DME Consultation Paper

Date	15 December 2015
CP No.	15-005
Category	Compliance
Summary of Content	Expiry Day Marker Price

This Consultation Paper ("CP") has been issued to provide market participants with an opportunity to comment on proposed changes to the Expiry Day Market Price for the DME Oman Crude Oil Futures Contract ("OQD").

Application of the Consultation Paper

This CP is directed primarily at current and prospective DME Members and Customers, but DME welcomes comments from any other interested parties.

Overview of changes

In response to feedback from market participants, the DME is considering an amendment to the Marker Price calculation methodology on the final trading day of the month (expiry day). Currently the expiry day Marker Price is calculated as the weighted average price of front-month (M1) trades in the daily settlement window from 12:25 to 12:30 DST (16:25-16:30 SGT), which follows the standard settlement procedure for the rest of the month.

Under the proposed change, the M1 Marker Price on the expiry day would be calculated from the weighted average price of second-month (M2) trades in the settlement window from 12:25 to 12:30 DST (16:25-16:30 SGT), with an adjustment factor to take into account the prevailing price differential between M1 and M2. This will be referred to as the PAF (Price Adjustment Factor) and will be derived from the M1 versus M2 spread in the three trading days prior to the expiry day. The PAF will be published one trading day prior to expiry.

On expiry day, both TAM and outright trade functions will be available for the M1 contract, but will not count towards the M1 Marker Price calculation. On expiry day, the Marker Price is also used for the Settlement Price.

How to provide comments

The deadline for providing comments on this Consultation Paper is on or before Wednesday, January 13, 2016 at 6:00 PM in Dubai. All comments on the proposed changes should be sent by email to the DME Compliance Department at compliance@dubaimerc.com

Next steps

Unless specifically requested otherwise, DME may publish any comments received on its website.

On expiry of the deadline date 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 change(s) if any, and issue an advisory note on implementation date

Please note - no amendment to the expiry day Marker Price calculation procedure will be made until an official member notice has been published confirming any change.

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DME is the premier energy-focused commodities exchange in the Middle East and Asia Pacific and home to the world's third crude benchmark.

DIFC Gate Village, Building 10, Level 4, PO Box 66500, Dubai, UAE.

Tel: +971 4 365 5500   Fax: +971 4 365 5599

Email: customerrelations@dubaimerc.com   www.dubaimerc.com