



# DME Oman Crude Oil Futures Expiry Day Processes & EFRP

## **When does the front-month DME Oman contract finally settle?**

The front month contract finally settles on the last business day of the calendar month at 4.30pm Singapore time/12.30pm Dubai time. After the point of final settlement, the contract is subject to physical delivery.

## **What happens at final settlement?**

After 4.30pm Singapore time/12.30pm Dubai time, the front-month contract will no longer be listed on CME Globex. Any privately negotiated trades, such as block trades, that were concluded at final settlement should be submitted within five minutes of final settlement in line with the 5-minute rule (DME Rule 6.30) for block submission.

## **What activity is permitted after final settlement?**

After final settlement, the front month contract is no longer available for trading. The only activity that is permitted further is Exchange of Futures for Physical (EFP), Alternative Delivery Procedure (ADP) or Exchange of Futures for Related Position (EFRP). EFPs and EFRPs can be agreed for an additional 6½ hours after final settlement and must be submitted to the Exchange by 11.00pm Singapore time/7.00pm Dubai time on expiry day. ADPs can be arranged at any time before the buyer makes payment for the physical crude oil delivery. ADP is a bilateral agreement between two counterparties that wish to take their matched position off the exchange and is governed by Rule 10.14.

## **What do I do if after final settlement I still have a small outstanding position but cannot make or take delivery?**

Customers should make every effort to avoid being left with an unwanted position after final settlement and Clearing Members have a responsibility to ensure that only appropriate customers enter the physical delivery process. But in the event that a customer discovers an outstanding position after final settlement, the customer should close out their position through the EFP or EFRP mechanisms.

## **Can financial traders trade on expiry day?**

With the agreement of their Clearing Member, proprietary traders and pure financial traders are able to trade on expiry day. However, the Exchange recommends that firms who are unable to make or take physical delivery exercise extreme caution on expiry day and monitor their front-month positions extremely closely.



## **What is an EFRP?**

The Exchange of Futures for Related Positions (EFRP) mechanism encompasses concepts such as Exchange of Futures for Risk (EFR) and Exchange of Futures for Swaps (EFS). An EFRP allows customers to exchange their position in DME Oman futures either for cash or for an exposure to a related market. A related market is one where there is a reasonable level of price linkage to DME Oman, such as Dubai swaps, Brent or WTI futures. Please refer to DME Rule 6.25 for more details.

## **How do I establish the price of an EFRP transaction?**

The EFRP trades as a differential between the futures market and either the cash market or a related energy market. The value of these differentials is not fixed and will reflect relative value at any given time. Market participants can establish the current buy-sell range of a potential EFRP transaction by soliciting other market participants directly or by using a broker. DME does not establish a fixed price for EFRP transactions because the EFRP market is a bilateral, off-exchange market.

## **Is there a minimum volume applicable to EFRP transactions?**

An EFRP can be submitted for a single lot (1,000 barrels) unlike a standard block trade which can only be submitted for a minimum of 50 lots (50,000 barrels).

## **What is the cost of trading an EFRP?**

Separate to the price of an EFRP transaction, which fluctuates and is established in the market as described above, there will also be fixed costs associated with submitting an EFRP. EFRP participants will have to pay a block trading fee to DME (see the Exchange Fees section of DME's website) as well as possible fees to their Clearing Member and to an OTC broker if the participant uses a broker's services to find a counterparty.

## **How can I submit an EFRP to DME?**

EFRPs must be submitted to DME via CME Clearing. Trades can be submitted via CME ClearPort® ([www.cmegroup.com/clearport](http://www.cmegroup.com/clearport)) or through Front-End Clearing (FEC). There are four ways of submitting an EFRP:

- **Broker entry:** Once a deal is reached, the broker enters the trade into the CME ClearPort web-based user interface (GUI) or CME ClearPort API.

- **Facilitation desk:** Once a deal is reached, one of the traders calls the CME ClearPort facilitation desk at +1 212 299 2670, +1 800 438 8616 (US Toll Free Number), +44 (0) 800 898 013 (UK Toll Free Number). The facilitation desk will contact the other trader to confirm. Once the desk has confirmation from both parties, it processes the trade.
- **Third-party matching:** In this scenario, two traders are matched by a third-party matching/confirmation platform. The matching platform submits the trade directly into the CME ClearPort API.
- **Front-End Clearing (FEC):** EFRP transactions may also be posted directly into FEC by a Clearing Member on behalf of the customer. Access to FEC is granted by CME to Clearing Members only and may be requested by submitting an access request form. Market participants interested in submitting an EFP into FEC through their Clearing Member are advised to contact their Clearing Member directly.

### **Do EFRP counterparts need to be registered with CME ClearPort?**

Yes. The EFRP is treated like a block trade and must be submitted through CME ClearPort so both sides have to have a CME ClearPort registration (EULA). This is not required for customers using the FEC process (described above).

### **What documents are required?**

Participants submitting an EFRP transaction must be able to provide DME's Compliance Department with evidence of their bilateral agreement on request. DME will not request documentation for every single EFRP transaction, but will carry out random spot checks.

### **What happens if I have an outstanding position on expiry day after 11.00pm Singapore time and I cannot make or take physical delivery?**

Entering the delivery process without the ability to make or take physical delivery is classed as a Major Offence in the DME Rulebook. The Clearing Member guarantees its customer's ability to make or take delivery and so should make every effort to close out the position through the EFP or EFRP mechanism before 11.00pm Singapore time/7.00pm Dubai time on expiry day. If the position remains outstanding, then the Exchange will convene a meeting of the Oman Delivery Committee (ODC) to investigate any breach of the Rules. The ODC has the ability to impose fines in line with the seriousness of the breach.



### **Can customers transfer or consolidate their positions after final settlement?**

Yes, customers can transfer positions from one Clearing Member to another after final settlement or can consolidate multiple accounts with one Clearing Member, as they wish. Transfers are only acceptable, however, between accounts that share 100% the same beneficial ownership. Please refer to Rule 6.24 for more details.

### **Do I need to consolidate all of my positions in the same account after final settlement?**

Customers that enter the physical delivery process with a long position in one clearing account and a short position in another clearing account run the risk of being matched with themselves. For this reason, it is preferable, but not obligatory to consolidate positions into a single account.



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