amendments to the related procedures for:

- Correcting Error Trades
- No-bust ranges

*Rationale for rule change*

Members have highlighted that the present procedures at DME for the correction of error trades differ from similar procedures for error correction at other exchanges also cleared by the Nymex Clearing House. In the interests of clarity and consistency DME believes that a change is therefore of benefit.

DME has also received feedback from market participants in this regard, and they have highlighted the shortcomings of the existing Rule 6.15. Rule 6.15 in its existing form requires Members, Guaranteed Customers and Seat Lessees to give up profits obtained from error trades, as well as to cover losses. DME accepts that an error places a Member at risk and it is more appropriate that the consequence of the error is consistent with the subsequent movement in market price.

DME's proposes to amend Rule 6.15 to allow for more equitable arrangements in the event of a failure by a Member, Guaranteed Customer or Seat Lessee to execute an order or when an error occurs in the handling of a Customer order.

**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



Gary King

Chief Executive Officer

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

## Chapter 4 Compliance and General Rules

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#### 4.1 Requirement for Regulatory Status in DIFC

- (A) Each Floor Member shall be incorporated or otherwise established in the DIFC.
- (B) Each Member shall be authorised, recognised or otherwise permitted by the DFSA to conduct the activities which it intends to conduct while trading on the Exchange and must provide evidence to the Exchange of such regulatory status.

#### 4.2 Compliance with regulatory requirements

- (A) Each Member shall at all times have in place systems, controls and procedures designed to ensure compliance with:
- (1) these Rules;
  - (2) all applicable laws and regulations, including all applicable rules and guidance published by the DFSA and any other regulator who is responsible for regulation of any of the Member's activities conducted on the Exchange or otherwise made subject to these Rules, all Applicable AML Requirements and Market Conduct Requirements; and
  - (3) without prejudice to the generality of sub-paragraph (A)(2) of this Rule 4.2, the reporting requirements under Section 6045 of the United States Internal Revenue Code and regulations made thereunder and such other provisions of such Code and regulations that are pertinent thereto, to the extent applicable to that Member.

- (B) Each Member shall be able promptly to evidence the existence of the systems, controls and procedures required by paragraph (A) of this Rule 4.2 at the request of the Exchange.
- (C) Each Member which is not an Authorised Firm and which proposes to carry an account for any other person must appoint an individual as a Money Laundering Reporting Officer with responsibility for that Member's compliance with all Applicable AML Requirements.
- (D) No Member shall carry any account for any other person until it has verified the identity of that person for the purposes of Applicable AML Requirements. Members shall maintain all records and documents relating to its identity verification for at least (6) six years.

#### **4.3 Reporting obligations: general**

- (A) Each Member shall promptly provide the Exchange with the following information:
  - (1) where applicable, annual audited accounts within four (4) months of the end of its financial year;
  - (2) where no annual audited accounts are available, such regular financial information as the Exchange may prescribe from time to time;
  - (3) any material adverse change in financial condition;
  - (4) any refusal of admission to; any withdrawal of any application for membership in; any suspension, expulsion, bar, fine, censure, denial of membership, registration or license or permission imposed by; any withdrawal of any application for registration with; or any cease and desist order, temporary or permanent injunction, denial of trading privileges or any other sanction or discipline through an adverse determination, voluntary settlement or otherwise, imposed by:
    - (a) the DFSA or any other regulatory authority of any state, territory or foreign country;
    - (b) any federal or state court;
    - (c) any quasi-governmental body; or
    - (d) any self-regulatory organisation or other business or professional association;
  - (5) any conviction, finding of guilt, confession of guilt or plea of guilt to a felony or misdemeanour charging misrepresentation, fraud, deceit, theft, embezzlement, gambling, conversion, abuse of a fiduciary relationship or other such act by the Member or any director, officer or partner of the Member;
  - (6) the commencement, by the issuance of a formal order of investigation (or its equivalent), or by the issuance or service of a written complaint (or its equivalent), of any judicial, administrative or self-regulatory proceeding, as the case may be, against such member by the DFSA, any other regulatory authority of any state, territory or foreign country, any commodity or securities exchange or related clearing organisation, or any registered futures or securities association, or any self-regulatory organisation or other business or professional association;
  - (7) details of any enforcement action taken against it, whether taken by the DFSA, any other exchange or any other regulatory authority of any state, territory or foreign country;
  - (8) details of any enforcement action taken against one (1) or more of its employees or representatives employed or otherwise engaged in respect of any of its activities conducted on the Exchange, whether taken by the DFSA, any other exchange or any other regulatory authority of any state, territory or foreign country;



- (9) any changes in the Member's memorandum or articles of association or other constitutional documents, or in the case of partnerships, any amendment to the partnership agreement;
  - (10) whether the reporting requirements under Section 6045 of the United States Internal Revenue Code apply, or have ceased to apply, in relation to that Member, and if such reporting requirements apply, that Member's US taxpayer identification number and details of an individual within the Member's senior management as a point of contact in respect of such reporting requirements;
  - (11) any further information in relation to commercial matters as may be required by the CEO or any person empowered by him generally or in any specific case; and
  - (12) any further information in relation to regulatory and compliance matters as may be required by the CCO or his designee.
- (B) Each Floor Member shall inform the Exchange and any Clearing Member with whom the Floor Member holds an account immediately of:
- (1) entry into an agreement with a Seat Lessee under which that Seat Lessee shall occupy a Seat on the Exchange Floor; and
  - (2) the termination of any such agreement and the reason(s) for such termination.
- (C) Each Clearing Member shall inform the Exchange immediately of:
- (1) entry into an agreement with a Customer under which that Clearing Member guarantees the Customer's access to the Trading Platform (a **Guaranteed Customer**);
  - (2) the termination of any such agreement and the reason(s) for such termination.

#### **4.4 Reporting obligations: DFSA authorisation information**

- (A) Each Member shall confirm to the CCO annually in writing:
- (1) as to the nature of the Member's activities on the Exchange;
  - (2) in relation to those activities, that the Member has an appropriate authorisation, recognition or other permission to carry on the activities which it conducts on the Exchange or permission ; and
  - (3) whether the Member is subject to regulation by any other regulatory organisations, either in the UAE or elsewhere, and if so which organisation is its main regulator for the purposes of these activities or any other activities made subject to these Rules.
- (B) Each Member shall notify the Exchange immediately upon variation in or cancellation of its authorisation, recognition or other permission by the DFSA to carry on any activity which it conducts on the Exchange.
- (C) Each Member shall notify the Exchange immediately upon initiating any change in its business or circumstance which may affect its authorisation, recognition or other permission by the DFSA to carry on any activity which it conducts on the Exchange.
- (D) Any notice required to be given under paragraph (B) or (C) of this Rule 4.4 shall include details of the steps which the Member has taken to ensure that it will continue to comply with the requirements of Rules 4.1 and 4.2 in respect of any of its activities conducted on the Exchange.

- (E) Any notice required to be given under this Rule 4.4:
- (1) shall be given on or around a date agreed in advance with the CCO and promptly upon any change in the particulars last notified;
  - (2) shall be in such form as the Exchange may from time to time prescribe; and
  - (3) where required, shall be certified by a firm of auditors, lawyers or some other person acceptable to the Exchange.

#### **4.5 Accuracy of information**

All Members shall ensure to the best of their ability that all information and documents provided to the Exchange pursuant to these Rules, and any information or documents provided to the Clearing House from time to time under any Clearing House Rule, or any information or documents provided pursuant to a request or direction made by the Exchange, the Clearing House, the CEO, the CCO or any committee of the Exchange, are complete, fair and accurate.

#### **4.6 Reports and records**

- (A) Members must make and file reports and keep and maintain records in respect of such documents, in such form and for such period as may be required under the rules and regulations of any regulatory body to whose rules and regulations they are subject (including the DFSA or as may be prescribed by the Board, and in any event all Members shall maintain all records relating to all orders and Market Contracts to which the Member is a party or which the Member has executed, forwarded for execution, transferred or assigned including details of the persons for whom the trade was made, the parties to it, the manner in which it was fulfilled, discharged or terminated.
- (B) Members shall maintain all such records in permanent hard copy or permanent and readily-retrievable electronic form, unless they are required to keep them in another form by the rules and regulations of any regulatory body to which that Member is subject.
- (C) All records required to be kept under this Rule 4.6 shall be kept for at least six (6) years, unless:
- (1) they are required to be kept for a longer period by the rules and regulations of any regulatory body to which the Member is subject; or
  - (2) the Market Contract to which the records refer has not been settled within six (6) years from the trade date, in which case the relevant records shall be kept for a further one (1) year after the contract has been settled.
- (D) All records required to be kept under this Rule 4.6 shall be open to inspection by the Exchange, the Clearing House, the DFSA and any other regulator which is responsible for the regulation of the Exchange's activities or Members' activities on the Exchange.

#### **4.7 Information gathering and inspections by the Exchange**

- (A) The CCO or his designee may request trading or other information regarding any Clearing Member from the Clearing House and the Clearing House shall provide any such information promptly upon request.
- (B) The CCO or his designee shall be entitled at any time to inspect and take copies of the records, trading information, books of account and other documentation, howsoever made and retained, of Members (including any documentation howsoever made and retained by or in the possession of the Member for any other person) for the purposes of ensuring compliance with these Rules, and in particular with paragraph (A) of Rule 4.2.

- (C) The CCO or his designee shall be entitled at any time to inspect and take copies of:
  - (1) a Member's anti-money laundering procedures and any records relating to its compliance with Applicable AML Requirements howsoever made and retained; and
  - (2) documents and any records relating to a Member's compliance with Market Conduct Requirements howsoever made and retained.
- (D) Where the documentation referred to in paragraphs (B) or (C) of this Rule 4.7 is in the possession of a third party, the Member shall procure that the Exchange is given access to such documentation as if it were in the Member's, Seat Lessee's or Guaranteed Customer's possession.
- (E) The CCO or his designee may at any time attend at the premises of any Member for the purpose of inspecting any of the matters referred to in Rules 4.2, 4.3, 4.4 and paragraphs (B) and (C) of Rule 4.8, and the Member shall ensure that all cooperation is afforded to him.
- (F) The CCO or his designee may cooperate with the DFSA, AMLSCU and any other governmental or international agency, any Authorised Market Institution or Recognised Body, any other exchange or clearing house and any self-regulatory or other regulatory or enforcement organisation in such manner as he thinks fit and shall, in particular, be permitted to disclose to any of these persons or bodies any information for the time being in the possession of the Exchange regarding any Member's financial condition or trading activities, including any information obtained pursuant to these Rules.
- (G) Without prejudice to the generality of paragraph (F) of this Rule 4.7, the CCO or his designee may:
  - (1) provide to the US Internal Revenue Service a Member's US taxpayer identification number;
  - (2) require a Member to disclose details of all its executive officers, which details the Exchange may provide to the US Internal Revenue Service; and/or
  - (3) require a Member to disclose, either to the Exchange, the US Internal Revenue Service or any grand jury duly convened within the US, all books, papers, records and all data prescribed in Section 7602 of the United States Internal Revenue Code and regulations thereunder.

