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**Date**

3 December 2009

**Recipients**

All DME Members

**From**

Thomas Leaver, Chief Executive Officer

**Category**

Compliance

**Proposal**

Proposed Addition of New Chapters to the DME Rulebook Covering New DME Contracts

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Consultation Paper 09-004 is issued in accordance with Dubai Mercantile Exchange Limited (DME) Rule 4.20 and Section 9 of the Authorised Market Institutions Module of the Dubai Financial Services Authority (DFSA) Rulebook. This Consultation Paper has been issued to provide market participants with an opportunity to comment on the introduction of four new Exchange Contracts, namely the DME Oman Calendar Swap, the DME Brent-Oman Calendar Swap, the DME Oman Crude Oil Average Price Options and the DME Oman Crude Oil European Style Option. The DME intends to launch these contracts in early 2010.

**Application of the Consultation Paper**

Consultation Paper 09-004 is directed primarily at DME Members and other users or prospective users of DME's facilities. DME also welcomes any comments from any organisation which represents groups of such users or prospective users.

**Overview**

New Contracts

Chapter 15: DME Oman Calendar Swap Contract

Chapter 16: DME Brent-Oman Calendar Swap

Chapter 17: DME Oman Crude Oil Average Price Option

Chapter 18: DME Oman Crude Oil European Style Option

Clearing and Settlement

In accordance with arrangements in place between DME and CME Group Inc. ("CME"), CME's subsidiary, the New York Mercantile Exchange, Inc. ("NYMEX") and CME provide clearing and settlement services to DME and agreed to accept the new contracts for clearing. Clearing and settlement of the new contracts will be subject to the NYMEX clearing rules.

Commodities Futures Trading Commission ("CFTC")

DME has the benefit of a no-action letter from the CFTC permitting certain DME futures and options contracts to be available for trading by direct access from the United States via CME Globex. The DME is currently working with the CFTC to extend the terms of their no action relief to cover the direct access of the applicable new contracts in a similar fashion. In addition, NYMEX has received a clearing order from the CFTC allowing it to provide the clearing and settlement services on DME contracts as referenced above. NYMEX is currently working towards the receipt of an amendment to this clearing order which would allow it to clear the new contracts as well.

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**Rationale for the new contracts**

The introduction of DME Oman-linked swaps and options contracts is aimed at providing current and potential market participants with the most comprehensive and flexible range of trading and hedging tools on the DME. This development has been spurred by growing liquidity in the DME Oman Futures Contract, positive momentum towards wider adoption of DME Oman as a pricing benchmark in the East of Suez and following feedback from a wide range of market participants.

**How to provide comments**

The deadline for providing comments on the proposals in this Consultation Paper is twenty eight (28) calendar days from the date of this Consultation Paper. For the avoidance of doubt, all comments must be received by the Exchange on or before 30 December 2009 at 6:00 PM in Dubai. All comments on the proposed changes should be addressed to:

Mr Greg Collins  
Chief Compliance Officer  
Dubai Mercantile Exchange Limited  
P.O. Box 66500  
Dubai  
United Arab Emirates  
greg.collins@dubaimerc.com

**Next steps**

Unless specifically requested otherwise, DME may publish on its website any comments it receives from 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 chapters is appropriate. DME will then implement the changes to the DME Rulebook (including any amendment or revision, if appropriate). The amendments to the DME Rulebook 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 Rulebook will become effective.

Signed

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Thomas Leaver  
Chief Executive Officer

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Please pass comments to:  
Mr Greg Collins, Chief Compliance Officer  
greg.collins@dubaimerc.com

## Chapter 15 – DME Oman Calendar Swap Contract

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15.8	Final Settlement
15.9	Governing Law

#### 15.1 Scope

This Chapter applies to the DME Oman Calendar Swap Contract (the “Contract”) bought and sold on the Exchange for cash settlement based on the Floating Price.

#### 15.2 Definitions

In this Chapter the following definition shall apply.

