



Liquid Markets, **Fair Pricing**



# Welcome to the Dubai Mercantile Exchange

## **The premier energy-focused commodities exchange in the East of Suez, and home to the world's third crude benchmark.**

The Dubai Mercantile Exchange ("DME") was launched in June 2007 with the goal of bringing fair and transparent price discovery and efficient risk management to the East of Suez (Middle East and Asia Pacific), the world's fastest-growing commodities market and already the largest crude oil supply/demand corridor in the world.

The DME lists the Oman Crude Oil Futures Contract ("DME Oman") as its flagship contract, providing the most fair and transparent crude oil benchmark in the East of Suez. Today, DME Oman is the explicit and sole benchmark for Oman and Dubai crude oil Official Selling Prices ("OSP") – the historically established markers for Middle East crude oil exports to Asia.

DME Oman trades on the CME Globex® platform, the world's most advanced and widely-distributed derivatives trading platform. All trades on DME are cleared through and guaranteed by the New York Mercantile Exchange ("NYMEX"), a member of the CME Group, which is regulated by the U.S. Commodity Futures Trading Commission ("CFTC") and is a Recognized Body by the Dubai Financial Services Authority ("DFSA").

## **DME enjoys the backing of globally-recognized entities and leaders in the energy trading space**

Since launch in June 2007, the DME has enjoyed the backing of prominent regional and international stakeholders. In June 2005, the DME was initially set-up as a joint venture between Tatweer (a subsidiary of Dubai Holding) and the New York Mercantile Exchange ("NYMEX"), a member of CME Group. In May 2007, the Oman Investment Fund ("OIF"), the investment arm of the Sultanate of Oman bought into the DME as a core shareholder.

In addition to its core shareholders, global financial institutions and energy trading firms such as Goldman Sachs, J.P. Morgan, Morgan Stanley, Shell, Vitol and Concord Energy have taken equity stakes in the DME, providing the exchange with a resounding vote of confidence by major players in global energy markets.

## **DME Oman has been established as the most fair and transparent crude oil benchmark in the East of Suez**

The growth of the East of Suez as a dominant supply/demand corridor, coupled with structural shifts within global crude oil markets, have highlighted the need for a fair and transparent price discovery mechanism and efficient risk management tools that benefit producers and consumers alike.

Against this background, DME Oman possesses five unique characteristics that make it an ideally-suited tool for East of Suez price discovery and risk management:

1) Reliable, regionally-accepted crude marker; 2) Transparent and liquid price discovery mechanism; 3) Strong link to underlying physical market; 4) Centralized clearing by NYMEX; and 5) Robust regulatory oversight and global recognition by over 20 international regulatory bodies.

# 1.

## **Reliable, regionally-accepted crude marker**

Of the range of crude oil streams produced in the Middle East, Oman crude possesses unique characteristics that have led to its adoption, alongside Dubai crude, as a primary marker for Eastern-bound crude exports.

From a quality perspective (e.g., gravity and sulfur content), both Dubai and Oman streams are representative of other Middle Eastern crudes. However, unlike other regional crude streams, both Dubai and Oman crudes are sold with no destination restrictions, thereby allowing the establishment of secondary markets that are needed for transparent price discovery and broad market awareness.

Oman crude production levels have steadily risen to 850,000 barrels per day (“bpd”), providing a reliable underlying physical base and guarding against the potential for price aberrations that could arise from a shortage in physical supply.

Looking forward, Oman production is expected to rise to approximately one million bpd, providing long-term confidence in its viability and robustness as a regional marker.

In June 2009, the Government of Dubai joined the Sultanate of Oman through its adoption of DME Oman as the sole and explicit benchmark for its OSP, providing a significant boost to its long-term viability and paving the way for wider adoption of DME Oman as a regional pricing benchmark.



## 2.

### **Transparent and liquid price discovery mechanism**

Price discovery for Dubai and Oman crudes has traditionally taken place on bilateral, over-the-counter (“OTC”) markets, from which prices are reported or assessed by trade publications. In contrast, price discovery for Western benchmarks such as WTI and Brent has taken place on transparent and regulated exchanges for the past two decades.

Over time, it became clear that the prevailing assessment mechanism suffered from deep structural issues, such as persistent low liquidity, limited number of participants, and frequent disconnects from underlying physical markets, thereby exposing it to the potential for price aberrations and/or outright manipulation.

DME Oman, which is traded on CME Globex®, has consistently provided transparent pricing and volume levels to all market participants, in addition to significantly more liquid markets, making it a vastly more reliable price discovery and risk management tool.