#### **4.8 Obligations of Integrity and Co-operation**

- (A) Whether or not an Authorised Firm, each Member shall observe high standards of integrity, fair dealing and market conduct as reflected in the DFSA Rulebook including, but not limited to, Chapter 4 GEN and any guidance published by it from time to time.
- (B) Each Member shall deal with the Exchange in an open and cooperative manner and keep the Exchange promptly informed of anything concerning the Member which might reasonably be expected to be disclosed to the Exchange.
- (C) Each Member shall cooperate fully and openly with any other agency or enforcement body having responsibility for the detection and prevention of financial crime or market misconduct, to the extent that that person requires information relating to the Member's Membership of, or trades carried out by the Member on, the Exchange.
- (D) Each Member shall organise and control its internal affairs in a responsible manner, keep proper records and have adequate arrangements to ensure that its staff and directors are suitable, adequately trained and properly supervised.
- (E) Each Member shall have appropriate measures to manage conflicts of interest arising in the course of its trading on the Exchange.



#### 4.9 Conduct and Trading Standards for Members

- (A) **General Rule.** No Member may engage in any practice which might reasonably be expected to have an adverse impact on the operations of the Exchange or any market on the Exchange or which is unfair to its Customers or other market participants or which contravenes any Market Conduct Requirement.
- (B) **Front Running.** No Member may purchase or sell any Future or Option for its own account (or for any account in which it has an interest) or place an order to do so while holding an order from a Customer in the same direction for any such transaction either:
  - (1) where the Customer's order is executable at the market price or at the price at which such transaction can be made for such account; or
  - (2) intending to make or realise a profit from any price movement resulting from the execution of the Customer's order (whether alone or in combination with others).
- (C) **Wash Trades.** No Member shall make any order or execute any trade in an Exchange Contract which creates a misleading impression of activity in the market or causes the Exchange or any person to report misleading information as to the price or depth of the market in that Exchange Contract.
- (D) **Accommodation Trades.** No Member shall make any order or execute any trade in an Exchange Contract with a view to concealing any abusive trade or misconduct (past or future) by that Member or any other person.
- (E) **Compensation Trades.** No Member shall make any order or execute any trade or combination of trades in an Exchange Contract the primary purpose of which is to transfer money between accounts without creating (or reducing) any open interest, or for no legitimate purpose.
- (F) **Trading with Intent to Default.** No Member shall make any order or execute any trade in an Exchange Contract where that Member, either:
  - (1) intends to default in the performance of any contract resulting from such order or from the execution of such trade; or
  - (2) has no reasonable grounds for believing that it would be able to avoid any such default.
- (G) **Cross Trades.** Except as expressly permitted under these Rules, no Member may enter into any form of cross trade.
- (H) **False Trades.** No Member shall purport to make or report any fictitious trade.
- (I) **Retail Customers.** No Member shall open an account for, or accept any order from, a Retail Customer in respect of trading on the Exchange and no Member shall enter into any contract in the terms of an Exchange Contract with a Retail Customer.
- (J) **Transactions with Customers.** Except where expressly permitted under these Rules, no Member shall enter into any contract in the terms of an Exchange Contract with or for a Customer (a **Customer Contract**) and represent to that Customer that such contract is made on the Exchange by means of the Exchange's facilities or otherwise subject to these Rules, unless such Member first executes on the Exchange's market (or has procured such execution by another Member of) a trade (a **Matching Trade**) in respect of and in the terms of such Customer Contract.
- (K) A Member executing a Matching Trade shall be the buyer (or seller) on the Matching Trade if its Customer is the buyer (or seller) on the Customer Contract, and the Matching Trade shall be at the same price as the Customer Contract.

- (L) **Confidentiality of Customer Orders.** No Member shall disclose at any time that he is holding an order of another person or divulge any order revealed to him by reason of his relationship to such other person, except to execute an order or at the request of an authorised representative of the Exchange, the Clearing House, the DFSA or any other regulator which is responsible for the regulation of the Member's activities on the Exchange.
- (M) **No Unfair Advantage.** No Member holding a Customer order given to him by another Member or having had actual disclosure of a Customer order from another Member may use the details of the Customer order at any time to take unfair advantage in a transaction for itself, directly or indirectly, or for its account or any account in which such Member has an interest.
- (N) No Member may take unfair advantage of a Customer order for the benefit of its own account or any account in which it has an interest or for any other person.
- (O) **Misallocation.** No Member shall allocate trades executed (or which were required to be executed) for the account of a Customer to the account of any other Customer or any other person. Where a Member unintentionally or accidentally misallocates a Customer trade, it shall be in breach of this Rule 4.9 if it fails promptly to remedy the misallocation.
- (P) **Withholding or Withdrawal of Orders.** No Member shall withhold or withdraw from the market any (or part of any) order for the convenience of another Member.
- (Q) No Member shall attempt to commit, or participate in the commission by another person (whether or not a Member) of, any of the actions prohibited by this Rule 4.9.
- (R) **Compliance with Financial and Other Limits.** No Member may make an order or execute any trade (other than to liquidate open positions) which would have the effect at the time of execution of any such trade of putting such Member in breach of any financial or other limit imposed on it by the Exchange or the Clearing House.

#### 4.10 Pre-arranged Trades

- (A) Except where otherwise provided in these Rules, Members shall not pre-negotiate or pre-arrange trades in Exchange Contracts or attempt to do so.
- (B) Any transaction in an Exchange Contract which was the subject of prior negotiation or arrangements made between Members may, except where expressly permitted under these Rules, be disallowed and declared invalid by the CCO or his designee.

#### 4.11 Trading Prohibition of Certain Persons

- (A) Members are prohibited from accepting or executing directly or indirectly any order for, or maintaining positions in, any Exchange Contract if such Member knows or, with the exercise of reasonable care, should know that the order or position is for or on behalf of:
  - (1) an employee of the Exchange;
  - (2) an employee, director or partner of a Member without the prior written consent of such Member and the CCO or his designee.
- (B) A Member may execute orders for the account of a director, employee or partner of another Member (or for an account in which such person holds an interest) provided that the Member records and identifies such transactions separately in its trading records and otherwise deals with such orders and margins resulting positions in the same manner as it deals with or manages other Customer orders or positions. Members shall ensure that their senior managers (other than those interested in any such orders or trades) shall monitor such orders and any resulting transactions and shall maintain adequate systems to protect Customers from conflicts of interest arising and to prevent or prohibit breach by any such employee, director or partner, of the Markets Law or any other rule or law against market misconduct.

#### **4.12 Complaints against the Exchange regarding the performance of regulatory functions**

- (A) The Exchange will investigate and resolve complaints against it in accordance with Rule 7.2.17 of AML, Chapter 5 of GEN and the Exchange's own procedures.
- (B) A complaint against the Exchange may only be made in connection with the performance of, or failure to perform, any of its regulatory functions. Any such complaint must be made formally and in writing, addressed to the CCO. If it is made by a Member, it must be signed by a director or equivalent officer.
- (C) The complainant must set out clearly the nature of the complaint and the full facts of the matter (as far as they are known).

#### **4.13 Advertisements etc.**

- (A) Each Member shall ensure that all stationery, brochures and advertising or other marketing material issued by it or on its behalf concerning Membership, any Exchange Contract or any other contract available for trading on the terms of these Rules or otherwise using the Exchange's name or in relation to any matter of interest or concern to the Exchange shall:
  - (1) be clear, fair and not misleading;
  - (2) comply with all applicable laws and regulations; and
  - (3) conform to any guidelines as may from time to time be published by the Exchange.
- (B) Each Member shall ensure that all brochures, advertising or other marketing material issued by it or on its behalf shall, in addition to the requirements of paragraph (A) of this Rule 4.13, comply with the provisions of COB, whether or not the Member is an Authorised Firm.

#### **4.14 Customer agreements**

- (A) No Member shall open an account for a Customer, or enter into a contract with or accept an order to enter into a contract for a Customer, unless the Member has (subject to such exceptions as may be prescribed) entered into a written agreement with the Customer containing such terms as may from time to time be prescribed in these Rules or in directions of the Board.
- (B) Without prejudice to the generality of paragraph (A) of this Rule 4.14, each written agreement with a Customer must:
  - (4) import into every contract made with the Customer all the terms of these Rules insofar as they are applicable to that contract; and
  - (5) in relation to any business done with the Customer, enable the Member to perform all contracts from time to time registered in the Member's name with the Clearing House and to comply with all requirements of the Rules and any other arrangements, provisions and directions given by the Exchange.

#### **4.15 Seat Lessees and Guaranteed Customers**

- (A) A Floor Member who holds more than one (1) Floor Membership Privilege may lease the Seat attaching to that Floor Member Privilege, always to include the right to trade on the Exchange Floor, to a Customer (a **Seat Lessee**), providing that the Floor Member retains occupation of at least one (1) of its Seats.
- (B) A Seat Lessee may trade either on the account of the Floor Member concerned or on its own account held with a Clearing Member, but not both. A Floor Member who permits a Seat Lessee to trade on that Floor Member's account shall be responsible for ensuring that the Seat

Lessee does not undertake any trading on any account held by that Seat Lessee with a Clearing Member;

- (C) Without prejudice to Rule 4.14, a Floor Member who proposes to permit a Seat Lessee to occupy one or more of that Floor Member's Seats must ensure that its written agreement with that Seat Lessee contains:
- (1) a requirement that the Seat Lessee provides a copy of the agreement to any Clearing Member with whom the Seat Lessee holds any account;
  - (2) a requirement that the Seat Lessee undertakes (in the prescribed form) to, and for the benefit of, the Exchange to be bound by these Rules and to maintain with the Exchange at all times details of an individual whom the Exchange may contact in connection with any matter whatsoever relating to the Seat Lessee's activities on the Exchange; and
  - (3) provision for the termination of the agreement if:
    - (a) the Seat Lessee fails to comply with any of these Rules; or
    - (b) the Floor Member's Floor Membership is withdrawn or suspended by the Exchange for any reason.
- (D) A Clearing Member may permit a Customer who is not a Member to have access to the Trading Platform under that Clearing Member's guarantee (a **Guaranteed Customer**).
- (E) A Clearing Member shall not permit access to the Trading Platform to any Customer who is already a Guaranteed Customer of another Clearing Member.
- (F) Without prejudice to Rule 4.14 a Clearing Member who proposes to permit a Guaranteed Customer to have access to the Trading Platform must ensure that its written agreement with that Guaranteed Customer contains:
- (1) a requirement that the Guaranteed Customer undertakes (in the prescribed form) to, and for the benefit of, the Exchange to be bound by these Rules and to maintain with the Exchange details of an individual whom the Exchange may contact in connection with any matter whatsoever relating to the Guaranteed Customer's activities on the Exchange; and
  - (2) provision for the termination of the agreement if the Guaranteed Customer fails to comply with any of these Rules or the Clearing Member's Membership is cancelled or terminated for any reason.
- (G) No Seat Lessee shall be permitted access to the Trading Platform unless that Seat Lessee has satisfied the Exchange that it meets all of the criteria in paragraph (H) of this Rule 4.15 and the Exchange has so confirmed in writing to the Floor Member .
- (H) The criteria referred to in paragraph (G) of this Rule are:
- (1) be a body corporate, partnership or unincorporated association;
  - (2) be authorised or otherwise permitted by the DFSA to carry on the activities it intends to conduct on the Exchange;
  - (3) have good character, commercial standing and business experience;
  - (4) provide such evidence as is required as to its legal status and organisation and as to its ability to trade on the Exchange without breaching applicable laws, regulations and rules;

