

EXHIBIT A – GENERAL INFORMATION AND DOCUMENTATION

Attach, as **Exhibit A-1**, a description of the following for the foreign board of trade:

Location, history, size, ownership and corporate structure, governance and committee structure, current or anticipated presence of offices or staff in the United States, and anticipated volume of business emanating from members and other participants that will be provided direct access to the foreign board of trade's trading system.

Attach, as **Exhibit A-2**, the following:

Articles of association, constitution, or other similar organisational documents.

Attach, as **Exhibit A-3**, the following:

- (1) Membership and trading participant agreements.
- (2) Clearing agreements.

Attach, as **Exhibit A-4**, the following:

Terms and conditions of contracts to be available through direct access (as specified in Exhibit E).

Attach, as **Exhibit A-5**, the following:

The national statutes, laws and regulations governing the activities of the foreign board of trade and its respective participants.

Attach, as **Exhibit A-6**, the following:

The current rules, regulations, guidelines and bylaws of the foreign board of trade.

Attach, as **Exhibit A-7**, the following:

Evidence of the authorization, licensure or registration of the foreign board of trade pursuant to the regulatory regime in its home country jurisdiction and a representation by its regulator(s) that it is in good regulatory standing in the capacity in which it is authorized, licensed or registered.

Attach, as **Exhibit A-8**, the following document:

A summary of any disciplinary or enforcement actions or proceedings that have been brought against the foreign board of trade, or any of the senior officers thereof, in the past five years and the resolution of those actions or proceedings.

Attach, as **Exhibit A-9**, the following document:

An undertaking by the chief executive officer(s) (or functional equivalent[s]) of the foreign board of trade to notify Commission staff promptly if any of the representations made in connection with or related to the foreign board of trade's application for registration cease to be true or correct, or become incomplete or misleading.

Attach, as **Exhibit A-1**, a description of the following for the foreign board of trade:

Location, history, size, ownership and corporate structure, governance and committee structure, current or anticipated presence of offices or staff in the United States, and anticipated volume of business emanating from members and other participants that will be provided direct access to the foreign board of trade's trading system.

DME RESPONSE:

Location

The Dubai Mercantile Exchange (“DME” or the “Exchange”) is located at Building 2, 3rd Floor of the Dubai International Financial Centre (“DIFC”) in Dubai, United Arab Emirates.

History of DME

DME is a company limited by shares located in the DIFC. It is the first energy futures exchange in the Middle East.

DME is a wholly owned subsidiary of DME Cayman Limited, a company incorporated in the Cayman Islands. DME was incorporated in the DIFC on 28 September 2005 as a company limited by shares under DIFC Law No. 2 of 2004 with registered number 0084.

On 26 April 2007, DME was granted a licence by the Dubai Financial Services Authority (“DFSA”) to operate as an Authorized Market Institution (“AMI”) and to operate an exchange in or from the DIFC. As such, DME is subject to legal and regulatory requirements applicable to exchanges in the DIFC, in particular the AMI Module of the DFSA Rulebook and the DIFC's Markets Law (DIFC Law No. 1 of 2012). On May 24, 2007, DME was issued a no-action letter permitting DME to provide direct access to its derivatives trading platform from the United States.¹

DME now offers exchange services in relation to:

- (i) DME Oman Crude Oil Futures Contract (physically delivered) (“OQD”);
- (ii) DME Oman Crude Oil Financial Contract (cash settled) (“ZGD”); and
- (iii) DME Oman Crude Oil European Style Option Contract (cash settled) (“OQE”).

¹ CFTC Staff Letter No. 07-06 (May 24, 2007).

Ownership, Corporate Structure & Decision Making

DME is a business with three core shareholders: Tatweer Dubai LLC (“Tatweer”), CME Group, Inc. (“CME Group”) and the Oman Investment Fund (“OIF”) (collectively known as the “Core Shareholders”).

- CME Group, through its subsidiaries New York Mercantile Exchange, Inc. (“NYMEX”) and CME NYMEX Holdings Inc., owns a 50% stake in DME. CME Group is the largest and most diverse exchange and clearing house operator in the world and handles more than 1 billion contracts per year. CME Group is located at 20 South Wacker Drive, Chicago, IL 60606.
- OIF is wholly owned by the Sultanate of Oman's Ministry of Oil and Gas (“MOG”). It has taken a 29% stake in DME. OIF is an independent entity which was created by Sultani Decree 14/2006 dated 6 March 2006 of the Sultan of Oman.
- Dubai Holding, through its subsidiary Tatweer, owns a 9% stake in DME. Tatweer was incorporated in Dubai, United Arab Emirates in October 2004 and operates a portfolio divided into energy, tourism, entertainment, industry and knowledge.

In addition to its core shareholders, the remaining 12% stake in DME is held on a non-voting basis by a variety of global financial institutions and energy trading firms such as Goldman Sachs, J.P. Morgan, Morgan Stanley, Shell, Vitol and Concord Energy.

The business venture between Tatweer, CME and OIF is governed by a Shareholders Agreement dated 14 March 2012 (the “Shareholders Agreement”). A copy of the Shareholders Agreement with respect to DME is at Exhibit A1-1.

Parts of the Exchange’s operations are outsourced to its shareholder, CME Group, pursuant to a Services Agreement dated 2 February 2009 (the “SA2009”)² and a General Services Agreement (the “GSA”), which are arms-length commercial agreements covering technology hosting, trade practice surveillance, market surveillance and other services.³

In addition, the clearing division of CME (the “Clearing House”), in its capacity as a Commodity Futures Trading Commission (“CFTC”) registered derivatives clearing organization (“DCO”) provides clearing and settlement services to DME pursuant to a Clearing Services Agreement between CME and the DME (the “CSA”).⁴ CME became recognised by the DFSA to operate a remote clearing house in the DIFC on 16 December 2007. CME replaced NYMEX as the clearing house for DME contracts on 6 August 2012.

² Attached as Exhibit A1-2 is a copy of the SA2009.

³ Attached as Exhibit A1-3 is a copy of the GSA. The GSA also provides for NYMEX to assist DME in relation to its trading operations, including technology and compliance assistance, on an on-going basis.

⁴ Attached as Exhibit A1-4 is a copy of the CSA and the Novation Agreement between NYMEX, CME & DME.

All decision making takes place in Dubai, both by way of board meetings and decisions by senior management which concern operation of the exchange, supervision of the marketplace and supervision of outsource arrangements. All staff, including senior management, are also located in Dubai.

Governance and Committee Structure at DME

The governing body is DME's board of directors (the "Board") whose organisation and constitution is governed by DME's Articles of Association⁵. These Articles of Association ensure the integrity and competence of the Board, and prevent breaches of any relevant law, regulation or code of practice. The Board comprises 12 directors. In accordance with DFSA requirements, half of the Board members have no, or at least only limited, connection with any of the Core Shareholders: CME Group (NYMEX), Tatweer or OIF.

Pursuant to the Shareholders Agreement, OIF appoints five directors, NYMEX appoints five directors and Tatweer appoints two directors to the DME Board. Of these appointments, three of the directors appointed by OIF, one of the directors appointed by Tatweer, and two of the directors appointed by NYMEX, must be independent directors.

Directors are appointed until such time as either the director is removed by its appointing shareholder or such director resigns. Should any vacancy occur in the membership of the DME Board due to the resignation, removal or inability to act, the appointing Shareholder may appoint a new director to the DME Board to fill the vacancy.

The chairman of the DME Board (the "Chairman") is selected by a majority of the directors and serves for a three year term. The deputy chairman of the DME Board (the "Deputy Chairman") is selected by OIF out of the directors it appoints, and serves for a three year term. The Chairman or the Deputy Chairman may be an officer or employee of a Shareholder or an affiliate.

The members of the Board and brief summaries of their experience are set out in Exhibit A1-6. Roy Leighton, an independent director (recommended by CME Group), has been designated as the independent director with special responsibility for regulatory matters. He will serve as an independent point of reference on the DME Board. However, the point of contact for the CFTC in the first instance in relation to any query should be DME's Compliance Officer ("Compliance Officer"), Uzma Mariam Ahmed, who is the Head of Compliance.

As directed by the Shareholders Agreement, the DME Board has the power to appoint the members of several committees to assist in the governance of the company. This includes but is not limited to the compliance review, corporate governance, audit and compensation committees. The DME Rules also prescribe membership and operating requirements in the case of the compliance review committee and membership committee.

⁵ DME's Articles of Association are attached as Exhibit A1-5.

DME operates two types of committees as outlined below:

(a) Committees comprising board members and management:

- Compliance Review Committee
 - The Compliance Review Committee consists of an independent director (who shall act as chairman), together with such number of directors as the board of directors of DME from time to time determines, along with the Compliance Officer.
 - The Compliance Review Committee is responsible for oversight of market regulation functions administered by the Compliance Department, including rule changes, regulatory compliance, systems and controls, anti-money laundering (“AML”) and member training requirements.
- Corporate Governance Committee
 - The Governance Committee consists of at least three directors, each of whom is an independent director. There are no members of management on this committee.
 - Coordination and oversight of board related matters, including annual assessment of board member effectiveness, directors’ compensation, director nominations and ethics guidelines.
- Audit Committee
 - The Audit Committee consists of at least three independent directors provided that the Chairman of the Board is not entitled to sit on the Audit Committee. There are no members of management on this committee.
 - The Audit Committee is responsible for review and approval of budget items and review of audit reports.
- Compensation Committee
 - The Compensation Committee consists of at least four directors, including a representative from each of NYMEX, Tatweer and OIF.
 - The Compensation Committee is responsible for oversight of HR policy matters and the annual staff performance review process.
- Membership Committee
 - The Membership Committee may be comprised of any number of directors, as well as the CEO, Compliance Officer and Legal Counsel.
 - The Membership Committee is responsible for all matters related to consideration, approval or rejection of applications for membership in the Exchange.

(b) Committees involving market participants

- Disciplinary Committee
 - The Disciplinary Committee shall consist of a chairman, four committee members (including one individual who is not a director, officer or employee of any member or

- an affiliate of any member) and an alternate who must be an individual who is not a director, officer or employee of any member or of any affiliate of any member.
- The Disciplinary Committee Panel comprises member representatives, law firms and independent compliance professionals based in a number of time zones.
 - The Disciplinary Committee is responsible for reviewing investigative reports from the Compliance Department and the institution of enforcement actions in respect of rulebook violations.
- Appeals Committee
 - The Appeal Committee shall consist of a chairman, two committee members and an alternate who must be an individual who is not a director, officer or employee of any member or of any affiliate of any member. The chairman and alternate must be lawyers by profession for at least ten years who have relevant experience and who are not a director, officer or employee of any member or of any affiliate of any member.
 - By convention, Appeals Committee members tend to be senior lawyers of international repute.
 - The Appeals Committee is responsible for the discharge of all matters attributed to it under the Rules, in particular the review of decisions made by a Disciplinary Committee Hearing Panel. The Appeal Committee may affirm, reverse or modify a decision in whole or part.

Size and Organisational Structure

The Chief Executive is responsible for the ongoing management of the company and reports to the Board. The other officers of DME and their titles are listed below.

Name	Title
Christopher Fix	Chief Executive Officer (appointment effective August 26, 2012)
U. Mariam Ahmed	Compliance Officer, Head of Compliance
Owain Johnson	Chief Products & Services
Ammar Zawaideh	Director - Finance
Karen Sample	Director – Legal
Paul O’ Kirwan	Director – IT and Facilities

DME employs 28 people across Compliance, Legal, Human Resources, IT, Finance, Corporate Communications, Client Relations & Business Development. All employees are based in Dubai.

Current or anticipated presence of offices or staff in the United States

DME does not maintain and has no present plans to establish a representative office in the U.S., or maintain staff in the U.S., nor does it provide investment advice, solicit orders or direct trading from the U.S.

Anticipated volume of business emanating from members and other participants that will be provided direct access to the foreign board of trade's trading system

The following chart details the aggregate exchange volumes over the last 3 calendar years and the percentage of that volume believed to originate from the U.S.:

	Aggregate Exchange Volume	Volume originating from U.S.
2009	1,103,032	365,797
2010	1,489,454	302,015
2011	1,766,718	226,711
2012	1,953,116	354,779

DME anticipates that the percentage of volume originating from the U.S. will remain similar to the volume range exhibited 2009-12.

Attach, as **Exhibit A-2**, the following:

Articles of association, constitution, or other similar organisational documents.

DME RESPONSE:

A copy of the Articles of Association of DME is attached as Exhibit A-1-5.

Attach, as **Exhibit A-3**, the following:

- (1) Membership and trading participant agreements.
- (2) Clearing agreements.

DME RESPONSE:

A copy of the Equity Membership Agreement is attached as Exhibit A3-1, a copy of the Off-Floor Membership Agreement is attached as Exhibit A3-2 and a copy of the Clearing Membership Agreement is attached as Exhibit A3-3.

Attach, as **Exhibit A-4**, the following:

Terms and conditions of contracts to be available through direct access (specified in Exhibit E).

DME RESPONSE:

The contracts to be available for trading through direct access are:

- DME Oman Crude Oil Futures Contract, the terms and conditions of which are set forth in Chapter 10 of the DME Rulebook;
- DME Oman Crude Oil Financial Contract, the terms and conditions of which are set forth in Chapter 14 of the DME Rulebook; and
- DME Oman Crude Oil European Style Option Contract, the terms and conditions of which are set forth in Chapter 18 of the DME Rulebook.

The DME Rulebook is attached as Exhibit A-6.

Attach, as **Exhibit A-5**, the following:

The national statutes, laws and regulations governing the activities of the foreign board of trade and its respective participants.

DME RESPONSE:

The relevant laws and rules applicable to an Authorised Market Institution (AMI) and its respective participants are provided for in the GEN, AMI, REC, COB, AML and RPP modules of the DFSA Rulebook, attached as Exhibit A5-1. Note that the AUT module which was provided in the 2007 No Action Request has been repealed.

Detailed information on these regulations is contained in Section III of the *DME Request for No Action Relief*, dated 13 March 2007.

Other key regulation includes:

- DIFC Law No.1 of 2012 (the “Markets Law”), attached as Exhibit A5-2;
- DIFC Law No.1 of 2004 (the “Regulatory Law”), attached as Exhibit A5-3;
- UAE Federal Law No. 4 of 2002, Regarding Criminalization of Money Laundering, attached as Exhibit A5-4;
- UAE Central Bank Regulations concerning money laundering attached as Exhibit A5-5; and

- Dubai Law No. 9 of 2004, as amended by Dubai Law No. 7 of 2011 (the “Dubai Law”) attached as Exhibit A5-6.

Attach, as **Exhibit A-6**, the following:

The current rules, regulations, guidelines and by-laws of the foreign board of trade.

DME RESPONSE:

The current DME Rulebook is attached as Exhibit A6-1.

The DME Rulebook also is published online and available from the Rules and Regulations tab of the DME website at: <http://www.dubaimerc.com/rules/rulebook.aspx>

A detailed description of the DME Rules is contained in section V of the *DME Request for No Action Relief*, dated 13 March 2007.

Attach, as **Exhibit A-7**, the following:

Evidence of the authorization, licensure or registration of the foreign board of trade pursuant to the regulatory regime in its home country jurisdiction and a representation by its regulator(s) that it is in good regulatory standing in the capacity in which it is authorized, licensed or registered.

DME RESPONSE:

Attached as Exhibit A7-1 is a Certificate of Authorization for DME as an Authorized Market Institution by the DFSA.

Attached as Exhibit A7-2 is a certificate of good standing issued in respect of DME by the DFSA.

Attach, as **Exhibit A-8**, the following document:

A summary of any disciplinary or enforcement actions or proceedings that have been brought against the foreign board of trade, or any of the senior officers thereof, in the past five years and the resolution of those actions or proceedings.

DME RESPONSE:

There have not been any disciplinary or enforcement actions or proceedings that have been brought against DME, or any of the senior officers thereof, in the past five years.

Attach, as **Exhibit A-9**, the following document:

An undertaking by the chief executive officer(s) (or functional equivalent[s]) of the foreign board of trade to notify Commission staff promptly if any of the representations made in connection with or related to the foreign board of trade's application for registration cease to be true or correct, or become incomplete or misleading.

DME RESPONSE:

Attached as Exhibit A-9 is the undertaking requested by the DME.

EXHIBIT B – MEMBERSHIP CRITERIA

Attach, as **Exhibit B**, the following, separately labeling each description:

(1) A description of the categories of membership and participation in the foreign board of trade and the access and trading privileges provided by the foreign board of trade. The description should include any restrictions applicable to members and other participants to which the foreign board of trade intends to grant direct access to its trading system.

(2) A description of all requirements for each category of membership and participation on the trading system and the manner in which members and other participants are required to demonstrate their compliance with these requirements. The description should include, but not be limited to, the following:

(i) Professional Qualification. A description of the specific professional requirements, qualifications, and/or competencies required of members or other participants and/or their staff and a description of the process by which the foreign board of trade confirms compliance with such requirements.

(ii) Authorization, Licensure and Registration. A description of any regulatory and self-regulatory authorization, licensure or registration requirements that the foreign board of trade imposes upon, or enforces against, its members and other participants including, but not limited to any authorization, licensure or registration requirements imposed by the regulatory regime/authority in the home country jurisdiction(s) of the foreign board of trade. Please also include a description of the process by which the foreign board of trade confirms compliance with such requirements.

(iii) Financial Integrity. A description of the following:

(A) The financial resource requirements, standards, guides or thresholds required of members and other participants.

(B) The manner in which the foreign board of trade evaluates the financial resources/holdings of its members or participants.

(C) The process by which applicants demonstrate compliance with financial requirements for membership or participation including, as applicable:

(i) Working capital and collateral requirements, and

(ii) Risk management mechanisms for members allowing customers to place orders.

(iv) Fit and Proper Standards. A description of how the foreign board of trade ensures that potential members/other participants meet fit and proper standards.

(1) A description of the categories of membership and participation in the foreign board of trade and the access and trading privileges provided by the foreign board of trade. The description should include any restrictions applicable to members and other participants to which the foreign board of trade intends to grant direct access to its trading system.

DME RESPONSE:

Any individual, body corporate, partnership or unincorporated association may apply for Membership of DME as long as the applicant meets the specific requirements set out in Chapter 2 of the DME Rules (Exhibit A6-1). DME has the following three categories of Membership: off-floor members (“Off-Floor Members”), equity members (“Equity Members”) and clearing members (“Clearing Members”).

(i) Off-Floor Members

Off-Floor Members⁶ have the right to access the trading platform, subject to all applicable laws and regulations. Off-Floor Members are entitled to preferential transaction fees and margin rates. An Off-Floor Member is not required to be physically located in the Dubai International Financial Centre (DIFC), which allows DME Off-Floor Members to execute contracts from other jurisdictions provided that access to the trading platform is permitted in that jurisdiction.

All Off-Floor Members are required to be authorised, recognised or otherwise permitted by the DFSA to conduct the activities which they intend to conduct while trading on the Exchange, unless the nature of their activities falls within an exclusion under 2.3.2(2) of the GEN Module of the DFSA Rules. They must hold an active futures account with a DME Clearing Member and comply with the DME Rulebook.

(ii) Equity Members

Equity Members⁷ have the right to access the trading platform, subject to all applicable laws and regulations. Equity Members are entitled to preferential transaction fees and margin rates. An Equity Member is not required to be physically located in the DIFC, which allows Equity Members to execute contracts from other jurisdictions provided that access to the trading platform is permitted in that jurisdiction.

All Equity Members are required to be authorised, recognised or otherwise permitted by the DFSA to conduct the activities which they intend to conduct while trading on the Exchange, unless the nature of their activities falls within an exclusion under 2.3.2(2) of the GEN Module

⁶ See DME Rule 2.1(D)

⁷ See DME Rule 2.1(E)

of the DFSA Rules. They must hold an active futures account with a DME Clearing Member and comply with the DME Rulebook.

Historically, Equity Members were referred to as Floor Members, but the name for this category of membership was changed to Equity Member to reflect corporate restructuring. Floor Members were previously required to hold equity in the Exchange and also required to be located on the DME's trading floor with a physical presence in the DIFC. These requirements no longer apply, as the trading floor has been closed and the equity owned by Floor Members has been separated from their membership. For all practical purposes, there are currently no differences between an Off-Floor Member and an Equity Member. Equity Members have all the same rights and obligations as Off-Floor Members, including the ability to place orders for clients.

(iii) Clearing Members

Clearing Members⁸ guarantee the performance of transactions in DME contracts entered into by their customers. All market participants on the DME are required to hold a futures account with a DME Clearing Member. All DME Clearing Members are required to be a Clearing Member of the CME Clearing House. All Clearing Members of the Clearing House are eligible to become DME Clearing Members, but will not automatically become Members of DME, as they will need to apply separately to DME to become a DME Clearing Member. Clearing of DME contracts is subject to compliance with relevant DME and DFSA requirements, as well as the rules of the Clearing House.

All Clearing Members must be recognised by the DFSA and also comply with the DME Rulebook.

(2) A description of all requirements for each category of membership and participation on the trading system and the manner in which members and other participants are required to demonstrate their compliance with these requirements.

DME RESPONSE:

Each entity applying for membership must submit a DME Membership Application Form (Exhibit B2-1). Once all information is received, the Membership Department undertakes comprehensive due diligence to determine the applicant's suitability for membership, taking into consideration the criteria for membership set down in the DME Rules. This due diligence entails a risk based approach to profiling membership applications in light of regulatory requirements, industry standards and local laws and includes a Member Identification Program ("MIP") and Know Your Member ("KYM") review to ascertain the veracity of the information provided in the application.

⁸ See DME Rule 2.5

Under the DME Rules, an applicant for membership must, both at the time of submitting an application and throughout the term of membership:

1. be a body corporate, partnership or unincorporated association;
2. be authorised, recognised or otherwise permitted by the DFSA to conduct the activities which it intends to conduct while trading on the Exchange and must provide evidence to the Exchange of such regulatory status;
3. have, in the opinion of the Board, good character, integrity and commercial standing;
4. provide such evidence as is requested by the Exchange as to its legal status and organisation and as to its ability to become a member without breaching applicable laws, regulations and rules;
5. provide the following in a form agreed to by the Exchange:
 - a) a copy of a resolution, duly certified by the secretary or other authorised officer or partner of the applicant, designating agents for service of process in the DIFC concerning and limited to the Exchange-related activities and business of the applicant and/or employees of the applicant;
 - b) a copy of a resolution, duly certified by the secretary or other authorised officer or partner of the applicant, or by the governing body of the applicant, authorising the application for membership and the execution of the documents referred to above and all other documents relating to the applicant's membership; and
 - c) with respect to partnerships, a statement describing the business in which it is engaged and a certified copy of its current partnership agreement.
6. agree to be bound by the DME Rules;
7. designate (in a form agreed to by the Exchange) an officer, employee or partner as the Exchange liaison, whom the Exchange may contact in order to obtain additional information or documentation in connection with any matter whatsoever provided in the DME Rules;
8. notify the Exchange of key individuals responsible for management of the applicant (generally the chief executive officer), compliance with the DME Rules (generally the Compliance Officer) and such other individuals as the Exchange may require from time to time;
9. if not also a Clearing Member, have entered into an agreement with at least one (1) Clearing Member for the clearing of the applicant's trading on the Exchange and provide the Exchange with evidence of such agreement(s);
10. if the applicant intends to trade as principal or agent on the account of any Customer or to trade as agent on account of any of its Affiliates or of any other member, comply with all applicable DFSA or other regulatory capital requirements and have net capital of not less than one million dollars (\$1,000,000) or its equivalent in any other currency;
11. provide evidence to the satisfaction of the Board of its experience and competence.
12. provide evidence to the satisfaction of the Board that it complies with the applicable AML requirements;
13. provide satisfactory information to enable DME to comply with its obligations under the applicable AML requirements; and
14. take such action and provide such information as the Exchange and the Board may require from time to time.

(i) Professional Qualification. A description of the specific professional requirements, qualifications, and/or competencies required of members or other participants and/or their staff and a description of the process by which the foreign board of trade confirms compliance with such requirements.

