
NCDEX SPOT Exchange Limited

Circular to all trading and clearing members of the Exchange

Circular No. : NCDEX SPOT/TRADING/009/2010/015

Date : 16th February 2010

Subject : Contract Specifications & Special terms and conditions for non cess
paid mustard in Merta City

Trading & Clearing members are hereby requested to take a note of the contract specifications & special terms and conditions for mustard spot Contract to be launched on 00/00/2010 on the Exchange platform.

Commodity	Symbol	Ex- Location
MUSTARD	MUSFARMTD	MERTA CITY

The Contract Specifications along with the Special terms and conditions are given in **Annexure 1.**

The contract and the transactions therein will be subject to Rules, General as well as Special terms & conditions, circulars, directives & notices issued by the Spot Exchange from time to time.

For and on behalf of
NCDEX Spot Exchange Limited

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ANNEXURE 1:- CONTRACT SPECIFICATIONS FOR Mustard

Type of contract	Spot trading Contract																	
Trading system	NCDEX SPOT Exchange Trading System																	
Symbol	MUSFARMTD																	
Name of Commodity	Mustard																	
Basis	Ex-warehouse Merta city, exclusive of all taxes and levies.																	
Unit of trading	100 Quintal																	
Delivery unit	100 Quintal																	
Quotation/base value	Rs per Quintal																	
Tick size	Re. 1 per Quintal																	
Buyer Advance %	10%																	
Quality specification	<table border="1"> <thead> <tr> <th>Sr.No.</th> <th>Parameters</th> <th>Basis</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Moisture</td> <td>9% Max</td> </tr> <tr> <td>2</td> <td>Foreign matter</td> <td>2.5 % Max</td> </tr> <tr> <td>3</td> <td>Free Fatty Acid(FFA)</td> <td>1.5% Max</td> </tr> <tr> <td>4</td> <td>Oil Content</td> <td>35% Minimum</td> </tr> </tbody> </table>			Sr.No.	Parameters	Basis	1	Moisture	9% Max	2	Foreign matter	2.5 % Max	3	Free Fatty Acid(FFA)	1.5% Max	4	Oil Content	35% Minimum
Sr.No.	Parameters	Basis																
1	Moisture	9% Max																
2	Foreign matter	2.5 % Max																
3	Free Fatty Acid(FFA)	1.5% Max																
4	Oil Content	35% Minimum																
Outbound tolerance/delivery	+/- 0.25% (max) for oil content Moisture adjusted weight basis																	
Delivery Centre	Exchange Accredited Warehouse at Merta city																	
Delivery Logic	Trade for Trade settlement.																	
Seller/Buyer pre-requisites	Sellers may deposit any quantity subject to minimum quantity as specified herein. The Seller would need to deposit the Mustard at the accredited Warehouse before placing a sell order or accepting																	

	a Buy order as the case may be. The Buyer Member shall make an advance payment of a prescribed percentage with the Exchange before placing a buy order.
Type of contracts	If the settlement day happens to be a Saturday/Sunday or Holiday, then the settlement shall happen on the next working day.
Outbound Delivery condition	Based on Moisture adjusted weight delivery mechanism applicable to CMS lot net quantity at the time of physical withdrawal from the warehouse.
Applicable terms and conditions	All transactions shall be subject to special terms and conditions annexed herewith besides the General Terms and Conditions and all participants shall be deemed to have agreed to the above contract specifications and the special terms and conditions

SPECIAL TERMS & CONDITIONS FOR THE SALE & PURCHASE of MUSTARD ON THE NCDEX SPOT EXCHANGE LTD.

DEFINITIONS

- a. **TRADING SYSTEM** shall mean the computer system including hardware, software and related communication systems made available by the Exchange for online selling and buying of goods.
- b. **EXCHANGE**
`Exchange' shall mean the NCDEX SPOT Exchange Ltd.
- c. **SELLER**
The person or entity who has offered Mustard for sale on the Exchange platform through a registered member of the Exchange in accordance with the prescribed terms and conditions and shall include the registered member offering mustard for sale on his own account on the Exchange.

d. **BUYER**

The person or entity who has offered to buy Mustard on the Exchange platform through a registered member of the Exchange in accordance with the prescribed terms and conditions and shall include the registered member of the Exchange offering to buy Mustard on his own account.

e. **DELIVERY CENTRE/S**

The Exchange accredited Warehouses which is/are notified as the delivery centre/s. Initially, the location for delivery pursuant to trades in Mustard would be at Merta city in Rajasthan.