- (5) designate an agent for service of process in the DIFC concerning and limited to the Exchange-related activities and business of the Seat Lessee;
  - (6) agree (in the prescribed form) to be bound by the Rules;
  - (7) designate (in the prescribed form) an officer, employee or partner as the Exchange liaison, whom the Exchange may contact in order to obtain additional information or documentation in connection with any matter whatsoever provided in these Rules;
  - (8) have an agreement with a Clearing Member to accept and clear that Seat Lessee's trading on the Exchange or provide evidence that the Seat Lessee will trade only on the account of the Floor Member from whom it leases its Seat;
  - (9) if the Seat Lessee intends to trade as principal or agent on the account of any Customer or to trade as agent on account of any third party, comply with all applicable DFSA or other regulatory capital requirements and have net capital of not less than one million dollars (\$1,000,000) or its equivalent in any other currency;
  - (10) provide, if requested, evidence of its experience and competence;
  - (11) provide, if requested, satisfactory evidence to enable DME to comply with its obligations under the Applicable AML Requirements; and
  - (12) do or submit such other things or documents as the Board may stipulate from time to time.
- (I) No Guaranteed Customer shall be permitted access to the Trading Platform until its respective Clearing Member has confirmed to DME:
- (1) that it has verified the identity of the Guaranteed Customer in accordance with all applicable requirements;
  - (2) that the Guaranteed Customer has agreed to be bound by these Rules;
  - (3) that the Guaranteed Customer has furnished the Clearing Member with all required details in relation to the Guaranteed Customer's Authorised Terminal Users; and
  - (4) that the Guaranteed Customer has an agreement with the Clearing Member to accept and clear that Guaranteed Customer's trading on the Exchange.
- (J) The provisions of Rule 4.2, Rules 4.5 to 4.14, Rule 4.16 and Rules 4.18 to 4.20 shall apply to each Seat Lessee and each Guaranteed Customer. In those Rules reference to a Member shall be read to mean either a Member, a Seat Lessee or a Guaranteed Customer as the case may be.
- (K) The provisions of Rules 2.7 and 2.8 shall apply to each Seat Lessee who is guaranteed to trade on the Exchange by a Clearing Member in respect of trades on the Exchange, and to each Guaranteed Customer, and to their respective Clearing Members. For this purpose, reference in Rules 2.7 and 2.8 to a Member shall be read to mean either a Member, Seat Lessee or a Guaranteed Customer as the case may be.
- (L) Each Seat Lessee and Guaranteed Customer shall at all times be appropriately licensed or authorised to enable it lawfully to carry on the activities it intends to conduct on the Exchange and must, upon request by the Exchange, produce documentary evidence of such regulatory status.
- (M) Each Seat Lessee and Guaranteed Customer shall be responsible for, and subject to disciplinary action as a result of, the acts and omissions of, and any breach of these Rules by, their directors, officers, partners, employees and other representatives.

- (N) Immediately upon becoming a Seat Lessee and/or Guaranteed Customer under this Rule 4.15, a person shall notify the Exchange whether that person is subject to the reporting requirements under Section 6045 of the United States Internal Revenue Code, and shall thereafter immediately inform the Exchange of any subsequent change in such status. If the Seat Lessee or Guaranteed Customer is subject to such reporting requirements, it shall provide to the Exchange its US taxpayer identification number and details of an individual within its senior management as a point of contact in respect of such reporting requirements.

#### **4.16 US Customers**

- (A) No Member shall assign an account number that would accept the entry of orders on the Exchange by a Customer in the US (including a Guaranteed Customer in the US) unless such Customer has been provided with the following disclosures (or statements having an equivalent effect):
- (1) a statement explaining that all trading on the Exchange is undertaken electronically;
  - (2) a statement confirming that these Rules apply to all trading to be effected by means of the Exchange;
  - (3) a statement advising Customers that they should read these DME Rules carefully before engaging in any trading involving use of the Exchange, to ensure that they understand, amongst other things:
    - (a) the order matching procedure, opening and closing procedures and prices, error trade policies and trading limitations or requirements applicable to the Exchange; and
    - (b) the qualifications for access and grounds for termination and limitations on the types of orders that may be entered into the Exchange;
  - (4) a statement clarifying that internet-based systems may present additional types of risks related to system access, varying response times and security, as well as risks related to service providers and the receipt and monitoring of electronic mail;
  - (5) a statement reminding Customers that trading by means of the Exchange exposes them to risks associated with system or component failure, and that in the event of system or component failure Customers may not be able, for a certain period of time, to enter new orders, execute existing orders or modify or cancel orders that were previously entered, and that orders or order priority may be lost;
  - (6) a statement recommending that Customers should check the Rules which limit the Exchange's liability, the liability of Members, and of software and communication system vendors, as well as the amount of damages that Customers may be able to collect, in the event of system failure and delays, to ensure that they understand these limitations of liability.
- (B) For the avoidance of doubt, the requirements of this Rule 4.16 shall be considered satisfied if the relevant Customer has been provided with the Standard Electronic Trading and Order Routing Systems Disclosure Statement published by the Futures Industry Association of the US.

#### **4.17 Trade confirmations**

Each Member shall give a written confirmation to its Customers recording the terms of any contract made with each of them.



#### **4.18 Customer orders**

Each Member shall be responsible for exercising due diligence in the execution of all executable Customer orders as of the time the order was time stamped on the Exchange Floor.

#### **4.19 Customer margin**

- (A) The Board shall from time to time establish and publish to Members the minimum margins which Members must require of Customers. Unless stated otherwise, all changes to customer margin requirements established and published under this paragraph (A) will apply to open positions initiated both before and after the date of any such change.
- (B) The margin requirements established by the Board may vary for different commodities.
- (C) Additional margins may be required of any and all customers of any Clearing Member on all open trades in such commodity contracts and in such amounts as the Board may deem necessary.
- (D) A Member must require a Customer to respond to a margin call issued by that Member in full within three (3) Business Days of such call. A Member may call, at any time, for margins above and beyond the minimums required by the Exchange. A Member may liquidate any or all positions maintained by a Customer for failure to meet a margin call. The Customer will be liable for any loss or deficiency resulting therefrom.
- (E) A Member shall not accept orders for new trades on behalf of a Customer other than those which reduce its initial margin requirement unless such Member has been given assurances by that Customer that funds sufficient to restore the account of the Customer to its prevailing initial margin requirement will be received in a reasonable amount of time, not to exceed three (3) Business Days.
- (F) A Member may accept deposits from a Customer in one or more of the following forms as margin in respect open positions on the Exchange:
  - (1) US dollars; or any currency freely convertible to US dollars; provided that if foreign currency is deposited, its value shall be calculated so that at the prevailing rate of exchange the US dollar equivalent of the foreign currency satisfies the Customer's margin obligation at any given time;
  - (2) securities issued by the Department of the Treasury of the United States maturing within ten (10) years of the date of the deposit and guaranteed as to principal and interest by the Government of the US. Such securities shall be valued at ninety five percent (95%) of par value;
  - (3) fully paid equity securities which are listed for trading on the Dubai International Financial Exchange, the New York Stock Exchange, Inc., the American Stock Exchange, Inc. or Nasdaq, provided that such securities; (i) are free from liens and encumbrances; (ii) represent no more than 5% of the issued and outstanding shares of any one issuer; (iii) have a market value of at least \$10 per share; and (iv) are not equity securities listed by the Customer or any of the Customer's Affiliates. Such equity securities shall be valued at 75% of the market value. Clearing Members may not accept as margin from a Customer equity securities issued by that Customer or those of that Customer's Affiliates;
  - (4) letters of credit in favour of the Member or the Exchange, in such form as may be prescribed by the Exchange and by a depository which has been approved by the Exchange for this purpose. Members or in favour of the Exchange, as applicable. Members may not accept from Customers letters of credit issued by the Customer, its Affiliates, the Member or the Member's Affiliates; and/or

- (5) deliverable warehouse receipts for commodities traded on the Exchange provided that such receipts will be valued as margin at no more than 75% of the value of the commodity.
- (G) Withdrawals of margin from a Customer's account may only be permitted by the Member carrying that account if the remaining funds in that account are, at the time a request for such a withdrawal is made, equal to or in excess of the then prevailing initial margin required in relation to the open positions held by the Customer on the Exchange.

#### **4.20 Obligations of Members: dealing with complaints**

- (A) Each Member shall ensure that all complaints in relation to business concerning Futures, Options or contracts for differences, whether or not subject to the Exchange's terms, are promptly, thoroughly and fairly investigated, and that in the most serious cases such investigations will be conducted by one of its senior officers or employees who has no personal interest in the subject matter of the complaint.
- (B) Each Member shall ensure that, following an investigation conducted pursuant to paragraph (A) of this Rule 4.20, the complainant is informed in writing of the outcome of the investigation.
- (C) Each Member shall retain for at least 6 years all such complaints which were made in writing and in relation to each complaint all documents relating to its subject matter.
- (D) Each Member shall create and maintain a register of complaints, showing the following details:
  - (1) the date of receipt of each complaint;
  - (2) the Customer who made the complaint;
  - (3) the relevant employees or representatives of the Member who are the subject of the complaint or whose conduct appears relevant to it;
  - (4) the subject matter of the complaint; and
  - (5) any action taken by the Member.
- (E) The register referred to in paragraph (D) of this Rule 4.20 shall be open to inspection by the Exchange upon the Exchange's demand.
- (F) The requirements of paragraphs (A) to (E) of this Rule 4.20 are without prejudice to any other requirements upon the Member under the DFSA Rulebook or any other regulatory rules to which the Member is subject in relation to addressing complaints by Customers.

#### **4.21 Rule Changes**

- (A) Subject to paragraph (E) of this Rule 4.21, the Board may at any time adopt, amend or delete any Rule by a majority vote.
- (B) Any Rule adopted, amended or deleted pursuant to paragraph (A) of this Rule 4.21 shall be notified to Members and shall take effect at such time and in such manner as the Board may direct.
- (C) The Board will consult with Members on adopting, amending or deleting a Rule, save that the Board shall not be obliged to consult where it exercises its powers pursuant to Rule 4.23 and the DFSA has waived any requirement for consultation under the DFSA Rules.
- (D) The Board may carry out consultation on the adoption, amendment or deletion of any Rule in such forum as it considers appropriate to the Rule change including consulting with:
  - (1) relevant committees;

- (2) Members and other users of its facilities, including groups and appropriate representative bodies (or any of these groups of persons, as the Board considers appropriate); and
  - (3) such other groups of persons as the Board considers appropriate in the circumstances.
- (E) No proposed adoption, amendment or deletion of a Rule will take effect until approved by the DFSA.

