# DME Oman Crude Oil Futures TAM

## What is TAM?

Trade at Marker (TAM) is a trading tool on CME Globex that allows counterparties to buy and sell DME Oman Crude Oil Futures from market open until 4:30pm Singapore (12:30pm Dubai/8:30am GMT) at a price equal to the DME Marker Price for that contract, or at a price up to 25 ticks ($0.25/bl) above or below the Marker Price, enabling participants to lock in the Official Selling Price of Oman crude oil. Counterparts holding TAM positions automatically receive an outright position once the Marker Price is calculated at 4:30pm Singapore time.

Example: OilCorp buys 25 lots of March DME Oman Crude Oil Futures through the TAM mechanism at +1 at 2pm Singapore time. DME calculates the Marker Price for March at $57.50/bl at 4:30pm Singapore time. On their clearing statement OilCorp sees a long position of 25 lots at a transaction price of $57.51/bl.

## How can I access the TAM market?

TAM is available for onscreen trading via CME Globex or else TAM blocks can be arranged through a broker.

- Via CME Globex: the TAM market on CME will be on the same market data channel (Channel 28) as the outright OQD market so counterparties may not need to ask their ISV or technology provider to configure their screen in order to see both markets.

- Via a broker: a customer could ask a broker to find a counterparty for TAM and then post the deal as a TAM block trade (similar to the existing settlement block market) or else the customer could ask the broker to execute TAM trades on their behalf on the CME Globex trading system

## What are the advantages of using the TAM mechanism?

Companies that wish to gain exposure to the DME Oman flat price – the outright price of Oman oil which is denominated in dollars per barrel – without actively participating in the settlement window may find TAM useful. This might include asset managers that want flat-price exposure without needing to participate in the price-formation process or refiners that would like to guarantee their procurement costs are as close as possible to the Official Selling Price (OSP) of Oman crude oil.

The OSP is the monthly average of all of the Marker Prices issued by DME during the calendar month (see question 4 below for further details of the methodology underpinning the Marker Price).

Example: Asian Refining Co buys one 500-lot cargo of Oman crude oil every month from the DME. Their traders buy 23-25 lots every day on the Exchange and try to always match or beat the OSP. The traders calculate that there is lower risk in paying a slight premium via the TAM mechanism in order to eliminate the possibility that they could miss the OSP price by a wider margin.

## How is the Marker Price calculated?

The Marker Price for each trading month will be the volume-weighted average price (VWAP) of outright trades on CME Globex for the five-minute period from 4:25-4:30pm Singapore time, rounded to the nearest tradable tick. In the absence of trade during that period in any of the months listed for TAM then the Exchange will rely upon bids and offers as detailed in DME's separate Settlement Procedures document.

## Are there any price limits on TAM?

Daily price limits on TAM will be +/- 25 ticks. Counterparties will be able to enter TAM orders either at the TAM price or at a differential between one and 25 ticks ($0.25/b) higher or lower than the TAM price.

## How far forward can I trade TAM?

TAM is available for the front three listed months of the DME Oman Crude Oil Futures contract.

## Can I trade a week or a month strip of settlements using TAM?

Counterparts can agree to settlement strips for DME Oman Crude Oil Futures via the broker market but TAM via CME Globex is only available one day at a time.

## Is TAM available every day?

Yes, TAM is available for every day trade.

## What is the minimum and maximum size of a TAM trade?

The minimum TAM order is for 1 lot of DME Oman (1,000 bl). The maximum single order size is currently set at 200 lots.

## I want to trade larger settlement positions – how can I do this?

Brokers will typically offer a 'settlement block' market, which is equivalent to TAM. Blocks can be entered into TAM for a minimum of 50 lots. Brokers can enter TAM blocks at any time before TAM expires on that day or else they can post the blocks into OQD as a flat-price position within five minutes of DME's announcement of the Marker Price.

## What's the difference between TAM and TAS?

TAM relates to the Marker Price that the DME produces at 4:30pm Singapore time. TAS stands for Trade at Settlement (TAS), which would be priced against the DME's daily settlement price, which is generated at the US close of business and is chiefly used for margining purposes. DME does not have any plans to launch TAS functionality.

## How long is the TAM market open?

Counterparties may enter TAM buy and sell orders from the start of the pre-open period (5pm US Central Time) until the end of the futures contract settlement window each day (4:30pm Singapore time). This means that TAM orders may be entered for 9.5 hours during US Daylight Saving Time and 10.5 hours outside US Daylight Saving Time.

## Can any market participant trade TAM?

Yes, any trader that is eligible to trade DME Oman Crude Oil Futures can also trade via the TAM mechanism.

## Is it possible to trade the inter-month spread via TAM?

Yes, TAM spread trading is enabled between all contracts for which TAM trading is offered (i.e. the front three months). Counterparties may find that there is a tighter market in the TAM roll than in the outright price roll.

Example: TradeCo wants to roll their 200-lot DME Oman long position from the front month to the second month ahead of expiry day. They see that the front/second month spread is priced at +2 in the TAM market and decide to sell 200 lots of front/second month TAM. TradeCo has thereby rolled its front-month position into an outright position in the second month at a cost of 2 cents above the Marker Prices.

## How would the legs of a TAM spread be priced?

Like outright TAM trades, the price of a TAM spread is established once the Marker Price is published at the end of the settlement window (4:30pm Singapore time). For TAM spreads done at a price of zero, each leg of the TAM is priced at the settlement price of the respective futures contract in the spread. For TAM spreads agreed at one or two or up to 25 ticks above/below the settlement, the leg prices are set as follows:

- Front Month – price is set at the Marker price for the respective contract;
- Back Month(s) – price is set at the Marker price for the respective contract plus the TAM spread trade price (which can be a positive number or a negative number).

Example: TradeCo wants to roll their 200-lot DME Oman long position from the front month to the second month ahead of expiry day. They buy 200 lots of the inter-month TAM spread at +2. DME announces the front-month Marker Price is $50.00/bl and the second-month Marker Price is $51.00/bl. On their clearing statement, TradeCo will see a 200-lot sell at $50.00/bl and a 200-lot buy at $50.02/bl.

## How much does it cost to trade TAM?

The exchange fees for TAM trading are exactly the same as for standard DME Oman trading on CME Globex as shown here: http://www.dubaimerc.com/trading/exchange/index.aspx. Any other fees, such as broker fees and clearing member charges, are not set by the Exchange.

## What are the margins for TAM?

TAM positions automatically convert after 4:30pm Singapore time into outright positions and are then margined in line with the standard OQD margins as provided here: http://www.dubaimerc.com/trading/rates/index.aspx
Due to pre-trade credit controls, customers will need to ensure that their clearing member has allocated them sufficient limits before entering TAM orders.

## What happens if my TAM order does not get filled?

Just like any other listed contract, if a customer enters a TAM bid or ask order into Globex but does not find a counterparty at the same price and/ or size, the order may not be filled. Customers can still enter outright DME Oman orders directly into Globex or can contact a broker for assistance with onscreen or block execution.