

**Date**

19 November 2007

**Recipients**

All DME Members

**From**

Gary King, Chief Executive Officer

**Category**

Business Development

**Proposal**

Proposed changes to DME Rules in relation to Cross Trades

Consultation Paper 07-002 is issued in accordance with Dubai Mercantile Exchange Limited (DME) Rule 4.21 and Section 9 of the Authorised Market Institutions Module of the Dubai Financial Services Authority (DFSA) Rulebook. This Consultation Paper seeks comments on proposals to amend the DME Rulebook:

- to amend the provisions in the Rulebook in relation to Cross Trades

**To whom does this Consultation Paper apply?**

Consultation Paper 07-002 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.

**Rationale for the Rule changes**

The objective of the existing Rules 6.20–6.22 has been to ensure fairness and transparency by prohibiting abusive cross-trading on the Exchange. However, DME recognises that these Rules in their current form have had the unintended consequence of potential disadvantage to customers seeking to place bona fide orders. The proposed Rule changes seek to mitigate the risk of such potential disadvantage. DME also proposes to introduce the possibility of pre-execution discussions in relation to options contracts, anticipating that such contracts may be introduced for trading on the Exchange in the future. Appendix 1 lists the proposed Rule amendments.

**How to provide comments?**

The deadline for providing comments on the proposals in this Consultation Paper is twenty eight calendar days from the date of this Consultation Paper. All comments on the proposed changes should be addressed to:

*Mr Melroy Verghese*  
Market Surveillance Manager  
Dubai Mercantile Exchange Limited  
P.O. Box 66500  
Dubai  
United Arab Emirates

or Melroy.verghese@dubaimerc.com

**What is the next step?**

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

**Appendix**

Appendix 1 is given below.

Signed



Gary King

Chief Executive Officer

Please pass comments to:

Mr Melroy Verghese, Market Surveillance Manager or at Melroy.verghese@dubaimerc.com

## APPENDIX 1

### Chapter 6: General Trading Rules

#### Rule 6.20

(F) A Member or an Authorised Terminal User who is an employee or agent of the Member may not enter an order that reflects the opposite side of a Customer order already resting in the Trading Platform and is for the account of:

- (1) the Member;
- (2) an account in which such Member has a proprietary interest;
- (3) a discretionary account for an immediate family member; or
- (4) an account in which the Member or any employee of the Member has an interest,

unless the Customer order has rested in the System for at least five (5) *seconds*.

#### Rule 6.21 Permissible pre-execution discussions

(D) Members entering orders following pre-execution discussions must allow a period of at least five (5) seconds to elapse between entry of the two orders during which the order first entered is resting in the market for futures and fifteen (15) seconds to elapse between entry of the two orders during which the order first entered is resting in the market for options.

#### Rule 6.22: Restriction on simultaneous buy and sell orders on Exchange

(C) Members and Authorised Terminal Users shall enter orders into the system strictly on the basis of time of receipt of the orders. Where a Member or Authorised Terminal User holds a number of non-discretionary orders that cannot be immediately entered into the Trading Platform as a result of paragraph (F) of Rule 6.20, that Member or Authorised Terminal User must enter those orders when executable, in the sequence in which those orders were received.