#### **4.22 Physical emergencies**

- (A) For the purposes of this Rule 4.22 and Rule 4.23, **Physical Emergency** means:
- (1) fires or other casualties, bomb threats, substantial inclement weather, power failures, communication or transportation breakdowns, computer system breakdowns, screen-based trading system breakdowns and malfunctions of plumbing, heating, ventilation and air conditioning systems; or
  - (2) any other event which, in the reasonable opinion of an Exchange official designated for the purposes of paragraph (B) of this Rule 4.22, justifies an action taken under that paragraph as being in the interests of the Exchange or its users of the Exchange, or the preservation of a fair and orderly market.
- (B) Without prejudice to Rule 4.23 (and subject to any order to the contrary by the Board or any persons authorised under that Rule), a designated Exchange official, the CEO or CCO may temporarily suspend trading on the Exchange in the event of a Physical Emergency.
- (C) Trading will be resumed as soon as reasonably practicable following a suspension in accordance with paragraph (B) of this Rule 4.22.

#### **4.23 Emergencies: powers of the Board, the CEO and the CCO**

- (A) Subject to paragraph (I) of this Rule 4.23, the Board may at any time:
- (1) amend, delete or add to the Rules or procedures of the Exchange where, in either case, it considers that the circumstances constitute an Emergency and the Rule change is necessary or desirable for the performance of the Exchange's regulatory functions or its orderly operations as a market (including to maintain its status as an AMI;
  - (2) in the event of an Emergency, order suspension of trading for such period as in its judgment is necessary.
- (B) For the purposes of this Rule 4.23, an **Emergency** includes, but is not limited to, the following circumstances:
- (1) where any manipulative activity or attempted manipulative activity is suspected;
  - (2) any actual, attempted or threatened corner, squeeze, congestion or undue concentration of positions;
  - (3) any circumstance or circumstances that may materially affect the performance of futures or options contracts traded on the Exchange;
  - (4) any action taken by or against the UAE government, the Government of the Emirate of Dubai, the DIFC Authority, any foreign government, any local government, authority or agency, or by any other exchange or trade association, whether foreign or domestic, which action may have a direct impact on trading on the Exchange;

- (5) any circumstances that may have a severe, adverse effect on the physical functions of the Exchange, including a Physical Emergency;
  - (6) any other unusual and unforeseeable adverse circumstance.
- (C) Any such Rule change will take effect as the Board may direct, and will be notified to Members and such other users and interested parties who may request notification.
  - (D) The Board will endeavour to give Members, Seat Lessees and Guaranteed Customers prior notice of such Rule changes, but where this is not possible Members, Seat Lessees and Guaranteed Customers will be informed by email as soon as possible following such Rule change.
  - (E) In an Emergency, or to determine whether an Emergency exists, a meeting of the Board may be convened on immediate notice.
  - (F) In the event of an Emergency where a quorum of the Board is unavailable, all trading on the Exchange may be suspended by an affirmative vote of two-thirds of the members of the Board present.
  - (G) In the event of an Emergency in which no other member of the Board is present, the Chairman or, in his absence, the Deputy Chairman or, in their absences, any one (1) director (or alternate) present or, in their absences, the CEO or the CCO or, in both their absences, the COO, may order suspension of trading for such period as in their or his judgment is necessary.
  - (H) Any action taken pursuant to this Rule 4.23 will be subject to review and modification by the Board.
  - (I) Any proposed amendment, deletion or addition to the Rules pursuant to this Rule 4.23 will not take effect until it has been approved by the DFSA.

#### **4.24 Position Reporting**

- (A) Each Clearing Member shall report to the Exchange positions equal to or in excess of the levels set out in Rule 4.25. This requirement extends to proprietary and Customer positions (including underlying Customer positions within an Omnibus Account).
- (B) Reports must be submitted in such form and manner, with such accompanying information and frequency (not exceeding twice daily) and by such deadlines as the Exchange may prescribe by notice to Clearing Members.
- (C) Where an account includes any sub-account, the Clearing Member shall report the aggregated gross long and/or the aggregated gross short positions in the account and all sub-accounts if either equals or exceeds the levels specified by Rule 4.25.
- (D) If a Clearing Member holds separate Customer accounts for Affiliates, the Clearing Member must report positions of each Affiliate separately, citing the prescribed identification information for each entity.
- (E) The CCO may require any Member, Seat Lessee or Guaranteed Customer to file additional reports under this Rule 4.24 to be compiled on the basis that, where any person who holds, controls or has a significant financial interest in more than one account, all such accounts shall be treated as a single account for the purposes of the reports under this paragraph (E). For the purposes of this paragraph (E), "control" shall include having discretionary authority over, or day-to-day control of trading activity in, that account.
- (F) The Exchange shall restrict access to information in reports filed to comply with this Rule 4.24, and in particular the confidentiality obligations of Rule 2.26 shall apply to all such information.

#### **4.25 Reporting Levels**

The Board will fix the quantities for the purposes of filing a report under Rule 4.24.

#### **4.26 Large Positions and Undesirable Practices**

- (A) The Board may take any action to correct, counteract or check the further development of, or stop any position, speculation, situation or practice, which the Board in its absolute discretion considers:
- (1) is affecting or may affect the Exchange or any market on the Exchange; or
  - (2) is excessive, unwarranted or otherwise undesirable.
- (B) Without limiting the generality of paragraph (A) of this Rule 4.26, action by the Board under paragraph (A) of this Rule 4.26 may include:
- (1) directing any Member, Seat Lessee or Guaranteed Customer to take, or desist from, any action (including without limitation closing out all or part of any position held by it for its own or a Customer's account and/or action in relation to physical positions held);
  - (2) action in relation to trades executed before the action was initiated; and
  - (3) action not otherwise provided for in these Rules.
- (C) Any contravention of a direction given under paragraph (A) or (B) of this Rule 4.26 shall be deemed a breach of these Rules and punishable as a Major Offence.

#### **4.27 Waivers and variations of Rules**

- (A) The Board or the CCO may, in accordance with paragraph (B) of this Rule 4.27, grant to a Member (or applicant for Membership), or to any Seat Lessee or Guaranteed Customer a waiver or variation of particular requirements of any Rule, or an additional period of time for compliance with any such requirements, in such circumstances and subject to such conditions as the Board or CCO may think fit.
- (B) A waiver, variation or additional period of time may be granted if the Board or the CCO is satisfied that:
- (1) compliance with the relevant requirements, or within the relevant period of time, would be unduly burdensome to the Member (or applicant for Membership), Seat Lessee or Guaranteed Customer;
  - (2) the waiver, variation or additional period of time would not create unacceptable risks for the Exchange, or the market generally, and in particular would not be inconsistent with the Licensing Requirements to which the DME is subject or the good repute of the Exchange or its Members; and
  - (3) the waiver, variation, or additional period of time, would not unfairly disadvantage others or unreasonably discriminate against them.
- (C) The Exchange shall maintain and keep updated a register of all waivers, variations and grants of time under paragraph (A) of this Rule 4.27.
- (D) The Board shall publish any waiver, variation or grant of time under paragraph (A) of this Rule 4.27 unless the Board considers it inappropriate or unnecessary to do so.

#### **4.28 Billing and commissions**

Any bill for services rendered on the Exchange shall be issued in the name of, and as payable to, a Member, Seat Lessee or Guaranteed Customer.

#### **4.29 Payment of gratuity to employees of others**

No Member, Seat Lessee or Guaranteed Customer or employee or agent thereof shall directly or indirectly pay or offer any compensation or gratuity in excess of one thousand dirhams (AED 1000) to any employee of another Member, Seat Lessee or Guaranteed Customer or to an employee of the Exchange or of the Clearing House for any service rendered or to be rendered, or requested, unless express written consent be obtained in advance from the employer of such employee.



## Chapter 6 General Trading Rules

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### 6.1 Scope of Rules

- (A) The provisions of this Chapter 6, where relevant, shall apply to all Members, Seat Lessees, Guaranteed Customers and Authorised Terminal Users and to any other individual or entity in connection with the trading of Exchange Contracts.
- (B) This Chapter 6 shall in no way limit the applicability of any provision of the Regulatory Law, the DFSA Rulebook, or any other laws, rules or regulations applicable to a person in connection with trading on the Exchange.

### 6.2 NYMEX Customer Service Call Centre

- (A) Members, Seat Lessees and Guaranteed Customers may be eligible to be provided with customer support and problem management by the NYMEX Customer Service Call Centre (NCSCC).
- (B) The NCSCC provides customer support via a specified telephone number during specified hours. There is no obligation on DME to ensure that NCSCC employees will always be available to assist during those hours.

### 6.3 Obligations for Passwords and User IDs

- (A) Each Member, Seat Lessee and Guaranteed Customer shall be responsible for all activity resulting from the use by any person of its Password and of the User ID of an Authorised

Terminal User in respect of that Member, Seat Lessee or Guaranteed Customer and shall take such steps as are necessary to prohibit any person from using that Password other than the person to whom that Password has been assigned.

- (B) No Member, Seat Lessee or Guaranteed Customer may enter an order, or permit entry of an order, onto the Trading Platform under a Password and User ID other than the person to whom that Password and User ID has been assigned.
- (C) No person may disclose or knowingly permit the use by another of the Password or User ID other than the person to whom that Password or User ID has been assigned.
- (D) Each Member, Seat Lessee or Guaranteed Customer shall notify the Exchange immediately upon becoming aware of:
  - (1) any unauthorised disclosure or use of any Password assigned to its Authorised Terminal Users;
  - (2) any unauthorised access to the Trading Platform; or
  - (3) the need to deactivate any Password assigned to its Authorised Terminal Users.
- (E) No Member, Seat Lessee or Guaranteed Customer shall hold any intellectual property rights in the Trading Platform and all information and content (including without limitation bids and offers, price and other trading data and including trademarks, service marks, copyrights and all other intellectual property rights) thereon. Members, Seat Lessees and Guaranteed Customers may use the Trading Platform solely for the purposes set out in these Rules and will have no other rights with respect to the Trading Platform or other proprietary property of DME and NYMEX, Inc. Each Member, Seat Lessee and Guaranteed Customer hereby assigns all such interest as it may now or in the future have in relation to any copyright in all such information and content. Further, each Member, Seat Lessee and Guaranteed Customer undertakes to take such actions as the Exchange may request from time to time at the Exchange's expense to vest in the Exchange or its nominee title to the items provided for in this Rule 6.3.
- (F) DME grants each Member, Seat Lessee and Guaranteed Customer a non-exclusive, non-transferable, revocable licence for access to the Trading Platform (including the utilisation of any hardware, software, systems and/or communications links furnished by the Exchange from time to time as part of the Trading Platform to allow Members, Seat Lessees and Guaranteed Customer to post bids and offers on the Trading Platform).
- (G) No Member, Seat Lessee, Guaranteed Customer or Authorised Terminal User may:
  - (1) in whole or in part copy, modify, reverse engineer, reverse assemble or reverse compile any Trading Platform provided to it from time to time or any of the content or information displayed thereon or issued by the Trading Platform;
  - (2) distribute, rent, sell, retransmit, redistribute, release or re-licence any Trading Platform provided to it from time to time or any part thereof to any third party (other than to its Affiliates and agents subject to and in accordance with these Rules) and will not, without the Exchange's written consent, redistribute all or any portion of the data on the Trading Platform, provided, however, that such consent shall not be required for reproduction or re-transmission of any part of the data on the Trading Platform for the administration, regulatory and client reporting purposes of the Member, Seat Lessee or Guaranteed Customer (as the case may be) and its Authorised Terminal Users;
  - (3) use the Trading Platform in any jurisdiction in which to do so would be illegal or prohibited or in a jurisdiction which is not included in a list maintained by the Exchange for this purpose from time to time.
- (H) Without prejudice to any particular arrangements made with respect to the Exchange Floor, Members, Seat Lessees and Guaranteed Customers may obtain access to the Trading Platform

via the Internet or by other means via a Certified Application in accordance with the terms on which Certified Application applies, provided that:

- (1) with regard to access to the Trading Platform via the Internet, each Member, Seat Lessee and Guaranteed Customer will select its own Internet service provider and will bear all applicable costs associated with establishing and maintaining such access, including any fees charged by its Internet service provider; and
  - (2) with regard to access via other means, all costs of establishing and maintaining such connection and all risk of any malfunction thereof shall be borne entirely by the Member, Seat Lessee or Guaranteed Customer (as the case may be).
- (I) The Exchange may monitor access to and utilisation of the Trading Platform by any person. This will be done solely for the Exchange's own purposes.