- (1) **DME Oman Crude Oil Futures Contract** means the Futures Contract the terms of which are set out in Chapter 10; and
- (2) **First Nearby Month** means the nearest month for which trading is being transacted, or the spot month; and
- (3) **Other capitalized terms** not defined herein shall have the meaning given to them in the DME Rulebook.

#### 15.3 Floating Price

The Floating Price for each Contract Month is equal to the arithmetic average of the DME Oman Crude Oil Futures Contract Settlement Prices for the Contract Month that is the First Nearby Month calculated as of 16:30 (Singapore time) for each Trading Day that such Settlement Price is determined whilst that Contract Month is the First Nearby Month.

#### 15.4 Contract Size and Value

The Contract size shall be 1,000 U.S. Barrels. Each Contract shall be valued as the Contract size (1,000) multiplied by the Final Settlement Price (as defined below).

#### 15.5 Contract Months

Trading shall be conducted in contracts in such months as determined by the Board.

**15.6 Prices and Fluctuations**

Prices shall be quoted in U.S. dollars and cents per barrel. The minimum price fluctuation shall be \$0.001 per barrel. There shall be no maximum price fluctuation.

**15.7 Termination of Trading**

Trading shall cease on the last Trading Day of the Contract Month.

**15.8 Final Settlement**

Delivery under the Contract shall be by cash settlement. The Final Settlement Price shall be the Floating Price calculated as of 16:30 (Singapore time) on the last Trading Day of the Contract Month.

**15.9 Governing law**

This Contract shall be governed by and construed in accordance with English law.

## Chapter 16 – DME Brent-Oman Calendar Swap Contract

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#### **16.1 Scope**

This Chapter applies to the DME Brent-Oman Calendar Swap Contract (the “Contract”) bought and sold on the Exchange for cash settlement based on the Floating Price.

#### **16.2 Definitions**

In this Chapter the following definitions shall apply:

- (1) DME Oman Crude Oil Futures Contract** means the Futures Contract the terms of which are set out in Chapter 10; and
- (2) First Nearby Month** means the most recent month for which trading is being transacted, or the spot month; and
- (3) Other capitalized terms** not defined herein shall have the meaning given to them in the DME Rulebook.

#### **16.3 Floating Price**

**(A)** The Floating Price for each Contract Month is the arithmetic average of the ICE Brent Crude Oil Futures first nearby contract settlement price minus the arithmetic average of the DME Oman Crude Oil Futures first nearby contract settlement price calculated as of 16:30 (Singapore time) for each business day during the Contract Month (using non-common pricing), except as noted in (B) below.

**(B)** The settlement price of the first nearby Contract Month will be used except on the last day of trading for the expiring ICE Brent Crude Oil Futures contract when the settlement price of the second nearby ICE Brent Futures contract will be used.

#### **16.4 Contract Size and Value**

The Contract size shall be 1,000 U.S. Barrels. Each Contract shall be valued as the Contract size (1,000) multiplied by the Final Settlement Price (as defined below).

**16.5 Contract Months**

Trading shall be conducted in Contracts in such months as determined by the Board.

**16.6 Prices and Fluctuations**

Prices shall be quoted in U.S. dollars and cents per barrel. The minimum price fluctuation shall be \$0.001 per barrel. There shall be no maximum price fluctuation.

**16.7 Termination of Trading**

Trading shall cease on the last Trading Day of the Contract Month..

**16.8 Final Settlement**

Delivery under the Contract shall be by cash settlement. The Final Settlement Price shall be the Floating Price on the last Trading Day of the Contract Month.

**16.9 Governing Law**

This Contract shall be governed by and construed in accordance with English law.

## Chapter 17 – DME Oman Crude Oil Average Price Option (APO) Contract

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#### 17.1 Scope

This Chapter applies to an Oman Crude Oil Average Price Option (the "Contract"), which is an Average Price option cash-settled upon expiration.

#### 17.2 Definitions

In this Chapter the following definition shall apply.