When DME considers the professional qualifications of an applicant an assessment is made in terms of experience and competence as well as systems and controls.

- Experience and Competence⁹

All applicants are expected to demonstrate the level of experience and competence necessary to participate in a professional futures market. In assessing experience and competence, it is important to consider both the entity applying for membership as well as the people (traders and supervisors) responsible for the trading activities of the applicant. In assessing whether an applicant has suitable experience and competence, consideration is given to:

- Formal educational and industry qualifications (CV's required for all individuals);
- Experience in the financial services and commodities sectors;
- Knowledge of the products which the applicant intends to trade;
- Understanding of legal and regulatory requirements, including DME Rules;
- Supervisory systems and procedures.

- Systems and Controls¹⁰

DME expects systems and controls to be reasonably designed to ensure:

- Compliance with DME Rules;
- Compliance with the relevant rules of DFSA and other regulatory regimes;
- An AML Program exists which is sufficient relative to the nature size and complexity of the business;
- Suitable mechanisms exist for surveillance and supervision of trading activities;
- Suitable controls exist in relation to handling client orders and client funds; and
- Access is afforded to training opportunities which reinforce regulatory and operational controls.

⁹ See DME Rule 2.4 (A) (11)

¹⁰ See DME Rule 2.4 (A)(11), (12) & (13)

(ii) Authorization, Licensure and Registration. A description of any regulatory and self-regulatory authorization, licensure or registration requirements that the foreign board of trade imposes upon, or enforces against, its members and other participants including, but not limited to any authorization, licensure or registration requirements imposed by the regulatory regime/authority in the home country jurisdiction(s) of the foreign board of trade. Please also include a description of the process by which the foreign board of trade confirms compliance with such requirements.

Prior to being admitted to membership, the applicant must demonstrate that it has been authorized, recognized or otherwise permitted by the DFSA to conduct the type of business which it wishes to conduct on the Exchange. The applicant must provide proof of this status to DME before any membership application is finally approved.

Following a recent legislative change, an applicant may not need to demonstrate that it is authorized, recognized or otherwise permitted by the DFSA to conduct the type of business which it wishes to conduct on the Exchange if the nature of their activities falls within an exclusion under 2.3.2(2) of the GEN Module of the DFSA Rules¹¹.

This is generally if the applicant is a body corporate and:

- the applicant carries on such activities as a member of DME;
- the applicant carries on such activities for its own account or for another body corporate which is in the same corporate group as the applicant, provided that any such member of the Group for which the applicant acts is a wholly-owned subsidiary of a holding company within the group or is the holding company itself;
- the applicant restricts such activities to transactions involving or relating only to commodity derivatives on the DME;
- the main business of the applicant is dealing in relation to Commodity Derivatives; and
- the applicant is not part of a Group whose main business is the provision of financial services.

In all cases, the applicant should also be appropriately licensed or authorised to enable it to lawfully carry on its activities in each jurisdiction in which it operates or plans to operate. When completing their application form, the applicant is required to provide details of registration with any other regulatory body. When conducting due diligence on membership applications, the Membership Surveillance Unit then verifies that the authorisations are in place through documentary methods.

(iii) Financial Integrity. A description of the following:

(A) The financial resource requirements, standards, guides or thresholds required of members and other participants.

(B) The manner in which the foreign board of trade evaluates the financial

¹¹ Refer to 2.3.2 of the GEN Module of the DFSA Rules for further information

resources/holdings of its members or participants.
(C) The process by which applicants demonstrate compliance with financial requirements for membership or participation including, as applicable:
(i) Working capital and collateral requirements, and
(ii) Risk management mechanisms for members allowing customers to place orders.

- (A) The DME Rules¹² requires an applicant to meet a net capital requirement of not less than one million US dollars (\$1,000,000) or its equivalent in any other currency. As part of the application process, the applicant is required to provide audited financial statements for the two most recent financial years. These statements are reviewed to ensure that the applicant meets those financial requirements. Reviews are undertaken in conjunction with the DME Finance Department and issues discussed with the Compliance Officer and Chief Financial Officer when concerns arise.
- (B) When DME evaluates the financial resources/holdings of applicants, the following factors are considered:
- Whether the financial accounts provided were audited and received an unqualified audit opinion;
 - Whether the applicant meets the Net Capital Requirements as described in the DME Rules;
 - Whether related party transactions are disclosed and appear to be in the normal course of business;
 - Whether the business undertaken by the applicant is profitable; and
 - Whether there appears to be a legitimate source of funds.
- (C) Applicants are expected to demonstrate compliance with financial requirements for membership through a number of means:

(i) Working capital and collateral requirements

For all members, the DME Rules requires an applicant to meet a net capital requirement of not less than one million US dollars (\$1,000,000) or its equivalent in any other currency. Additional factors apply with respect to Clearing Members because all DME Clearing Members are also required to be clearing members of the Clearing House and must demonstrate sufficient financial resources to meet those membership requirements.

(ii) Risk management mechanisms for members allowing customers to place orders

¹² See DME Rule 2.4 (A) (10)

Before allowing customers to place orders, a member is expected to have a robust risk management framework in place which addresses among other things, credit, operational and systems risks. When reviewing the adequacy of a member's program, the Clearing House will give consideration to the following:

Risk Management and Operations

- The frequency with which house and client positions are marked to market and the manner in which valuations are validated
- The frequency with which market risk assessments of house and client portfolios are performed
- The method of calculating potential loss exposures such as VaR
- The means of monitoring trader and desk-level positions
- The means by which data is aggregated, from position level to the top of the firm
- The means of ensuring that all booked trades flow into back office systems and that valuations and trader's marks are independently reviewed.
- The procedures for approving new products
- Whether firm position limits are based on the notional exposure and the risk
- Whether stress tests are based on historical data and/or hypothetical scenarios
- Whether an independent risk management function is maintained and whether there is separation of reporting relationships between trading and risk management

Client Risk Management

- The internal risk rating methodology used to evaluate and monitor client credit
- The types of risk controls employed for clients.
- The methodology used for client-level limit setting, including credit evaluation, limits, monitoring and escalation
- Circumstances in which higher margins are required from clients
- The procedures for monitoring exposures and creditworthiness
- Procedures for termination of access
- The nature of stress tests conducted
- Escalation procedures when collateral calls are not met
- Monitoring of outsourcing arrangements (where applicable)

Operations

- The structure of the trading capabilities within the organisation
- Platforms used by customers for trade entry
- Procedures for monitoring give-up activity

Automated Trading

- The types of testing/requirements necessary for the approval of an automated trading system (“ATS”)
- The percentage of overall volume through fully automated trading customer/house

Credit Controls

- The types of clients that have direct market access and the credit controls utilized for each type of customers (ATS, retail, etc.)

(iv) Fit and Proper Standards. A description of how the foreign board of trade ensures that potential members/other participants meet fit and proper standards.

The integrity of the marketplace is of paramount concern to DME and therefore, membership applications must be reviewed to ensure that potential applicants are fit and proper, and possess a background which inspires confidence in the marketplace. In assessing the character and good standing of the applicant¹³, it is important to consider both the entity applying for membership as well as the people (directors and key individuals) responsible for dictating the ethics and culture of the applicant organisation.

Questions on the membership application form seek information about criminal and regulatory history and are scrutinized closely. All applicants are also asked to provide references which are checked by the Compliance Department. Independent checks are also performed on the applicant, including its directors and key individuals utilizing search tools provided by third party vendors. Any issues disclosed or otherwise identified are notated and given careful consideration before recommending an application to the Membership Committee for approval.

¹³ See DME Rule 2.4 (A) (3)

EXHIBIT C – BOARD AND/OR COMMITTEE MEMBERSHIP

Attach, as **Exhibit C**, the following:

- (1) A description of the requirements applicable to membership on the governing board and significant committees of the foreign board of trade.
- (2) A description of the process by which the foreign board of trade ensures that potential governing board and committee members/other participants meet these standards.
- (3) A description of the provisions to minimize and resolve conflicts of interest with respect to membership on the governing board and significant committees of the foreign board of trade.
- (4) A description of the rules with respect to the disclosure of material non-public information obtained as a result of a member's or other participant's performance on the governing board or significant committee.

(1) A description of the requirements applicable to membership on the governing board and significant committees of the foreign board of trade.

The requirements applicable to membership on the governing board of DME are sourced from (i) the governing documents (the Articles of Association¹⁴ and the Shareholders Agreement¹⁵), and (ii) the DFSA Rules.

Under the Shareholders Agreement, the board of directors of the company operating the exchange (the “*DME Board*”) consists of twelve directors, and directors may be nominated by each of the shareholders in a manner reflective of their ownership interests.

Under the DFSA Rules, an AMI must have “a corporate governance framework . . . which is adequate to promote the sound and prudent management and oversight of the AMI’s business and to protect the interests of its stakeholders.” AMI Rule 5.2.3(1)(a). Pursuant to AMI 5.2.3 (2), “...an Authorised Market Institution must ensure that its Governing Body has a sufficient number of independent members at all times.”

As part of the nomination process the backgrounds of prospective board members are closely considered to ensure that the nominee will assist the board in meeting its obligations under 5.2.3). In selecting and vetting prospective board members, DME management and shareholders examine the nominee’s (i) competence, (ii) integrity, and (iii) independence.

When considering and vetting the competence of board nominees, consideration is given to the qualifications of the individual, including both academic achievements and professional work history (e.g., such experience has typically included financial services, futures exchanges, oil and product experience, government and regulatory experience).

When assessing the honesty and integrity of the board nominee, searches are undertaken to determine whether there is any criminal and regulatory history of concern, such as:

- Criminal convictions or proceedings involving fraud, theft, extortion, embezzlement, bribery, misappropriation of funds or other serious offences.
- Civil judgments or proceedings involving fraud, theft, extortion, embezzlement, bribery or misappropriation of funds.
- Regulatory findings or proceedings concerning violations of any securities laws.
- Expulsion, suspension or refusal of registration by a regulatory or self-regulatory body operating within financial services.

When assessing the independence of the board nominee, strict attention is paid to the regulatory requirements. Under the Regulatory Policy and Process Sourcebook¹⁶ of the DFSA Rules, RPP 2.2.15, the DFSA will consider a director to be "independent" if the board reasonably determines

¹⁴ Attached as Exhibit A1-5.

¹⁵ Attached as Exhibit A1-1.

¹⁶ Attached as Exhibit A5-1

the director to be independent in character and judgment and to have no relationships or circumstances which are likely to affect or could appear to affect the director's judgment in a manner other than in the best interests of the AMI.

In forming a determination of director independence, consideration is given to the length of time the director has served as a member of the board, and whether the director:

- has been an employee of the AMI or group within the last five years,
- has or has had, within the last three years, a material business relationship with the AMI, either directly or as a partner, shareholder, director or senior employee of a body that has such a relationship with the AMI;
- receives or has received, in the last three years, additional remuneration or payments from the AMI apart from a director's fee, participates in the AMI's share option, or a performance-related pay scheme, or is a member of the AMI's pension scheme;
- is or has been a director, partner or employee of a firm which is the AMI's auditor;
- has close family ties with any of the AMI's advisors, directors or senior employees;
- holds cross directorships or has significant links with other directors through involvement in other bodies; or
- represents a significant shareholder.

(2) A description of the process by which the foreign board of trade ensures that potential governing board and committee members/other participants meet these standards.

All board nominees are reviewed against the criteria of competence, integrity and independence prior to appointment. This review is conducted by the Compliance Department using information supplied by the nominee as well as results from independent online research.

- Competence
 - A decision on competence is made by the nominating shareholder prior to appointment of the director. This decision takes into account the suitability of the nominees' qualifications and background experience.
 - A resume or statement of qualifications is also provided by the nominee to the Compliance Department and a reasonableness check is conducted by the Compliance Department to assess whether the nominee possesses a skill set which is broadly consistent with the business of the exchange.
- Integrity
 - Searches are conducted on the names of the nominees using the Complanet system, to ascertain whether the background of the applicant raises any concerns of a criminal or regulatory nature. These searches cover criminal and civil proceedings, regulatory actions and sanctions as well as adverse media reports.

- Independence
 - The nominee is asked to provide the Compliance Department with background information and responses to questions concerning:
 - Character and judgement,
 - Relationships and circumstances which may appear to affect the Director's judgement, and
 - Relationships and interaction with DME over the preceding five years.
 - The responses are reviewed by the Compliance Department to assess whether there are any real or perceived conflicts between the nominees' outside interests and their obligations to DME. For independent directors, a determination is also made as to whether the nominee meets the DFSA independence criteria.

Upon appointment to the Board, each director attends a board induction which includes company specific background information, an introduction to the role and legal responsibilities of a director, governance best practices, an overview of the roles and functions of the board committees and an explanation of the responsibilities that have been delegated to them. There is also a discussion concerning board procedures, restrictions on outside interests, expected time commitments and avenues through which directors may obtain advice and/or raise concerns.

A director independence questionnaire is completed out on an annual basis, in which each director provides answers and updates to questions based on the DFSA criteria for independence. The responses are reviewed by the General Counsel and Company Secretary. Results are discussed at the Governance Committee which then informs the DME Board regarding its findings. A Conflict of Interest Questionnaire is also completed by each director on an annual basis and reviewed by the Compliance Officer.

On an on-going basis, the Compliance Department runs electronic checks to compare the names of directors with a series of databases populated by regulatory and law enforcement agencies globally in order to identify any concerns of a criminal or regulatory nature.

For committees involving market participants, a notice is published which provides background information on the tasks and functions of the committee, describes the competencies of a panel member and invites nominations to a panel. Nominees are invited to provide background information which supports their candidacy for committee membership. The competence of each applicant is then vetted to determine whether they possess work history and experience of a relevant nature which will aid the committee in fulfilment of their functions. Integrity searches are conducted on the names of the applicants using the Complanet system to ascertain whether the individual has any criminal or regulatory history of concern.

For committees involving market participants, a briefing pack is sent to panellists providing background information on their roles and responsibilities when serving as committee members. They are also required to complete a Conflict of Interest Questionnaire and to sign a Confidentiality pledge.

(3) A description of the provisions to minimize and resolve conflicts of interest with respect to membership on the governing board and significant committees of the foreign board of trade.

All board members, committee members and employees are subject to the DME conflicts of interest policy. This policy defines what could be considered a conflict of interest and describes the nature of events which may appear to present the appearance of a conflict of interest. It also discusses procedures for identifying, disclosing and managing conflicts of interest. One key component of DME's conflicts management program is the completion of a Conflict Of Interest Questionnaire ("COIQ") by all board and committee members upon joining the board or committee and recertification of the COIQ on an annual basis thereafter.

All responses to the COIQ's are reviewed by DME's Compliance Officer. The COIQ supports and underlines the on-going obligation of all board and committee members to constantly assess potential conflicts and to make disclosures to the General Counsel or Compliance Officer as soon as the possibility or appearance of a conflict arises.

The DME Shareholders Agreement also imposes an obligation on directors to disclose to the DME Board any matter, relationship or other factor that could reasonably be considered to create or appear to create a conflict of interest. If any conflict of interest should arise, the director is entitled to appoint an alternate director or to issue a proxy to another director appointed by the same shareholder to participate in and vote on such matter. If a director has a conflict of interest and fails to appoint an alternate director or to issue such a proxy, the director shall abstain from voting on such matter and the abstention shall be noted in the minutes of the meeting. If the DME Board is unable to resolve any matter due to conflicts of interest then such matter shall be resolved in accordance with an established resolution of disputes process set forth in the Shareholders Agreement.

Additionally, DME has adopted Ethics Guidelines setting out fundamental ethical principles for all DME members, directors, committee members, and employees with respect to DME business, including principles relating to conflicts of interest. A copy of the DME Ethics Guidelines is attached as Exhibit C3-1.

For committees involving market participants, panel members are vetted before being allocated to a committee hearing a specific matter. Such vetting aims to ensure that their disclosed work history and relationships do not create conflicts with the matters being considered by that committee. Committee members complete a Conflict of Interest Questionnaire upon appointment and have an on-going obligation to disclose real or perceived conflicts if they should occur during their term as a committee member.

DME Rule 3.10 provides a detailed description of the conflict management measures which should be implemented if a conflict arise which has the potential to affect the functioning of a committee.

(4) A description of the rules with respect to the disclosure of material non-public information obtained as a result of a member's or other participant's performance on the governing board or significant committee.

1. Procedures to reduce the likelihood of board and committee members gaining access to material non-public information:

a) *Restrictions on information flow concerning transactions involving DME Contracts*

All current trade and position data concerning DME contracts and all sensitive information gained from Financial Surveillance is quarantined within the DME's Compliance Department. Physical and technology barriers tightly restrict access to compliance staff only. Board and committee members are not provided with access to any information which could be considered material non-public information in relation to DME contracts or DME market participants. Any exception to this rule would need approval of the Compliance Officer and would be closely monitored.

b) *Board Member Composition*

None of the DME board members are involved in trading decisions for any member or customer firms.

2. Rules in the event that board and committee members gain access to material non-public information:

Under DME Rule 3.8 no committee member may use or disclose any confidential information obtained as a result of their participation on a committee for any reason other than the performance of their official duties on that committee. Rule 3.8 also precludes a committee member from trading for their own account or for the account of any other person using information which they obtained by virtue of their committee membership.

For committees involving market participants, those committee members are also required to sign a pledge in which they agree to maintain the confidentiality of information that they receive or that comes to their attention in their capacity as a committee member. They acknowledge that they may not publish, divulge or otherwise make known any confidential facts or information, except in communications with the DME Board of Directors, the DME Compliance Review Committee, the DME Compliance Department, the Dubai Financial Services Authority (or any other relevant regulator or governmental agency) or when compelled to testify during any judicial or administrative proceeding. They also pledge not to trade or allow anyone else to trade on any of the confidential facts or information that they receive or that come to their attention in their capacity as a committee member.

Finally, it should also be noted that to the extent that an individual board or committee member was to acquire material non-public information in relation to DME contracts, the inability of

retail customers to trade DME contracts would also limit the ability of that board or committee member from being able to take advantage of that information.

EXHIBIT D – THE AUTOMATED TRADING SYSTEM

Attach, as **Exhibit D-1**, a description of (or where appropriate, documentation addressing) the following, separately labeling each description:

- (1) The order matching/trade execution system, including a complete description of all permitted ways in which members or other participants (or their customers) may connect to the trade matching/execution system and the related requirements (for example, authorization agreements).
- (2) The architecture of the systems, including hardware and distribution network, as well as any pre- and post-trade risk-management controls that are made available to system users.
- (3) The security features of the systems.
- (4) The length of time such systems have been operating.
- (5) Any significant system failures or interruptions.
- (6) The nature of any technical review of the order matching/trade execution system performed by the foreign board of trade, the home country regulator, or a third party.
- (7) Trading hours.
- (8) Types and duration of orders accepted.
- (9) Information that must be included on orders.
- (10) Trade confirmation and error trade procedures.
- (11) Anonymity of participants.
- (12) Trading system connectivity with clearing system.
- (13) Response time.
- (14) Ability to determine depth of market.
- (15) Market continuity provisions.
- (16) Reporting and recordkeeping requirements.

Attach, as **Exhibit D-2**, a description of the manner in which the foreign board of trade assures the following with respect to the trading system, separately labeling each description:

- (1) Algorithm. The trade matching algorithm matches trades fairly and timely.
- (2) IOSCO Principles. The trading system complies with the Principles for the Oversight of Screen-Based Trading Systems for Derivative Products developed by the Technical Committee of the International Organisation of Securities Commissions (IOSCO Principles). Provide a copy of any independent certification received or self-certification performed and identify any system deficiencies with respect to the IOSCO Principles.
- (3) Audit Trail.
 - (i) The audit trail timely captures all relevant data, including changes to orders.
 - (ii) Audit trail data is securely maintained and available for an adequate time period.
- (4) Public Data. Adequate and appropriate trade data is available to users and the public.
- (5) Reliability. The trading system has demonstrated reliability.
- (6) Secure Access. Access to the trading system is secure and protected.
- (7) Emergency Provisions. There are adequate provisions for emergency operations and disaster recovery.
- (8) Data Loss Prevention. Trading data is backed up to prevent loss of data.
- (9) Contracts Available. Mechanisms are available to ensure that only those futures, option or swap contracts that have been identified to the Commission as part of the application or permitted to be made available for trading by direct access pursuant to the procedures set forth in § 48.10 are made available for trading by direct access.
- (10) Predominance of the Centralized Market. Mechanisms are available that ensure a competitive, open, and efficient market and mechanism for executing transactions.

D-1(1) The order matching/trade execution system, including a complete description of all permitted ways in which members or other participants (or their customers) may connect to the trade matching/execution system and the related requirements (for example, authorization agreements).

DME RESPONSE:

All DME Members are permitted to have direct access to the CME GLOBEX Trading Platform (“GLOBEX”). All members must trade through an account with a DME Clearing Member.

Under Rule 4.15, direct electronic access customers also have direct access to GLOBEX (“Direct Electronic Access or DEA Customers”). Each DEA Customer is required to maintain an account with a Clearing Member who in turn financially guarantees the DEA Customers' transactions. Only Clearing Members may guarantee a DEA Customer to trade on the Exchange¹⁷. Retail customers are not permitted to trade on DME, and accordingly, no retail customer may be a DEA Customer. All DEA Customers are subject to all relevant DME Rules and must agree, in writing, to be bound by the Rules.

All Members and DEA Customers, together with their Clearing Member must sign a Customer Connection Agreement (“CCA”) prior to obtaining access to GLOBEX. Execution of these agreements is facilitated through the CME GLOBEX Account Management Team in the US, on behalf of DME. Pursuant to Schedule 6 of the CCA, the Clearing Member guarantees all orders sent via the direct connection. The CCA is the same as the ones used by CME Group exchanges.

Each member and DEA Customer will receive one or more unique user identification numbers (“User ID”) and passwords (together, “Passwords”) to enable access to the GLOBEX system for use by the member's Authorised Terminal Users¹⁸. The member or DEA Customer will be responsible for protecting and monitoring the use of its Passwords and will be required to provide the Passwords only to persons that the member has authorised to use the system and in relation to whom the member has notified DME in the manner provided by its Rules. Members and DEA Customers will be under an obligation to notify the Membership Department immediately of any unauthorised disclosure or use of its Passwords, unauthorised access to the system or any need to deactivate any Passwords. The unique User ID also allows the Exchange to distinguish DEA Customers from the Clearing Member under whose guarantee they access GLOBEX.

D-1(2) The architecture of the systems, including hardware and distribution network, as well as any pre-trade and post-trade risk-management controls that are made available to system users.

¹⁷ See DME Rule 4.15(A)

¹⁸ See also DME Rule 2.2

DME RESPONSE:

GLOBEX has an “open architecture”, through which software application programming interfaces enable market participants to connect to the trading system with their own proprietary system or a system provided by an ISV.

D-1(3) The security features of the systems.

DME RESPONSE:

The GLOBEX platform has various security features in place to protect trade data from disclosure, disruption, spoofing, non-repudiation, and denial of service prevention.

The GLOBEX platform uses passwords to limit access to systems. To log onto any environment, users are required to enter their ID and the associated password. Passwords must be a minimum length and complexity and expire periodically. User IDs are disabled after a set number of failed log-in attempts.

To protect against accidental or deliberate disclosure, customer data is isolated to that specific customer using network and application controls.

The GLOBEX platform isolates customer traffic using a combination of leased private networks and VPN tunnels. Both connection methods utilize router based packet filtering of network traffic as well as application layer authentication to control access to the trading application.

Packet filtering provides robust access control up to and including Layer 4 of the OSI model. Packet filtering access lists are applied to each customer site router which offers the advantage of filtering malicious data before it enters the exchange network and stops any attacks closest to their source. Traffic destined for the exchange network is inspected based on IP protocol type, source and destination address, and TCP port. Each of these parameters is limited to the minimum number of values necessary for the proper operation of the application and traffic must pass all of these criteria before it is allowed onto the exchange network. CME Group has found that this method of network access control provides the optimum tradeoff between security and latency. The proposed packet filtering strategy provides strict security while introducing only the barest minimum of latency.