#### **6.4 Exchange Trading Day**

- (A) The Trading Day on the Exchange has one (1) Trading Session. The Trading Session may open before the start of the calendar day and close after the end of the calendar day to which the Trading Day relates.
- (B) Subject to Rule 6.4(A), no business will be conducted on Saturdays or Sundays.
- (C) Without prejudice to Rules 4.22 and 4.23, the Exchange may be closed for one (1) or more days or Trading Sessions at any time by a vote of the Board

#### **6.5 Hours for trading**

The Board shall establish the hours of trading for the Trading Session in each Exchange Contract on the Exchange and all such trading shall take place within those prescribed hours. The Board shall also establish the hours during which the Exchange Floor is open for trading in Exchange Contracts on the Exchange and no trading shall take place on the Exchange Floor other than within those prescribed hours.

#### **6.6 Presence on the Exchange Floor**

- (A) Each Floor Member and each Seat Lessee must ensure that in each week (Monday to Friday), it has an Authorised Terminal User available on the Exchange Floor to execute orders on the Trading Platform in order to meet the minimum presence requirement set by the Board from time to time. Failure to meet the minimum presence requirement may give rise to a suspension or termination by the Exchange of a Floor Member or Seat Lessee and/or summary disciplinary action under paragraph (C) of Rule 7.31.
- (B) Each Authorised Terminal User of a Floor Member or Seat Lessee shall wear an Exchange authorised identification badge (a **Trading Badge**) issued by the Exchange in accordance with this Rule 6.6(B) in a prominent position at all times whilst on the Exchange Floor.
- (C) A Floor Member or Seat Lessee is permitted to bring visitors on to the Exchange Floor at the Exchange's discretion. The number of visitors must be confirmed in advance with the Exchange and the number permitted at any one time may be restricted. Floor Members and Seat Lessees are responsible for ensuring that their visitors observe orderly conduct at all times whilst on the Exchange Floor.
- (D) The CEO may permit access to the Exchange Floor to duly accredited representatives of the press to report markets, but they shall not be allowed to transact any other business.
- (E) Representatives of the press and visitors to the Exchange Floor will be issued with a temporary security pass. All persons issued with a security pass will be vetted by the Exchange.

## **6.7 Minimum daily trading requirements**

- (A) Floor Members and Seat Lessees must meet a minimum daily trading requirement based on aggregate trading per Seat occupied by the Floor Member or Seat Lessee. The minimum daily requirement will be set by the Board from time to time.
- (B) Failure to meet the minimum daily trading requirement may give rise to suspension or termination by the Exchange to a Floor Member or Seat Lessee and/or summary disciplinary action under paragraph (C) of Rule 7.31.

## **6.8 Standard Forms of Orders**

Members, Seat Lessees and Guaranteed Customers shall ensure that:

- (1) it agrees with any Customer placing an order with the Member, Seat Lessee or Guaranteed Customer in relation to an Exchange Contract how that order should be treated;
- (2) such treatment is supported by the facilities of the Member, Seat Lessee or Guaranteed Customer for accessing the Trading Platform (including any Certified Application); and
- (3) it obtains from the Customer all of the information required to enable the Member, Seat Lessee or Guaranteed Customer to input for the order the details required by Rule 6.12.

## **6.9 Telephone calls**

- (A) The use of mobile phones from the Exchange Floor (including the trading booths) is not permitted.
- (B) Subject to Rule 6.9(A), the making of telephone calls and the sending or receiving of electronic messages is permitted on the Exchange Floor provided that the calls and electronic messages are recorded.
- (C) For the purposes of this Rule 6.9, telephone calls means any form of voice telephony and electronic messages means electronic mail, in each case by fixed telephonic device or by Internet.
- (D) All records of telephone calls and electronic messages sent or received must be kept for six (6) years from the date the telephone call occurred or the electronic message was sent or received and made available to the CCO or his delegate upon request.
- (E) Any contravention of a direction given under paragraph (A) to (D) of this Rule 6.9 shall be deemed a breach of these Rules and punishable as a Major Offence.

## **6.10 Scope of trading privileges**

- (A) An Authorised Terminal User may enter orders on the Exchange only for an account of the Member, Seat Lessee or Guaranteed Customer that has registered him as one of its Authorised Terminal Users and for the account of any Customers of that Member, Seat Lessee or Guaranteed Customer.
- (B) Members, Seat Lessees or Guaranteed Customers who may trade for or on behalf of a Customer may enter "bunched orders" only if before doing so they have established and maintain a written allocation scheme or schemes for such orders. If such Member, Seat Lessee or Guaranteed Customer maintains more than one written scheme for the allocation of trades transacted by it for or on behalf of its Customers, it must elect which allocation scheme it will employ prior to entering any bunched order into the Trading Platform, and document that selection in a dated and timed writing to be maintained by it.
- (C) Before entering bunched orders directly into the Trading Platform pursuant to paragraph (B) of this Rule 6.10, a Member (if it is not a Clearing Member), Seat Lessee or Guaranteed Customer

shall provide the Clearing Member holding the account through which the bunched order is traded with a list of all Clearing Members to whom it may be assigning trades for clearance, and (if it is a Clearing Member) assign such trades for clearance in accordance with the Rules of the Clearing House.

- (D) Only a person with trading discretion over multiple accounts may place an order with a Member, Seat Lessee or Guaranteed Customer to be allocated after execution.

#### **6.11 Entry of orders into the Trading Platform from the Exchange Floor**

Floor Members and Seat Lessees occupying a Seat may trade on the Exchange Floor only from a computer terminal placed in a location allocated and approved by the Exchange.

#### **6.12 Acceptance of orders for entry into the Trading Platform**

- (A) A Member, Seat Lessee, Guaranteed Customer or Authorised Terminal User may not accept any order for execution on the Trading Platform unless such order includes the following details:
- (1) commodity;
  - (2) Contract Month;
  - (3) purchase or sale;
  - (4) account number (or certification that the order is for multiple accounts to be allocated later);
  - (5) quantity;
  - (6) any limit price;
  - (7) Clearing Member who holds the account for the relevant Customer or for the Member, Seat Lessee or Guaranteed Customer if trading on its own account or for the account of Affiliates or on an Omnibus Account basis;
  - (8) strike prices, put or call (for options).
- (B) When a Member, Seat Lessee or Guaranteed Customer receives an order from a Customer, or decides to enter a Discretionary Order permitted under Rule 6.20(J), that Member, Seat Lessee or Guaranteed Customer must, whether or not an Authorised Firm, promptly make a record of the receipt of the order including the information set out in COB App 1 Rule A1.1.1. Where a Member, Seat Lessee or Guaranteed Customer executes a transaction, that Member, Seat Lessee or Guaranteed Customer must, whether or not an Authorised Firm, promptly make a record of the information set out in COB App1 Rule 1.1.2. Where a Member, Seat Lessee or Guaranteed Customer passes a Customer order to another person for execution, that Member, Seat Lessee or Guaranteed Customer must, whether or not an Authorised Firm, promptly make a record of the information set out in COB App1 Rule A1.1.3.
- (C) For any bunched order or any other order known to be an order for multiple accounts to be allocated after execution, the account number of the Member, Seat Lessee or Guaranteed Customer, followed by the suffix "999", shall be entered in satisfaction of paragraph (A)(4) of this Rule 6.12. The Member, Seat Lessee or Guarantee Customer shall procure details of the actual Clearing Members and customer account numbers in respect of such order no later than 08:30 (UAE time) on the Trading Day following that in which the transaction was executed.
- (D) No person may knowingly record false account number information in connection with any order submitted to the Exchange.
- (E) Unless otherwise agreed, all orders received for execution on the Exchange shall be deemed to be cancelled if not executed during the Trading Session for which they were received.

### 6.13 Use of Customer Omnibus Accounts by Clearing Members

The Exchange does not restrict Clearing Members from establishing and maintaining Omnibus Accounts for customers in accordance with the rules of the Clearing House. Subject to the conditions below, use of a customer Omnibus Account as a common "holding" or "suspense" account is acceptable for Clearing Members, for execution operations that give-up orders to other Clearing Members, and for entry of bunched orders. Whenever a suspense account number is used for an order entered into the Trading Platform, the Clearing Member must create a contemporaneous written and time-stamped record of the order bearing the correct customer account designation and must ensure that Customer account designation into the clearing system, by 14.30 on the Trading Day (or the next Trading Day if the order was entered after 14.30).

### 6.14 Customer Type Indicator codes for Trading of Exchange Contracts on the Trading Platform

- (A) Members, Seat Lessees and Guaranteed Customers with direct access to the Trading Platform (in this Rule **Trading Platform Users**) shall report to the Exchange through the mechanism provided an appropriate Customer Type Indicator (**CTI**) codes and an appropriate indicator code (indicating to which relevant Clearing Member account the transaction should be allocated) for each transaction executed on the Trading Platform, in accordance with the provisions set out below.
- (B) **CTI Codes**
- (1) When a Trading Platform User executes a trade for its own account, for an account it controls, or for an account in which it has an ownership or financial interest, it shall designate that trade as **CTI 1**.
  - (2) When a Trading Platform User executes a trade for the trading account of a Member, Seat Lessee or Guaranteed Customer, it shall designate that trade (and any relevant orders) as **CTI 2** (unless the executing Member, Seat Lessee or Guaranteed Customer has an interest in or discretionary control over such Member or Clearing Member's trading account, in which case it shall designate the trade as **CTI 1**).
  - (3) When a Trading Platform User executes a trade for the account of (or for an account which it knows is controlled by) another Member, Seat Lessee or Guaranteed Customer, it shall designate that trade (and any relevant orders) as **CTI 3**.
  - (4) When a Trading Platform User executes a trade for any account other than those listed above, it shall designate that trade (and relevant orders) as **CTI 4**.
- (C) **Indicator Codes.** Indicator codes (indicating to which relevant Clearing Member account the transaction is to be allocated) shall be applied as follows.
- (1) **C or Customer** – if the person for whose benefit the Trading Platform User executed the transaction is not affiliated with or an employee of the Clearing Member with whom the account is held; or
  - (2) **H or House** – if the person for whose benefit the Trading Platform User executed the transaction is affiliated with or an employee of the Clearing Member with whom the account is held.
- (D) It shall be a Major Offence for a Trading Platform User knowingly to assign false CTI codes or indicator codes to trades executed on the Trading Platform.