- f. **COMMODITY MANAGEMENT SYSTEM:** - The Commodity Management System (CMS) is a technology interface which facilitates electronic accounting of deposit and withdrawal of holdings of commodities stored in the accredited Warehouse.

TERMS & CONDITIONS :-

1. All the transactions, contracts, deals and trades for sale/purchase of Mustard of the variety as notified herein by the Exchange entered into through the Trading System of the Exchange shall be governed by the contract specifications, General Terms and Conditions, the terms and conditions stipulated herein below and any further terms and conditions as may be specified or informed by the Exchange from time to time.
2. The location for delivery of Mustard pursuant to trades on the Exchange shall be at Merta city, Rajasthan.
3. The Seller shall, through the trading member, offer and the Buyer shall, through the trading member offer, respectively, to sell and to buy Mustard of quality and details as specified in the contract specifications herein on the Discrete Market Trading System and the Seller as well as the Buyer shall be bound by all the



terms and conditions stated herein and also by the Rules and General Terms and Conditions prescribed by the Exchange.

4. The Sellers or Buyers who are not registered as members of the Exchange can trade by placing their orders through a registered member.
5. Short selling of commodities shall not be allowed on the trading platform.

6. Trade process:

- a) There will be multiple Sellers and multiple Buyers.
- b) The order acceptance & matching would be in multiples of minimum tradable lot.
- c) There is no automatic matching of orders for this contract. The participants can choose to match their preferred order by selection as per process put in place by the Exchange.
- d) The seller match (i.e. existing buy order matched by the seller) would be subject to confirmation/acceptance of the buyer for the matched lot details such quality & quantity offered by the seller.
- e) The Buyer would specify the limit price and quantity in tradable lots terms and order validity date which would be acceptable to the Buyer to take delivery.
- f) The Seller would specify the lot testing details, order validity date and quantity in tradable lots for the lots offered to sell in the sell order. The order validity date shall not be beyond the validity date assigned to the goods by the Assayer in the Assayer's certificate.
- g) A Buyer would specify the quality parameter details, order validity date and quantity in tradable lots for the lots required in the buy order. A Buy order shall remain valid till the date of order validity in the order details specified by the Buyer.
- h) At the end of the order validity date, the orders shall automatically get extinguished from the trading platform.

- i) The orders once entered on the platform would remain on the platform unless cancelled, modified or expired. Orders to the extent not matched can be cancelled at any time.
- j) Cancellation of an order will result in refund of the advance as well as the locked-in Mustard lots assigned for the corresponding sell order.

7. Deposit of Commodities

Mustard delivered shall be packed in clean, dry, sound, single, new or unmaned jute bags in merchantable condition and or any other accepted industry standard material with the mouth of the bag stitched disallowing sweating/ spilling. The packaging of Mustard should be in standard bags of 100 size Jute bags.

8. Sellers have to lock the tradable lots in the CMS before a sell order is accepted or a buy order is matched. The locked lots would be blocked till order modification, cancellation or expiry.
9. Buyers shall, before the buy order is accepted or a sell order is matched, ensure availability of adequate funds to their credit, equivalent to the required advance payment amount or the full sale consideration as the case may be, in the designated Exchange settlement account with the specified Bank/s. Taxes are not included in calculating the advance money payable.
10. An advance payment of 10% of the purchase order value shall be charged from the Buyer towards margin. The percentage of advance payment shall be subject to revision at the discretion of the Exchange.
11. No advance payment shall be charged from the Seller

12. Unit of Trading & Unit for price Quotation:-

- Offers for sale & purchase can be made in lots of 100 Quintal or multiples of 10 Quintals thereof.
- The unit of price quotation shall be Rs. /Quintal.

- The orders/trades will be on ex-warehouse basis and will be quoted on the basic rate i.e. exclusive of all taxes/levies/ but inclusive of mandi tax.

