

# DME TAPs on Dubai Crude Oil (Platts) Futures



## 1. What are TAPs?

Trade at Platts Market Close (TAP or TAPs) is a DME trading product available to trade exclusively via CME Clearport that allows participants to buy and sell Dubai Crude Oil (Platts) Futures (Product Code: DCD) or Dubai Crude Oil (Platts) BALMO (Product Code: DDI) from market open until 4:30pm Singapore time at the Dubai Crude Oil Platts assessment price (the Assessment Price), or at a price of up to 1,000 ticks (US\$1.00) above or below the Assessment Price.

Participants holding TAPs positions hold an equivalent outright position in the underlying futures contract based on the points traded differential against the Dubai Crude Oil Platts Assessment which is calculated at 4:30pm Singapore time.

Counterparts holding TAP positions will automatically convert into an outright position of the underlying futures contract once the Assessment Price is published at 4:30pm Singapore time.

DME offers for trading two types of TAPs contracts, with two different underlying futures contracts which will settle against the same Assessment Price:

### **DME Dubai Crude Oil (Platts) Futures TAPs** **Product Code: 'DCT'**

**Description:** "A DME Dubai Crude Oil (Platts) Futures TAPs (Trade at Platts Market-on-Close) allows a trader to enter an order to buy or sell points for DME Dubai Crude Oil (Platts) Futures contract (DCD) during the course of the trading day, at a price that will be equal to the Dubai Crude Oil (Platts), as published in the "Platts Crude Oil Marketwire" for a specific contract month, or at a price that is up to one thousand minimum price fluctuations of US\$ 0.001 above or below that price."

### **DME Dubai Crude Oil (Platts) BALMO Futures TAPs** **Product Code: 'DDT'**

**Description:** "A DME Dubai Crude Oil (Platts) BALMO Futures TAPs (Trade at Platts Market-on-Close) allows a trader to enter an order to buy or sell points for DME Dubai Crude Oil (Platts) BALMO Futures contract (DDI) during the course of the trading day at a price that will be equal to the Dubai Crude Oil (Platts), as published in the "Platts Crude Oil Marketwire" for a specific contract month, or at a price that is up to one thousand minimum price fluctuations of US\$ 0.001 above or below that price."

## **Example of a DME Dubai Crude Oil (Platts) Futures TAPs trade based on the DCD\***

### **Trader wants to hedge its Dubai Crude Oil exposure**

This hedging can be executed by trading outright Dubai futures or trading in the Dubai Crude Oil (Platts) OTC window; however, volatility and liquidity risk associated to executing trades via these functions may advise against these options.

A TAPs trade allows the trader to hedge its exposure against the benchmark Dubai Crude Oil (Platts) by trading at point differential against the Assessment Price at any moment during the trading session.

Trading TAPs will lock in a hedging position against the Assessment Price without the need of further hedging the exposure at other market places.

### **Trader needs to create Dubai Crude Oil (Platts) exposure against a short OTC position which is priced against the Assessment Price**

DME TAPs could be used to buy Dubai Crude Oil (Platts) at the Assessment Price. In this example, the Trader buys DME TAPs for the DCD product at a price of +0.001.

Since the Dubai Crude Oil (Platts) window closes at 4.30pm Singapore time, the Trader's DME TAPs position of that day will also settle at the same time, with the Assessment Price being published soon after via Platts Crude Oil Marketwire. On closing that day, the Trader would be 'long' on DME Dubai Crude Oil (Platts) Futures TAPs at +0.001 of the Assessment Price.

At the end of the pricing window, the Assessment Price is published at US\$55.200 which would then convert the Trader's DME TAPs position into an equivalent position in the underlying DME Dubai Crude Oil (Platts) Futures (DCD) at a price of US\$55.200 +0.001. Therefore, the Trader's position with its clearing house will be "long DCD at US\$55.201".

### **To note for TAPs trades pricing:**

1. The end of day settlement price of DME Dubai Crude Oil (Platts) Futures (DCD) will not equal the Assessment Price, given that the Assessment Price is a S&P Platts reported price and cannot be used by DME to calculate daily settlements. For the purposes of determining the daily settlement price of the TAPs, DME

\*For illustrative purposes, please refer to the TAM rationale and the TAM product (OQB) and outright contract (OQD).

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will use alternative pricing mechanisms such as broker feedback, extrapolations, etc. in the same way that DME calculates its daily settlement for the DME Dubai Crude Oil (Platts) Futures (DCD) contract.

2. DME Dubai Crude Oil (Platts) Futures (DCD) is a monthly average product that will use the same Assessment Price for the final settlement on expiry.