In addition to the access control implemented at the network and transport layer, the GLOBEX platform includes authentication at the application layer using the financial information exchange (“FIX”) Protocol. The FIX protocol is a messaging standard developed specifically for the real-time electronic exchange of securities transactions. All inbound connections to the trading system require the user to authenticate to the FIX Gateway before any data can be exchanged. The authentication includes a standard username and password combination as well as specific configuration information. Access is also restricted to a specific TCP port for each customer.

To prevent disruption of service, the trading system API and the trading engine validate all data to ensure it complies with FIX protocol and GLOBEX message format. The host operating

systems of all trading system servers are kept up-to-date to prevent openings for viruses and other malware.

D-1(4) The length of time such systems have been operating.

DME RESPONSE:

The GLOBEX ATS was launched on June 25, 1992 and Falcon, the most recent version of the match engine, was introduced in August of 2005.

D-1(5) Any significant system failures or interruptions.

DME RESPONSE:

Since August 2005 when the Falcon match engine went into the production environment, GLOBEX has not experienced any significant system failures or interruptions.

D-1(6) The nature of any technical review of the order matching/trade execution system performed by the foreign board of trade, the home country regulator, or a third party.

DME RESPONSE:

DME uses the GLOBEX trading platform in an identical fashion to the CME Group exchanges. Pursuant to CME, CBOT, NYMEX and COMEX's registration as designated contract markets, the CFTC performs periodic audits of GLOBEX. The last audit of GLOBEX by CFTC was performed in 2010/2011.

D-1(7) Trading hours.

DME RESPONSE:

Electronic trading is open from 1800 U.S. Eastern Standard Time (EST) and closes at 1715 EST the next day, Sunday to Friday.

D-1(8) Types and duration of orders accepted.

DME RESPONSE:

Order Types

The following order types are available for GLOBEX trading in DME Contracts:

- **Limit Orders**
A limit order allows the buyer to define the maximum price to pay and the seller the minimum price to accept. A limit order remains on the book until the order is either executed, cancelled or expires. Any portion of the order that can be matched is immediately executed. A limit order may be filled at a better price than requested.
- **Market-limit Orders**
A market-limit order is executed at the best price available in the market. If the market-limit order can only be partially filled, the order becomes a limit order and the remaining quantity remains on the order book at the specified limit price.
- **Market Orders with Protection**
Market orders with protection are intended to avoid cascading market orders being filled at extreme prices. Market orders with protection are filled within a predefined range of prices, referred to as the protected range. The protected range is typically the current best bid or offer, plus or minus 50 percent of the product's "no bust" range. If the entire order cannot be filled within the protected range, the unfilled quantity remains on the book as a limit order at the limit of the protected range.
- **Stop-limit**
A stop-limit order is triggered when an order's trigger price is traded on the market. The order then enters the order book as a limit order with the customer's specified limit price. The order is executed at all price levels between the trigger price and the limit price. If the order is not fully executed, the remaining quantity of the order remains on the order book at the limit price. A buy stop-limit order must have a trigger price greater than the last traded price for the instrument. A sell stop-limit order must have a trigger price lower than the last traded price.
- **Stop Orders with Protection**
Stop-orders with protection are filled within a predefined range of prices (the protected range). A stop-order with protection is triggered when the designated price is traded on the market. The order then enters the order book as a limit order with the limit price equal to the trigger price, plus or minus the predefined protected range. The protected range is typically the trigger price, plus or minus 50 percent of the "no bust" range for that product. The order is executed at all price levels between the trigger and limit price. If the order is not completely filled, the remaining quantity rests in the market at the limit price. A buy stop-order with protection must have a trigger price greater than the last traded price for the instrument. A sell stop-order with protection must have a trigger price lower than the last traded price.

Order Qualifiers

The following order qualifiers are available for GLOBEX trading in DME Contracts:

- **Day**
A Day order is an order to buy or sell a contract during that trading day only. Day orders that have been placed but not executed during regular trading hours do not carry over to the next trade date but rather automatically expire at the end of the day. Day orders placed during electronic trading hours are only executed for that trade date. All orders are assumed to be day orders unless otherwise specified.
- **Good-Till-Cancelled**
In the absence of a specific limiting designation, Good-Till-Cancelled orders remain in force during regular trading hours and extended trading hours until executed, canceled or the contract expires.
- **Good-Till-Date**
Good-Till-Date orders remain in force during regular trading hours and extended trading hours until the specified date unless executed or canceled before the order expiry date or until the contract itself expires (if the expiry date is earlier than the specified date in the order).
- **Fill-And-Kill**
Fill-and-Kill orders are immediately filled in whole or in part at the specified price. If the order cannot be fully filled, the remaining balance is cancelled. A minimum quantity can also be specified, and if this minimum quantity cannot be fully filled, the order is cancelled.
- **Fill-Or-Kill**
Fill-or-Kill orders are cancelled if not immediately filled for total quantity at the specified price or better. This order is created by submitting a Fill-And-Kill order with the minimum quantity equal to the total order quantity.
- **Minimum Quantity**
A minimum quantity order is executed only if the specified minimum quantity of that order can be immediately matched. If the minimum quantity cannot be matched, then the order is cancelled. The entire order quantity is displayed to the market. If the minimum quantity or more is filled, the remaining quantity is placed on the book.
- **Display Quantity**
The display quantity allows the manner in which trades are reported to the market to be controlled.

D-1(9) Information that must be included on orders.

DME RESPONSE:

Pursuant to DME Rule 6.10, each order entered into GLOBEX shall contain the User ID, price, quantity, product, expiration month, CTI code and account number and, for Options, put or call and strike price. If a member or DEA Customer receives an order which cannot be immediately entered into the trading platform, the member or DEA Customer must prepare a written order and include the account designation, date and time of receipt.

DME RESPONSE:

The DME has instituted both an Error Trade Procedure and a Trade Cancellation Policy.¹⁹

Pursuant to the Error Trade Policy, if there is a failure to execute an order placed by a customer or an error is made in handling a customer order (such as by under-buying or under-selling), and the order cannot be executed in the market at a price which is equal to that which the order should have executed, the following actions are permitted under the rules:

- (a) The order, or remainder of the order, can be executed in the market and the price received by the customer adjusted if the price is less avoidable than that to which the customer was entitled due to the error or mishandling of the order. If the order is filled at a more favorable price, the customer is entitled to the better price;
- (b) A spread transaction can be executed, where applicable; or
- (c) Notwithstanding any Rules to the contrary, the party responsible for execution of the order can take the opposite side of the order at a price which is equal to the price the order should have received had the error not occurred. If such price cannot be obtained in the market, or the error is discovered after the close of the market, the opposite side of the order may be assigned to a designated error account at a price which is equal to the price at which the order should have received had the error not occurred. Any assignment made after the close of the market must be made promptly.

The Trade Cancellation Policy aims to balance the adverse effects on market integrity of executing trades and publishing trade information inconsistent with prevailing market conditions, while preserving legitimate expectations of trade certainty by market participants. The Trade Cancellation Policy authorizes the GLOBEX Control Centre (“GCC”) to adjust the price at which a trade was undertaken or cancel (bust) trades when such action is necessary to mitigate events resulting or which may result in market disruption and which are caused by the improper or erroneous use of the trading platform or through a system defect. The GCC may adjust trade prices or bust any trade if the GCC determines that allowing the trade to stand as executed may have a material, adverse effect on the integrity of the market.

The GCC may determine to review a trade based on its independent analysis of market activity or upon request by a member, or other party to the trade. A request for review must be made within eight (8) minutes of the execution of the trade (the “Reviewed Trade”). The GCC shall determine whether or not a trade will be subject to review. In the absence of a timely request for review, during volatile market conditions, upon the release of significant news, or in any other circumstance in which the GCC deems it to be appropriate, the GCC, may determine that a trade shall not be subject to review. Upon deciding to review a trade, the GCC will promptly issue an alert indicating that the Reviewed Trade is under review.

¹⁹ The procedures for addressing errors and omissions in handling client orders are contained in DME Rule 6.16 and the Trade Cancellation and Price Adjustment Policy is contained in DME Rule 6.17

DME, in consultation with GCC, determines pricing parameters for each Exchange contract within which a trade may not be cancelled. Such parameters are known as a no bust range (“No Bust Range”). In order to provide the market with confidence that traded levels will stand, trades within the No Bust Range will not generally be cancelled, whether as a result of error or otherwise. The No Bust Range for each Exchange contract will be published from time to time on the Exchange’s website.

Upon making a determination that a trade will be subject to review, the GCC will first determine whether the price of the Reviewed Trade is within the No Bust Range for Futures or in the case of Options, within the No Bust Range having applied the Bid/Ask Reasonability Allowance to the fair market value of the Option. The Bid/Ask Reasonability Allowance for an Option shall be published by the Exchange from time to time and is the maximum width of the bid/ask range which will be considered reasonable for use in applying the parameters necessary to establish the No Bust Range for the Option.

In applying the No Bust Range, the GCC shall determine the fair value market price for the relevant contract at the time the Reviewed Trade occurred. In doing so, the GCC may consider any relevant information, including but not limited to the last traded price for the contract on the trading platform or a better bid or offer price on the trading platform, a more recent price in a different contract month, the price of the same or related contract established in another venue or another market, the market conditions at the time of the Reviewed Trade, the theoretical value of an Option based on the most recent implied volatility and responses to a Request for Quote (RFQ) and any other factors that the Exchange, in consultation with the GCC, deems relevant. If the GCC determines that the price at which the Reviewed Trade occurred took place is within the No Bust Range, the GCC will issue an alert indicating that the Reviewed Trade shall stand.

For futures trades, if the GCC determines that the Reviewed Trade price is outside the published No Bust Range for a Futures Contract (including Futures Spreads), the price of the Reviewed Trade shall be adjusted to a price that equals the fair value market price for that Futures Contract at the time the Reviewed Trade occurred, plus or minus the No Bust Range. In the event there are multiple parties, prices and/or contracts involved in the transactions at issue, the GCC has the authority, but not the obligation, to bust rather than price adjust such transactions. The GCC will issue an alert regarding its decision.

For option contracts, if the GCC determines that the Reviewed Trade price is outside the applicable No Bust Range for an Option Contract, the Reviewed Trade price shall be adjusted. In the case of a buy (sell) error, the price will be adjusted to the determined ask (bid) price set forth in the Bid/Ask Reasonability Allowance, as published by the Exchange from time to time plus (minus) the No Bust Range. In the event there are multiple parties, prices and/or contracts involved in the transactions at issue, the GCC has the authority, but not the obligation, to bust rather than price adjust such transactions. The GCC will issue an alert regarding its decision. Busted trade prices and any prices that have been adjusted shall be cancelled in the Exchange’s official record of time and sales. Reviewed Trades that are price adjusted shall be inserted in the time and sales record at the adjusted trade price.

D-1(11) Anonymity of participants.

DME RESPONSE:

Trading participant identity is not displayed in market data, depth of book or trade execution messages. GLOBEX is an anonymous trading system.

D-1(12) Trading system connectivity with clearing system.

DME RESPONSE:

GLOBEX connects to the CME clearing systems via a real-time multicast TCP/IP system combined with industry standard IBM MQM, to provide a fast, reliable, scalable connection. Trades are stored in Oracle databases, and can be viewed on-line within seconds of execution.

D-1(13) Response time.

DME RESPONSE:

GLOBEX is capable of processing more than 9 billion quotes per month based on actual usage, with an average response time of under five milliseconds.

D-1(14) Ability to determine depth of market.

DME RESPONSE:

The Exchange is able to view the depth of market on a real time basis. GLOBEX has the functionality to accept up to 10 price levels for DME futures contracts and up to 5 price levels for DME options contracts. A book will exist for each DME Contract that has traded at all during a session (currently defined as a week).

D-1(15) Market continuity provisions.

DME RESPONSE:

Under the GSA, CME will provide system support to the Exchange for GLOBEX. The primary focus for incident management is rapid service restoration. As a result, an incident may be addressed before an incident ticket is opened in Information Technology Service Management (“ITSM”), the incident management ticketing system. Regardless, critical incidents are required to be documented in ITSM.

All issues reported to Technology Operations department within CME Group are documented, whether received from a support group or an Open View Operations alert.

The incident resolution process includes the following escalation mechanism:

- (a) First-Line Support: As incidents are encountered or reported, they are recorded in ITSM by Technology Operations. The GLOBEX Control Center provides market operations, support and customer service for all electronic trading on GLOBEX. That includes handling all GLOBEX inquiries and requests for assistance from registered contacts. The GLOBEX Control Center supports the matching engine, order routing and market data interfaces and network connectivity. The GLOBEX Control Center is available from 2:00 p.m. Sunday through 4:45 p.m. Friday Chicago Time. An international phone number is provided for global customers.
- (b) Second-Line Support: If an incident persists, it is escalated to Technology Support Teams.
- (c) Third-Line Support: Finally, if necessary, an incident may be escalated to development teams and vendors.
- (d) SWAT: Outside of these defined escalation levels, depending on the problem, Technology Management, and GLOBEX Control Center may request that an incident be escalated to the SWAT Group. The SWAT Group is composed of staff from the Production, Development and Operations Departments. Weekly capacity meetings occur to review infrastructure performance trends and capacity for forecasting and planning purposes. CME will promptly report system malfunctions that have an impact on trading, market data, surveillance, clearing or settlement to the DME.

System Reliability and Failure Recovery

(a) Facilities

CME Group maintains data centers at three facilities in the Chicago area. One data center facility houses the production electronic trading infrastructure and the disaster recovery clearing servers for both front-end and back-end clearing. Another data center facility houses the disaster recovery electronic trading infrastructure and production back-end clearing infrastructure and the production front-end clearing infrastructure.

The data centers and the network equipment at CME locations are operated and maintained by a number of departments within CME Group's Information Technology Division. Data center access is restricted to a core group of staff.

(b) Recovery Procedures

All critical applications are tested at minimum twice per year.

For clearing systems, the recovery time objectives for the clearing applications are four hours or less.

For electronic trading, the recovery time objectives for the electronic trading platform are four hours or less if there is a disruption in the datacenter where the GLOBEX production facilities are housed. There will be no recovery time needed if the disruption occurs in the data center where the GLOBEX production facilities are not housed. In that case, the GLOBEX markets shall remain open.

CME Group currently has extensive monitoring on hardware, applications and software using OVO monitoring software as central repository for anomalies and alert notification to prompt a failover to backup or automatic failover for minimal disruption to business and customers. Alerts are recorded and appropriate escalation and recovery is addressed through the Technology Operations Command Center (“TOCC”), proficient in manual and scripted intervention and escalation. The TOCC team is the central point for crisis management of all technology issues and recordation in addition to follow up for incident reviews (lessons learned) from customer impacting events. The TOCC maintain Event Management Procedures which outline the steps for customer impact and non-customer impact issues.

D-1(16) Reporting and recordkeeping requirements.

DME RESPONSE:

The DME Rules make specific provision for reporting and record keeping requirements.²⁰

Each Clearing Member is required to report to DME any positions equal to or in excess of the levels set out under the DME Rules, including both proprietary and customer positions. Where an account includes any sub-account, the Clearing Member shall report the aggregated gross long and/or the aggregated gross short positions in the account and all sub-accounts if either equals or exceeds the levels specified by the rules. Additionally, the Compliance Officer may require additional reports, to be compiled on the basis that, where any Person who holds, controls or has a significant financial interest in more than one (1) account, all such accounts shall be treated as a single account for the purposes of the reports. The reporting level is currently set at twenty five contracts for position reporting across all DME contracts.

The rules also require members to make and file reports and keep and maintain records in respect of such documents, in such form and for such period as may be required under the rules and regulations of any regulatory body to whose rules and regulations they are subject. All members shall maintain all records relating to all orders and contracts to which the member is a party or which the member has executed, forwarded for execution, transferred or assigned including details of the persons for whom the trade was made, the parties to it, the manner in which it was fulfilled, discharged or terminated.

All records are generally required to be kept shall be retained for at least six years.

Attach, as **Exhibit D-2**, a description of the manner in which the foreign board of trade assures the following with respect to the trading system, separately labeling each description:

²⁰ Rule 4.27 (position reporting) and Rule 4.7 (Record Keeping requirements)

D-2 (1) Algorithm. The trade matching algorithm matches trades fairly and timely.

DME RESPONSE:

GLOBEX orders are executed on the basis of strict price and time priority with total anonymity; the first order in at the best price is the first executed. Each order submitted to GLOBEX must be matched to its corresponding buy or sell counterpart in order to be considered a valid trade. Once matched in GLOBEX, the execution details of trades are fed into Front End Clearing (“FEC”) where they are available to the Clearing Members and their customers for review, editing and confirmation.

D-2 (2) IOSCO Principles. The trading system complies with the Principles for the Oversight of Screen-Based Trading Systems for Derivative Products developed by the Technical Committee of the International Organisation of Securities Commissions (IOSCO Principles). Provide a copy of any independent certification received or self-certification performed and identify any system deficiencies with respect to the IOSCO Principles.

DME RESPONSE:

The GLOBEX trading platform is not only used by DME, but also by CME Group exchanges that are registered as Designated Contract Markets (“DCMs”) with the CFTC. Pursuant to this registration, CME and NYMEX are obligated to comply with the Core Principles for DCMs and such compliance is periodically reviewed by the CFTC. Core Principle 9, Execution of Transactions, requires DCMs to provide “a competitive, open, and efficient market and mechanism for executing transactions that protects the price discovery process of trading in the centralized market of the board of trade.” The CFTC’s application guidance to Core Principle 9 specifically states that the IOSCO Principles for the Oversight of Screen Based Trading Systems for Derivatives Products (IOSCO Principles) should be considered in determining a DCM’s compliance with this Core Principle.

Pursuant to CME, CBOT, NYMEX and COMEX’s registration as DCMs, the CFTC performs periodic audits of GLOBEX. The last audit of GLOBEX was performed in 2010/2011. In part, this review considered GLOBEX’s compliance with the IOSCO Principles and concluded that CME Group’s controls in relation to Core Principle 9 were adequate. DME uses the GLOBEX trading platform in the same manner as the CME Group exchanges and believes that the 2010 review conducted by the CFTC, in addition to the ongoing obligations of CME Group exchanges through their registration as DCM’s, attest to GLOBEX’s current and ongoing compliance with the IOSCO Principles.

D-2 (3) Audit Trail.

- (i) The audit trail timely captures all relevant data, including changes to orders.
- (ii) Audit trail data is securely maintained and available for an adequate time period.

DME RESPONSE:

The relevant DFSA provisions, to which the DME is subject, relating to the keeping of audit trails of transactions, are AMI Module 5.9.3(a-b). These stipulate that an AMI must ensure that satisfactory arrangements are made for recording the activity and transactions effected on or through its facilities and to ensure that satisfactory arrangements are made for maintaining the activity and transaction records for at least six years.

In general, the types of information and details of transactions which are recorded include:

- the name of the relevant Investment (as defined in the DFSA Rules) and the price, quantity and date of the transaction;
- the order type, time of instruction and expiry date;
- the identities and, where appropriate, the roles of the counterparties to the transaction;
- the facilities on which the transaction was effected and is to be cleared and settled; and
- the date and manner of settlement of the transaction.

Under the GSA, DME has made arrangements with CME Group for creating and maintaining an audit trail of DME trading activity for six years. Pursuant to these arrangements, DME has unrestricted access to an audit trail which includes:

- a database of order records maintained in the GLOBEX system;
- the register of trades generated in FEC; and
- timing and sequencing information from CME's market data distribution platform ("MDP") and FEC.

Additionally, all members are required to keep records relating to all orders and transactions to which the member is a party or which the member has executed, forwarded for execution, transferred or assigned, including details of the persons for whom the trade was made and the manner in which it was terminated or executed. Members are to maintain all such records in permanent hard copy or permanent and readily retrievable electronic form, unless they are required to keep them in another form by the rules and regulations of any regulatory body to which a member is subject. The record retention period is six years.

D-2 (4) Public Data. Adequate and appropriate trade data is available to users and the public.

DME RESPONSE:

DME utilises a variety of means to transmit virtual real time information regarding DME trades.

GLOBEX transmits data about prices and trades to client software which enables it to be displayed to all parties with access to the DME trading platform. This information includes (depending on front-end software capability) highest bids and lowest offers, last trade price, opening and previous day's settlement price, high and low trade prices, volume and open interest.

CME's MDP distributes DME trade data to over 300 directly connected market data consumers, approximately 50 of which are traditional vendors (e.g. Reuters, Bloomberg), allowing relevant trade data to be available in the public domain.

DME also provides members and market participants with other relevant information through its website (www.dubaimerc.com), the corporate website of CME (www.cmegroup.com) and through press announcements and member notices.

D-2 (5) Reliability. The trading system has demonstrated reliability.

DME RESPONSE:

The CME Group systems leveraged by DME have a proven track record in supporting successful electronic markets and in offering sophisticated technologies to support well-regulated trading.

Procedures exist to:

- monitor the performance of live systems;
- extensively test new systems and upgrades to existing systems prior to release;
- backup trade data from the trading platform; and
- maintain and regularly test business continuity arrangements.

D-2 (6) Secure Access. Access to the trading system is secure and protected.

DME RESPONSE:

GLOBEX has an “open architecture”, through which software application programming interfaces enable market participants to connect market participants to the Trading System with their own proprietary system or a system provided by an ISV. There are two interfaces to GLOBEX: iLink and MDP. iLink is a FIX protocol-compliant interface for order entry and management. MDP is the interface for real-time market prices. Market participants may connect to GLOBEX via a managed network solution, or manage their own network access via a direct network connection or the internet.

To access DME markets through either interface, members or DEA Customers, together with their authorised terminal users must meet the DME Rulebook requirements²¹ governing access to

²¹ Refer to DME Rule 2.2 for further information

the trading platform. Each individual authorised terminal user must use a unique password protected User ID to access the trading platform. Authorised terminal users are not permitted to enter an order or permit the entry of an order without a unique User ID or share their unique User ID with anyone else.

All DME Members and DEA Customers must also sign the CME Customer Connection Agreement. This is handled on behalf of DME by GLOBEX Account Management (“GAM”) support.

The Exchange may monitor access to and utilization of GLOBEX by any person. Where either the CEO (or his designate) or the Compliance Officer (or his designate) has a reasonable belief that summary action is necessary to protect the best interests of the marketplace, DME is able to suspend and deny access to its systems on a summary basis.

D-2 (7) Emergency Provisions. There are adequate provisions for emergency operations and disaster recovery.

