DME

Delivery Mechanism

Introduction

The DME Oman Crude Oil Futures Contract expires into a physical delivery mechanism. The purpose of this document is to provide an overview of the expiry process and delivery mechanism for those who choose to take their open futures positions through expiry. Where not defined herein, capitalized terms have the meanings ascribed to them by Chapter 10 of the DME Rule Book.

Chapter 10 of the DME Rule Book sets out the rules and procedures of the DME Oman crude oil physical delivery process. Therefore, Chapter 10 should be referred to for a more detailed explanation of the delivery mechanism.

DME Contract Settlement and Delivery Sequence

1. Position monitoring

Open positions in the DME Oman Crude Oil Futures Contract are the subject of ongoing review by DME Compliance and CME Clearing.

2. Clearing Member Diligence

Close monitoring of customer open positions by the appropriate DME Clearing Member as the front month DME Oman Crude Oil Futures Contract nears expiry, ensures that no customer is exposed to the delivery mechanism unintentionally and each has sufficient time to either roll or close their futures positions before expiry.

3. Delivery Margin Assessments

After expiry, the Clearing House continues to hold the initial margin for each Contract that is matched for physical delivery. By 11:00 (New York time) ten Business days prior to the first day of layday, long delivery position holders are required to post additional collateral with the Clearing House so their margin equals the full value of the delivery position.

The Selling Customer's delivery margin is retained until the Clearing House is satisfied that delivery obligations have been fulfilled and upon receipt of the relevant Notices (Delivery Notices and Confirmation Notice). The Buying Customer's delivery margin is retained until notification of payment between matched counterparties has been made to the Clearing House.

4. Confirmation of Ability to Deliver: pre-contract termination

No later than one hour before Contract expiry, each customer holding a short position must confirm to their Clearing Member their ability to physically deliver.

5. Notices of Intention to Deliver / Accept

Post expiry, the Clearing House requires Clearing Members whose customers hold open positions in the DME Oman Crude Oil Futures Contract to provide:

- Notice of Intention to Accept, for all long positions
- Notice of Intention to Deliver, for all short positions

The requirement to provide these Notices ensures that every customer of a Clearing Member is consolidated for matching by the Clearing House. These Notices are due no later 14:00 (New York) on the first Clearing Business Day after the last Trading Day in the applicable Contract Month.

6. Clearing House Matching

Upon receipt of the Notices from the Clearing Members, the Clearing House then matches the Clearing Members' positions between 14:00 and 15:00 (New York) . The Clearing House then issues these matched positions to the Clearing Members, who, in turn, notify each of their customers of their matched counterparty(ies).