- (1) **DME Oman Crude Oil Futures Contract** means the Futures Contract the terms of which are set out in Chapter 10; and
- (2) **First Nearby Month** means the nearest month for which trading is being transacted, or the spot month; and
- (3) **Other capitalized terms** not defined herein shall have the meaning given to them in the DME Rulebook.

#### 17.3 Trading Unit

A DME Oman Crude Oil Average Price Option is a cash settled option. On expiration of a call option, the contract value for each Contract will be the product of the strike price being subtracted from the underlying Oman Calendar Swap Contract and the result thereof being multiplied by 1,000 barrels, provided that if such product is less than zero, the contract value for each Contract will be zero. On expiration of a put option, the value will be the product of the underlying Oman Calendar Swap Contract being subtracted from the strike price and the result thereof being multiplied by 1,000 barrels, provided that if such product is less than zero, the contract value for each Contract will be zero.

#### 17.4 Prices

Prices shall be quoted in dollars and cents per barrel. The minimum price increment shall be \$.01 (one cent) per barrel. A trade may occur to close out a deep out of the money option ("Cabinet Trade") at the price of \$.001 per barrel or \$1.00 a Contract, however, if it results in the liquidation of positions of both parties to the trade.

## **17.5 Strike Prices**

Trading shall be conducted for options with strike prices in increments as set forth below.

- (A)** On the first Trading Day in an option Contract Month, trading shall be at the following strike prices: (i) the previous Trading Day's Settlement Price for DME Oman Crude Oil Futures Contracts in the corresponding Contract Month rounded up or down to the nearest five-cent increment strike price unless such price is precisely midway between two five-cent increment strike prices in which case it shall be rounded down to the lower five-cent increment strike price and; (ii) the twenty five-cent increment strike prices which are twenty increments higher than the strike price described in (i) of this Rule 17.05(A) and; (iii) the twenty five-cent increment strike prices which are twenty increments lower than the strike price described in (i) of this Rule 17.05(A) and; (iv) an additional ten strike prices for both call and put options will be listed at 25-cent increments above the highest five-cent increment as described in (ii) of this Rule 17.05(A), beginning with the first available such strike that is evenly divisible by 25-cents and; (v) an additional ten strike prices for both call and put options will be listed at 25-cent increments below the lowest five-cent increment as described in (iii) of this Rule 17.05(A), beginning with the first available strike price that is evenly divisible by 25-cents.
- (B)** Thereafter, on any Trading Day prior to the expiration of the option (i) new consecutive five-cent increment striking prices for both puts and calls will be added such that at all times there will be at least twenty five-cent increment strike prices above and below the at-the-money strike price available for trading in all options Contract Months; and (ii) new 25-cent increment strike prices will be added such that at all times there shall be ten 25-cent strike prices above and below the nearest five-cent increment strike price. The at-the-money strike price will be the previous Trading Day's Settlement Price for DME Oman Crude Oil Futures Contract rounded in accordance with the procedures set forth in subsection (A)(i) of this Rule 17.05.
- (C)** Notwithstanding the provisions of subsections (A) through (C) of this Rule, if the Board determines that trading in Contracts will be facilitated thereby, the Board may by resolution change the increments between strike prices, the number of strike prices which shall be traded on the first Trading Day in any new option Contract Month, the number of new strike prices which will be introduced on each Trading Day or the period preceding the expiration of a Contract in which no new strike prices may be introduced.

## **17.6 Expiration**

Trading shall cease on the last Trading Day of the Contract Month.

## **17.7 Contract Months**

Contract Months will be determined by the Board.

## **17.8 Trading Hours**

The Exchange shall determine the trading hours from time to time.

## **17.9 Governing law**

This Contract shall be governed by and construed in accordance with English law.



## Chapter 18 – DME Oman Crude Oil European Style Option Contract

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#### 18.1 Scope

This Chapter applies to a DME Oman Crude Oil European Style Option (the "Contract"), which is a European Style option cash-settled upon expiration.

#### 18.2 Definitions

In this Chapter the following definitions shall apply.