DME RESPONSE:

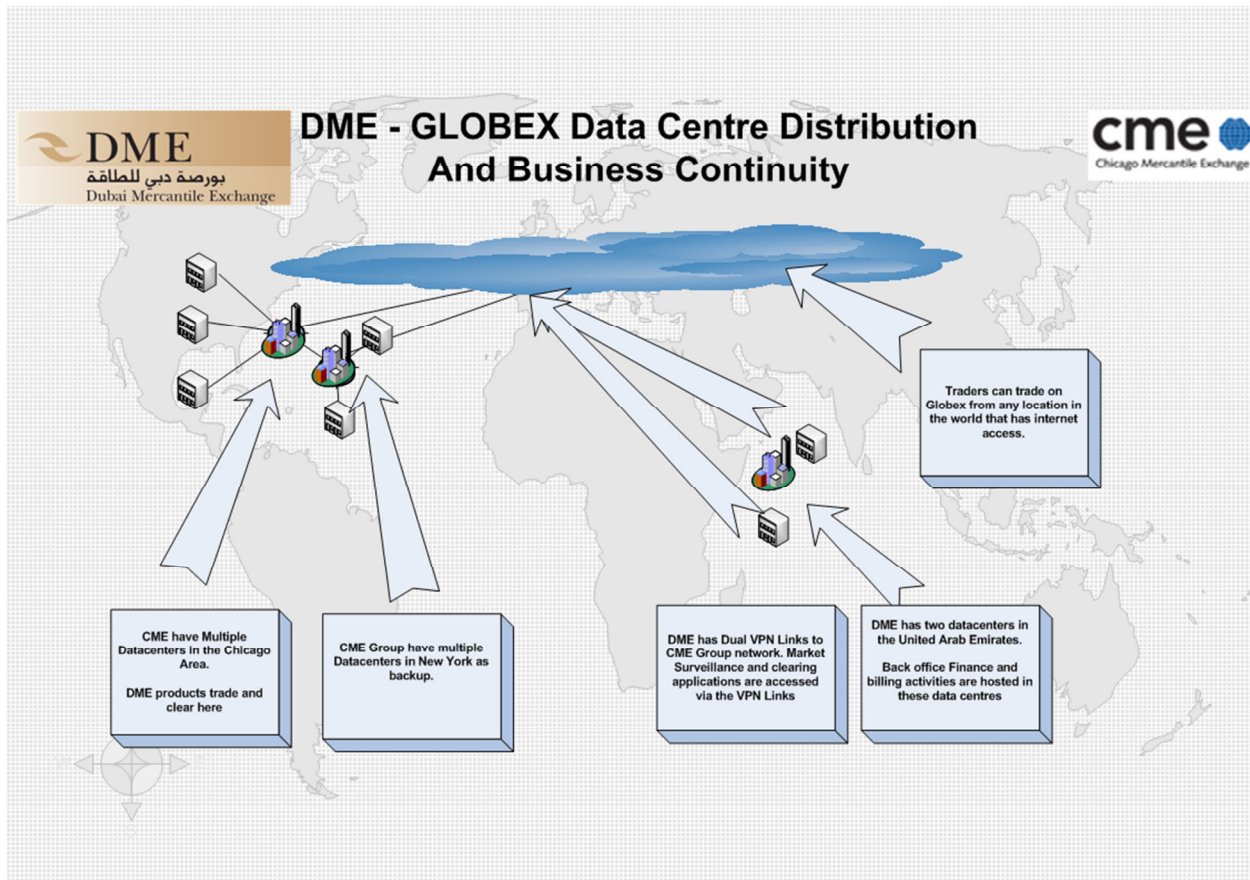
CME Group is required to maintain system redundancy in respect of all systems it maintains for the provision of DME trading and clearing services, which is substantially equivalent to that which CME Group provides for its own suite of exchanges. CME Group is required to maintain a disaster recovery plan for the equipment, systems and power supply used in support of the trading facilities, including backup arrangements for both processing and communications resources.

There are two programs relevant for business continuity testing purposes in relation to GLOBEX:

- GLOBEX Disaster Recovery Connectivity Testing (“DR Testing”): DR Testing is designed to ensure that customers can establish a connection to the disaster recovery environment in case of an emergency. Customers are required to register in advance online to participate. Testing is available from 8:00 am to 12:00 Central time (CT). During the test, customers will be able to log into an iLink session; however, no order entry is permitted. Network support is available for pre-enrolled customers.
- Simulated GLOBEX DR Testing: These tests are generally performed twice a year, normally in April and October. Dates are communicated to customers by the GLOBEX Account Management team and customers are strongly encouraged to participate. The Simulated GLOBEX DR Testing program is a full-scale disaster recovery test for customers. This test includes:
 - Customer start-up in GLOBEX Production;
 - Termination of GLOBEX Production (simulated DR event);
 - Transition to DR environment;
 - GLOBEX DR environment start-up including reconciliation; and

- Return to GLOBEX Production.

The Data Centre Distribution diagram below highlights the geographic dispersion of GLOBEX technology infrastructure which is a key component of the Business Continuity Plan and risk mitigation strategy.



D-2 (8) Data Loss Prevention. Trading data is backed up to prevent loss of data.

Backup of the data centre operations is performed regularly in accordance with an agreed back-up schedule. Backup tapes are logged and stored in a secure offsite location. CME uses the Storage Library System from Digital Equipment Cooperation for tape management. It has a predetermined schedule for incremental and full back ups. Back up disks are stored in EMC Symmetrix at CME's offices and at IPark, its back up locations.

CME Group maintains a disaster recovery plan for all its trading systems, which includes the use of a back-up facility. The facility is on a separate power, water and telecommunication grid to the CME headquarters in Chicago. The main facility and the back-up facility are linked with multiple fibre optic lines, providing completely synchronized communications. CME Group audits its back-up facility on at least a quarterly basis.

D-2 (9) Contracts Available. Mechanisms are available to ensure that only those futures, option or swap contracts that have been identified to the Commission as part of the application or permitted to be made available for trading by direct access pursuant to the procedures set forth in § 48.10 are made available for trading by direct access.

DME RESPONSE:

DME has a New Product Checklist which needs to be completed prior to the launch of any new product. One section of this checklist addresses regulatory requirements which need to be completed before the new product can be launched. Within the regulatory section of the New Product Checklist, consideration is given to any CFTC requirements, including approval and notification obligations for DME and / or its Clearing House.

Additionally, certain key staff are required to complete and certify a compliance checklist on a monthly basis. Questions within these checklists are mapped to DME's regulatory obligations, derived from both DFSA requirements and obligations imposed by overseas regulators, including CFTC. Within this compliance checklist, key staff are asked to indicate whether any new product is anticipated or proposed. They are also asked whether a new product checklist was completed prior to the release of any new product. An automated report allows the Compliance Department to identify any answers which require follow up action.

D-2 (10) Predominance of the Centralized Market. Mechanisms are available that ensure a competitive, open, and efficient market and mechanism for executing transactions.

DME RESPONSE:

Although there is no DFSA requirement as to predominance, the liquidity and price discovery function of the central order book is important to DME and a number of steps have been taken to promote the central order book. These measures include:

- Liquidity providers on GLOBEX;
- Minimum quantities for block trades (50 lots), so that only large trades can be done non-competitively through blocks while smaller orders must be executed on GLOBEX;
- Higher fees for blocks and Exchange For Physicals (“EFPs”) than for GLOBEX trades; and
- Price transparency requirements for non-GLOBEX trades.

It should be noted however, that DME has a very large number of commercial and institutional market participants and does not allow retail trading. Accordingly, DME has to balance the trading needs of those commercial and institutional participants in OQD by offering alternative execution venues in addition to a pure central order book model.

EXHIBIT E – THE TERMS AND CONDITIONS OF CONTRACTS PROPOSED TO BE MADE AVAILABLE IN THE UNITED STATES

Attach, as **Exhibit E-1**, a description of the terms and conditions of futures, option or swap contracts intended to be made available for direct access. With respect to each contract, indicate whether the contract is regulated or otherwise treated as a futures, option or swap contract in the regulatory regime(s) of the foreign board of trade's home country.

As **Exhibit E-2**, demonstrate that the contracts are not prohibited from being traded by United States persons, i.e., the contracts are not prohibited security futures or single stock contracts or narrow-based index contracts. For non-narrow based stock index futures contracts, demonstrate that the contracts have received Commission certification pursuant to the procedures set forth in § 30.13 and Appendix D to part 30 of this chapter.

As **Exhibit E-3**, demonstrate that the contracts are required to be cleared.

As **Exhibit E-4**, identify any contracts that are linked to a contract listed for trading on a United States-registered entity, as defined in section 1a(40) of the Act. A linked contract is a contract that settles against any price (including the daily or final settlement price) of one or more contracts listed for trading on such registered entity.

As **Exhibit E-5**, identify any contracts that have any other relationship with a contract listed for trading on a registered entity, i.e., both the foreign board of trade's and the registered entity's contract settle to the price of the same third party-constructed index.

As **Exhibit E-6**, demonstrate that the contracts are not readily susceptible to manipulation. In addition, for each contract to be listed, describe each investigation, action, proceeding or case involving manipulation and involving such contract in the three years preceding the application date, whether initiated by the foreign board of trade, a regulatory or self-regulatory authority or agency or other government or prosecutorial agency. For each such action, proceeding or case, describe the alleged manipulative activity and the current status or resolution thereof.

Exhibit E-1: a description of the terms and conditions of futures, option or swap contracts intended to be made available for direct access. With respect to each contract, indicate whether the contract is regulated or otherwise treated as a future, option or swap contract in the regulatory regime(s) of the foreign board of trade's home country.

DME RESPONSE:

DME wishes to make available to US participants all contracts which it lists for trading on GLOBEX and / or clearing through Clearport Clearing from time to time. At the time of application this includes:

1. DME Oman Crude Oil Futures Contracts (Chapter 10, DME Rulebook)
2. DME Oman Crude Oil Financial Contract (Chapter 14, DME Rulebook)
3. DME Oman Crude Oil European Style Option Contract (Chapter 18, DME Rulebook)

A copy of the contract specifications, which sets forth the terms and conditions of these contracts is set forth in the Rulebook, attached as Exhibit A6-1 hereto.

The DME Oman Crude Oil Futures Contract and the DME Oman Crude Oil Financial Contract are regulated as futures contracts by the DFSA; the DME Oman Crude Oil European Style Option Contract is treated as an option contract by the DFSA.

Exhibit E-2: demonstrate that the contracts are not prohibited from being traded by United States persons, *i.e.*, the contracts are not prohibited security futures or single stock contracts or narrow-based index contracts. For non-narrow based stock index futures contracts, demonstrate that the contracts have received Commission certification pursuant to the procedures set forth in § 30.13 and Appendix D to part 30 of this chapter.

DME RESPONSE:

The DME contracts are futures contracts on commodities, which are not prohibited from being traded by United States persons. The DME contracts are not security futures, single stock contracts or narrow-based index contracts.

Exhibit E-3: demonstrate that the contracts are required to be cleared.

DME RESPONSE:

The DFSA Rules (AMI 6.10.1) require DME to ensure that satisfactory clearing arrangements are in place for securing the timely discharge of the rights and liabilities of the parties to transactions conducted on or through its facilities. In determining whether satisfactory arrangements are in place, consideration is given to

- rules, procedures and practices relating to clearing and settlement;

- arrangements for matching trades and ensuring that the parties are in agreement about trade details;
- arrangements for making deliveries and payments and, where relevant, for collecting margin and holding collateral, in all relevant jurisdictions;
- procedures to detect and deal with the failure of settlement in accordance with its rules;
- arrangements for taking action to settle if settlement does not take place in accordance with its rules;
- arrangements for monitoring settlement performance; and
- default rules and default procedures.

Under the DME Rule 2.6, all members of DME must be a Clearing Member or have an account with at least one Clearing Member for clearing trades on the Exchange and all trades must be conducted through an account held with the clearing member. Every Clearing Member must be a member of the CME Clearing House and bound by the rules of the Clearing House. A Clearing Member who holds an account for a member must accept and clear any trade or trade reallocation for such account that does not exceed the Total Risk Value set by that Clearing Member relating to the entry of orders and trade reallocations for such an account.

Exhibit E-4: identify any contracts that are linked to a contract listed for trading on a United States-registered entity, as defined in section 1a(40) of the Act. A linked contract is a contract that settles against any price (including the daily or final settlement price) of one or more contracts listed for trading on such registered entity.

DME RESPONSE:

None of the DME Contracts referenced above settle against any price of a contract listed for trading on a United States-registered entity.

Exhibit E-5: identify any contracts that have any other relationship with a contract listed for trading on a registered entity, i.e., both the foreign board of trade's and the registered entity's contract settle to the price of the same third party-constructed index.

DME RESPONSE:

The DME Oman-linked contracts below are listed on NYMEX, for trading on the NYMEX trading floor and for submission for clearing through CME ClearPort. Each of these contracts settles against the price of the DME Oman Crude Oil Futures Contract.

- DME Oman Crude Oil Swap Futures (Contract settles against the price of the DME Oman Crude Oil Futures Contract)
- DME Oman Crude Oil BALMO Swap Futures (Contract settles against the price of the DME Oman Crude Oil Futures Contract)
- ICE Brent (Singapore Marker) vs. DME Oman Crude Oil Swap Futures (Contract settles against the price of the DME Oman Crude Oil Futures Contract)

- ICE Brent vs. DME Oman Crude Oil Swap Futures (Contract settles against the price of the DME Oman Crude Oil Futures Contract)
- DME Oman Crude Oil Average Price Option (Contract settles against the price of the DME Oman Crude Oil Futures Contract)
- DME Oman Crude Oil vs. Dubai (Platts) Swap Futures (Contract settles against the price of the DME Oman Crude Oil Futures Contract)
- Singapore MOGAS 92 Unleaded (Platts) vs. DME Oman Crude Oil Swap Futures (Contract settles against the price of the DME Oman Crude Oil Futures Contract)
- Singapore Gasoil (Platts) vs. DME Oman Crude Oil Swap Futures (Contract settles against the price of the DME Oman Crude Oil Futures Contract)

Exhibit E-6 (part 1 of 2): demonstrate that the contracts are not readily susceptible to manipulation.

DME RESPONSE:

(1) General market overview and availability of deliverable supply

a. Production and Net Exports

Oman crude oil is seen by many market participants as a preferred benchmark for medium sour Middle East crude for a number of reasons. Oman crude oil quality is broadly representative of other Middle East crude oils. The production levels and tradability of Oman crude are sufficient to support benchmark status. The market for Oman crude oil is deep, liquid and transparent, consisting of a physical forward market, physical spot market and an active financially settled over-the-counter (“OTC”) swap market. There are numerous participants in the market with no single party dominating the secondary market trading of physical cargoes or financial contracts.

The Oman Ministry of Oil and Gas provides statistics on crude oil production and exports (see Table I). Oman’s production of crude oil has risen steadily, and averaged 854,000 barrels per day for the three years through 2011²². Further, crude oil exports were 717,100 barrels per day for the three-year period ending 2011. The monthly deliverable supply based on the export volume is equivalent to 22 million barrels per month.

Table I - Oman Ministry of Oil and Gas Crude Oil Statistics

Oman Crude Oil Statistics (in thousands of barrels per day)	2009	2010	2011	Average (2009-2011)
Production	812.5	864.6	884.9	854.0

²² Source: Oman Ministry of Oil and Gas, <http://www.mog.gov.om/english/tabid/90/Default.aspx>

Exports	668.5	744.7	738.1	717.1
----------------	-------	-------	-------	-------

Further, the U.S. Department of Energy’s Energy Information Administration (“EIA”) provides data that confirms the official statistics from the Oman Ministry of Oil and Gas. According to the EIA, the three-year average daily crude oil production (2009-11) in Oman was 854,260 barrels per day²³, and this is consistent with the official statistics from Oman. In addition, the EIA’s “Country Analysis Brief” on Oman reported net exports of crude oil were 790,000 barrels per day in 2011²⁴.

In 2011, approximately 640,000 barrels per day (or approximately 72% of total Omani oil production) is controlled by Petroleum Development Oman (“PDO”), which is a joint venture owned 60% by the Oman government, 34% by Shell, 4% by Total, and 2% by Partex. In addition, Occidental Petroleum and other private oil companies have extensive oil production in Oman. A detailed breakdown of Omani crude oil production by company is provided by the Oman’s MOG²⁵. Accordingly, there are multiple producers of Omani crude, rather than a monopoly. Further, Oman has announced the discovery of new oil fields and the launch of an Enhanced Oil Recovery (“EOR”) program that will help to expand production after 2011, to around 915,000 barrels per day. The overall crude supply that is delivered at the DME’s delivery points is quite large and is expected to increase in the next several years. Table III details the supply delivered through the DME over the last 3 years.

The Oman government is politically neutral, stable and pro-business, and is supportive of the DME’s listing of the Oman Crude Oil Futures Contract. Oman is not a member of the Organization of the Petroleum Exporting Countries (“OPEC”). Consequently, Oman crude oil is not subject to OPEC production, destination or end-user restriction. The Oman government sells most of its equity share of production through term contracts, and some of these term cargoes are resold in the spot market. The remaining share of Oman crude oil production that is owned by private oil companies is typically sold in the spot market. Thus, there is robust trading activity in the Oman crude oil spot market. The standard cargo size is 500,000 barrels, and there are typically around 44 cargoes loaded per month at Mina al Fahal. To put the physical market for Oman crude oil in context, the quantity of exported Oman crude oil of 717,100 barrels per day is larger than the size of the WTI crude oil market. In the U.S., the daily production of WTI is estimated to be no more than 600,000 barrels per day.

²³ EIA, International Energy Statistics, Oman crude oil production (including condensate): <http://www.eia.gov/cfapps/ipdbproject/iedindex3.cfm?tid=5&pid=57&aid=1&cid=regions&syid=2007&eyid=2011&unit=TBDP>

²⁴ EIA, Country Analysis Brief on Oman, <http://www.eia.gov/countries/country-data.cfm?fips=MU&trk=p1#pet>

²⁵ Source: Oman Ministry of Oil and Gas, <http://www.mog.gov.om/LinkClick.aspx?fileticket=ZAroPHDYfVQ%3d&tabid=90>

Table III – OQD Deliveries & Prices (July 2009 – August 2013)

Month	Contracts Going To Physical Delivery (Each Contract = 1,000 Barrels)	Final Settlement Price (USD)
July 2009	11,552	68.48
August 2009	9,051	70.16
September 2009	10,112	65.92
October 2009	9,716	77.20
November 2009	9,157	77.38
December 2009	9,611	76.42
January 2010	9,222	71.57
February 2010	13,446	75.80
March 2010	14,037	79.24
April 2010	9,618	85.64
May 2010	12,215	70.93
June 2010	14,082	72.68
July 2010	15,102	72.61
August 2010	12,522	73.33
September 2010	12,607	76.91
October 2010	13,270	80.17
November 2010	11,001	84.14
December 2010	13,760	88.76
January 2011	12,514	93.45
February 2011	14,790	108.57
March 2011	12,531	109.60
April 2011	9,669	118.58
May 2011	11,210	109.16
June 2011	8,460	105.99
July 2011	15,463	111.75
August 2011	12,976	110.11
September 2011	11,565	105.60
October 2011	11,438	105.53
November 2011	12,804	108.92
December 2011	14,179	106.32
January 2012	11,938	110.08
February 2012	13,264	120.20
March 2012	9,473	120.27
April 2012	13,492	116.22
May 2012	12,143	102.36
June 2012	9,735	91.81
July 2012	11,163	102.09

August 2012	11,937	111.08
September 2012	12,385	110.59
October 2012	11,593	105.25
November 2012	14,720	107.66
December 2012	13,474	106.47
January 2013	13,585	110.35
February 2013	13,498	106.98
March 2013	11,613	106.01
April 2013	14,707	102.40
May 2013	14,507	98.97
June 2013	16,770	100.05
July 2013	13,920	104.65
August 2013	15,289	110.96

b. Cash Market

There are a large and diverse number of cash market participants in the Oman crude oil market.²⁶ There are approximately 20 companies that are term customers of the Oman government, and there are an additional 15 to 20 oil companies that actively participate in the Oman cash market. The list of companies active in the Oman cash market includes large oil refiners (such as Chinese, Korean, and Japanese refiners), the super-majors (such as BP, Shell, ExxonMobil, and Total), oil traders (such as Occidental Petroleum, Vitol, Glencore, Phibro, Arcadia, and Trafigura), and Banks (such as Goldman Sachs, Morgan Stanley, and JP Morgan).

c. OTC Financial Market

Further, there is a liquid derivative or “paper” swaps market that is used for hedging Oman crude oil price exposure.²⁷ The primary OTC hedging vehicles used to manage price risk for Oman crude oil are various types of Dubai and Oman crude oils swaps. The two most actively traded OTC instruments in the Middle East-Asia Pacific market are the Dubai calendar month swap and the Brent-Dubai spread swap. These two swaps instruments are also currently listed by NYMEX on CME ClearPort for clearing. The total NYMEX open interest in these two swaps is currently almost 20,000 contracts and steadily growing (equivalent to 20 million barrels of oil) with exposure 3 years forward. For the first seven months of 2011, the CME ClearPort clearing system has recorded average daily volume of Dubai-related swaps of 625,000 barrels per day, which represents only a small percentage of total OTC swaps deals done for those companies seeking the credit protection of a clearing

²⁶ Cash market participants in the Oman crude oil market include: Shell, BP, ExxonMobil, Total, Occidental Petroleum, Vitol, Phibro Trading, Glencore, Trafigura, Mercuria Energy Trading, Idemitsu (Japanese), Nippon (Japanese), Itochu (Japanese), Mitsubishi (Japanese), Mitsui (Japanese), Marubeni (Japanese), Sumitomo (Japanese), Cosmo Oil Co. (Japanese), Sinochem (Chinese), UNIPPEC (Chinese), SK (Korean), Hyundai (Korean), LG-Caltex (Korean), Reliance (Indian), India Oil Company, Singapore Refining Company, and PTT (Thai).

²⁷ In addition to the cash market participants noted above, significant OTC swap market participants in Oman crude oil include: Goldman Sachs, Morgan Stanley, Deutsche Bank, Emirates National Oil Co. (ENOC), ConocoPhillips, Barclays Bank, JP Morgan Bank, and Societe General Bank.

house. Typically, cleared swaps transactions represent less than half of the total volume transacted in the OTC oil market.

The liquidity in the OTC swaps market for Dubai and Oman crude oil swaps is robust, with an estimated average daily trading volume of 5 to 10 million barrels per day. There are several OTC brokerage firms that are active in the Dubai swaps markets, including PVM, Amerex, Spectron, Tullet Prebon, Ginga Petroleum and GFI Group. As discussed above, the OTC market is deep and diverse, and includes both cash market and OTC market players. Many of the same companies that are trading Brent and WTI are also active in the Dubai market.

Currently, most of the OTC swaps in Oman crude oil are priced as a spread differential to Brent crude oil. Pricing information regarding spot physical cargoes and OTC swap transactions in Oman crude oil is available from pricing services such as Platts, Argus and ICIS-LOR. Platts is generally regarded at this time as the principal source of data relating to the physical forward market. On a daily basis, Platts publishes assessments of the Oman and Dubai markets. The latest version of the Platts methodology and specifications guide, which was updated in January 2007, is included as an attachment in Exhibit E6-1 to this letter. Platts typically publishes assessments for three forward months in these markets.

In addition, a number of reporting services, such as Bloomberg, publish a forward curve of prices for the Oman and Dubai swaps markets. A number of OTC dealers, such as PVM, generated their own forward curves and then make them available to their customers and to other interested parties. At present, the practice is to provide OTC forward curves that extend out for three years. Because Dubai crude oil is generally accepted as a substitute for Oman oil, the prices for these two products are tightly linked, and thus the prices for Dubai swap activity is understood to be highly relevant for Oman swaps as well.

d. Pricing

The Oman government currently prices its term contracts (called the Official Selling Price (“OSP”)) using forward pricing based on the settlement prices of the DME’s Oman front month futures contract. This allows commercial participants to utilize the DME futures contract as a hedge for managing their price risk, and companies may use EFP and Exchange For Swap (“EFS”) transaction to lock in (and thereby hedge) their exposure. Indeed, DME’s futures contract volume is supported by the interaction of the futures market with the deep and liquid cash market via EFP and EFS transactions.

As outlined above, the breadth of production and diversity of market participants, combined with strong correlation to the underlying cash market, the absence of destination restrictions, and the location of the delivery terminal outside the Straits of Hormuz ensure that there is more than adequate deliverable supply in relation to the current and expected volumes in the Oman Crude Oil Futures Contract. The estimated monthly supply based on the export volume is equivalent to 22 million barrels per month.

Furthermore, the contract terms and conditions have been designed to conform to standard commercial practice in the cash market, avoiding impediments to delivery and promoting convergence between the price of the futures contract and the cash market value of the

commodity at the expiration of the futures contract. The contract is not conducive to price manipulation or distortion as deliverable supply can be reasonably expected to be available to short traders and salable by long traders at its market value in normal cash marketing channels.