## 6.15 Errors and omissions in handling orders

### (A) Trade Errors

- (1) If a Member, Seat Lessee or Guaranteed Customer has failed to execute an order placed by a Customer or has made an error in handling a Customer order (such as by under-buying or under-selling) (in either case, a **Trade Error**), and the order cannot be executed in the market at a price which is equal to that which the order should have executed, the Member, Seat Lessee or Guaranteed Customer shall take one of the following actions:
  - (a) execute the order in the market and adjust the price received by the Customer if the price is worse than that which the Customer should have received had the error not occurred;
  - (b) execute a spread transaction in accordance with paragraph (D) of this Rule 6.15, where applicable; or
  - (c) notwithstanding any rule to the contrary, take the opposite side of the order at a price which is equal to the price the order should have received had the error not occurred. If such price cannot be obtained in the market, or the Member, Seat Lessee or Guaranteed Customer discovers the error after the close of such market, the Member, Seat Lessee or Guaranteed Customer may assign the opposite side of the order to that Member, Seat Lessee or Guaranteed Customer's designated error account at a price which is equal to the price which the order should have received had the error not occurred. Any assignment made after the close of the market must be made promptly.

In no case may a Customer receive a price which is worse than that which the Customer should have received had the error not occurred. Any transaction or straddle transaction executed pursuant to paragraph (A)(1)(c) of this Rule 6.15 shall be within the trading range of the current Trading Day, reported to the Exchange.

- (B) **Procedures.** A Member, Seat Lessee or Guaranteed Customer may take the opposite side of a Customer order to resolve a Trade Error in accordance with the following procedures:

- (1) Within fifteen (15) minutes of the resolution of a Trade Error, the Member, Seat Lessee or Guaranteed Customer must report to the Clearing House the details of the transactions made under this Rule 6.15 in respect of that Trade Error.
- (2) Trade data submitted to the Exchange shall specifically identify any cross trade resulting from a Member's, Seat Lessee's or Guaranteed Customer's resolution of an error and specify the account in which it will clear. Trade data pertaining to the offset of the cross trade shall specify the account in which the offsetting trade will clear.

- (C) **Spread Transaction to Rectify Misexecution.** In the event that a CTI 4 Customer order is executed in the wrong month or at the wrong strike price, including errors in execution due to a bona fide clerical error, the trade shall be referred to as a Misexecution. In the event of a Misexecution, a Member, Seat Lessee or Guaranteed Customer may use a spread transaction to re-execute the order and liquidate the position created by the Misexecution.

- (1) By the close of trading on the first Business Day following the day on which the Misexecution was effected:
  - (a) the Member, Seat Lessee or Guaranteed Customer shall report full details of all transactions made under this Rule 6.15(C) to the Clearing House;

- (b) the Misexecution, as well as the liquidating trade, must be placed in either the Member, Seat Lessee or Guaranteed Customer's designated error account or personal account; and
  - (c) the pricing of the re-executed trade shall be consistent with pricing at the time of the Misexecution.
- (2) Any spread transaction executed for the purposes of taking advantage of a Customer order shall be a Major Offence.
- (D) Except as otherwise provided in this Rule 6.15, a Member, Seat Lessee or Guaranteed Customer shall not change the terms of a trade to correct a Trade Error.
- (E) Nothing in this Rule 6.15 shall:
  - (1) preclude the resolution of a dispute arising from or in connection with a Trade Error in accordance with Chapter 5 of these Rules; or
  - (2) contravene any instructions received from a Customer respecting any order prior to its execution (but shall be construed to permit execution of orders under the conditions prescribed without prior instructions from the Customer).
- (F) A Member, Seat Lessee, Guaranteed Customer or Authorised Terminal User who persistently enters Trade Errors may be susceptible to disciplinary action by the Exchange under Chapter 7 of these Rules.

#### **6.16 Correcting Error Trades**

- (A) The Exchange may cancel a trade or adjust the price at which a trade was undertaken based on market conditions or, upon a request by a Member, Seat Lessee, Guaranteed Customer or Authorised Terminal User or other party to the trade, in the event that the trade arose through the improper erroneous use of the Trading Platform or through a system defect (an **Error Trade**).
- (B) If a Member, Seat Lessee, Guaranteed Customer or Authorised Terminal User, or other party to the trade, believes that an Error Trade has occurred, that Member, Seat Lessee, Guaranteed Customer, Authorised Terminal User or other person must contact the NCSCC immediately and in any event within ten (10) minutes of the Error Trade occurring.
- (C) The NCSCC will determine whether the trade price for an Error Trade is within the applicable No Bust Range, as determined by the Board. During fast market conditions, upon the release of significant news events or in other circumstances in which the NCSCC determines it is appropriate, the NCSCC may temporarily double the No Bust Range with prior notice to the market.
- (D) In applying the No Bust Range, the NCSCC shall determine the actual or implied market price for that contract immediately before the trade under review. In doing so, the NCSCC may consider any relevant information, including but not limited to the existing market conditions, the volatility of the market, the prices of related instruments in other markets, a better bid or offer price, a more recent price in a different Contract Month and any other factors that the NCSCC deems relevant.
- (E) If the price at which the Error Trade took place falls within the No Bust Range, the trade will stand.
- (F) If the price at which the Error Trade took place falls outside the No Bust Range, the NCSCC may (but is not required to) cancel the trade, adjust the trade price to a price that equals the actual or implied market price for that Exchange Contract at the time of the trade, plus or minus the No Bust Range, as may be applicable, or adjust the price of the trade to another which NCSCC considers appropriate having regard to all the circumstances.

- (G) NCSCC will promptly issue an alert indicating that the prices of the trades outside the No Bust Range have been busted or adjusted to the No Bust Range limit or otherwise.
- (H) The party responsible for entering any order that results in a trade price adjustment or cancellation of trade shall not be liable for losses incurred by persons whose trade prices were adjusted.
- (I) The Exchange will levy a fee for each Error Trade cancelled or adjusted in accordance with this Rule 6.16, to be paid by the party responsible for such Error Trade, as follows:
  - (1) five hundred dollars (\$500) for each of the first three (3) instances within one calendar year;
  - (2) one thousand dollars (\$1,000) for each of the next three (3) instances within one calendar year; and
  - (3) two thousand dollars (\$2,000) for each instance thereafter within one calendar year.
- (J) A Member, Seat Lessee, Guaranteed Customer or Authorised Terminal User who persistently enters Error Trades may be susceptible to disciplinary action by the Exchange under Chapter 7.

#### **6.17 Phantom Orders**

- (A) A Phantom Order is an order:
  - (1) that was not authorised by any person but was caused by a failure, malfunction or negligent operation of the Trading Platform or any DME or NYMEX, Inc. system, service or facility; or
  - (2) whose terms (e.g., contract, Contract Month, quantity, price or direction) were changed without the authorisation of the person placing the order solely as a result of a failure, malfunction, or negligent operation of the Trading Platform or any other DME or NYMEX, Inc. system, service or facility.
- (B) If the Exchange has reason to believe that a Phantom Order has been or is being entered into and/or executed on the Trading Platform or any DME or NYMEX, Inc. system, service or facility, the Exchange shall be empowered to take appropriate action with respect to any affected market, including without limitation, closing the market, deleting bids and offers and/or suspending new bids and offers.
- (C) The Exchange shall promptly give notice that all transactions executed on the Trading Platform that were directly or indirectly caused by the execution of Phantom Orders and that were executed at prices outside of the No Bust Range are void. The Exchange and the Clearing House shall have no liability or responsibility to the parties to any transactions that are voided pursuant to this paragraph (C).

#### **6.18 Termination of designation of a Member, Seat Lessee, Guaranteed Customer or Authorised Terminal User**

When a person's Membership and/or right to access the Trading Platform have been terminated or suspended for any reason, the Clearing Member(s) (or former Clearing Member(s)) of the relevant Member, Seat Lessee or Guaranteed Customer shall take all appropriate steps to prevent that person from entering orders on the Trading Platform, including immediately notifying the NCSCC.

#### **6.19 Spread Transactions and Strip Transactions**

- (A) This Rule 6.19 shall apply to all orders for and execution of Spread Transactions and Strip Transactions.

- (B) All orders for Spread Transactions (Intercommodity Spreads, intra-commodity spreads, cracks, Futures Spreads and Options-Futures Spreads) and Strip Transactions shall be made at a stated price differential.
- (C) Transactions executed by the Trading Platform as legs as a result of orders for Spread Transactions or Strip Transactions shall set off stops in the affected contract. Transactions executed by the Trading Platform as Spread Transactions or Strip Transactions shall not set off stops in the affected contract, but shall set off stops with respect to the Spread Transaction or the Strip Transaction, as applicable.

## **6.20 Trading standards**

- (A) References in this Rule 6.20 to Member shall be read to mean Member, Seat Lessee or Guaranteed Customer as the case may be.
- (B) Members and Authorised Terminal Users must exercise reasonable care in the entry of Customer order information into the Trading Platform.
- (C) A Member or Authorised Terminal User shall not withhold or withdraw from the market any Customer order or any part of a Customer order for his personal benefit or for the convenience of another.
- (D) A Member or an Authorised Terminal User who is an employee or agent of the Member must enter all Customer orders available for input into the Trading Platform before entering any order for his own account, an account in which he has a proprietary interest, a discretionary account for an immediate family member or an account in which the Member or any other employee of the Member has an interest.
- (E) A Member or an Authorised Terminal User who is an employee or agent of the Member who has entered an order into the Matching System which results in him having (immediately or subsequently) the highest bid or lowest offer for a particular Futures or Options Contract resting in the Trading Platform for his personal account, any account in which he has a proprietary interest, a discretionary account for an immediate family member or an account in which the Member or other employee of the Member has an interest, shall disclose the facts of the resting order to a Customer prior to accepting from such Customer any order for the opposite purchase or sale of the same contract.
- (F) A Member or an Authorised Terminal User who is an employee or agent of the Member may not enter an order that reflects the opposite side of a Customer order already resting in the Trading Platform and is for the account of:
  - (1) the Member;
  - (2) an account in which such Member has a proprietary interest;
  - (3) a discretionary account for an immediate family member; or
  - (4) an account in which the Member or any employee of the Member has an interest,
 unless the Customer order has rested in the System for at least five (5) seconds.
- (G) No Authorised Terminal User shall make any purchase or sale, or enter an order through the Trading Platform, to effect a trade that has been pre-arranged. The foregoing restriction shall not apply to transactions executed pursuant to permissible pre-execution discussions in accordance with the provisions of Rule 6.21.
- (H) No Member or Authorised Terminal User who is an employee or agent of the Member and acting on behalf of the Member, shall purchase any commodity for future delivery, purchase any call Option, or sell any put Option for any commodity Options Contract, for the account of the Member, or for any account in which he has an interest, while holding an order of another person for the purchase of any Future, the purchase of any call Option, or sale of any put Option, in the

same commodity which is executable at the market price or at the price at which such transaction can be made for the account of the Member or the account in which he has an interest.