13. Seller/Depositor.

- i Only those depositors who have deposited the Mustard in the Exchange accredited warehouse and whose quality is in accordance with the specifications prescribed by the Exchange from time to time may sell Mustard on the Exchange platform.
- ii When the Seller deposits the Mustard into the Exchange accredited warehouse, the same will be subject to visual inspection, inspection as to the soundness of packing etc. by the Warehouse and upon being satisfied of the nature and sound packing of the commodity, the Warehouse shall issue Deposit Acknowledgment Slip (DAS) and shall process the deposit of the commodity. The goods shall be subjected to assaying and only upon the goods being certified as accepted within the specified norms of quality mentioned in the contract specification, the Warehouse shall accept the goods for storage. The DAS shall be valid till the assaying report is received by the Warehouse.
- iii Upon completion of assaying process and successful certification of the goods, the Commodity shall proceed to entry into CMS as electronic credit.
- iv The details of the deposit will have to be entered into CMS (Commodity Management System) by the accredited Warehouse.
- v The electronic deposit in the CMS would be on net weight basis after deduction of standard allowance of 0.1 % from the gross weight of the commodity at the time of deposit.
- vi Seller shall ensure availability of Mustard equivalent to the quantity of Mustard to be traded, in the Commodity Management System (CMS) put in place by the Exchange prior to entering sell order or matching a Buy order as



the case may be, through the trading platform and shall electronically lock the quantity intended for sale, in the CMS.

- vii Failure to deposit & lock in sufficient quantity of Mustard as aforesaid in the Exchange delivery system would result in rejection of sell order when placed through the automated trading system. The Seller Member shall place the sell order after getting online confirmation in the CMS about the lock-in of the quantity.
- viii Seller may unlock any quantity of Mustard prior to execution of trade on any given day and may request release of goods if deposited in the CMS.
- ix Seller may modify his price from time to time or cancel the order before any order is matched with any Buyer as per process put in place by the Exchange.
- x Seller shall not place any sell order or offer any lot for settlement if such offered lot has a validity period within the next 5 days.
- xi The warehouse shall have to be informed by the Member regarding any withdrawal of the goods as per process put in place by the Exchange.
- xii The depositor/holder/buyer, as the case may be, (whose details is created in the CMS) can take the physical delivery of the requested quantity of Mustard from the warehouse on presentation of necessary proofs.
- xiii **Undertaking from Depositor:** Every depositor shall have to provide an undertaking in the prescribed format to the Warehouse at the time of deposit to the effect that:
 - a The DAS/s issued is/are for the limited purpose of entry into CMS for trading on the Exchange platform.
 - b The depositor can withdraw the goods only as per process of withdrawal through member and warehouse in the CMS.

- c The goods deposited by him are not under any lien or encumbrance.
- d The goods being deposited are owned by the depositor or the depositor has complete legal authority to sell and transfer the goods
- e The Buyer shall be entitled to the goods if the electronic credit of goods in CMS is transferred to the Buyer pursuant to trade on the Exchange.

xii) Warehouse shall issue a lot no. to the Seller for every tradable lot which is deposited.

For eg: - if a depositor has brought in 500 Quintal of Mustard , then the warehouse shall issue five e-deposit lot numbers. to the Depositor on net quantity after deducting standard allowance as mentioned in the contract specifications.

xiii) **Withdrawal of goods:** Withdrawal requests of commodity lots can be placed online. If the depositor/holder wishes to withdraw the goods from the Warehouse in any of the following stages,

- a) After electronic deposit in the CMS and before lock-in of the lot in the CMS,
- b) After lock-in of the lot no. and till the time there is no sell order placed or a buy order matched on the trading system of the Exchange by the member concerned on behalf of the depositor,

then the depositor shall have to follow the process for release of commodity through the CMS system only.

- c) Currently, as per the system put in place,
 - the depositor has to place a “Withdrawal Request” through his Member CMS module for processing.
 - The depositor has to then submit his photo id, signature proof along with the CMS deposit details to the Warehouse.

- Upon verification and satisfaction by the warehouse, the requested withdrawal quantity will get released through the CMS as per process put in place.
- xiv) The Seller should ensure that the Mustard delivered on the Exchange platform is non-Mandi fee paid as the Mandi fee will be recovered from the Buyers as a part of settlement for onward payment to concerned APMC.