(2) Contract terms and conditions

Contract terms were developed following extensive consultation with a broad range of market participants. Prior to listing, the terms of each contract have been made available for 28 day consultation period and have been reviewed and approved by the DFSA. The contract terms have been developed with the intention of reflecting cash market practices where appropriate and include rules that address the following:

a. Quality standards

DME Rule 10.30 provides that the oil to be delivered under the contract must be the same quality as the oil generally being supplied at the loading port at Mina Al Fahal at the time of loading. The loading port is the same one used for deliveries in the cash market place. Pursuant to Paragraph 2 of the Physical Delivery Procedures attached to the contract, the quality of the oil to be delivered shall be determined by measurement and sampling in the manner customary at the loading port in Mina Al Fahal.

b. Delivery points and facilities

The loading port at Mina al Fahal is the delivery point for the DME's Oman crude oil futures contract. Typically, oil exports through this terminal run in the area of 740,000 barrels per day. The Mina al Fahal port is a deep water port that is located approximately 230 miles outside of the entrance to the Straits of Hormuz and can accommodate variable cargo sizes and ultra large crude carriers. The terminal is able to load three vessels simultaneously, has minimal load port restrictions on vessel draft and best in-class loading measurement and delivery procedures. In addition, as this is a warm weather port, there are no seasonality factors that would restrict the loading activity. Oil exports from Iran, Iraq, Kuwait and Saudi Arabia pass through the strategically important Straits of Hormuz, but Omani crude oil does not. The Straits narrows at its northern-most end to several miles, and the southern end, which opens into the Indian Ocean, is fifty miles wide. The Mina al Fahal port is positioned adjacent to significant U.S. naval presence. The terminal is owned by the Oman government, and is operated by PDO. Scheduling of deliveries is determined jointly by PDO and the Oman Ministry of Oil and Gas. Detailed Physical Delivery Procedures form an annexure to the contract and describe the responsibilities of the parties to the contract, allocation of costs, sampling procedures etc. The Physical Delivery Procedures are Appendix A to Chapter 10 of the DME Rulebook (DME Oman Crude Oil Futures Contract), which is attached as Exhibit A6-1.

c. Delivery period and last trading day

The contract prescribes timeframes for delivery and payment and allows sufficient time for those parties with delivery obligations to acquire the oil and make it available for delivery.

d. Contract size and trading unit

Each contract traded represents 1,000 barrels which is consistent with the quantities traded in the cash markets.

e. Delivery instrument

Consistent with normal cash market practices at the loading port, the terminal operator issues a bill of lading upon completion of loading.

f. Inspection provisions

The Physical Delivery Procedures describe the procedures for measurement, sampling and testing in relation to the quality and quantity of oil to be loaded. Those procedures are consistent with the normal cash market practices at the loading port.

g. Delivery months

Consistent with the commercial needs of market participants and practices in the cash market, contract months are listed for the current year and the following five years.

h. Minimum and maximum price fluctuations

Consistent with cash market practices, prices are quoted in US dollars. The minimum price fluctuation is 1 cent per barrel and there are no maximum price fluctuation limits.

i. Reportable levels

For each contract, the exchange has determined to set reporting levels at 25 contracts.

j. Trading hours

Trading is open from 18.00 U.S. Eastern Standard Time (“EST”) and closes at 17.15 EST the next day, Sunday to Friday.

The Exchange continues to assess the need for position limits but at this stage has determined that they are not necessary for DME contracts, taking into account the absence of any identified squeeze and the lack of concentration in the marketplace relative to the availability of deliverable supply. It should also be noted that DME contracts are not linked to any US contracts, and hence there is no opportunity to avoid position limits in US contracts by trading DME contracts.

To deter and detect abusive or disruptive trading behavior that could result in price distortions, DME conducts ongoing trade practice surveillance which aims to detect “marking” the close or important economic announcements. Market surveillance is also conducted with reviews of block trades and EFPs to ensure the exchange rules concerning size, price and requirements for physical positions are followed. Position reporting is reviewed and position concentrations assessed to determine the capacity for a market squeeze.

The DME Oman Crude Oil Financial Contract also has a strong price correlation to the underlying cash market as it settles based upon the settlement price of the DME Oman Crude Oil Futures Contract. Expiry is on the trading day immediately prior to the last day of trading in the first nearby month of the DME Oman Crude Oil Futures Contract. The settlement price of the DME Oman Crude Oil Futures Contract on the trading day immediately prior to the last day of trading in the first nearby month is the average weighted price (“AWP”) of all outright

transactions in that contract month occurring during a five (5) minute window which ends at 16.30 Singapore time.

Similarly, the DME Oman Crude Oil European Style Option Contract settles off the post close price for the underlying contract month of the DME Oman Crude Oil Futures Contract. The DME Oman Crude Oil European Style Option Contract expires at conclusion of the post close session three trading days prior to the termination date of the underlying DME Oman Crude Oil Futures Contract. On expiration of a call option, the contract value for each option contract will be the product of the strike price being subtracted from the post close price for the underlying contract month of the DME Oman Crude Oil Futures Contract on the expiration date and the result thereof being multiplied by 1,000 barrels, provided that if such product is less than zero, the contract value for each contract will be zero. On expiration of a put option, the contract value for each option contract will be the product of the post close price of the underlying contract month of the DME Oman Crude Oil Futures Contract on the expiration date being subtracted from the strike price and the result thereof being multiplied by 1,000 barrels, provided that if such product is less than zero, the contract value for each contract will be zero.

Full details of the pricing procedures for the DME Oman Crude Oil Futures Contract²⁸, the DME Oman Crude Oil Financial Contract²⁹ and the DME Oman Crude Oil European Style Option Contract³⁰ are contained in the DME Rules, attached as Exhibit A6-1. These pricing procedures should be read in conjunction with the DME Settlement Procedures, attached as Exhibit E6-2.

Hence, the pricing mechanism for both the DME Oman Crude Oil Financial Contract and the DME Oman Crude Oil European Style Option Contract is related to the price of the physically delivered contract which is reliable, timely, publicly available and not readily susceptible to price manipulation or distortion.

E6 (part 2 of 2): for each contract to be listed, describe each investigation, action, proceeding or case involving manipulation and involving such contract in the three years preceding the application date, whether initiated by the foreign board of trade, a regulatory or self-regulatory authority or agency or other government or prosecutorial agency. For each such action, proceeding or case, describe the alleged manipulative activity and the current status or resolution thereof.

DME RESPONSE:

Investigations:

There has been one investigation, action and proceeding in the last 3 years which resulted in disciplinary action. This matter involved trading by Astmax Prop Traders Inc. in the DME Oman Crude Oil Futures Contract. During the period October 2009 to May 2010, a series of wash

²⁸ DME Rulebook, Rule 6.27 and Rule 10.9

²⁹ DME Rulebook , Rules 14.3 and 14.8

³⁰ DME Rulebook, Rules 18.3 and 18.6

trades were executed by Astmax Prop Traders Inc. (“Astmax”) in the OQD Contract. Astmax is a subsidiary of DME Off-Floor Member Astmax Co. Ltd (“Astmax Co.”).

An investigation was undertaken which concluded that one of the Astmax traders deliberately executed the wash trades at issue. The purpose of executing those trades was to set a “mark” which could be used by internal Astmax staff for portfolio valuation purposes. The wash trades typically coincided with the closing of TOCOM - the time when all Astmax portfolios would be valued, but a period when the DME market experiences low liquidity. The investigation concluded that while the wash trade activity was deliberate, there was no intention to artificially manipulate the price of OQD.

DME conducted an analysis to assess the price impact of the wash trades. A similar analysis was also undertaken as part of an Astmax Co. internal investigation. Both analyses found no evidence to suggest the wash trades had artificially manipulated the price of the OQD.

DME concluded that this deliberate wash trade activity represented a violation of DME Rule 4.10(C). Astmax Co. admitted that these wash trades were executed intentionally and that the trading was in violation of DME Rule 4.10(C). An agreement was reached with Astmax Co. on the nature of sanctions imposed.

On January 11, 2011, in accordance with DME Rule 7.11(B) and DME Rules 7.19(A)-(C), the DME Disciplinary Committee approved a Settlement Agreement and Release in respect of this matter. In summary, the agreed sanctions were:

- i. Civil penalties totaling US\$50,000, comprising US\$24,900 for the intentional wash trades and US\$25,100 for the lack of surveillance and monitoring (Note that the actual amount to be paid was reduced to \$25,000 in recognition of the cooperation DME received from Astmax Co. during the investigation);
- ii. an undertaking by Astmax to implement surveillance and monitoring systems; and
- iii. an undertaking by Astmax to implement enhanced compliance and supervisory procedures.

There have not been any investigations concerning other contracts listed by DME.

EXHIBIT F – THE REGULATORY REGIME GOVERNING THE FOREIGN BOARD OF TRADE IN ITS HOME COUNTRY OR COUNTRIES

With respect to each relevant regulatory regime or authority governing the foreign board of trade, attach, as **Exhibit F**, the following (including, where appropriate, an indication as to whether the applicable regulatory regime is dependent on the home country's classification of the product being traded on the foreign board of trade as a future, option, swap, or otherwise, and a description of any difference between the applicable regulatory regime for each product classification type):

(1) A description of the regulatory regime/authority's structure, resources, staff, and scope of authority; the regulatory regime/authority's authorizing statutes, including the source of its authority to supervise the foreign board of trade; the rules and policy statements issued by the regulator with respect to the authorization and continuing oversight of markets, electronic trading systems, and clearing organisations; and the financial protections afforded customer funds.

(2) A description of and, where applicable, copies of the laws, rules, regulations and policies applicable to:³¹

- (i) The authorization, licensure or registration of the foreign board of trade.
- (ii) The regulatory regime/authority's program for the ongoing supervision and oversight of the foreign board of trade and the enforcement of its trading rules.
- (iii) The financial resource requirements applicable to the authorization, licensure or registration of the foreign board of trade and the continued operations thereof.
- (iv) The extent to which the IOSCO Principles are used or applied by the regulatory regime/authority in its supervision and oversight of the foreign board of trade or are incorporated into its rules and regulations and the extent to which the regulatory regime/authority reviews the applicable trading systems for compliance therewith.
- (v) The extent to which the regulatory regime/authority reviews and/or approves the trading rules of the foreign board of trade prior to their implementation.
- (vi) The extent to which the regulatory regime/authority reviews and/or approves futures, option or swap contracts prior to their being listed for trading.
- (vii) The regulatory regime/authority's approach to the detection and deterrence of abusive trading practices, market manipulation, and other unfair trading practices or disruptions of the market.

(3) A description of the laws, rules, regulations and policies that govern the authorization and ongoing supervision and oversight of market intermediaries who may deal with members and other participants located in the United States participants, including:

- (i) Recordkeeping requirements.
- (ii) The protection of customer funds.

³¹ To the extent that any such laws, rules, regulations or policies were provided as part of Exhibit A-5, they need not be duplicated. They may be cross-referenced.

(iii) Procedures for dealing with the failure of a market intermediary in order to minimize damage and loss to investors and to contain systemic risk.

(4) A description of the regulatory regime/authority's inspection, investigation and surveillance powers; and the program pursuant to which the regulatory regime/authority uses those powers to inspect, investigate, and enforce rules applicable to the foreign board of trade.

(5) For both the foreign board of trade and the clearing organisation (unless addressed in Supplement S-1), a report confirming that the foreign board of trade and clearing organisation are in regulatory good standing, which report should be prepared subsequent to consulting with the regulatory regime/authority governing the activities of the foreign board of trade and any associated clearing organisation. The report should include:

(i) Confirmation of regulatory status (including proper authorization, licensure and registration) of the foreign board of trade and clearing organisation.

(ii) Any recent oversight reports generated by the regulatory regime/authority that are, in the judgment of the regulatory regime/authority, relevant to the foreign board of trade's status as a registered foreign board of trade.

(iii) Disclosure of any significant regulatory concerns, inquiries or investigations by the regulatory regime/authority, including any concerns, inquiries or investigations with regard to the foreign board of trade's arrangements to monitor trading by members or other participants located in the United States or the adequacy of the risk management controls of the trading or of the clearing system.

(iv) A description of any investigations (formal or informal) or disciplinary actions initiated by the regulatory regime/authority or any other self-regulatory, regulatory or governmental entity against the foreign board of trade, the clearing organisation or any of their respective senior officers during the past year.

(6) For both the foreign board of trade and the clearing organisation (unless addressed in Supplement S-1), a confirmation that the regulatory regime/authority governing the activities of the foreign board of trade and the clearing organisation agree to cooperate with a Commission staff visit subsequent to submission of the application on an "as needed basis," the objectives of which will be to, among other things, familiarize Commission staff with supervisory staff of the regulatory regime/authority; discuss the laws, rules and regulations that formed the basis of the application and any changes thereto; discuss the cooperation and coordination between the authorities, including, without limitation, information sharing arrangements; and discuss issues of concern as they may develop from time to time (for example, linked contracts or unusual trading that may be of concern to Commission surveillance staff).

(1) (a) A description of the regulatory regime/authority's structure, resources, staff, and scope of authority

DME RESPONSE:

The DFSA is the independent regulator of all financial and ancillary services conducted through the DIFC, a purpose-built free-zone in Dubai. The DFSA's regulatory mandate includes oversight of an international equities exchange and an international commodities derivatives exchange.

The amendment to Article 121 of the United Arab Emirates Constitution enabled the Federation to specify which laws and regulations did not apply in relation to federal financial free zones. Federal Law No.8 of 2004, the Financial Free Zone Law ("FFZ"), contains a disapplication provision which exempts a FFZ and all financial activities from Federal civil and commercial laws within the UAE. This civil and commercial law exemption and the companion power given to an Emirate to issue legislation necessary for the conduct of a FFZ's activities is the key to the development of the DIFC.

In 2004 the FFZ laws effectively created a civil and commercial legislative vacuum in the DIFC. This vacuum was subsequently filled with key Dubai Laws - Dubai Law No. 9 of 2004, Regulatory Law 2004, Markets Law 2004 (to be replaced by a 2012 law), DIFC Judicial Authority Law and 22 DIFC Laws. These laws collectively create the legal, regulatory and judicial framework necessary for a functioning and self-contained international financial services centre.

The Regulatory Law 2004 provides that the DFSA shall be comprised of the Chairman of the DFSA, the DFSA Board of Directors, the Regulatory Appeals Committee and other Committees of the Board as may be duly appointed from time to time, the Financial Markets Tribunal and the Chief Executive and members of his staff.

In addition to the Committees required by statute, the Board has established 4 Committees to assist it in discharging its functions. These are the Legislative Committee, Governance and Nominations Committee, Audit and Risk Committee and the Remuneration Committee. Some Committees include members who are not members of the Board, while the Chairman of the DFSA Board is an ex-officio member of all Board Committees, except the Audit and Risk Committee and the Regulatory Appeals Committee.

The DFSA Board oversees the DFSA Chief Executive and staff and are appointed by His Highness Sheikh Maktoum Bin Mohammed Bin Rashid Al Maktoum, President of the DIFC, for a 3 year term. The structure has been designed to ensure a transparent separation of day-to-day regulatory activities from the oversight of the DFSA's regulatory performance. The Board currently consists of 12 Directors and all but the Chief Executive are independent non-Executive Directors. The members of the Board are leading industry, legal and regulatory experts drawn from major international financial jurisdictions: Saeb Eigner (Chairman), Ian Johnston (Chief Executive), Fadel Abdulbaqi Al Ali, Abdul Wahid Al Ulama, The Hon Apurv Bagri, Michael

Blair QC, Robert L Clarke, Lord Currie of Marleybone, The Earl of Home, Robert Owen, J Andrew Spindler and Georg Wittich.

Regulatory Appeals Committee (“RAC”)

The RAC functions as an “internal” appeal mechanism for DFSA Executive’s regulatory decisions to ensure procedural fairness, objectivity and transparency. The law empowers the RAC to conduct a full merits review of Executive decisions under appeal. Decisions of the RAC may be reviewed by the DIFC Court by way of judicial review on a point of law. More information regarding the RAC may be found under “Doing Business with DFSA” on the DFSA website. The RAC Members are: Robert Owen (Chairman), Michael Blair QC, Robert L Clarke, Georg Wittich, Abdul Wahid Al Ulama, R Douglas Dowie (External Committee Member), William F Kroener, III (External Committee Member), Ermanno Pascutto (External Committee Member), Nada Khneisser Zarka (External Committee Member), Jayshree Gupta (External Committee Member).

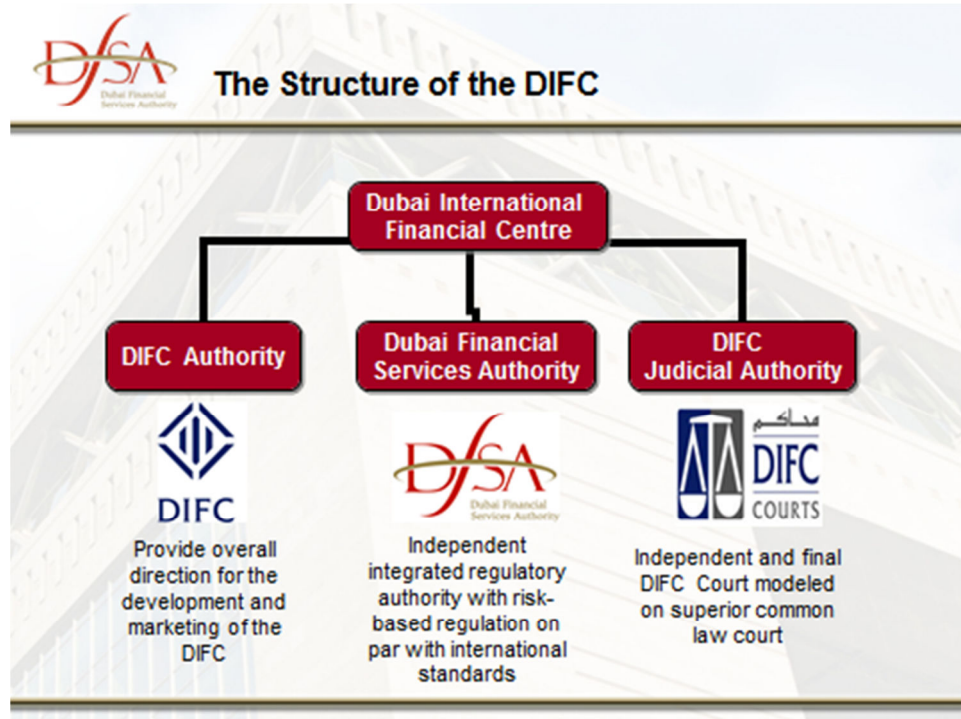
Financial Markets Tribunal (“FMT”)

The FMT serves as an independent financial services disciplinary tribunal to determine breaches of DFSA administered legislation and related regulatory proceedings. It is broadly empowered with a remit and powers comparable to other international integrated financial services regulatory tribunals. The FMT is operationally independent of the DFSA Board and Executive. Decisions on originating proceedings before the FMT may be appealed to the DIFC Court. Decisions of the FMT on appeals of Exchange decisions may be appealed to the DIFC Court on a point of law. To access the Rules of Procedure of the FMT, please refer to the DFSA website. The FMT members are: Stewart Boyd CBE QC (President), John L Douglas, Gavan Griffith QC, Ali Malek QC, David M Stockwell.

The DFSA has approximately 120 staff, organised into the following departments:

- Policy and legal services division - responsible for policy advice and formulation and regulatory legal advice.
- Supervision division - responsible for assessing, monitoring and mitigating risk in Authorised Firms, Ancillary Service Providers and Registered Auditors.
- Markets division - responsible for the licensing and ongoing supervision of exchanges and clearing houses based in the DIFC. It also recognises exchanges, clearing houses and settlement facilities and members located outside the DIFC.
- Enforcement division - enforces DIFC Laws and Rules administered by the DFSA.
- Office of general counsel - provides legal advice and counsel to the Board, committees and management.
- International relations - leads and co-ordinates the DFSA’s role in all international matters and co-operative bi-lateral and multi-lateral efforts.
- Corporate services and operations division - responsible to provide the operational and infrastructure requirements, such as IT, finance, and corporate communications.
- Human resources division - responsible for human resource management.

The structure of the DIFC may be diagrammatically represented as follows:



(b) The regulatory regime/authority's authorizing statutes, including the source of its authority to supervise the foreign board of trade

DME RESPONSE:

The DFSA's responsibilities, powers and authority are clearly set out in legislation. Three key laws provide the responsibilities of the DFSA:

- Dubai Law No. 9 of 2004 as amended by Dubai Law No. 7 of 2011 (the Dubai Law);
- DIFC Law No.1 of 2004 (the Regulatory Law); and
- DIFC Law No 1 of 2012 (the Markets Law).

These prescribe in clear terms the jurisdiction, powers, functions and objectives of the DFSA. The Regulatory Law, Markets Law and the accompanying modules of the DFSA Rulebook and Sourcebook are published on the DFSA website.

Article 4 of the Dubai Law sets out the objectives of the DIFC, including that the DIFC be a financial centre based on principles of efficiency, transparency and integrity. The Dubai Law provides the DFSA with powers and functions associated with its role, including the power to enter into memoranda of understanding and cooperation with similar regulatory bodies, to disclose confidential information to other regulatory authorities for the purpose of assisting them in the performance of their regulatory functions and to exercise powers on behalf of other

regulatory authorities, including conducting investigations and compelling information. Most of these powers are mirrored in the Regulatory Law.

Article 7 of the Dubai Law provides that the DFSA is the body solely responsible for regulation of financial services and related activities in the DIFC. Article 7(5) then describes the powers and functions of the DFSA.

Article 8(3) of the Regulatory Law provides that the DFSA must, when exercising its regulatory powers:

- foster and maintain fairness, transparency and efficiency in the DIFC financial services industry;
- foster and maintain the financial stability of the DIFC financial services industry, including the reduction of systemic risk; and
- prevent, detect and restrain conduct that causes or may cause damage to the reputation of the DIFC or the financial services industry in the DIFC.

The Regulatory Law and Markets Law provide for the enforcement of the DFSA's powers and jurisdiction in the DIFC Court. As an illustration, a person must comply with an order or direction issued by the DFSA. A failure to do so constitutes a contravention in relation to which the DFSA may obtain injunctions and orders from the DIFC Court (see the combined effect of Articles 69, 85 and 92 of the Regulatory Law). Given that the powers and jurisdiction of the DFSA are well defined, particularly by Article 8 of the Regulatory Law, there is little scope for the DFSA to interpret its own authority.

(c) The rules and policy statements issued by the regulator with respect to the authorization and continuing oversight of markets, electronic trading systems, and clearing organisations

DME RESPONSE:

The authorization and continuing oversight is defined in the DIFC Markets Law 2012 pursuant to Part 26: Supervision of Authorised Market Institutions. This includes the following provisions:

(1) Without limiting the application of the Regulatory Law 2004, the DFSA may by written notice direct an Authorised Market Institution to do or not do specified things that the DFSA considers are necessary or desirable to comply with the Law or ensure the integrity of the DIFC, including but not limited to directions:

(a) requiring compliance with any duty, requirement, prohibition, obligation or responsibility applicable to an Authorised Market Institution;

(b) requiring an Authorised Market Institution to act in a specified manner in relation to transactions conducted on or through the facilities operated by an Authorised Market Institution, or in relation to a specified class of transactions;

or

(c) requiring an Authorised Market Institution to act in a specified manner or to exercise its powers under any rules that the Authorised Market Institution has made.

(2) Without limiting the application of Article 75 of the Regulatory Law 2004, the DFSA may, by written notice direct an Authorised Market Institution to:

- (a) close the market or facilities operated by an Authorised Market Institution in a particular manner or for a specified period;*
- (b) suspend transactions on the market or through the facilities operated by the Authorised Market Institution;*
- (c) suspend transactions in Investments conducted on the market or through the facilities operated by the Authorised Market Institution;*
- (d) prohibit trading in Investments conducted on the market or through the facilities operated by the Authorised Market Institution;*
- (e) defer for a specified period the completion date of transactions conducted on the market or through the facilities operated by the Authorised Market Institution;*
- (f) prohibit a specified person from undertaking any transactions on the facilities operated by the Authorised Market Institution; or*
- (g) do any act or thing, or not do any act or thing, in order to ensure an orderly market, or reduce risk to the DFSA's objectives.*

(3) The Regulatory Appeals Committee has jurisdiction to hear and determine any appeal in relation to a decision to issue a direction under Article 26.

27. Staff liabilities at Authorised Market Institutions

Neither an Authorised Market Institution nor any director, officer, employee or agent of an Authorised Market Institution may be held liable for anything done or omitted to be done in the performance or discharge or purported performance or discharge of their respective duties and regulatory functions if the act or omission is shown to have been committed or omitted in good faith.