- (I) No Member or Authorised Terminal User who is an employee or agent of the Member and acting on behalf of the Member shall sell any commodity for future delivery, sell any call Option or purchase any put Option for the account of the Member or for any account in which he has an interest, while holding an order of another person for the sale of any Future, any call Option, or purchase of any put Option, in the same commodity which is executable at the market price or at the price at which such transaction can be made for the account of the Member or the account in which he has an interest.
- (J) No Member or Authorised Terminal User who is an employee or agent of the Member (the **executing trader**) shall place an order in the Trading Platform for any account of another person for which buying or selling orders can be placed or originated or for which transactions can be executed by such executing trader, without the prior specific consent of such other person (a **Discretionary Order**) regardless of whether the general authorisation for such orders or transactions is pursuant to a written agreement, except that Discretionary Orders may be placed with another Member for execution. The restrictions set forth in this paragraph (J) of this Rule 6.20 shall not apply to Discretionary Orders for:
  - (1) a member of the immediate family, which is defined in this Rule 6.20 to mean a spouse, parent, parent of a spouse, brother, sister, child or spouse of a child;
  - (2) a Member other than the executing trader;
  - (3) a proprietary account of the executing trader; or
  - (4) any other account where the executing trader does not trade for his own account or any other Customer account.
- (K) No Member or Authorised Terminal User who is an employee or agent of the Member shall disclose at any time that he is holding an order of another person or shall divulge any order revealed to him by reason of his relationship to such other person, except to execute an order or at the request of an authorised representative of the Exchange, the DFSA or any other regulatory authority of any state, territory or foreign country.

#### **6.21 Permissible pre-execution discussions**

- (A) References in this Rule 6.21 to Member shall be read to mean Member, Seat Lessee or Guaranteed Customer as the case may be.
- (B) Members may engage in pre-execution discussions with regard to transactions executed on the Trading Platform where they wish to be assured that a counterparty will take the opposite side of the order. A Member may agree in advance with another party that the Member will take the opposite side of the other party's order provided that that Member has obtained the consent of its Customer for the proposed transaction to entering into pre-execution discussions with other market participants.
- (C) Members who are solicited to participate in an electronic transaction through pre-execution discussions shall not:
  - (1) disclose to any other Member or a Customer the details of such discussions; or
  - (2) enter an order through the Trading Platform to take advantage of information conveyed during such discussions unless such Member or the Customer has agreed during the pre-execution discussions to participate in the transaction in accordance with this Rule 6.21 and the order is entered to implement that agreement.
- (D) Members entering orders following pre-execution discussions must allow a period of at least five (5) seconds to elapse between entry of the two orders during which the order first entered is

resting in the market for Futures and fifteen (15) seconds to elapse between entry of the two orders during which the order first entered is resting in the market for Options.

#### **6.22 Restriction on simultaneous buy and sell orders on Exchange**

- (A) References in this Rule 6.22 to Member shall be read to mean Member, Seat Lessee or Guaranteed Customer as the case may be.
- (B) With respect to trading on the Trading Platform, no Member or Authorised Terminal User may enter orders for different principals as a cross-trade into the system.
- (C) Members and Authorised Terminal User shall enter orders into the system strictly on the basis of time of receipt of the orders. A Member or Authorised Terminal User holds a number of non-discretionary orders that cannot be immediately entered into the Trading Platform as a result of paragraph (F) of Rule 6.20, that Member or Authorised Terminal User must enter those orders when executable in the sequence in which those orders were received.

#### **6.23 Transfer trades and office trades**

- (A) References in this Rule 6.23 to Member shall be read to mean Member, Seat Lessee or Guaranteed Customer as the case may be.
- (B) Transfer trades are limited to trades made on the books of a Member for the purpose of:
  - (1) transferring existing trades from one account to another within the same office, or between different offices of such Member, where no change in ownership is involved (in which case the transferred trade must be recorded and carried at the original date and price or premium, or as otherwise approved in advance by the CCO or his designee, on the books of the receiving Member); or
  - (2) transferring existing trades from the record of one Member to the record of another Member when no change in ownership is involved, provided that no such transfer shall be made after receipt from the Clearing House of a Notice of Intention to Deliver on such trades or the issuance by such Member of a Notice of Intention to Accept (or, in the case of Options Contracts, after receipt from the Clearing House of notice of exercise and assignment on such trades). The transferred trade in the transferee's office must be recorded and carried at the original date and price or premium.
- (C) Every person handling, executing, clearing or carrying trades or contracts which are not competitively executed shall identify and mark by appropriate symbol or designation all such transactions or contracts and all orders, records and memoranda pertaining thereto.

#### **6.24 EFPs and EFSs**

- (A) EFP and EFS transactions may be effected by means of the Exchange's facilities subject to and in accordance with the Clearing House Rules in relation to them. The Clearing House may impose additional requirements and restrictions in respect of such transactions and, in particular, may impose reporting requirements on Clearing Members in respect of their own and their Customers' EFPs and EFSs. Members, Seat Lessees and Guaranteed Customers are therefore required to give and obtain all necessary consents to such disclosure and reporting from their Customers before executing such contracts.
- (B) An **EFP** (Exchange of Futures for Physical) is a transaction whereby a Futures Contract is exchanged for or in connection with a cash transaction executed off the exchange in (or in a derivative or by-product of or related product to) the same commodity (a **physical product**).
- (C) An **EFS** (Exchange of Futures for Swap) is a transaction whereby a Futures Contract is exchanged for or in connection with a swap transaction executed off the exchange in relation to the same physical product.



- (D) At the time an EFP or EFS transaction is effected, the buyer and seller of the underlying Futures transaction must be the seller and the buyer respectively of:
- (1) for EFPs, a cash transaction; or
  - (2) for EFSs, a swap transaction,
- in or in relation to a quantity of physical product approximately equivalent to the quantity covered by the relevant Futures Contract.
- (E) Each EFP or EFS transaction shall be posted into the appropriate NYMEX clearing system as advised by the Exchange from time to time.
- (F) Each EFP and EFS transaction shall be posted immediately when relevant cash terms or swap terms (as applicable) are determined, but in no event later than the earlier of the next Trading Day or the end of the permissible posting period for EFPs and EFSs as set out in this Rule 6.24 or specified by the Board from time to time. EFP and EFS transactions in relation to the Oman Crude Oil Futures Contract are permitted up to the time specified on the trading day following the last Trading Day in the expiring Contract Month.
- (G) An EFP or EFS that establishes a position for both buyer and seller shall not be permitted on the first Trading Day following the expiry of the relevant Exchange Contract.
- (H) For each EFP and EFS transaction, each buyer and seller must satisfy the Exchange at the latter's request that the transaction is a legitimate and bona fide transaction and:
- (1) upon the request of the Exchange, all documentary evidence relating to the EFP and EFS, including (without limitation), in the case of an EFP, evidence as to change of ownership of the physical product or a commitment for that product shall be obtained by the Member, Seat Lessee or Guaranteed Customer acting for the buyer or seller and made available for examination by the Exchange;
  - (2) if the buyer or seller is a Member, Seat Lessee or Guaranteed Customer, the Exchange may obtain such information directly from such person(s);
  - (3) if the buyer or seller fails to satisfy the Exchange that an EFP or an EFS transaction is legitimate and bona fide, the Exchange may in its absolute discretion refuse to register that transaction;
  - (4) if the buyer or seller is a Member, Seat Lessee or Guaranteed Customer and fails to satisfy the Exchange that an EFP or an EFS transaction is legitimate and bona fide, it shall be subject to disciplinary action, which, depending on the gravity of the offence, may be deemed to be a Major Offence of these Rules; and
  - (5) if the buyer or seller is not a Member, Seat Lessee or Guaranteed Customer, the Exchange may conduct a hearing before the CCO to limit, condition or deny access to the market.
- (I) The Exchange shall presume that any EFP which does not involve commercial market participants as both buyer and seller is not a bona fide transaction, unless the Exchange is provided with documentation for examination clearly demonstrating that:
- (1) the cash transaction underlying the EFP is independent of and not contingent upon a contemporaneous offsetting cash transaction, and would have involved a cash market risk if not hedged by a Futures Contract; or
  - (2) the physical product was or was to be delivered from the seller to the buyer, and

for the purposes of this Rule 6.24 (I), a **commercial market participant** means a person or entity that transacts business in the normal channels of commerce in the physical product underlying an EFP posted on the Exchange.

## 6.25 Trade formation

- (A) In this Rule 6.25, reference to a Member shall also include (i) a Guaranteed Customer and (ii) a Seat Lessee with direct access to the Trading Platform and who trades on an account or accounts held by the Seat Lessee with a Clearing Member.
- (B) Except where paragraph (C) of this Rule 6.25 applies, the following contracts in the terms of an Exchange Contract shall arise when the Trading Platform matches two orders, and each such contract shall be in the terms of the bid and the offer matched when the orders are so matched:
- (1) where a Member trades as principal (other than a Clearing Member trading as principal for its own account), a contract between the Member and the Clearing Member carrying the account for which the order was submitted by that Member (in respect of which the Member shall be the buyer or the seller);
  - (2) where a Member trades as agent, a contract between the principal for whom the Member acts and the Clearing Member carrying the account for which the order was submitted by that Member (in respect of which the principal (Customer, Affiliate or other Member) shall be the buyer or the seller);
  - (3) where a Member trades as principal for its Customer account, a contract between it and the Customer for whose order the Member executed the trade;
  - (4) where the two (2) Members are both either:
    - (a) a Clearing Member submitting an order as principal for its own account; or
    - (b) a Member submitting an order referred to in Rule 6.25(B)(1) to (3),and the orders are for accounts carried by different Clearing Members (or the same Clearing Member unless that Clearing Member is submitting both orders as principal for its own account), a contract between each such Clearing Member (in respect of which (i) a Clearing Member submitting an order as principal for its own account shall be the buyer or seller, if it is the buyer or seller respectively under that order, and (ii) a Clearing Member shall be the buyer or the seller, if it is the seller or the buyer respectively on the contract between it and the relevant Member or principal referred to in 6.25 (B)(1) to (3));
  - (5) where the same Clearing Member acts as Clearing Member in respect of both orders matched by the Trading Platform then unless the Clearing Member acted as principal for its own account in respect of each order for the purposes of these Rules and the Rules of the Clearing House, a contract shall be deemed to arise between the Clearing Member and itself. Such contract shall (whether or not effective in law as a contract) be regarded for the purposes of these Rules as a contract and shall be submitted to the Clearing House for clearing in accordance with the Clearing House's Rules; and
- no contract shall arise between the Members whose orders are matched (except where those Members are Clearing Members and a contract between them arises by virtue of Rule 6.25(B)(4) or a contract between a Clearing Member and itself is deemed to arise by virtue of Rule 6.25(B)(5)).
- (C) The following contracts in the terms of an Exchange Contract shall arise in relation to an order matched in the Matching System which is a bunched order in accordance with paragraph (B) of Rule 6.10 when the Trading Platform matches it with another order.