- (1) DME Oman Crude Oil Futures Contract** means the Futures Contract the terms of which are set out in Chapter 10; and
- (2) First Nearby Month** means the nearest month for which trading is being transacted, or the spot month; and
- (3) Other capitalized terms** not defined herein shall have the meaning given to them in the DME Rulebook.

#### 18.3 Trading Unit

On expiration of a call option, the contract value for each Contract will be the product of the strike price being subtracted from the Post Close Settlement Price for the underlying Contract Month of the DME Oman Crude Oil Futures Contract on the expiration date and the result thereof being multiplied by 1,000 barrels, provided that if such product is less than zero, the contract value for each Contract will be zero. On expiration of a put option, the contract value for each Contract will be the product of the Post Close Settlement Price of the underlying Contract Month of the DME Oman Crude Oil Futures Contract on the expiration date being subtracted from the strike price and the result thereof being multiplied by 1,000 barrels, provided that if such product is less than zero, the contract value for each Contract will be zero.

#### 18.4 Prices

Prices shall be quoted in dollars and cents per barrel. The minimum price increment shall be \$.01 (one cent) per barrel. A trade may occur to close out a deep out of the

money option ("Cabinet Trade") at the price of \$.001 per barrel or \$1.00 a Contract, however, if it results in the liquidation of positions of both parties to the trade.

## **18.5 Strike Prices**

Trading shall be conducted for options with strike prices in increments as set forth below:

- (A)** On the first Trading Day in an option contract month, trading shall be at the following strike prices: (i) the previous day's Post-Close Settlement Price for DME Oman Crude Oil Futures contracts in the corresponding delivery month rounded off to the nearest fifty-cent increment strike price unless such price is precisely midway between two fifty-cent increment strike prices, in which case it shall be rounded off to the lower fifty-cent increment strike price and; (ii) the twenty fifty-cent increment strike prices which are twenty increments higher than the strike price described in (i) of this Rule 18.05(A) and; (iii) the twenty fifty-cent increment strike prices which are twenty increments lower than the strike price described in (i) of this Rule 18.05(A) and; (iv) an additional ten strike prices for both call and put options will be listed at \$2.50 increments above the highest fifty-cent increment as described in (ii) of this Rule 18.05(A), beginning with the first available such strike that is evenly divisible by \$2.50 and; (v) an additional ten strike prices for both call and put options will be listed at \$2.50 increments below the lowest fifty-cent increment as described in (iii) of this Rule 18.05(A), beginning with the first available such strike that is evenly divisible by \$2.50.
- (B)** Thereafter, on any Trading Day prior to the expiration of the option: (i) new consecutive fifty-cent increment striking prices for both puts and calls will be added such that at all times there will be at least twenty fifty-cent increment strike prices above and below the at-the-money strike price available for trading in all options Contract Months; and (ii) new \$2.50 increment strike prices will be added such that at all times there shall be ten \$2.50 increment strike prices above and below the nearest fifty cent increment strike price, beginning with the first available strike prices that are evenly divisible by \$2.50. The at-the-money strike price will be the previous Trading Day's DME Post-Close Settlement Price for DME Oman Crude Oil Futures Contracts rounded in accordance with the procedures set forth in subsection (A)(i) of this Rule 18.05.
- (C)** Notwithstanding the provisions of subsections (A) through (C) of this Rule, if the Board determines that trading in Contracts will be facilitated thereby, the Board may by resolution change the increments between strike prices, the number of strike prices which shall be traded on the first Trading Day in any new option Contract Month, the number of new strike prices which will be introduced on each Trading Day or the period preceding the expiration of a Contract in which no new strike prices may be introduced.

## **18.6 Expiration**

A DME Oman Crude Oil European Style Option Contract shall expire at the Post Close session three Trading Days prior to the termination date of the underlying DME Oman Crude Oil Futures Contract.

## **18.7 Contract Months**

Contract Months will be determined by the Board.

**18.8 Trading Hours**

The Exchange shall determine the trading hours from time to time.

**18.9 Governing law**

This Contract shall be governed by and construed in accordance with English law.