28. Default Rules at Authorised Market Institutions

- (1) The DFSA may require an Authorised Market Institution to have rules which set out procedures dealing with circumstances where a member is unable to meet its obligations in respect of contracts ("default rules") as a condition of its Licence.*
- (2) The DFSA may, by Rules, prescribe provisions which shall be adopted as part of an Authorised Market Institution's default rules.*

The DFSA Rulebook by way of the Authorised Market Institution Module (AMI) provides the rules for the licensing and continuing licence requirements to be complied with by an AMI. Note that the definition of an AMI includes the Financial Services of Operating an Exchange and, as a separate Financial Services, Operating a Clearing House.

(d) The financial protections afforded customer funds.

DME RESPONSE:

The financial protections afforded to customer funds are provided in different places in the DFSA Rulebook, depending on the role the client takes. The AMI module through its Licensing Requirements in 5.11.1 and 5.11.2– , provides these protections for members of the exchange. These licensing criteria have been provided, in part,below:

5.11.1 An Authorised Market Institution must have an effective market surveillance program to:

- (a) ensures that business conducted on or through its facilities is conducted in an orderly manner and in accordance with the applicable Business Rules and other applicable requirements so as to afford proper protection to investors; and*
- (b) monitors for conduct which may amount to Market Misconduct, financial crime or money laundering.*

Guidance

1. To satisfy the DFSA that Rule 5.11.1(a) is met, an Authorised Market Institution should have rules and procedures in place for:

- a. preventing and detecting the use of its facilities for abusive, improper or fraudulent purposes; and*
- b. preventing the improper, reckless or negligent use of its facilities;*

2. In determining whether an Authorised Market Institution is ensuring that business conducted on its facilities is conducted in an orderly manner, the DFSA will consider:

- a. arrangements for pre and post trade transparency, taking into account the nature and liquidity of the Investments traded; and*
- b. the need to provide anonymity for trading participants.*

5.11.2 (1) Without limiting the generality of Rule 5.11.1, an Authorised Market Institution must:

- (a) operate appropriate measures to identify, deter and prevent Market Abuse, money laundering and financial crime on and through the Authorised Market Institution's facilities; and*
- (b) report promptly to the DFSA any Market Abuse, money laundering and financial crime, as required.*

(2) For the purposes of (1)(a), an Authorised Market Institution must:

- (a) include in its Business Rules a regime to prevent Market Abuse, money laundering and financial crime that meets the requirements in (3), which is applicable to its Members; and*

(b) implement adequate measures to ensure that its Members comply with that regime.

(3) The regime referred to in (2)(a) must, at a minimum, include rules and procedures in relation to:

(a) compliance arrangements to prevent Market Abuse, money laundering and financial crime;

(c) transaction monitoring;

(d) risk assessment; and

(e) training.

Guidance

1. Abusive, improper and fraudulent purposes include:

a. trades intended to create a false appearance of trading activity;

b trades which one party does not intend to close out or settle;

c. conduct which is likely to result in disorderly trading in the market; and

d. any contravention of the provisions in Part 6: Prevention of Market Abuse in the Markets Law..

2. An Authorised Market Institution must have an effective surveillance system in place for:

a. the coordinated surveillance of all activity on or through its facilities and activity in related Investments conducted elsewhere; and

b. communicating information about Market Misconduct and financial crime to the DFSA or appropriate regulatory authorities.

(2) A description of and, where applicable, copies of the laws, rules, regulations and policies applicable to:

(i) The authorization, licensure or registration of the foreign board of trade.

DME RESPONSE:

The relevant laws and rules applicable to an Authorised Market Institution (AMI), including those applicable to the authorization of DME are provided in Exhibit A5-1 – GEN, AMI, REC, COB, AML and RPP.

(2) A description of and, where applicable, copies of the laws, rules, regulations and policies applicable to:

(ii) The regulatory regime/authority's program for the ongoing supervision and oversight of the foreign board of trade and the enforcement of its trading rules.

DME RESPONSE:

The program for ongoing supervision and oversight of Authorized Market Institutions such as DME is defined in the DIFC Markets Law 2012 pursuant to Part 26: Supervision of Authorised Market Institutions - See response under Exhibit F (1)(c) above for further details.

(2) A description of and, where applicable, copies of the laws, rules, regulations and policies applicable to:

(iii) The financial resource requirements applicable to the authorization, licensure or registration of the foreign board of trade and the continued operations thereof.

DME RESPONSE:

The financial resource requirements are provided for under AMI 5.5.4 as per below:

(1) An Authorised Market Institution must, subject to (3) and (4), have and maintain at all times:

(a) the minimum financial resource requirement in (2); and

(b) additional financial resources of a type acceptable to the DFSA which are adequate in relation to the nature, size and complexity of its business to ensure that there is no significant risk that liabilities cannot be met as they fall due.

(2) The minimum financial resource requirement referred to in (1)(a) is:

(a) an amount equal to one half of the estimated gross operating costs of the Authorised Market Institution for the next twelvemonth period; or

(b) such other capital amount as may be specified by the DFSA.

(3) The assets held by an Authorised Market Institution for the purposes of meeting the financial resources requirements in (1):

(a) must be of high quality and sufficiently liquid in order to allow the Authorised Market Institution to meet its current and projected operating expenses under a range of adverse scenarios, including in adverse market conditions; and

(b) must be held, where it comprises cash, by an entity which is a Bank, or a financial institution authorised and supervised by a Financial Services Regulator acceptable to the DFSA with respect to the activity of deposit taking.

(4) An Authorised Market Institution must have systems and controls to enable it to determine and monitor whether its financial resources are sufficient for the purposes of the requirement in (1). For this purpose, the systems and controls of an Authorised Market Institution must address the following factors, with any other factors that are relevant and appropriate to its operations model:

(a) the nature, scale, and complexity of the activities and risks associated with its operations;

(b) the operational, counterparty, market and settlement risks to which it is exposed;

(c) the amount, composition and legal position of its available financial resources; and

(d) its ability to access additional financial resources if required.

(5) An Authorised Market Institution must monitor and manage the concentration of credit and liquidity exposures to commercial banks and clearing Members.

Guidance

1. The minimum financial resource requirement under Rule 5.5.4(1) is designed to ensure that an Authorised Market Institution not only has sufficient financial resources to meet its liabilities as they fall due, but also to allow, if circumstances require, for the orderly wind-down of the Authorised Market Institution's business, while still allowing the institution to meet the applicable requirements, including conditions on its Licence.

2. The systems and controls should enable the Authorised Market Institution to assess whether the financial resources required for it to conduct its affairs are in place at all times. Such assessments should be made periodically or after any significant change or event, whether internal or external, that would have an impact on the operations of the Authorised Market Institution. These assessments are necessary to demonstrate to the DFSA that the Licensing Requirements are being satisfied on an on-going basis.

In determining whether to set a minimum capital amount pursuant to Rule 5.5.4(2)(b), the DFSA will take into account the risks that the Authorised Market Institution poses to the DIFC market and the products which are, or are intended to be, traded, cleared or settled.

The DME confirms that it continues to meet all DFSA Financial Resource Requirements in respect of net capital.

(2) A description of and, where applicable, copies of the laws, rules, regulations and policies applicable to:

(iv) The extent to which the IOSCO Principles are used or applied by the regulatory regime/authority in its supervision and oversight of the foreign board of trade or are incorporated into its rules and regulations and the extent to which the regulatory regime/authority reviews the applicable trading systems for compliance therewith.

DME RESPONSE:

The DFSA endeavors to apply the IOSCO Principles in its supervision and oversight of Authorized Market Institutions. The DFSA was the subject of a favorable IMF FSAP in 2007 covering IOSCO Principles and will be subject to another FSAP in the fourth quarter of 2012. The FSAP assessment as published on the IMF website has been attached for your perusal (Exhibit F2-1).

(2) A description of and, where applicable, copies of the laws, rules, regulations and policies applicable to:

(v) The extent to which the regulatory regime/authority reviews and/or approves the trading rules of the foreign board of trade prior to their implementation.

DME RESPONSE:

The introduction of new rules and the amendment of existing rules are all without exception subject to the approval of the DFSA. This is required under AMI Chapter 5 – as provided below:

Amendments to Business Rules AMI 5.6.4

(1) An Authorised Market Institution may only adopt new Business Rules or make any amendments to existing Business Rules in accordance with the requirements in Rules 5.6.5, 5.6.6 and 5.6.7.

(2) A reference to an amendment in Rules 5.6.5, 5.6.6 and 5.6.7 includes the introduction of a new Business Rule or a change to an existing Business Rule or a proposal to do so.

Public Consultation AMI 5.6.5

(1) An Authorised Market Institution must, subject to Rule 5.6.6, before making any amendment to its Business Rules, undertake public consultation on the proposed amendment in accordance with the requirements in this Rule.

(2) For the purposes of (1), an Authorised Market Institution must:

(a) publish a consultation paper setting out:

(i) the text of both the proposed amendment and the Business Rules that are to be amended;

(ii) the reasons for proposing the amendment; and

(iii) a reasonable consultation period, which must not be less than 30 days from the date of publication, within which Members and other stakeholders may provide comments; and

(b) lodge with the DFSA the consultation paper referred to in (a) no later than the time at which it is released for public comment.

(3) The DFSA may, where it considers on reasonable grounds that it is appropriate to do so, require the Authorised Market Institution to extend its proposed period of public consultation specified in the consultation paper. An Authorised Market Institution must comply with such a requirement.

(4) An Authorised Market Institution must:

(a) facilitate, as appropriate, informal discussions on the proposed amendment with Members and other stakeholders including any appropriate representative bodies of such Persons;

(b) consider the impact the proposed amendment has on the interests of its Members and other stakeholders;

(c) have proper regard to any public comments received.

(5) Following public consultation, an Authorised Market Institution must, before the date on which the proposed amendment comes into effect, lodge with the DFSA:

(a) a summary of any public comments received, and how any issues raised by those comments have been addressed; and

(b) any changes made to the initial proposals as a result of the public comments, and if no changes have been made, a statement to that effect.

Dispensation of Public Consultation *AMI 5.6.6*

(1) The DFSA may, on written application by an Authorised Market Institution, dispense with the requirement in Rule 5.6.5 for public consultation where:

(a) any delay resulting from public consultation is likely to be detrimental to the interests of the DIFC markets; or

(b) either the proposed amendment:

(i) is purely administrative or immaterial; or

(ii) the Authorised Market Institution can demonstrate to the satisfaction of the DFSA that it had taken into account the views and interests of its Members and other stakeholders as appropriate in developing the proposed amendment; and

(c) the Authorised Market Institution complies with the requirements in (2) or (3) as applicable.

(2) An Authorised Market Institution which seeks to dispense with public consultation on the ground referred to in (1)(a) must lodge with the DFSA a statement setting out:

(a) the text of both the proposed amendment and the Business Rules that are to be amended;

(b) the reasons for proposing the amendment;

(c) the grounds on which it believes that a delay resulting from public consultation is likely to be detrimental to the DIFC markets; and

(d) whether any rights or obligations of any Members of the Authorised Market Institution or other participants on its facilities are to be materially adversely affected by the proposed amendment, and if so, what measures are proposed to address such concerns.

(3) An Authorised Market Institution which seeks to dispense with public consultation on the ground referred to in (1)(b) must lodge with the DFSA a statement setting out:

(a) the text of both the proposed amendment and the Business Rules that are to be amended; and

(b) either:

(i) the reasons it believes that the proposed amendment is purely administrative or immaterial; or

(ii) that it had taken into account the views and interests of its Members and other stakeholders as appropriate in developing the proposed amendment.

AMI 5.6.6 Guidance

For the purposes of demonstrating to the DFSA that the Authorised Market Institution had taken into account the views and interests of its Members and other relevant stakeholders, an Authorised Market Institution may rely on the input provided by its user committees where the user committees meet best practice set out in GEN App3, Guidance No. 9–12.

DFSA Approval

AMI 5.6.7

(1) An Authorised Market Institution must seek the DFSA's approval of any proposed amendment to the Business Rules before the rules are to come into effect.

(2) The DFSA will approve the proposed amendment to the Business Rules unless it has reasonable grounds to believe that the proposed amendment is reasonably likely to be detrimental to the interests of the DIFC markets.

(3) Where the DFSA has any concerns about the proposed amendment, it may:
(a) either reject the proposed amendment or request the Authorised Market Institution to withdraw the proposed amendments; or
(b) require the Authorised Market Institution to make appropriate changes to the proposed amendment, with or without public consultation.

(4) The DFSA must give to the Authorised Market Institution reasons for its decisions under (3)(a) or (b) as applicable.

(5) An Authorised Market Institution must, as soon as practicable after receiving the DFSA approval, notify the Members and the public of the amendment to its Business Rules and the date on which the amendment becomes effective.

(6) An Authorised Market Institution may appeal a decision of the DFSA under (3)(a) or (b) to the Regulatory Appeals Committee.

AMI 5.6.7 Guidance

1. The DFSA does not formally approve the proposed amendments at the point of release of the proposed amendment for public consultation; instead that approval occurs at the end of the public consultation period because the DFSA can properly take into account any public comments and changes resulting from public comments only at the end of the public consultation period.

2. However, the DFSA may, upon receipt of the proposed amendment, request an extension of the public consultation period if it considers on reasonable grounds that such an extension is appropriate. The circumstances in which the DFSA may require an extended period of public consultation beyond 30 days include where the proposed amendment is likely to have a significant adverse impact on the Members' rights and obligations or the interests of other participants in the DIFC markets. An Authorised Market Institution may rely on the results of soft consultation with Members and other stakeholders, or with any user committees it has established, to demonstrate that the proposed amendment does not warrant public consultation.

3. Generally, the DFSA expects to have a quick turnaround time in granting formal approval where no public comments have been received on public consultation or the proposed amendment are not extensive.

(2) A description of and, where applicable, copies of the laws, rules, regulations and policies applicable to:

(vi) The extent to which the regulatory regime/authority reviews and/or approves futures, option or swap contracts prior to their being listed for trading.

DME RESPONSE:

Pursuant to AMI 6.2.1 (*Proper Markets*), 6.3 (*Specifications relating to design and trading of Derivatives*), and Appendix 3 (*Contract Delivery Specifications*), the DFSA approves the admission to trading of any new financial instruments (including futures, options or swap contracts). The DME has a rulebook architecture in which contract specifications are defined as chapters of the exchange's business rules. Approval and consultation (soft and public) are therefore subject to the same provisions as referred to under Exhibit F (2)(v) above. Typically, at an early stage in the contract design process and prior to the DFSA's approval, the DME engages with DFSA to identify any preliminary regulatory concerns with regards to the introduction of the contract. This engagement continues throughout the development process until the contract is approved.

(2) A description of and, where applicable, copies of the laws, rules, regulations and policies applicable to:

(vii) The regulatory regime/authority's approach to the detection and deterrence of abusive trading practices, market manipulation, and other unfair trading practices or disruptions of the market.

DME RESPONSE:

The UAE federal criminal laws apply within the DIFC and accordingly, relevant provisions of the UAE Penal Code relating to fraud and dishonesty, misconduct in financial dealings, misuse of information relating to financial dealings as well as handling of proceeds of crime all apply to activities on DME. UAE federal anti-money laundering legislation (Federal Law No. 4 of 2002 and Federal Law No. 1 of 2004) also applies.

The Markets Law 2012 provides the legal framework for market abuse in Part 6: Prevention of Market Abuse. It contains statutory investor protection measures that prohibit any person in the DIFC, and any person outside the DIFC whose conduct affects the DIFC markets or users of the DIFC markets,³² from:

- a) engaging in fraud and market manipulation;
- b) engaging in false or misleading statements;
- c) using fictitious devices or other forms of deception;
- d) engaging in false or misleading conduct and distortion;

³² See Articles 54-61 of the Markets Law 2012.

- e) engaging in insider dealing and providing inside information;³³
- f) inducing persons to deal; and
- g) misusing information.

The DFSA is required to enforce these investor protection measures and has incorporated these provisions within its Rulebook. Some of the DFSA Rules related to investor protection are included in the DFSA COB which is only applicable to Authorised Firms. However, the DFSA has broader enforcement powers under the DFSA ENF Module, which apply also to DME participants who are not DFSA Authorised Firms (or Recognised Members). The DFSA can act against any person if it suspects any possible violations of Markets Law 2012.

The DFSA does not have the direct power to intervene in the DME market and direct the actions of DME market participants, but it does have the power to direct the DME to intervene.³⁴ The DFSA will monitor market activity to ensure compliance with market conduct standards set out in Markets Law 2012. If the DFSA identifies any potential market misconduct it may direct the DME, as an AMI under the DFSA's jurisdiction, to take appropriate measures.

(3) A description of the laws, rules, regulations and policies that govern the authorization and ongoing supervision and oversight of market intermediaries who may deal with members and other participants located in the United States

DME RESPONSE:

Article 41 of the Regulatory Law 2004 (Financial Services Prohibition) prohibits the carrying on of Financial Services in the DIFC unless meeting certain criteria prescribed by the DFSA. Pursuant to Article 42 and 2.2 of the GEN module of the DFSA Rules, various activities are identified as Financial Services.

If a DME member is physically present in the DIFC, it is usually required to be Authorised by the DFSA. If a DME member has no physical presence in the DIFC, such member must usually be Recognised by the DFSA. DFSA regulations provide some narrow exclusions from the Authorisation and Recognition requirements, such as where the entity wishing to trade on DME

³³ While not termed insider trading ("insider dealing" in DIFC law and "undeclared information which might affect price" in UAE Federal law), this conduct is prohibited in both the DIFC and on other UAE exchanges. However, in broad terms, the prohibition only relates to securities and not commodities investments, and as such trading in DME products is excluded from the DFSA and UAE insider dealing rules.

³⁴ Article 26 of Markets Law 2012 Law provides as follows:

"(1) Without limiting the application of the Regulatory Law, the DFSA may by written notice direct an AMI to do or not do specified things that the DFSA considers are necessary or desirable to comply with the Law or ensure the integrity of the financial services industry in the DIFC, including but not limited to directions:

- (a) requiring compliance with any duty, requirement, prohibition, obligation or responsibility applicable to an AMI; or
- (b) requiring an AMI to act in a specified manner in relation to transactions conducted on or through the facilities operated by an AMI, or in relation to a specified class of transactions.
- (c) requiring an Authorised Market Institution to act in a specified manner or to exercise its powers under any rules that the Authorised Market Institution has made.

is a member of the DME, trading on a proprietary only basis, and the entity restricts itself to trading commodity derivatives.³⁵

The DFSA Rules contain minimum criteria which must be met by all applicants for licensing (or recognition) before a license (or recognition) is granted.

Applications to become Authorised

Chapter 7 of the General Module (GEN) of the DFSA Rules, read in conjunction with the guidance set out in the Chapter 2 of the Regulatory Policies and Process Module (RPP) of the DFSA Rules specifies the minimum standards that apply to every Person who carries on, or intends to carry on, one or more Financial Services in or from the DIFC (other than Operating an Exchange, Operating a Clearing House or Operating a Representative Office). The DFSA only considers applications for a licence from an applicant who is a Body Corporate, a Partnership or an unincorporated association. An applicant will only be authorised to carry on one or more Financial Services if the DFSA is satisfied that the applicant is ‘fit and proper’ to hold a licence.

In making an assessment of fitness and propriety, the DFSA considers:

- a) The applicant’s connection with its controllers or any other Person with whom it has close links.
- b) The Financial Services proposed to be provided by applicant.
- c) How the applicant will manage its affairs.
- d) Background and history of the applicant including matters in relation to past conduct.
- e) Ownership and group structure.
- f) Resources, Systems and Controls including ability to continue to comply with requirements, availability of additional sources of capital, availability of sufficient competent human resources, appropriate systems and procedures to support, monitor and manage the applicant’s affairs and appropriate anti money laundering procedures and systems.
- g) Collective suitability of individuals connected to the applicant.
- h) Ability to provide sufficient evidence of the source of funds available to the applicant.

In order to become authorised to carry on one or more Financial Services, the applicant must satisfy the DFSA that it has adequate resources, including financial resources. In making this assessment, the DFSA considers:

- a) Its ability to comply with DFSA prudential requirements;
- b) Liability provisions, including future and contingent liabilities;
- c) Risk management mechanisms; and
- d) The rationale for, and basis of, the applicant’s business plan.

An applicant must be able to demonstrate to the DFSA that it has compliance arrangements, including processes and procedures that will enable it to comply with applicable Rules (GEN 7.2.8). Additional provisions relating to the quality of human resources, compliance arrangements and risk management systems and controls are set out in Chapter 5 of GEN – Management, Systems and Controls

³⁵ Refer to GEN 2.3.2 for further information

All applicants are required to meet initial capital requirements and on-going capital requirements, the minimum level of which is determined by reference to the proposed activities. The table at 2.4 of the Prudential Investment, Insurance Intermediation and Banking module (PIB) of the DFSA Rules sets out the minimum levels (attached as Exhibit H3-1).

The DFSA has a separate unit within the Supervision Division allocated to the processing of applications. The Supervision Module sets out the high level licensing policies of the DFSA, and there are documented procedures and process maps that ensure that application reviews are carried out effectively.

Ongoing obligations

Authorized market intermediaries are subject to a range of ongoing regulatory obligations under the DFSA Rules, which includes but is not limited to the requirements outlined below.

- Capital Adequacy Requirements

All market intermediaries must maintain at all times Capital Resources of at least the amount of its capital requirement which is the higher of the:

- Base Capital Requirement (this is dependent on the services the market intermediary is licensed to provide and ranges from \$10,000 to \$10 million);
- Expenditure Based Capital Requirement (EBCM); or
- The sum of Credit Risk and Market Risk requirements.

Rule 2.2 in the PIB Module of the DFSA Rulebook requires all market intermediaries to have systems and controls in place to monitor their capital requirements and GEN 8.3 requires all market intermediaries to maintain accounting records that are sufficient to show the financial position of the market intermediary on an on-going basis. All market intermediaries are required to provide financial reports to the DFSA on a quarterly basis. Market intermediaries are required to advise the regulator when the level of capital is less than 120% of their minimum capital requirement. All market intermediaries must have their accounting books and annual financial statements audited and are required to submit copies of the audit report to the DFSA.

- Compliance Arrangements

A market intermediary must establish compliance arrangements that are commensurate with the nature scale and complexity of the activities being conducted. These systems must be regularly reviewed to ensure all applicable rules and regulations are met.

- Management Information

Under GEN 5.3.18, market intermediaries are required to establish and maintain arrangements to provide their governing body and senior management with the

information necessary to operate the organisation, comply with legislation and manage risks.

- Audit

The DFSA requires that a firm undertakes regular reviews of its systems and controls. All market intermediaries are required to submit an Auditor's Annual Report (GEN 8.6) which provides a conclusion on whether requirements in relation to financial resources, prudential reporting, Client Money, Insurance Money and Safe Custody have been met. Auditors registered by the DFSA are obliged to disclose to the DFSA any matter which reasonably tends to indicate a breach of a law, rule or regulation.

- Know Your Client and AML Programs

The DFSA's customer identification requirements apply to all Authorised Firms and are set out in the AML Module of the DFSA Rulebook. For AML purposes all market intermediaries must establish and verify the identity of its customers. AML Rule 7 of the AML Module sets out the duties and responsibilities in relation to customer identification requirements

- Suitability Requirements

The DFSA sets out its suitability requirements at Rule 3.4 of the COB Module of the DFSA Rulebook. Market intermediaries are required to undertake an assessment of the client's needs, objectives, financial situation and risk tolerance prior to recommending a transaction or otherwise providing advice to a client.

- Systems & Controls

The DFSA's regulatory framework requires each authorised firm, including market intermediaries, to have a comprehensive range of systems and controls in place which include inter alia, to compliance, audit and operational risk.

- Regulatory Reporting

Market intermediaries are required to provide DFSA with a wide range of periodic and event driven reporting, including notification relating to significant events, fraud and errors, regulatory investigations, winding up, bankruptcy and insolvency.