In paragraphs (C) and (D) of this Rule 6.25, the following terms are used:

- (a) Member X: the Member who submitted the bunched order;

- (b) Clearing Member A: if Member X is not a Clearing Member, the Clearing Member holding the account through which Member X trades the bunched order;
- (c) Member Y: the Member matching Member X's order;
- (d) Clearing Member B: if Member Y is not a Clearing Member, the Clearing Member holding the account through which Member Y's matching order is traded.

Each such contract shall be in the terms of the bid and the offer matched when the orders are so matched.

- (1) If Member X is a Clearing Member, a contract between (i) Member X and (ii) Member Y (if a Clearing Member) or Clearing Member B;
- (2) If Member X is not a Clearing Member,
  - (a) a contract between Member X and Clearing Member A;
  - (b) a contract between (i) Clearing Member A and (ii) Member Y (if a Clearing Member) or Clearing Member B (in respect of which Clearing Member A shall be the buyer or the seller if it is the seller or the buyer respectively on the contract between it and Member X);
- (3) in either case, where Member X executes a trade as principal for its Customer account, a contract between it and the Customer(s) for whose order(s) the Member executed the trade; and

no contract shall arise between the Members whose orders are matched (except where those Members are Clearing Members and a contract between them arises by virtue of Rule 6.25 (C)(1) and (2)).

- (D) Where Member X enters and validates information in accordance with Rule 6.10(B) allocating a trade to a Customer's Clearing Member (Clearing Member C), and Clearing Member C does not reject that allocation, if Member X acted:
  - (1) as principal and the trade is allocated to Member X's Customer Omnibus Account, Clearing Member C shall be substituted as a party in place of Member X (if Member X is a Clearing Member) or in place of Clearing Member A (if Member X is not a Clearing Member) on the contracts arising pursuant to paragraphs (C)(1) and (C)(2) of this Rule 6.25 in respect of such trade;
  - (2) as principal and the trade is allocated to the Customer's account at a Clearing Member C, and Member X, the Customer and Clearing Member C have executed a give-up agreement in a form acceptable in the futures industry, Clearing Member C shall be substituted as a party in place of Member X and in place of Clearing Member A on the contracts arising pursuant to paragraph (C) of this Rule 6.25; and
  - (3) as agent and the trade is allocated to Member X's account at Clearing Member C, Clearing Member C shall be substituted as a party in place of Member X (if Member X is a Clearing Member) or in place of Clearing Member A (if Member X is not a Clearing Member) and the Customer in place of Member X on the contracts arising pursuant to paragraph (C) of this Rule 6.25.
- (E) The Exchange shall on a timely basis (and is hereby authorised to) present and confirm to the Clearing House particulars of all contracts in the terms of an Exchange Contract that arise under this Rule 6.25 between Clearing Members (including any such contract between the same Clearing Member acting in different capacities in respect of that contract).

## **6.26 Daily Settlement Prices and Post Close Prices**

- (A) For each Futures Contract, the Exchange shall publish a daily Settlement Price. For each Options Contract, the Exchange shall publish a daily Options Settlement Premium. Any Settlement Price or Options Settlement Premium shall be determined by the Exchange in accordance with its published procedures and, in respect of the last Trading Day for such Contract, in accordance with the relevant contract specification.
- (B) The daily Post Close Price for each Futures Contract shall be determined by the Exchange in accordance with its published procedures. The daily Post Close Price for each Futures Contract shall be set at 14.30. The daily Options Post Close Premiums shall be determined by the Exchange in accordance with procedures published by the Exchange and shall be set at 14.30. For each Options Contract, the Exchange may also publish a daily Options Post Close Premium.
- (C) The Exchange may request from any Member representing that certain market information should be considered in the determination of a daily Settlement Price, Options Settlement Premium, Post Close Price or Options Post Close Premium such documentation as it deems appropriate.
- (D) The Exchange shall notify the daily Post Close Price and Settlement Price (or, in the case of an Options Contract, the daily Options Settlement Premium and Options Post Close Premium) determined by the Exchange to the Clearing House. The Clearing House shall use the final Settlement Price (or, as the case may be, final Options Settlement Premium) in the calculation of margin in respect of the last Trading Day in a Contract Month and the Post Close Price (or, as the case may be, Options Post Close Premium) in the calculation of original and variation margin in respect of other Trading Days, unless in either case the Clearing House reasonably believes that such price (the **Margining Price**) is erroneous, in which case:
  - (1) it will notify the Exchange with a view to agreeing on an appropriate daily Margining Price; or
  - (2) in the absence of such agreement, it will notify the Exchange of the Margining Price it will use.

## **6.27 Floor and General Trading Offences**

- (A) Betting or offering to bet on the Exchange Floor or in any part of the Exchange premises or handling offers of others to bet is prohibited (and for the avoidance of doubt, entering into or executing Exchange Contracts shall not be regarded as betting for the purposes of this Rule).
- (B) Smoking on the Exchange Floor or in any part of the Exchange premises is prohibited.
- (C) The possession or use of any illegal drug, or other controlled substance, on the Exchange Floor or in any part of the Exchange premises is prohibited.
- (D) The use of alcohol on the Exchange Floor or in any part of the Exchange premises is prohibited.
- (E) If a Member or Seat Lessee or any of its employees damages or destroys property of the Exchange, it shall be repaired or replaced to the same condition prior to the damage under the direction of the CCO and the expense thereof charged to such Member or Seat Lessee.
- (F) No person within the jurisdiction of the Exchange shall engage in any conduct subversive of good order or decorum or which interferes with the personal comfort or safety of others or breach any Rules or resolutions adopted by the Board which relate to the conduct or attire of those on the premises of the Exchange.
- (G) Acts committed on the Exchange Floor or in any part of the Exchange premises which constitute striking, shoving, kicking or otherwise subjecting another person to physical abuse, or attempts

or threats to do the same, or behaviour which is, or which is perceived as, threatening physical abuse, are prohibited.

- (H) The Compliance Department shall have the power to enforce this Rule 6.27 summarily pursuant to Chapter 7 of these Rules.

#### **6.28 Communications between Members, Seat Lessees and Guaranteed Customers**

The Exchange has no responsibility for any act, error or omission of its employees in connection with the receipt or transmission of messages or other communications between Members, Seat Lessees and Guaranteed Customers or between such persons and their offices or other persons, all of which is entirely at the risk of the Member, Seat Lessee or Guaranteed Customer receiving or sending such message or communication or the Member, Seat Lessee or Guaranteed Customer or other person for whom the same may be intended.

#### **6.29 Limitation of liability**

- (A) References in this Rule 6.29 to Member shall be read to mean Member, Seat Lessee or Guaranteed Customer as the case may be.
- (B) Except as provided in this Rule 6.29, and except where the liability results from a person's wilful misconduct in which case such person cannot avail itself of the protections in this Rule 6.29, none of the Exchange, NYMEX, Inc. or their Affiliates and any of their respective officers, directors, employees, agents, consultants, information providers, independent contractors or subcontractors and licensors shall be liable to any person for any losses, damages, costs or expenses (including, but not limited to, loss of profits, loss of use, and direct, special, indirect, incidental or consequential damages) arising from:
- (1) any failure or malfunction, including any inability to enter or cancel orders on the Trading Platform or delay in being able to do so;
  - (2) any failure, malfunction, fault in delivery, delay, omission, suspension, inaccuracy, interruption, termination, or any other cause, in connection with the furnishing, performance, operation, maintenance, use of or inability to use:
    - (a) all or any part of any of the Exchange's systems, services, equipment or facilities;
    - (b) data made available through the Exchange's systems; or
    - (c) any services used to support the Trading Platform or the Exchange's other systems;
  - (3) any unauthorised access to or unauthorised use of any of the Exchange's systems, services or facilities by any person;
  - (4) any person using the Trading Platform being unfamiliar with the Trading Platform or failing to following instructions for its use.

The foregoing limitation of liability shall apply whether a claim arises in contract, tort, negligence, strict liability, contribution or otherwise and whether the claim is brought directly or as a third party claim.

- (C) There are no express or implied warranties or representations (including but not limited to warranties of merchantability and fitness for a particular purpose or use) provided by the Exchange, NYMEX, Inc., their respective Affiliates and their respective officers, directors, employees, agents, consultants, information providers, independent contractors or subcontractors and licensors relating to any of the Exchange's systems or services.
- (D) DME does not guarantee continuous, uninterrupted or secure access to the Trading Platform. The transmission of data on any electronic system may be subject to: interruption; interference;

blackout; failure; systems or service unavailability or failure; hardware or software malfunction or failure; interception by third parties; unauthorised access; theft; modification or inaccuracy. The reliability, availability, performance and other aspects of the Internet are beyond the Exchange's reasonable control. A number of conditions may affect an Authorised Terminal User's ability to enter orders and to trade, including but not limited to a problem with the Internet causing the slowing, disruption or termination of information flow, an inability to access the Trading Platform due to the Member's Internet service provider, or a telephone line, cable or other communication link disruption. The speed of an order entry may be affected by a number of factors including but not limited to: the Authorised Terminal User's connection speed; the load of his Internet service provider; his computer processor speed; and his computer RAM memory.

### **6.30 DME and NYMEX Personnel: Limitation of Liability**

DME, and NYMEX Inc. on behalf of DME, may provide employees (including employees in NCSCC) to perform certain services on behalf of DME for Members, Seat Lessees, Guaranteed Customers and Authorised Terminal Users with respect to the Trading Platform (**Service Centre employees**). Neither the Exchange, nor NYMEX, Inc. shall be liable for any loss resulting from any inability to communicate with Service Centre employees. The liability of DME or NYMEX, Inc. for the negligent acts of Service Centre employees shall be subject to the limitations and conditions of Rule 6.29. In no event, however, shall the Exchange or NYMEX, Inc. be liable for the negligence of Service Centre employees if the person claiming to have suffered a loss could have secured the support it sought from any Service Centre employee by access through a different route (for example through its own alternative access, a Clearing Member or its independent software vendor). For the purposes of this Rule 6.30, a person is deemed able to obtain access to Service Centre employees through its own alternative access, a Clearing Member or its independent software vendor unless such access was inoperative or interrupted at the relevant time.

### **6.31 Block Trades**

- (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. 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.
- (I) Block Trades shall be permitted in accordance with this Rule 6.31 in the following Exchange products or otherwise with the prior approval of the DFSA under the conditions described:
  - 1) DME Oman Crude Oil Futures Contracts, for a threshold minimum quantity of 100 contracts.
  - 2) DME Brent Crude Oil Financial Contracts, for a threshold minimum quantity of 100 contracts.
  - 3) DME Oman Crude Oil Financial Contracts, for a threshold minimum quantity of 100 contracts.