## 3.

### **Strong link to underlying physical market**

Since its launch, DME Oman has continued to demonstrate a strong link to the underlying Oman crude physical market, and today is the largest physically-delivered crude oil futures contract in the world, with an average of nine million barrels per month delivered through the DME in 2009. This fact ensures the DME price consistently reflects the underlying supply/demand fundamentals and therefore is a reliable benchmark for pricing of regional crudes within the East of Suez.

## 4.

### **Centralized clearing by NYMEX (a member of CME Group)**

A centralized clearinghouse is a critical component of a well-functioning futures exchange, guaranteeing performance on all positions and protection against the potential of default by counterparties. The crucial role played by clearinghouses was further highlighted with the onset of the global financial crisis in September 2008, as market participants sought the protection offered by centrally cleared trades across a wide range of asset classes.

In this context, the DME continues to greatly benefit from its long-standing clearing arrangements with NYMEX, a member of CME Group. The NYMEX Clearinghouse sets initial and maintenance performance bonds (margins) for all DME contracts, significantly mitigating counterparty credit risk.

Moreover, the joint clearing arrangement with NYMEX allows participants to benefit from cross-margining, which allows for more efficient deployment of capital by market participants.

## 5.

### **Robust regulatory oversight and global recognition by 23 regulatory bodies**

The DME is regulated by the DFSA and all trades executed on the Exchange are cleared by NYMEX (a member of CME Group) which is regulated by the CFTC and is a Recognized Body by the DFSA.

The DFSA, DME's primary regulator, granted DME an Authorized Market Institution ("AMI") license in May 2007. DFSA is the main regulatory body tasked with ensuring that the DME Rulebook and trading activity on the DME provide a fair and level playing field to all market participants.

The CFTC is the primary regulator for NYMEX, the clearinghouse for all DME contracts, which provides market participants with an added level of comfort and further ensures that DME contracts are subject to global best practices and governance.

Moreover, the DME is recognized by over 20 international regulatory bodies across Europe and Asia, further cementing its position as a truly global and well-regulated marketplace.

## **Further growth of the DME will usher a new era of energy trading in the East of Suez**

The DME is uniquely positioned to provide price transparency and market liquidity for crude oil within the world's foremost oil supply/demand corridor.

As DME Oman is further cemented as a regional pricing benchmark, the DME remains committed to providing market participants with the full range of trading and hedging products on both crude oil and petroleum products.

## DME Oman Crude Oil Futures Contract Summary (OQD)

### Trading Unit

1,000 U.S. barrels (42,000 U.S. gallons)

### Price Quotation

U.S. dollars and cents per barrel

### Trading Symbol

OQD

### Trading Hours

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

Singapore is 13 hours ahead of EST and Dubai is 9 hours ahead. The time difference is reduced by one hour when Daylight Saving Time is in effect. Neither Dubai nor Singapore observes Daylight Saving Time.

### Trading Months

The current year and the next five years. A new calendar year will be added following the termination of trading in the December contract of the current year.

### Minimum Price Fluctuation

\$0.01 (1 cent) per barrel (\$10.00 per contract)

### Maximum Daily Price Fluctuation

None

### Daily Settlement

A daily settlement price will be published at 1630 Singapore time (0330 or 0430 EST). This price

represents the weighted average price of trades in the nearby Contract Month between 1625 and 1630 Singapore time.

The DME will also publish an end of trading day settlement price for all listed Contract Months determined at 1430 EST which coincides with the end of the trading day for NYMEX Light Sweet Crude Oil. This latter settlement price is used by the Clearing House to calculate daily variation margins on all open positions.

### Final Settlement Price

The Final Settlement Price for a Contract Month shall be the settlement price on the last Trading Day of the Contract Month. This price represents the weighted average price of trades in the nearby Contract Month between 1615 and 1630 Singapore time.

The Final Settlement Price will be used for purposes of margins for delivery of crude oil.

### Last Trading Day

Trading in the nearby Contract Month shall cease on the last Trading Day of the second month preceding the Delivery Month.

### Settlement Type

Physical

PO Box 66500, Dubai, United Arab Emirates

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[www.dubaimerc.com](http://www.dubaimerc.com)

**Disclaimer:** For full contract specifications, please refer to Chapter 10 of the DME Rulebook which can be accessed at [www.dubaimerc.com/rules/rulebook.aspx](http://www.dubaimerc.com/rules/rulebook.aspx)

## Contacting the DME

For further information on DME contracts, membership and settlement price data, please visit our website on **[www.dubaimerc.com](http://www.dubaimerc.com)**

Alternatively, you may contact us on the following email: **[info@dubaimerc.com](mailto:info@dubaimerc.com)**

Regulated by the DFSA.

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