Supervision

The DFSA sets out its approach to supervision at Chapter 3 of the RPP Module. Supervisors have close and continuous contact with compliance departments of authorized firms and this provides an opportunity to identify deficiencies in compliance or broader control areas. All market intermediaries are subject to a continuous risk management cycle where the frequency of risk assessment visits by the DFSA is driven by the intermediary's risk profile. During such a

visit, all or some aspects of the market intermediary's internal controls will be tested. In addition a market intermediary may be subject to a thematic review where particular aspects of its control environment may be tested. Further, a market intermediary may be subject to a STAR (Supervisory Transaction Testing and Regulatory Inspection) visit if intelligence has been received of material non-compliance e.g. (CII Brokerage).

In the event that a deficiency is identified in the course of supervising the market intermediary it is immediately raised with the market intermediary and may be included as a risk mitigation point following a risk assessment. Typically, a market intermediary would be engaged by the DFSA to resolve the issue within a specified timescale and depending on the seriousness of the deficiencies other supervisory may be utilized such as the appointment of an independent expert to review the compliance function (Article 73 power under the Law) and to recommend remedial actions.

(3) (i) Recordkeeping requirements.

DME RESPONSE:

The DFSA's record keeping requirements are set out at Rule 3.6 in the Conduct of Business (COB) Module of the DFSA Rules. All market intermediaries are subject to a general record keeping requirement of six years. The DFSA sets out at Appendix 1 of the COB Module, specific record keeping requirements in relation to investment business transactions.

(3) (ii) Procedures for protection of client funds

DME RESPONSE:

Under Principle 9 of the principles for Authorised Firms set out in GEN, a market intermediary must arrange proper protection for client assets (including client monies) which it holds or controls. Detailed client asset rules in Chapter 6 of the COB Module of the DFSA Rules, require market intermediaries to have systems and controls in place to ensure that Client assets are identifiable and secure at all times. The rules cover the systems and controls that a market intermediary is required to have in place. They must:

- set out the details for giving and receiving instructions in relation to the mandates that the market intermediary has with its clients;
- include all of the client money/asset mandates that are currently in place; and
- ensure that all transactions conducted under the mandates are recorded and also ensure that the employee or the firm is not acting outside the scope of its authorization when entering into the relevant transactions.

Where a market intermediary holds client money/assets on behalf of a client it must ensure that the monies are held in a segregated account and the account is designated by the bank as a client account. All client money must be paid into a client account within one day of receiving the funds from the client. As client money must be clearly segregated from the market

intermediary's own money in the event of the winding up of a firm assets belonging to clients are clearly segregated and identifiable. Market intermediaries are required to maintain a master list of all client accounts. This list must include the name of the account, the account number and the location of the account which will be of great assistance to a liquidator in the event of one being appointed. There are also requirements imposed on market intermediaries to reconcile the balances in client money accounts with the firm's own record of these balances and also to investigate any differences arising between the two records.

(3) (iii) Procedures for dealing with the failure of a market intermediary in order to minimize damage and loss to investors and to contain systemic risk.

DME RESPONSE:

Notification and detection of financial concerns

All authorised firms are required to notify the DFSA of any breach or expected breach of the DFSA's rules as part of the overarching requirement that a firm must be open and co-operative with the regulator. Specifically where it is likely that a capital requirement has been or will be breached, this must be notified immediately to the regulator.

As part of the DFSA's risk monitoring, identification and mitigation efforts, the DFSA carries out proactive risk assessments, thematic reviews and STAR (Supervisory Transaction Testing And Regulatory Inspection) visits of market intermediaries. Quarterly risk dashboard and supervision risk intelligence reports are considered by DFSA senior management, with the aim of monitoring risks and identifying any emerging trends. The DFSA also holds quarterly meetings with the Central Bank of the UAE, systematic risks and emerging risks are standing items on the agenda for these meetings.

All market intermediaries holding or controlling client assets must produce a Client Money Auditor's report on an annual basis, which assesses the effectiveness of systems and controls in relation to Client money (DFSA Rules, GEN Module 8.6.1). Market intermediaries are also required to submit regular financial reports including, quarterly capital adequacy returns and annual audited accounts to the DFSA. GEN 5.3.16 requires all market intermediaries to maintain a forward looking business plan which includes financial forecasts. This information is utilised by the DFSA to identify any potential early risks in relation to market intermediaries, including the risk of potential failure.

Addressing financial disruption

Rule 11.13 of the GEN Module within the DFSA Rulebook describes the DFSA's powers to impose conditions or a prohibition upon a market intermediary in conducting its business or when in dealing with property. This is particularly useful when there is a risk of loss or other adverse effect upon an intermediary's customers or generally where the DFSA considers that this prohibition or requirement is necessary to ensure customers, firms or the financial system are not adversely affected.

Under the Regulatory Law, the DFSA has a wide range of supervisory and enforcement powers that can be used to deal with a market intermediary that is failing. For example:

- Article 50 of the Law gives the DFSA the power to withdraw a market intermediary's authorisation;
- Article 75 of the Law permits the DFSA to impose restrictions on an intermediary's business (e.g., conducting specific activities) or to specify how an intermediary conducts business; and
- Article 76 of the Law provides the DFSA with power to restrict or prohibit dealings with property including client assets.
- Article 93 of the Law enables the DFSA to apply for a Court to wind up a market intermediary where it views it is just and equitable to do so and in the interests of the DIFC.
- Rule 6.12.4 of the COB Module within the DFSA Rules provides for the orderly wind down of a firm in the event of financial insolvency and also provides against misuse of the clients assets by the market intermediary. Detailed client money rules are set out in Rule 6.11 – 6.14 of the COB Module and also in the related appendices.

Where the firm is part of a group which has a presence in other jurisdictions, the DFSA may also liaise with other regulators pursuant to the terms of a variety of Memoranda of Understanding.

(4) A description of the regulatory regime/authority's inspection, investigation and surveillance powers; and the program pursuant to which the regulatory regime/authority uses those powers to inspect, investigate, and enforce rules applicable to the foreign board of trade.

DME RESPONSE:

The DFSA has comprehensive inspection, investigation and surveillance powers. These include being able to inspect a regulated entity's business operations, including its books and records, without prior notice and on-site.

Under Part 5 of the Regulatory Law, Chapter 1, the DFSA may exercise powers against regulated entities, including an AMI, without commencing an investigation, such as:

- obtain information and documents from all regulated entities - Article 73(1);
- require a regulated entity to provide a report to the DFSA pursuant to Article 73; or
- enter the premises of any regulated entity to inspect and copy documents - Article 73(2).

Under Part 5 of the Regulatory Law, Chapter 2, the DFSA has comprehensive inspection and investigation powers when it commences an investigation pursuant to Article 78 of the Regulatory Law.

Pursuant to Article 80(1) of the Regulatory Law, the DFSA may:

- Enter business premises to inspect and copy information and documents;

- Require the production of information and documents;
- Require a person to attend before it and answer questions under oath or affirmation; and
- Require a person to give reasonable assistance.

(5) A report confirming that the foreign board of trade and clearing organisation are in regulatory good standing, which report should be prepared subsequent to consulting with the regulatory regime/authority governing the activities of the foreign board of trade and any associated clearing organisation. The report should include: (i) Confirmation of regulatory status (including proper authorization, licensure and registration) of the foreign board of trade and clearing organisation. (ii) Any recent oversight reports generated by the regulatory regime/authority that are, in the judgment of the regulatory regime/authority, relevant to the foreign board of trade's status as a registered foreign board of trade. (iii) Disclosure of any significant regulatory concerns, inquiries or investigations by the regulatory regime/authority, including any concerns, inquiries or investigations with regard to the foreign board of trade's arrangements to monitor trading by members or other participants located in the United States or the adequacy of the risk management controls of the trading or of the clearing system. (iv) A description of any investigations (formal or informal) or disciplinary actions initiated by the regulatory regime/authority or any other self-regulatory, regulatory or governmental entity against the foreign board of trade, the clearing organisation or any of their respective senior officers during the past year.

DME RESPONSE:

A letter confirming the items under this section was sent to Mr. Shilts on 28 May 2013. A copy is attached as Exhibit A7-2.

(6) Confirmation that the regulatory regime/authority governing the activities of the foreign board of trade and the clearing organisation agree to cooperate with a Commission staff visit subsequent to submission of the application on an "as needed basis," the objectives of which will be to, among other things, familiarize Commission staff with supervisory staff of the regulatory regime/authority; discuss the laws, rules and regulations that formed the basis of the application and any changes thereto; discuss the cooperation and coordination between the authorities, including, without limitation, information sharing arrangements; and discuss issues of concern as they may develop from time to time (for example, linked contracts or unusual trading that may be of concern to Commission surveillance staff).

DME RESPONSE:

A letter confirming the items under this section was sent to Mr. Shilts on 28 May 2013. A copy is attached as Exhibit A7-2.

EXHIBIT G – THE RULES OF THE FOREIGN BOARD OF TRADE AND ENFORCEMENT THEREOF

Attach, as **Exhibit G-1**, the following:

A description of the foreign board of trade's regulatory or compliance department, including its size, experience level, competencies, duties and responsibilities.

Attach, as **Exhibit G-2**, the following:

A description of the foreign board of trade's trade practice rules, including but not limited to rules that address the following –

- (1) Capacity of the foreign board of trade to detect, investigate, and sanction persons who violate foreign board of trade rules.
- (2) Prohibition of fraud and abuse, as well as abusive trading practices including, but not limited to, wash sales and trading ahead, and other market abuses.
- (3) A trade surveillance system appropriate to the foreign board of trade and capable of detecting and investigating potential trade practice violations.
- (4) An audit trail that captures and retains sufficient order and trade-related data to allow the compliance staff to detect trading and market abuses and to reconstruct all transactions within a reasonable period of time.
- (5) Appropriate resources to conduct real-time supervision of trading.
- (6) Sufficient compliance staff and resources, including those outsourced or delegated to third parties, to fulfill regulatory responsibilities.
- (7) Rules that authorize compliance staff to obtain, from market participants, information and cooperation necessary to conduct effective rule enforcement and investigations.
- (8) Staff investigations and investigation reports demonstrating that the compliance staff investigates suspected rule violations and prepares reports of their finding and recommendations.
- (9) Rules determining access requirements with respect to the persons that may trade on the foreign board of trade, and the means by which they connect to it.
- (10) The requirement that market participants submit to the foreign board of trade's jurisdiction as a condition of access to the market.

Attach, as **Exhibit G-3**, the following:

A description of the foreign board of trade's disciplinary rules, including but not limited to rules that address the following –

- (1) Disciplinary authority and procedures that empower staff to recommend and prosecute disciplinary actions for suspected rule violations and that provide the authority to fine, suspend, or expel any market participant pursuant to fair and clear standards.
- (2) The issuance of warning letters and/or summary fines for specified rule violations.
- (3) The review of investigation reports by a disciplinary panel or other authority for issuance of charges or instructions to investigate further, or findings that an insufficient basis exists to issue charges.
- (4) Disciplinary committees of the foreign board of trade that take disciplinary action via formal disciplinary processes.
- (5) Whether and how the foreign board of trade articulates its rationale for disciplinary decisions.
- (6) The sanctions for particular violations and a discussion of the adequacy of sanctions with respect to the violations committed and their effectiveness as a deterrent to future violations.

Attach, as **Exhibit G-4**, the following:

A description of the market surveillance program (and any related rules), addressing the following –

The dedicated market surveillance department or the delegation or outsourcing of that function, including a general description of the staff; the data collected on traders' market activity; data collected to determine whether prices are responding to supply and demand; data on the size and ownership of deliverable supplies; a description of the manner in which the foreign board of trade detects and deters market manipulation; for cash-settled contracts, methods of monitoring the settlement price or value; and any foreign board of trade position limit, position management, large trader or other position reporting system.

Attach, as **Exhibit G-1**, the following:

A description of the foreign board of trade's regulatory or compliance department, including its size, experience level, competencies, duties and responsibilities.

DME RESPONSE:

The DME Compliance Department is primarily responsible for facilitating compliance with DME's obligations as an Authorised Market Institution. There are two distinct components to this role:

1. Monitoring of trading undertaken through the exchange and oversight of Members of the exchange to ensure and enforce compliance with the DME Rules.
2. Ensuring that DME meets its regulatory obligations under the DFSA Rules and in other jurisdictions where DME offers access.

DME's compliance team is independent from its commercial and marketing departments. The activities of the Compliance Department are overseen by the Compliance Review Committee, which is a sub-committee of the DME Board. The DME Compliance Department has a permanent headcount of 4 employees and is led by a Compliance Officer.

Ms. Uzma Mariam Ahmed was appointed as the Head of Compliance on August 1, 2013. In that position she has primary responsibility for the compliance and regulatory functions within the Exchange. Prior to that role she was the Senior Manager of Compliance and Regulatory Affairs for one year at the DME. Before joining the DME Ms. Ahmed was an associate in the Chicago office of Foley & Lardner LLP, a large international law firm. While at Foley, Ms. Ahmed specialized in securities and commodities regulation, representing brokerage firms, institutional investors and exchanges. Ms. Ahmed has a law degree from Northwestern University and an undergraduate degree in finance from Benedictine University. She is an Illinois licensed attorney.

Responsibilities within the department are assigned to three distinct units, each led by a Senior Manager based in Dubai. These three units are Compliance & Regulatory Affairs, Membership Surveillance and Trade Surveillance. The Compliance Department is also supported by an administrative assistant.

Compliance & Regulatory Affairs

The key responsibilities of the Compliance & Regulatory Affairs unit include:

- (a) Maintaining the compliance program for DME's ongoing regulatory obligations
- (b) Developing and revising internal procedures and controls

- (c) Regulatory relationship management and reporting
- (d) Maintenance and updates to the DME Rulebook
- (e) Advice to members, customers and staff on Rulebook requirements
- (f) Compliance training

The position of Senior Manager – Compliance & Regulatory Affairs is currently vacant, and the Department is actively engaged in recruiting for the position
Membership Surveillance

The key responsibilities of the Membership Surveillance unit include:

- (a) Review of due diligence on new member applications, membership transfers and cancellations
- (b) Member reviews, including risk based member audits and oversight of DEA Customers
- (c) Management of the exchange’s AML Program
- (d) Collation and analysis of member reporting
- (e) Customer and member complaints
- (f) Oversight of financial surveillance (outsourced to CME Group)

The role of Senior Manager - Membership Surveillance is currently vacant. Duties are being covered by other members of the Compliance Department.

Trade Surveillance

The key responsibilities of the Trade Surveillance Unit include:

- (a) Trade Practice Surveillance for all trading activity on the exchange
- (b) Market Surveillance and monitoring the physical delivery process
- (c) Settlement for DME Contracts
- (d) Investigations and enforcement actions concerning rulebook violations

The Senior Manager - Trade Surveillance is Mr. Melroy Verghese. Mr. Verghese has over nine years of trade and market surveillance experience, working at DME and the Bombay Stock Exchange (“BSE”), India. Earlier in his career, Mr. Verghese worked in Market Risk Management at Standard Chartered Bank, Mumbai and Ahli United Bank, Bahrain. He has a Masters in Commerce from the University of Mumbai, India and a MBA in Finance from ENPC (India campus).

Under DME's control and direction, CME Group staff provide certain services under the NYMEX GSA, to assist DME in market regulation. This includes licensing of surveillance systems and investigative tools, including system development, administration and support. Specific CME Group employees, on behalf of NYMEX, perform regular market and trade practice surveillance. The results of those reviews are discussed with DME employees on a weekly conference call. The scope of this assistance is detailed in Part B of Exhibit A to the NYMEX GSA. It includes:

- (a) Market and trade surveillance systems and surveillance
- (b) Financial surveillance
- (c) Provision of regular data for reporting to DFSA and other appropriate regulators
- (d) Assistance in investigations

Independence, the Board and Compliance Review Committee

Pursuant to AMI Module 5.2.3 and 5.3.1 of the DFSA Rules, key individuals, including the CEO and Compliance Officer, must have unfettered, direct access to the Board. For this reason, the Compliance Officer, whilst reporting internally to the CEO, also has a direct line of communication to the Board through the Chairman of the Compliance Review Committee.

The Compliance Review Committee reviews DME's compliance and self-regulatory performance. The Compliance Review Committee comprises three directors. It is chaired by Roy Leighton, one of the independent board members. The role of the Compliance Review Committee includes, amongst other things:

- (a) Review and recommend to the Board necessary or appropriate amendments, alterations or additions to the Rules and Regulations of the DME including but not limited to the DME disciplinary policies and the Rules on Members' conduct, disciplinary and compliance matters.
- (b) Review and recommend to the Board matters concerning the compliance activities, self-regulatory duties, and disciplinary policies of the DME.
- (c) Review and make recommendations to the Board on all matters relating to DME's Licensing Requirements for Authorised Markets Institutions under DFSA Rules.
- (d) Recommend to the Chairman or relevant chairmen persons who, in the opinion of the Committee, have the ability, maturity, judgment and other qualities to serve as a member of the Disciplinary Committee and the Appeal Committee.
- (e) Direct the policies and procedures of the Disciplinary Committee and/or the Appeal Committee.
- (f) Direct the Disciplinary Committee or the Compliance Department to investigate a particular matter or matters or a particular person or persons when, in the opinion

of the Committee, such investigation is necessary or proper to comply with the Licensing Requirements or in the fulfillment of the self-regulatory duties of the DME.

- (g) Review and consider the training and education requirements for Members and Users;
- (h) Consider and determine requests by Members for waiver of some or all training and education requirements.
- (i) Review the company's whistle blowing arrangements to ensure employees are able to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

Attach, as **Exhibit G-2**, the following:

A description of the foreign board of trade's trade practice rules, including but not limited to rules that address the following –

- (1) Capacity of the foreign board of trade to detect, investigate and sanction persons who violate foreign board of trade rules.

DME RESPONSE:

DME has a rulebook which specifically prohibits a range of abusive trading practices and gives DME the capacity to detect, investigate and sanction persons who violate those rules. Each of these areas is discussed in more detail in the remaining sections of Exhibit G-2 below. In particular, refer to:

- G-2(2) for a description of rules relating to abusive trading practices;
- G-2(3) and G-2(8) for a description of mechanisms used to detect and investigate rule violations; and
- G-3 for a description of rules relating to enforcement and sanctions.

Attach, as **Exhibit G-2**, the following:

A description of the foreign board of trade's trade practice rules, including but not limited to rules that address the following –

- (2) Prohibition of fraud and abuse, as well as abusive trading practices including, but not limited to, wash sales and trading ahead, and other market abuses.

DME RESPONSE:

The relevant DFSA provision relating to market abuse, financial crime and money laundering is AMI Module 5.11.2 which obliges DME to operate appropriate measures to identify, deter and prevent market misconduct, financial crime and money laundering on and through the AMI's facilities. The rule also requires DME to notify the DFSA of any concerns that the DME has concerning market misconduct, financial crime and money laundering. The DME's business practices, procedures and Rules satisfy the DFSA Licensing Requirements specified in AMI Module 5.11.2. Additionally, in accordance with its notification obligations under AMI Module 9.10.4, DME has put in place procedures for notifying the DFSA and any other relevant regulatory body of any evidence that any person has engaged in market misconduct or financial crime.

DME Rule 4.10 identifies and prohibits a number of practices which might reasonably be expected to have an adverse impact on any market on the Exchange or which is unfair to customers or other market participants or which contravenes any Market Conduct Requirement. This includes, inter alia, a prohibition on wash trades, front running, accommodation trades and false trades, trading with unfair access to information and trading which would create a misleading impression of activity in the market. DME Rule 4.10, prohibit trading ahead of customer orders, while 6.22 and 6.23 prescribe restrictions around the circumstances in which pre-negotiated trades and transfer trades can take place.

Attach, as **Exhibit G-2**, the following:

A description of the foreign board of trade's trade practice rules, including but not limited to rules that address the following –

- (3) A trade surveillance system appropriate to the foreign board of trade and capable of detecting and investigating potential trade practice violations.

DME RESPONSE:

Pursuant to the DFSA Rules, AMI Module 5.5.1(2), an Exchange must have systems and controls in relation to the supervision and monitoring of transactions on its facilities. DME has implemented an effective monitoring and surveillance program to detect and deter the use of its facilities for the purposes of misconduct, financial crime and money laundering.

Pursuant to the NYMEX GSA, DME, in conjunction with CME Group Market Regulation, carries out electronic trade practice surveillance in order to prevent and detect breaches of DME Rules. On a daily basis, trading in DME contracts is reviewed by the DME Trade Surveillance Unit and also by an analyst within the CME Group Market Regulation team. Items of a sensitive nature are discussed between DME and CME analysts on a daily basis when necessary. Results of reviews are also discussed with DME and CME compliance management on a weekly basis, during the DME / CME team call.

Trade practice surveillance is conducted using SMART, CME's computerized surveillance system, which aims to detect possible trading violations and to assist in the investigation of trade practice misconduct. SMART is a flexible system that allows analysts to select default or customized parameters in order to create reports that focus on particular types of trading violations, members, or types of rule violations.

Specifically, SMART is used to detect the following types of trading abuses:

- trading ahead;
- pre-arranged trading, such as wash trades;
- "unfair" fill prices;
- abusive improper trading at the high or low of any day/time period;
- fraudulent trading activity on day trading accounts; and
- abusive or improper cross trades.

Where the Exchange believes that there may have been a rule violation, the matter will be further investigated. DME has broad information gathering and inspection powers, contained in DME Rule 4.8. Where rule breaches are believed to exist, they will be addressed in accordance with DME's disciplinary procedures contained in Chapter 7 of the DME Rules. Refer to Exhibit G-2 (8) (below) for further information.

Attach, as **Exhibit G-2**, the following:

A description of the foreign board of trade's trade practice rules, including but not limited to rules that address the following –

- (4) An audit trail that captures and retains sufficient order and trade-related data to allow the compliance staff to detect trading and market abuses and to reconstruct all transactions within a reasonable period of time.

DME RESPONSE:

The relevant DFSA provisions, to which the DME is subject, relating to the keeping of audit trails of transactions, are AMI Module 5.9.3(a-b). These stipulate that an AMI must ensure that satisfactory arrangements are made for recording the activity and transactions effected on or through its facilities and ensure that satisfactory arrangements are made for maintaining the activity and transaction records for at least 6 years. As described in Exhibit D-2(3) above, DME has made satisfactory arrangements for recording activity and transactions effected on or through the facilities as well as maintaining an audit trail of activity and transactions for at least six years.

DME Compliance Staff, in conjunction with staff from the CME Group Market Regulation Department, are able to view trade records using a variety of systems including SMART, Front End Clearing, Firmsoft and RAPID. These systems provide sufficient order and trade-related data to allow the compliance staff to detect trading and market abuses and to reconstruct all transactions within a reasonable period of time

Attach, as **Exhibit G-2**, the following:

A description of the foreign board of trade's trade practice rules, including but not limited to rules that address the following –

- (5) Appropriate resources to conduct real-time supervision of trading.

DME RESPONSE:

Pursuant to Part B of Exhibit A to the GSA, DME has access to CME Group systems such as Firmsoft and FEC, which assist surveillance staff to conduct ongoing, real time supervision of trading.

In addition to real time surveillance conducted by DME, CME Group Market Regulation staff are available to provide support after hours.

Finally, the GCC is a trading help desk with visibility into the DME markets and provides ongoing round the clock supervision and assistance in relation to trading in DME contracts. GCC has contact details for DME compliance staff in case issues arise out of DME office hours.

Attach, as **Exhibit G-2**, the following:

A description of the foreign board of trade's trade practice rules, including but not limited to rules that address the following –

- (6) Sufficient compliance staff and resources, including those outsourced or delegated to third parties, to fulfill regulatory responsibilities.

DME RESPONSE:

As outline in Exhibit G-1 (above), DME Compliance Department currently has a staff of two people, including one full time resource permanently dedicated to supervision of trading. In addition to the one dedicated surveillance resource, an additional member of the Compliance Department provides surveillance support in a backup capacity.