14. Buyer

- i) Buyers shall, before placing an order through the trading system, make an advance payment of such amount as prescribed by the Exchange from time to time in respect of the quantity of Mustard proposed to be purchased. The Buying Member before placing an order shall ensure that such funds are transferred to the settlement bank account of the Exchange. In the event of shortage of funds, the buy orders will be rejected in the system
- ii) Buyer can modify quantity and price quoted or may also withdraw any buy order before the order is matched on the trading system.
- iii) After the matching of quotes, the Buyer shall make available the balance amount including applicable mandi tax (ie total obligation less advance payment already made) payable towards the net purchase consideration in the Exchange settlement account on the T + 2 working day. The time for payment on T+2 working day shall be 11.30 am (*pls see Annexure 2 for time & activity flow for trading & settlement*)
- iv) The Buyer upon allocation of delivery shall, for removal of Mustard from the warehouse, contact the warehouse person and arrange for such removal / delivery.

- v) The Buyer shall have to take delivery of the Mustard from the accredited warehouse at the delivery centre either himself or through an authorized representative in the manner given below.

- vi) The profile of the Buyer/Buyer's representative will have to be created by the Buyer Member in the CMS in the manner provided, prior to taking physical delivery of Mustard from the accredited Warehouse.

- vii) Buyer or the Buyer's authorized representative shall, on or after the T+2 working days, go to the Warehouse with necessary identity proof as per profile created in the CMS after intimating the Warehouse. The Buyer's authorized representative shall have to carry a duly signed authorization letter of the Buyer at the time of taking delivery at the Warehouse.

- viii) Documentary Proof (Photo identity) to be submitted by the Buyer's authorized representative at the time of taking delivery of the physical goods (Any one of the below).

Passport
Driving License
Voters Identity Card
PAN card

- ix) Warehouse shall verify the identity proof submitted by the Buyer or his authorized representative with the proofs recorded in the CMS.

- x) Buyer/Buyer's authorized representative & warehouse shall confirm physical delivery in the CMS by registering the identity proofs in the manner provided.

- xi) Any reference as to contentions of difference in quality or quantity of the goods delivered shall have to be referred to the Warehouse and the Exchange within 3 days from the date of settlement and the Exchange



shall not entertain any reference with regard to settlement after such period.

- xii) The Buyer may, through his buying Member, before the matching/execution of his order, send his request for release of the funds any time through the system put in place by the Exchange and the funds will be credited to the settlement account of the buying Member, unless such amount is the amount payable by such Buyer/buying Member.

- xiii) Failure to bring in the balance amount including mandi fee (ie. total obligation less advance payment already made) payable towards the purchase consideration shall result in forfeiture of the advance money paid by the Buying Member besides disciplinary action as may be deemed fit by the Exchange in accordance with its Rules.

- xiv) The non-performance compensation recovered from the Buyer Member shall be utilized to compensate the Exchange and the Seller Member & the Settlement Guarantee fund in the below ratio.
 - a. 50% to Seller Member for the opportunity loss incurred by him
 - b. 40% towards building a Settlement Guarantee Fund.
 - c. 10% to NCDEX Spot Exchange to cover operational expenses

- xv) Warehousing charges from the settlement date onward shall be borne by the Buyer.

15. Other terms & conditions.

- i) Deposit/Withdrawal & Transfer of Funds:-**
 - a) The Member shall open Member settlement account in the designated Clearing Bank.
 - b) Deposit and withdrawal of funds to the Members' settlement account can be done through any of the Banking Channel (Cheque/RTGS/Cash/NET) available.

- c) The Exchange shall recognize only those fund balances which are transferred from member settlement account to the Exchange settlement account. The transfer of funds to the Exchange settlement account can be done online via payment gateway or any other Banking channels available.
- d) The credit of funds to the Exchange settlement a/c would be considered/earmarked for the relevant transaction only after the intimation of fund transfer is made to the Exchange in the manner provided.
- e) Withdrawal requests for the free funds balance of the Member in the Exchange settlement account can be placed online through the technology interface provided by the Exchange.
- f) The request for withdrawal of funds from the Settlement a/c will be processed in next available bank pay-out run.

