

# DME Oman Crude Oil Futures ADP



## 1. What is the Alternative Delivery Procedure (ADP)?

The Alternative Delivery Procedure (ADP) is a bilateral agreement between two counterparties that wish to take their matched position off the exchange.

Once the front-month contract has expired and after the completion of the matching process, counterparties may agree to make and take delivery under terms and conditions that differ from the DME Rules.

If both counterparties agree on contract terms, they can declare an ADP by notifying their respective clearing member who will subsequently notify CME Clearing.

Upon confirmation, the clearing house will release any delivery margins it holds.

ADP can be agreed and declared any time after matching until payment date with clearing house consent.

*Example: Seller A and Buyer B are matched for June delivery for 500 contracts.*

*Buyer B proposes an ADP by sending a draft contract pending seller A's acceptance.*

*Once agreed, both counterparties notify the DME and their respective clearing members by email.*

*Their clearing members will in turn enter the ADP into the Delivery Plus System.*

*Once both clearing members confirm the ADP, CME Clearing will release the two counterparties' margins.*

## 2. When do customers tend to use ADP?

Customers tend to ADP when there is an existing open credit line with their matched counterparty and they have no concerns about credit or reliability of the counterparty.

They may also choose to ADP when they want to use contractual terms that are different to the DME Rules.

## 3. What is the difference between ADP and EFP?

An EFP can be submitted any time starting from the first day of the contract up until 6.5 hours after the contract expiry.

An ADP can be declared any time from the notification of

matching until payment date with clearing house consent.

With an EFP, customers can choose their counterparty, whereas with an ADP they can only ADP with the counterparties with whom they have been matched.

## 4. What is the cost of an ADP?

The DME does not charge any fees for an ADP. The ADP is a bilateral agreement between the two matched counterparties and the DME does not control if one side wishes to charge the other a fee for agreeing to ADP.

## 5. How do I submit an ADP?

Both counterparties notify the DME and their respective clearing member by email.

Their clearing member then enters the ADP into the Delivery Plus System.

Once both clearing members confirm the ADP, CME Clearing will release the two counterparties' margins.

## 6. What are the regulatory requirements relating to ADP?

Participants must notify DME directly and CME Clearing through their clearing member. Unless ADP is confirmed by CME Clearing, both counterparties have to fulfill their commitments under the Rules and guidelines of DME.

## 7. Can I use ADP to deliver a different crude oil grade?

Yes. Once ADP is submitted to, and confirmed by CME Clearing, the seller can mutually agree with the buyer to deliver other Middle East crude grades that reflect a legitimate price linkage to DME Oman Crude.

## 8. I have chosen to ADP. When will my margin be released?

Customer margins are usually released within one Clearing Business Day (defined as a day during which CME Clearing is open for business), but this may vary depending on the time the ADP was formally submitted and on the time zone differences involved.