CME Group also provides access, support and maintenance for surveillance systems as well as dedicated surveillance analysts to conduct both trade practice surveillance and market

surveillance. Staff from the Market Regulation Department at CME Group are also available to assist with investigations when necessary.

Attach, as **Exhibit G-2**, the following:

A description of the foreign board of trade's trade practice rules, including but not limited to rules that address the following –

- (7) Rules that authorize compliance staff to obtain, from market participants, information and cooperation necessary to conduct effective rule enforcement and investigations.

DME RESPONSE:

The Exchange has broad authority to obtain information from market participants. Pursuant to DME Rule 4.8, the Compliance Officer or designee shall be entitled at any time to inspect member premises and take copies of the records, trading information, books of account and other documentation, howsoever made and retained, for the purposes of ensuring compliance with the DME Rules.

DME Rule 4.9 requires members to deal with the Exchange in an open and co-operative manner and to co-operate fully and openly with any other agency or enforcement body having responsibility for the detection and prevention of market misconduct or financial crime.

DME is permitted to pass on any information it deems appropriate to the relevant authorities, for the purposes of prevention or detection of financial crime (Rule 4.8(F)).

Through its membership of the Intermarket Surveillance Group ("ISG"), agreements are in place which enable the DME Trade Surveillance Unit to share and request information with other member exchanges when necessary.

Attach, as **Exhibit G-2**, the following:

A description of the foreign board of trade's trade practice rules, including but not limited to rules that address the following –

- (8) Staff investigations and investigation reports demonstrating that the compliance staff investigates suspected rule violations and prepares reports of their finding and recommendations.

DME RESPONSE:

The Compliance Department is authorized by the Compliance Officer to make routine enquiries into any trading conducted on the Exchange. Pursuant to the DME Rulebook, the Compliance Department has the power to ask for information and members, DEA Customers and their

employees are required to co-operate fully with the Compliance Department's requests for information.

Where trading anomalies are noted, a market participant may be asked to provide further details relating to their conduct. Where there is sufficient cause for concern following consideration of the responses to those inquiries, a formal investigation may be opened.

Following completion of a formal investigation, an Investigative Report must be compiled and must be submitted to the Disciplinary Committee pursuant to DME Rule 7.11. Following review of the Investigative Report, the Disciplinary Committee will consider whether a reasonable basis exists for concluding that a rule breach has occurred. The Disciplinary Committee may determine³⁶:

- that there is no reasonable basis to conclude that a rule breach has occurred;
- that a warning letter should be issued to the effect that there is a reasonable basis to conclude that a rule breach has occurred, but considering all the circumstances no disciplinary proceedings will be initiated against a member; or
- refer the matter to a Hearing Panel.

A Hearing Panel can then make a decision on whether a breach occurred and the nature of the sanctions to be imposed (where necessary)³⁷.

Full details of the investigation and disciplinary process are contained in chapter 7 of the DME Rules.

The surveillance, monitoring and investigations undertaken by the Trade Surveillance Unit of the Compliance Department are subject to review by the internal audit function on an annual basis to ensure that compliance staff investigate suspected rule violations.

Attach, as **Exhibit G-2**, the following:

A description of the foreign board of trade's trade practice rules, including but not limited to rules that address the following –

- (9) Rules determining access requirements with respect to the persons that may trade on the foreign board of trade, and the means by which they connect to it.

³⁶ See DME Rule 7.12 for further information

³⁷ See DME Rule 7.16 -7.20 for further information

DME RESPONSE:

Pursuant to chapter 2 of the DME Rules³⁸, all Equity Members, Off-Floor Members and Clearing Members are granted access to the GLOBEX trading platform.

In addition to members, Rule 4.15 allows DEA Customers to have direct access to GLOBEX. Each DEA Customer is required to maintain an account with a Clearing Member who in turn financially guarantees the DEA Customers' transactions.

Only a Clearing Member may guarantee a member or DEA Customer to trade on the exchange and clear trades on the exchange³⁹. Clearing Members controls access to the trading platform and any member or DEA Customer must sign a Customer Connection Agreement prior to obtaining access.

At the time of connection, each member and DEA Customer will receive a unique User ID and password (together, earlier defined as "Passwords") for each Authorised Terminal User to enable access to the GLOBEX system⁴⁰. Each member or DEA Customer is responsible for ensuring that their Authorised Terminal User(s) are suitable and competent. There are no limits to the number of Authorised Terminal Users that may be appointed.

Each member and DEA Customer will be responsible for protecting and monitoring the use of its Passwords and will be required to limit use of the Password to that individual who has been nominated to have access to the system. Members and DEA Customers are under an obligation to notify the DME Membership Department immediately of any unauthorised disclosure or use of its Passwords, unauthorised access to the system or any need to deactivate any Passwords.

Pursuant to DME Rule 6.3(A), Members will be responsible and liable for all trades entered into the system using their Passwords, whether they have actually authorised such trades or not. They must take such steps as are necessary to prohibit any person from using that Password other than the person to whom the Exchange has assigned that Password. Only registered Authorised Terminal Users may enter orders on DME. The member or DEA Customer with whom an Authorised Terminal User is registered will be responsible and liable for all acts and omissions of that Authorised Terminal User.

No person may use a Password not assigned to him by the Exchange, or disclose or knowingly permit the use by another of the Password assigned by the Exchange. Each member and DEA Customer must notify the Exchange immediately upon becoming aware of:

- a) any unauthorised disclosure or use of any Password;
- b) any unauthorised access to GLOBEX; or

³⁸ Refer to DME Rule 2.1 (D),(E) & (F)

³⁹ DME Rule 2.1

⁴⁰ Refer to DME Rule 2.2 and DME Rule 6.3

- c) the need to deactivate any Password for which the member is responsible pursuant to Rule 6.3(A) for activity resulting from its use.

The Exchange may monitor access to and utilisation of GLOBEX by any person. DME is able to suspend and deny access to its systems on a summary basis. It is also able to take summary proceedings against members or employees for offences committed. Where either the CEO (or his designate) or the Compliance Officer (or his designate) has a reasonable belief that summary action is necessary to protect the best interests of the marketplace, DME may suspend or take other summary action.

Attach, as **Exhibit G-2**, the following:

A description of the foreign board of trade's trade practice rules, including but not limited to rules that address the following –

- (10) The requirement that market participants submit to the foreign board of trade's jurisdiction as a condition of access to the market.

DME RESPONSE:

Pursuant to Rule 5.7.2(2) of the AMI Module, DME must not admit as a member unless they agree in writing to submit unconditionally to the jurisdiction of the DFSA and DIFC Courts in relation to any matters which arise out of the use of DME facilities.

At the time of becoming members, all Equity Members, Off-Floor Members and Clearing Members sign a membership agreement in which they undertake to be bound by the terms of the DME Rules. Prior to granting access, Clearing Members are also required to obtain an undertaking from DEA Customers that they are bound directly by the DME Rulebook and are under the jurisdiction of DME's disciplinary regime (see DME Rule 4.15(c)(1)).

Pursuant to DME Rule 4.15(H), each DEA Customer shall be subject to disciplinary action as a result of any acts and omissions which breach the DME Rules, whether such action is taken by their directors, officers, partners, employees and other representatives.

DME Rule 7.1 states that all Members and DEA Customers shall be subject to the jurisdiction of the Exchange for the purposes of Disciplinary Rules under Chapter 7 of the DME Rulebook.

Attach, as **Exhibit G-3**, the following:

A description of the foreign board of trade's disciplinary rules, including but not limited to rules that address the following –

- (1) Disciplinary authority and procedures that empower staff to recommend and prosecute disciplinary actions for suspected rule violations and that provide the authority to fine, suspend, or expel any market participant pursuant to fair and clear standards.

- (2) The issuance of warning letters and/or summary fines for specified rule violations.
- (3) The review of investigation reports by a disciplinary panel or other authority for issuance of charges or instructions to investigate further, or findings that an insufficient basis exists to issue charges.
- (4) Disciplinary committees of the foreign board of trade that take disciplinary action via formal disciplinary processes.
- (5) Whether and how the foreign board of trade articulates its rationale for disciplinary decisions.
- (6) The sanctions for particular violations and a discussion of the adequacy of sanctions with respect to the violations committed and their effectiveness as a deterrent to future violations.

DME RESPONSE:

DME has clearly defined arrangements for enforcing its Rules and entering into settlement arrangements in relation to alleged rule violations, where appropriate. All members and DEA Customers sign an undertaking to be bound by the DME Rules, which includes Chapter 7 of the rulebook, dealing with disciplinary procedures. This undertaking forms the basis of DME's disciplinary authority which empowers staff to recommend and prosecute disciplinary actions for suspected rule violations and that provide the authority to fine, suspend, or expel any market participant for rule violations. This undertaking also provides the disciplinary authority to enforce decisions made by DME Disciplinary Committee, Hearing Panel and Appeals Committee (discussed in more detail below). Chapters 2 and 7 of the DME Rules also provide for the issuance of warning letters and/or summary fines for specified rule violations.

Enforcement of compliance with DME Rules and settlement arrangements is the responsibility of DME's Compliance Department and this is carried out in accordance with DME's Disciplinary Rules, set forth in Chapter 7 and Chapter 2 of the DME Rulebook. Chapter 7 of the DME Rules also establishes the procedures for the review of investigative reports by the DME Disciplinary Committee and describes the nature of decisions and instructions which they may decide upon including issuance of charges for consideration by a Hearing Panel or instructions to investigate further and findings that an insufficient basis exists to issue charges. Rule 7.12(F) provides for the issuance of warning letters.

DME's Disciplinary Rules were originally derived from those in place at NYMEX, but they have been adapted, primarily to comply with the requirements of the DFSA. As part of these arrangements, DME has procedures to deal effectively with complaints about the conduct of its members and DEA Customers. Such complaints and any potential rule violations uncovered as a result of monitoring and surveillance will be investigated promptly and rigorously by the Compliance Department. The investigative process itself is subject to careful review by the Disciplinary Committee, which is drawn from a panel comprising both independent industry

professionals and member representatives with compliance and other control related backgrounds. If the Compliance Department and Disciplinary Committee are satisfied that there is a reasonable basis to conclude that a rule violation has occurred, the matter may be referred to a Hearing Panel for complete review and determination of sanctions to be imposed. Potential rule violations may also be referred to other regulatory authorities for action as appropriate.

Where considered appropriate, the Disciplinary Committee may determine to refer a matter for consideration by the Hearing Panel. The Hearing Panel is appointed by the chairman of the Membership Committee and consists of a chairman and no fewer than two (2) lay members. The chairman of the Hearing Panel must have been a lawyer by profession for at least ten (10) years who has relevant experience and who is not a member or a director, officer or employee of any member or of any affiliate of any member. A lay member of the Hearing Panel may be a member or director, officer or employee of a member or of an affiliate of a member. No member of the Disciplinary Committee may serve on a Hearing Panel.

The Disciplinary Rules provide for a respondent's case to be heard and decided fairly and impartially, within a reasonable time, and for a respondent to be penalized appropriately if found to have breached a Rule. The Hearing Panel must issue a written decision which includes a summary of the evidence produced and a statement of the findings and conclusions of the Hearing Panel with respect to each charge. Where considered appropriate, sanctions may be imposed which, depending upon the seriousness of the offense, may include censures, fines, orders of restitution, membership suspension or expulsion or restrictions upon access to the trading platform (or some combination of these).⁴¹

Where a Hearing Panel decides to impose a fine, the quantum of the fine is determined taking into account a number of factors prescribed within DME Rule 7.21. These include:

- 1) the seriousness and potential impact of the Rule breach;
- 2) whether the Rule breach was deliberate or reckless;
- 3) the extent to which the Respondent has accrued profits or avoided losses as a result of the Rule breach;
- 4) where the Respondent is an individual, the financial resources available to him or her and the potential effect on his or her livelihood;
- 5) where the Respondent is a corporate body, unincorporated association or partnership, the size of the Respondent and the financial resources available to it;
- 6) the disciplinary and compliance history of the Respondent;
- 7) whether the fine is to be combined with another penalty;
- 8) the extent to which the Respondent co-operated in the Exchange's investigation; and
- 9) any other relevant circumstance of which the Hearing Panel is, or has been made, aware in relation to the Respondent.

In all disciplinary cases, the decision of a DME Hearing Panel may be appealed to an independent and impartial Appeal Committee composed of three members. The chairman and

⁴¹ See DME Rules 7.5(B) and (C).

alternate must be lawyers by profession, with at least ten years practice, who have relevant experience and who are not a director, officer or employee of any member or any affiliate of any member. The procedures for the hearing of appeals are such as to ensure that an appellant's case is dealt with promptly and fairly. The Appeals Committee must issue a written decision which includes the reasons for its findings and conclusions.

Disciplinary action is generally notified to market participants by way of member notice, setting out the nature of the sanction and the facts supporting the decision. An example of disciplinary action taken by DME may be found in Member Notice 11-006 (attached as Exhibit G3-1), published on 1 February 2012, which concerns a fine levied upon Japanese firm, Astmax Co. Ltd. following investigation into wash trade activity. In that case, the fine was supplemented with an undertaking by Astmax to improve their monitoring and surveillance program. Accordingly, the sanctions imposed reflected both a need to provide a deterrent which discouraged the offensive conduct, but also contained an undertaking for tangible positive steps to be undertaken by the firm which would help avoid future rule violations.

As an AMI, DME is also required to have effective arrangements for the investigation and resolution of complaints in connection with the performance, or failure to perform, any of its regulatory functions⁴². The complaints process is contained in DME Rule 4.12.

Note that pursuant to outsourcing arrangements, CME Group may, when required, also be called upon to provide further support, particularly in relation to information sharing and investigative assistance.

Attach, as **Exhibit G-4**, the following:

A description of the market surveillance program (and any related rules), addressing the following –

The dedicated market surveillance department or the delegation or outsourcing of that function, including a general description of the staff; the data collected on traders' market activity; data collected to determine whether prices are responding to supply and demand; data on the size and ownership of deliverable supplies; a description of the manner in which the foreign board of trade detects and deters market manipulation; for cash-settled contracts, methods of monitoring the settlement price or value; and any foreign board of trade position limit, position management, large trader or other position reporting system.

DME RESPONSE:

On a day to day basis, market surveillance is undertaken by the Senior Manager, Trade Surveillance. Under the terms of the GSA, staff from the market regulation function of CME Group also assist the DME in performing market surveillance. DME, however, maintains overall control of the monitoring and surveillance program.

⁴² Refer to Rules 5.12.2 and 9.7.1, AMI Module, DFSA Rules

This includes monitoring of futures and cash market prices, market news, volume and open interest and data on positions in each DME contract. For price monitoring, consideration is given to market developments, changes in futures and cash prices and spread relationships in the DME market.

The Surveillance Unit utilizes third-party data providers such as the Bloomberg, which provides real-time news, cash market prices and the ability to chart historical price relationships for the DME market. Analysis also takes into account records of historical exchange prices, the data sheet and market intelligence sourced from trade publications.

Volume and open interest monitoring is carried out by the Trade Surveillance Unit. This includes a review of trading volume and open interest for DME contracts on a daily basis. Volume data for DME contracts is available online and can be sorted by contract and trade date. Open interest data can be obtained Daily Open Interest Reports generated by CME Group for DME futures. Exceptions reports generated by the Large Trade Reporting System enable analysts to determine what percentage of open interest a reportable trader's position represents. Historical data for DME contracts on price, volume, and open interest is available for review as well as intra-day volume data and daily position "snap shots" for any Clearing Member.

Pursuant to DME Rules and Clearing House rules, Clearing Members, Omnibus Accounts and foreign brokers are required to provide the Clearing House and CFTC with close of business position data for all accounts which exceed reportable levels (currently 25 contracts). The Clearing House in turn makes DME large trader reporting data available to the CFTC for financial surveillance purposes. Large position monitoring leverages data stored in the CME Group Large Trader Reporting system. This system generates various reports that both DME and CME Group use, such as the Customer Position Ranking Reports and the Futures Open Exception Reports. To enhance detection of breaches of DME Rules, DME consults with CME Group on at least a weekly basis to review all large trader exception reports.

**EXHIBIT H – INFORMATION SHARING AGREEMENTS AMONG THE
COMMISSION, THE FOREIGN BOARD OF TRADE, THE CLEARING
ORGANISATION, AND RELEVANT REGULATORY AUTHORITIES**

Attach, as **Exhibit H**, the following:

- (1) A description of the arrangements among the Commission, the foreign board of trade, the clearing organisation, and the relevant foreign regulatory authorities that govern the sharing of information regarding the transactions that will be executed pursuant to the foreign board of trade's registration with the Commission and the clearing and settlement of those transactions. This description should address or identify whether and how the foreign board of trade, clearing organisation, and the regulatory authorities governing the activities of the foreign board of trade and clearing organisation agree to provide directly to the Commission information and documentation requested by Commission staff that Commission staff determines is needed:
 - (i) To evaluate the continued eligibility of the foreign board of trade for registration.
 - (ii) To enforce compliance with the specified conditions of the registration.
 - (iii) To enable the CFTC to carry out its duties under the Act and Commission regulations and to provide adequate protection to the public or registered entities.
 - (iv) To respond to potential market abuse associated with trading by direct access on the registered foreign board of trade.
 - (v) To enable Commission staff to effectively accomplish its surveillance responsibilities with respect to a registered entity where Commission staff, in its discretion, determines that a contract traded on a registered foreign board of trade may affect such ability.
- (2) A statement as to whether and how the foreign board of trade has executed the International Information Sharing Memorandum of Understanding and Agreement.
- (3) A statement as to whether the regulatory authorities governing the activities of the foreign board of trade and clearing organisation are signatories to the International Organisation of Securities Commissions Multilateral Memorandum of Understanding. If not, describe any substitute information-sharing arrangements that are in place.
- (4) A statement as to whether the regulatory authorities governing the activities of the foreign board of trade and clearing organisation are signatories to the Declaration on Cooperation and Supervision of International Futures Exchanges and Clearing Organisations. If not, a statement as to whether and how they have committed to share the types of information contemplated by the International Information Sharing Memorandum of Understanding and Agreement with the Commission, whether pursuant to an existing memorandum of understanding or some other arrangement.

(1) A description of the arrangements among the Commission, the foreign board of trade, the clearing organisation, and the relevant foreign regulatory authorities that govern the sharing of information regarding the transactions that will be executed pursuant to the foreign board of trade's registration with the Commission and the clearing and settlement of those transactions. This description should address or identify whether and how the foreign board of trade, clearing organisation, and the regulatory authorities governing the activities of the foreign board of trade and clearing organisation agree to provide directly to the Commission information and documentation requested by Commission staff that Commission staff determines is needed:

- (i) To evaluate the continued eligibility of the foreign board of trade for registration.
- (ii) To enforce compliance with the specified conditions of the registration.
- (iii) To enable the CFTC to carry out its duties under the Act and Commission regulations and to provide adequate protection to the public or registered entities.
- (iv) To respond to potential market abuse associated with trading by direct access on the registered foreign board of trade.
- (v) To enable Commission staff to effectively accomplish its surveillance responsibilities with respect to a registered entity where Commission staff, in its discretion, determines that a contract traded on a registered foreign board of trade may affect such ability.

DME RESPONSE:

DFSA Rules state that “[a]n Authorised Market Institution must be able and willing to co-operate with the DFSA or other appropriate regulatory authorities with regard to regulatory matters when required.”⁴³ DFSA guidance states that in assessing cooperation with regulators, the DFSA may have regard to the extent to which the constitution and rules of the AMI enable it to obtain information from members and to disclose otherwise confidential information to the DFSA and other appropriate bodies and whether the AMI participates in appropriate international fora. In obtaining Authorization from the DFSA, DME has satisfied the DFSA of its ability and willingness to do so.

Pursuant to the GSA as well as DME Rule 4.8(A), DME's Clearing House, CME Clearing, is obliged to share all information relevant to DME trades with DME. DME will be permitted to pass on any information it deems appropriate to the relevant authorities for the purposes of prevention or detection of financial crime. Of course, CME is also a CFTC registered Designated Clearing Organisation, and has information sharing obligations with respect to the CFTC.

DME has various Rules to facilitate co-operation and information sharing with regulators. For example DME Rule 2.29, deals with confidentiality and the Exchange's relations with other

⁴³ AMI Module 5.9.1(b).

regulatory authorities. In addition, DME has taken steps to enter into agreements to enable information sharing with other exchanges and self-regulatory organizations, through becoming a member of the Inter Market Surveillance Group (the “ISG”).

(2) A statement as to whether and how the foreign board of trade has executed the International Information Sharing Memorandum of Understanding and Agreement.

DME has executed the International Information Sharing Memorandum of Understanding and Agreement (“Exchange International MOU”).

(3) A statement as to whether the regulatory authorities governing the activities of the foreign board of trade and clearing organisation are signatories to the International Organisation of Securities Commissions Multilateral Memorandum of Understanding. If not, describe any substitute information-sharing arrangements that are in place.

DFSA is an Appendix A signatory to the IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information.

(4) A statement as to whether the regulatory authorities governing the activities of the foreign board of trade and clearing organisation are signatories to the Declaration on Cooperation and Supervision of International Futures Exchanges and Clearing Organisations. If not, a statement as to whether and how they have committed to share the types of information contemplated by the International Information Sharing Memorandum of Understanding and Agreement with the Commission, whether pursuant to an existing memorandum of understanding or some other arrangement.

In 2008, DFSA became a signatory to the Boca Declaration, the Multinational Memorandum of Understanding on Co-operation and Supervision of International Futures Markets and Clearing Organisations, upon the consent of each of the 28 signatories.

It should also be noted that on December 1, 2005, the CFTC and DFSA signed a Protocol Concerning Mutual Assistance, Information Sharing and Cooperation Arrangements where both the CFTC and the DFSA agree to share information that may be needed as set out under the Protocol. The sharing of regulatory information under the bilateral Protocol, the Boca Declaration and the IOSCO MMOU extends to information that may be requested by the CFTC in connection with the activities conducted pursuant to DME’s FBOT registration, as it relates to the placement in the US of electronic facilities providing direct access to a DFSA regulated market or products traded through a DFSA regulated market.

EXHIBIT I – ADDITIONAL INFORMATION AND DOCUMENTATION

Attach, as **EXHIBIT I**, any additional information or documentation necessary to demonstrate that the requirements for registration applicable to the foreign board of trade set forth in Commission regulation 48.7 are satisfied.

DME RESPONSE:

NIL

LIST OF ATTACHMENTS TO FBOT APPLICATION

Section	No	Description
A1	1	Shareholders Agreement (<i>Confidential</i>)
	2	Services Agreement 2009 (“SA2009”) and 2012 Amendment (<i>Confidential</i>)
	3	General Services Agreement (“GSA”) (<i>Confidential</i>)
	4	Clearing Services Agreement (“CSA”) and Novation to CSA (<i>Confidential</i>)
	5	DME Articles of Association (<i>Confidential</i>)
	6	List of board members with biographies
A3	1	DME Equity Membership Agreement
	2	DME Off-Floor Membership Agreement
	3	DME Clearing Membership Agreement
A5	1	DFSA Rulebook Modules: GEN, AMI, REC, COB, AML and RPP
	2	DIFC Law No.1 of 2012 (the Markets Law)
	3	DIFC Law No.1 of 2004 (Consolidated Version, July 2012)(the Regulatory Law)
	4	UAE Federal Law No. 4 of 2002, Regarding Criminalization of Money Laundering
	5	UAE Central Bank Regulations concerning money laundering
	6	Dubai Law No. 9 of 2004, as amended by Dubai Law No. 7 of 2011 (the Dubai Law)
A6	1	DME Rulebook
A7	1	Certificate of Authorization for DME as an AMI by the DFSA
	2	Certificate of Good Standing from DFSA
A9	1	Statement of Undertaking
B2	1	Membership Application Form: Equity, Off-Floor & Clearing Membership
C3	1	DME Ethics Guidelines
E6	1	Platts methodology and specifications guide
	2	DME Settlement Procedures
F2	1	FSAP assessment as published on the IMF website
G3	1	DME Member Notice 11-006 concerning Astmax
H3	1	PIB Module, Table 2.4 – Minimum Capital Resource Requirements