

# DMCC enhances Dubai Good Delivery standards qualifying criteria to ensure greater transparency



Tue 26 Apr 2011

The Dubai Multi Commodities Centre Authority ('DMCC'), the licensing authority for Jumeirah Lakes Towers ('JLT') free zone, has today published the revised qualifying criteria for the Dubai Good Delivery ('DGD') standard. The changes were made following in-depth consultation with market participants and industry representatives across the entire gold supply chain.

The DGD standard, launched by DMCC in 2005, is the adopted quality standard for gold and silver bars production and technical specification in the region, and is benchmarked to international standards.

DGD members are international and local refineries that must maintain strict standards of creditworthiness, operational competency and appropriate production procedures, ensuring the manufacturing of high quality gold and silver bars.

The changes\* include increasing the minimum total net worth required for applicant and member refineries to qualify. Additionally, DMCC has consolidated the two DGD standard categories into one DGD standard category as a result of DMCC adopting a risk-based approach in terms of screening new applicants as well as monitoring existing members. Members and applicants will now be subjected to more stringent proactive spot checks to ensure that the quality of their gold and silver bars are consistent with the DGD technical specifications.

Malcolm Wall Morris, Chief Executive Officer of DMCC, said:

"DMCC's robust regulatory framework is a testimony of its commitment towards promoting the highest global standards in product and services development as well as greater transparency. The enhancements to the Dubai Good Delivery standard was developed following a result of a series of consultations with independent industry experts in a proactive, efficient and transparent exercise. We firmly believe that the revised qualifying criteria will increase the confidence in the quality of the gold and silver bars produced by DGD accredited refineries, enhancing their reputation and in turn increasing the tradability of gold and silver and trade finance activities.

"I am pleased to announce that L'azurde Refinery in the Kingdom of Saudi Arabia has been approved recently as the first refinery to adopt the new standard and we look forward to others following suit in due course."

The DGD standard and accreditation has been adopted by the Dubai Gold and Commodities Exchange (DGCX) as its 'Approved Brands' lists for gold and silver that are physically delivered against maturity of the one kg Gold & 1,000 troy ounce Silver futures contracts.

Eric Hasham, CEO of the Dubai Gold & Commodities Exchange ('DGCX'), the region's largest derivatives exchange; commented: "These revisions will, no doubt, further enhance the reputation of accredited DGD brands and provide additional confidence to the members of DGCX to source physical gold and silver in Dubai against their gold & silver futures contract".

The Dubai Good Delivery List of approved international and regional refineries currently has 20 Gold and 17 Silver refineries, spanning 13 countries including Australia, Bulgaria, China, Indonesia, Japan, Mexico, Poland, Russia, Saudi Arabia, South Africa, Turkey, UAE and USA.

DMCC plays an instrumental role in driving the growth of the regional gold and precious metals industry by offering a tax-free trading environment, free-hold ownership structures, gold specific derivative exchange and physical settlement standards, as well as a modern purpose-built infrastructure. DMCC also offers secure gold vault facilities, premises for purchase or leasing for setting up assaying and refinery facilities, preferential shipment and bullion freight facilities for registered members, as well as purpose-built 'Jewellery and Gemplex' to facilitate the manufacture of precious metal jewellery.

The revised qualifying criteria are designed to ensure the sustainability of the refinery's operations with a specified volume of production and a minimum tangible net worth. By tightening the eligibility rules, DMCC will ensure a more transparent process in line with global practices. The changes, which took effect on 1st January 2011, include the following key points:

Increased eligible minimum total net worth of applicant refinery from US\$ 10 million to US\$ 15 million;

Increased minimum number of years of uninterrupted production from one year to three years, with new applicants now required to show an audited proof of production of 10 tonnes of gold or 30 tonnes of silver per annum respectively for each of the previous three years of operations. Production reports must be verified by an external auditor acceptable to DMCC;

Consolidation of two DGD standard categories into one DGD standard category as a result of DMCC adopting a risk-based approach in terms of screening new applicants as well as existing members;

Increased number of required inspections to include regular spot checks of gold and silver bars from the physical market which will ensure that accredited refineries' production is consistent with the related technical specifications; Limited expiry date of all certificates issued to an accredited refinery to one year.

### **About Dubai Multi Commodities Centre Authority (DMCC)**

The Dubai Multi Commodities Centre Authority (DMCC), a strategic initiative of the Government of Dubai, was established in 2002, with a mandate to provide the physical, market and financial infrastructure required to set up a commodities market place in Dubai. The Centre attracts key players

throughout the entire value chain of a wide range of commodities sectors, together with relevant support industries such as finance, logistics and insurance. DMCC has established a robust infrastructure, including free zone status, trade networking platforms, secure vaults and purpose-built storage facilities. Resident companies of DMCC are offered highly attractive benefits under a free zone status, including a 50-year guaranteed tax holiday, 100 per cent business ownership, full ownership of business premises, and a secure regulated environment. DMCC has also implemented a dedicated compliance policy in the organisation, which is in line with the compliance related laws and regulations of the UAE Federal Government and the competent international bodies.