## 2. How can I access the TAP market?

TAPs will initially be available exclusively for block entry via CME Clearport which needs to be arranged through a broker. You could ask a broker to find a counterparty for a TAP trade and then post the deal as a TAP block trade (similar to the existing TAM block market).

In the near future, as a secondary execution functionality, DME will look to make TAPS available to trade on Globex for screen execution similar to DME OQD TAM.

## 3. What are the advantages of using the TAP mechanism?

Companies that wish to gain exposure to the Dubai Crude Oil (Platts) window price (PCAAT00) and the price of DME Oman Crude Oil Futures Contract without actively participating in the Dubai Crude Oil Platts OTC physical window may find DME TAPs very useful.

This may include asset managers that aim for flat-price exposure without needing to participate in the price-formation process or refiners that would like to guarantee that their procurement costs are as close as possible to the Assessment Price.

DME Oman Crude Oil Futures Contract and Dubai Crude Oil Platts are the two weighted 50/50 components of the price calculation mechanism for five Middle Eastern National Oil Companies crude oil export pricing to the East of Suez with implies a price exposure to 5.22 million barrels per day.

## 4. How is the TAPs Price calculated?

The TAP price is the number of points (up to +/- 1,000 points or \$1.00) against the independent PRA IOSCO benchmark price assessment "Dubai Crude Oil (Platts) assessment (PCAAT00)"

## 5. Are there any price limits on TAPs?

Daily price limits on TAPs will be +/- 1,000 ticks of US\$1.00. Participants will be able to enter TAP orders either at the TAs price or at a differential between 1 and 1,000 ticks (\$1.00) higher or lower than the TAPs price.

## 6. How far forward can I trade TAPs?

TAPs are exclusively available for the front month (M1) of the DME Dubai Crude Oil (Platts) Futures (DCD) or the DME Dubai Crude Oil (Platts) BALMO (DDI).

## 7. Can I trade a week or a month strip of settlements using TAPs?

Participants can agree to settlement strips for DME Dubai Crude Oil (Platts) Futures (DCD) or the DME Dubai Crude Oil (Platts) BALMO (DBI) via the broker market for the underlying market; however, TAPs are exclusively available for the Front Month (M1) contract. TAPs will not be available via Globex for initial launch.

## 8. Is TAP available every day?

TAPs is available for each trading day of the Front Month (M1).

## 9. What is the minimum block size for TAPs trades?

TAP Blocks trades can be entered with a minimum block size of 5 lots.

## 10. What's the difference between TAP, TAM and TAS?

TAM relates to the DME Oman Crude Oil Futures Contract Marker Price that DME publishes 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.

TAPS relate to the Platts Market Close product, available to trade on CME Clearport allowing participants to buy and sell Dubai Crude Oil (Platts) Futures (DCD) or Dubai Crude Oil (Platts) BALMO (DDI) from market open until 4:30pm Singapore time, at the Dubai Crude Oil (Platts) Assessment Price or at a price up to 1,000 ticks (US\$1.00) above or below the Assessment Price.

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## 11. How long is the TAP market open?

Participants can execute block in trades via CME Clearport Monday to Thursday 4:45 p.m. - 4:00 p.m. CST and Sunday 4:00 p.m. – 4:00 p.m. CST. However, as explained, each day's TAP position will close at 4.30 Singapore time on each trading day.

## 12. Can any market participant trade TAP?

Yes, any trader that is eligible to trade DME Dubai Crude Oil (Platts) Futures (DCD) or DME Dubai Crude Oil (Platts) BALMO (DDI) can also trade via the TAP mechanism.

## 13. Is it possible to trade the inter-month spread via TAP?

No, as the TAP mechanism is only available for the Front Month (M1) contract.

## 14. How much does it cost to trade TAP?

DME's fees for TAP trading are exactly the same as for DME Dubai Crude Oil (Platts) Futures (DCD) or DME Dubai Crude Oil (Platts) BALMO (DDI) on CME Clearport (CPC) shown here:

<https://dubaimerc.com/exchange-fees>.

Any other fees, such as broker fees and clearing member charges, are not set by DME.

## 15. What are the margins for TAP?

TAP positions automatically convert after 4:30pm Singapore time into outright positions of the underlying DME Dubai Crude Oil (Platts) Futures (DCD) or DME Dubai Crude Oil (Platts) BALMO (DDI). Taps are margined in line with their product related margins as provided here: <https://dubaimerc.com/margin-rates>.

## 16. What happens if my TAP order does not get filled?

As TAP is not available for Globex initially, all TAP orders will be held by brokers and will be managed by the broker.

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