ii) **Assaying**

- a) Mustard delivered shall be packed in clean, dry, sound, double, new untrimmed jute bags in merchantable condition with the mouth of the bag stitched disallowing sweating/ spilling. The packaging of Mustard should be in standard bags of 100 Kg (Gross weight).
- b) The fresh deposit of Mustard accepted at NSPOT accredited Warehouse will undergo assaying and if passed for quality as specified, shall have a first validity period of 180 days on a date to date basis from the date of physical deposit in the Warehouse.
- c) No Re-validation shall be permitted at the end of such validity period.

iv) **Settlement**

- a) Settlement would be on Trade to Trade basis and shall happen within T+ 2 working days.
- b) The T day would be the day of matching of a Sell or Buy order as the case may be, by the counter party.

- c) There would be one consolidated settlement run for trade consideration, quantity differentials if any as well as applicable mandi fee/taxes/levies.
- d) The Buyer may :
 - (i) Make the payment of entire consideration at the time of matching a sell order or
 - (ii) Make the payment of required advance amount and pay the remaining consideration anytime after the matching of buy order till T+2 working days.
- e) In case the Buyer has opted for full payment option at the time of matching of the order, then the full trade consideration including the quantity differentials as well as levies and taxes would be reduced from the available fund balance of the corresponding Member. Upon such payment of entire consideration, the allocated lots of Mustard would be transferred to such Buyer's CMS account immediately.
- f) The advance amount paid by the Buyer would be adjusted against payable full consideration at the time of settlement as per procedure and within the Time prescribed.
- g) The seller payout excluding mandi fee and the sales tax amount if applicable would be immediately effectuated on receipt of full trade consideration from the buyer.
- h) Warehousing, Assaying and other charges at the time of deposit are to be borne by the Seller.
- i) Delivery and lifting charges at the time of taking physical delivery are to be borne by the buyer.
- v) **Net weight at the time of commodity withdrawal:**
 - a) Net weight of the lot at the time of withdrawal would be based on the below mentioned moisture adjusted weight formula:

- Moisture Adjusted weight calculated using the below mentioned formula

$$NWW = NWD * (1 - MD) / (1 - MW)$$

Where NWW = Net Weight of lot at time of withdrawal

NWD = Net weight of lot at time of deposit.

MD = Moisture % at the time of deposit.

MW = Moisture % at the time of withdrawal

Illustration:

Moisture at the time of deposit (MD) = 13.91

Moisture at the time of 2nd testing (MW) = 12.3

Net wt. at the time of deposit = 118

$$\begin{aligned} NWW &= NWD * (1 - MD) / (1 - MW) \\ &= 102.25 (1 - .1391 / 1 - .123) \\ &= 102.25 * .8609 / .877 \\ &= 102.25 \times 102.25 \\ &= 100.30 \text{ MT} \end{aligned}$$

- b) The holder/owner of the lots will borne the cost of the sampling and testing moisture %

vi) **Complaints & Dispute Redressal**

- a) Any dispute arising between the Seller and the Buyer may be referred to the dispute resolution mechanism as put in place by the SPOT Exchange. However such dispute shall be brought to the notice of the SPOT Exchange latest by, on or before the close of market hours of the 3rd day from the date of settlement (pay-in and pay-out) after which the SPOT Exchange shall not entertain any reference in that regard.
- b) No quantity/quality related issues will be accepted once the Mustard has been taken out of the warehouse and no reference complaining on quantity or quality shall be entertained when made after the close of market hours on the 3rd day from the date of settlement or thereafter.
- c) All disputes where Exchange is party shall be subject to exclusive jurisdiction of courts at Mumbai.



ANNEXURE 2:- Time and Activity flow for funds and commodities

ACTIVITY	Day	Time/Validity
Buyer shall provide his details through DM Module	Any Day before Matching Orders	While Placing Buy Orders
Seller shall provide through DM Module amount due by way of sales tax/excess shortage along with details of lots	Any Day before Matching Orders	While Placing Sell Orders
Trading day will be the day on orders are matched	T	Upto the Expiry of Orders as specified by the Buyer
Funds payin	Maximum T+2	Upto 12 PM
Commodity & funds payout	Maximum T+2	Immediately After Funds Payin
Funds Payout	Maximum T+2	Subsequent Bank Run After Respective Buyer's Funds Payin