7. Layday Notifications and Delivery

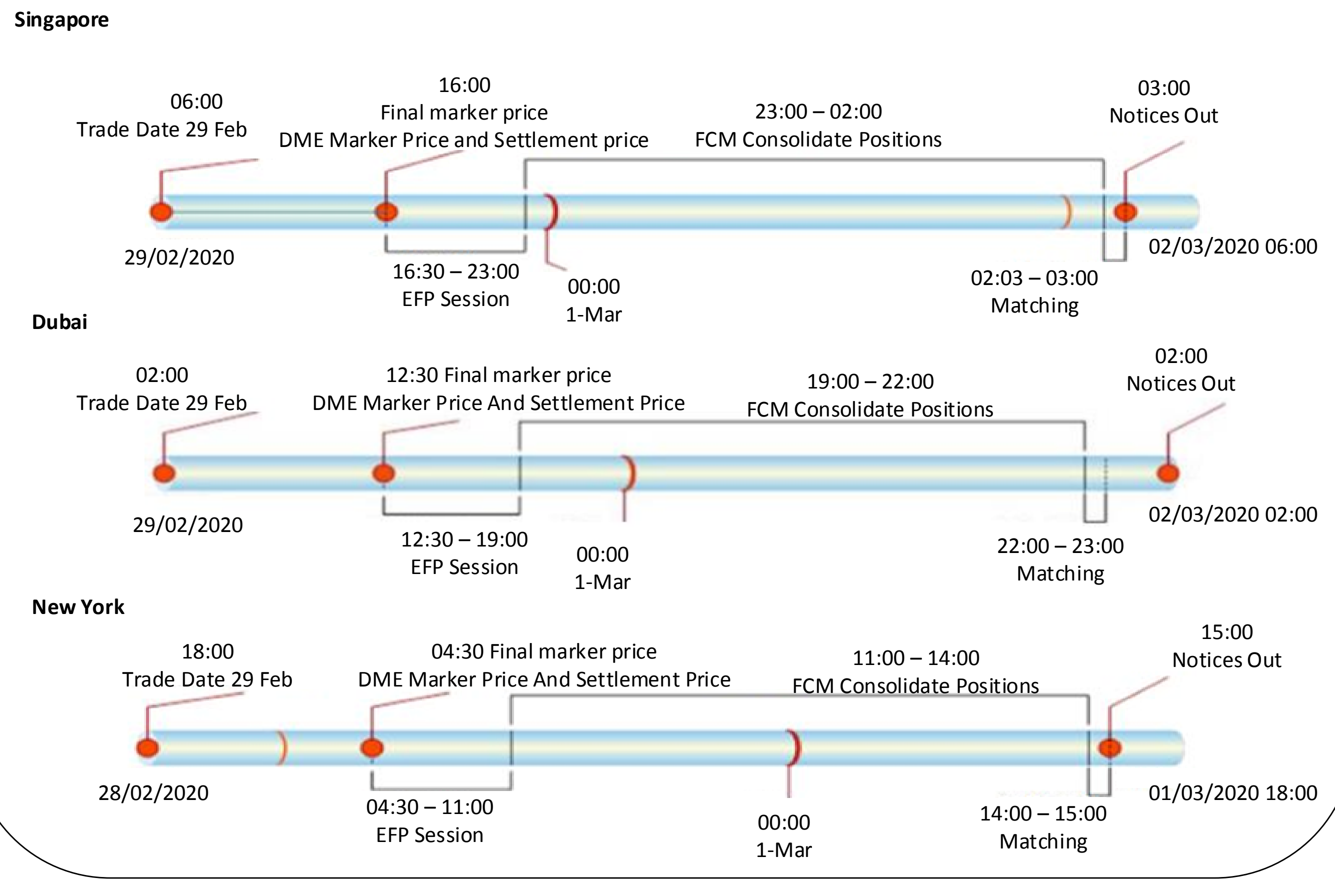
The customers of the Clearing Members then begin the Oman crude oil scheduling process. The DME Buyer notifies the DME Seller of their preferred Laydays, who then passes the request to their Supplier. The Layday requests then continue to be passed up the supply chain until they reach the Terminal Operator, Petroleum Development Oman LLC (PDO). This process operates between the 1st to the 10th of the month prior to delivery of the oil. Between the 11th and the 15th of the month, PDO schedules the date ranges into a loading program and notifies each Primary Supplier of the Laydays allocated to them, who in turn, notify their receiver of same. Thereafter, the normal vessel and cargo nomination procedures are followed, the ship is loaded, and the payment for the cargo is made 30 days from Bill of Lading Date.

Aspects of Physical Delivery

PDO has a minimum loading volume per vessel (or "stem size") of 200,000 barrels. If a customer in the futures market has a position that is less than the minimum stem size of 200,000 barrels (or 200 lots) going into expiry of the Contract, the customer must be able to demonstrate to their Clearing Member that they have access to additional oil by way of OTC supply to make up the minimum stem size of 200,000 barrels.

Using the April 20 Contract as an example, the following flow diagram depicts, in three time zones, an event time line from the last Trading Day for the Contract to the notification of matched positions to the Clearing Members.

DME Oman crude Physical Delivery Procedures – April 20 Contract



The DME is regulated by the Dubai Financial Services Authority (DFSA). All trades executed on the Exchange are cleared through and guaranteed by CME Clearing. CME is regulated by the U.S. Commodity Futures Trading Commission (CFTC) and is a Recognised Body by the DFSA.