

## NCDEX SPOT Exchange Limited

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Circular to all Trading and Clearing Members of the Exchange

Circular No. : NCDEX SPOT/TRADING/012/2010/018

Date : 16<sup>th</sup> February 2010

Subject : Contract specifications & Special terms and conditions for local RSBL Gold100 GMS  
Mumbai

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NCDEX SPOT Exchange Limited (NSPOT) has established an online electronic SPOT trading platform and proposes to launch Spot trading in Gold 100 GMS with basis center Mumbai.

The contract specifications for Gold 100 GMS are as per given in annexure 2

The contracts will be made available on an ex-Vault basis and will be quoted on the basic rate basis i.e. inclusive of duties related to import, customs duty & octroi but exclusive of sales tax / VAT and any other additional charge or surcharge.

The Process note lists the terms & conditions on trading parameters, Delivery parameters, Delivery procedure & settlement procedure for Gold Spot contract, wherever specified.

The terms & conditions for each of the parameters/procedure are given below.

### A. Trading Parameters

#### (1) General

- **AUTOMATED 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.
- All the transactions, contracts, deals and trades for sale/purchase of Gold of the variety as notified herein by the Exchange entered into through the Automated Trading System of the Exchange shall be governed by 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.
- Trade would occur on the Exchange trading platform whereby buy and sell orders are matched on **price-time priority** and on any other parameter/s put in place by the Exchange from time to time.
- The Buyers/Sellers shall be permitted to square-off their sell or buy positions during the day.

- The Sellers or Buyers who are not registered as members of the Exchange can trade by putting their orders through a registered member of the Exchange.
- The net open position at the end of trading hours shall have to be settled by giving and taking delivery of the commodity traded.
- The members can give quotes on his own behalf or on behalf of clients for different quantities through out the trading hours.
- The Seller shall, through the trading member, offer and the Buyer shall, through the trading member offer, respectively, to sell and to buy commodities of quality and details as specified in the contract specifications on the automated 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 notified by the Exchange.

### **(2) Margins**

- Before executing a trade, the Buyer member as well as the seller member shall transfer margin money to the NSPOT settlement A/c.
- The process for ensuring the sufficient margins for trading the in the exchange settlement account is enlisted below in Deposit /Withdrawal of Funds and Maintenance of Margin Balance.
- On availability of requisite funds, members will be able to place orders into the trading system.
- Margins will be calculated on order basis. In case of simultaneous orders in the same contract i.e. buy order(s) & sell order(s) by the same client in the same contract; margin will be levied only on one side on higher order value.
- Margin levied in net open positions apart from outstanding margins.
- Exchange will control the margin at Member level on a gross basis.
- It is the responsibility of the member to ensure adequate margins are collected from respective clients and arrangements for payments done on settlement dates.

### **(3) Orders**

- Only Day-orders shall be permitted and order-matching will based on price & time priority. All outstanding unmatched orders will be purged by the system at the end of the trading hours.
- Trading shall be on "Continuous" basis where in multiple Sellers & Buyers shall participate.
- Members shall be permitted to give quotes with different quantities (multiple of prescribed trading unit) during the prescribed trading hours.
- Member's shall be permitted to modify the order quotes and quantity offered for buy/sell before the order is matched as per process put in place by the Exchange during the trading hours. However, once order is matched and converted to trade, it cannot be withdrawn, cancelled or modified.

#### **(4) Daily net settlement system (DNS)**

- Buying and selling on intra day basis will be permitted. All net positions outstanding at end of a day trading session will result into compulsory delivery.

#### **(5) Daily Settlement Price (DSP)**

- Exchange will calculate Daily Settlement price at the close of the each day-trading session. Daily Settlement price shall be Volume Weighted Average Price (VWAP) of the whole trading day.
- Seller shall issue an invoice to the Buyer at the Daily Settlement price. Daily settlement price (DSP) shall be the volume weighted average price of the whole day. The amount due towards taxes shall be settled at the Daily Settlement price determined by the Exchange and invoices shall be raised accordingly
- The Circular No NCDEX SPOT/TRADING/035/2009/061 gives guidance on the treatment of difference between the DSP and Traded Price
- In case there is no trade on a particular day, Exchange will revise the Base price for the contract on the next trading day. The revised base shall be converted price for Gold international.

#### **(6) Premium /Discount**

- No premium/discount for grade is applicable
- No premium/discount for location is applicable.

**(7) Risk Management-** Members are requested to refer to the circular No: NCDEX SPOT/RISK/002/2009/028 dtd January 15, 2009 for further details.

### **B. Delivery Parameters**

#### **(1) Delivery logic**

Compulsory delivery. Netting of trades on intra-day basis will be permitted and net positions outstanding at end of the trading day will result into compulsory delivery.

#### **(2) Quality parameters**

Gold bars should be of 995 fineness only. Bars below 995 purity & above 995 purity shall not be accepted for deposit and delivery at NSPOT.

#### **(3) Deliverable grade & allocation**

The selling members tendering delivery will have to deliver such grades as specified in the contract specifications. The buyer client has no option but to accept the delivery offered by the

seller as per the allocation done by the Exchange as it shall be binding on him.

Delivery will be allocated at client level after closing hours of the trading day and the decision of the Exchange regarding such allocation shall be final and binding for all members and their clients.

#### **(4) Vault charges:**

Borne by the seller client/member up to commodity payout date.

Borne by the buyer client/member from commodity payout date till withdrawal or next commodity payout date.

#### **(5) Deposit of Commodity Lots**

- (1) The seller shall ensure availability of commodity in the Commodity Management System (CMS) put in place by the Exchange prior to commodity pay-in cut-off time as specified by electronically locked-in the commodity lot and assigning the commodity lot.
- (2) The Seller has to assign the locked-in lots for the trades in the manner prescribed by or before the Exchange cut-off time as detailed in Annexure 1.
- (3) The Exchange reserves the right to assign any locked-in lots for settlement upon the failure on the part of the Seller to assign lots for settled trades.

#### **(6) Delivery/Withdrawal of Commodity Lot**

- **Withdrawal of non-settled commodity lots:** Withdrawal requests for the free balance of commodity lots can be placed online. If the depositor wishes to withdraw the commodity lots from the Vault in any of the following stages,
  - a. after electronic deposit in the CMS and before lock-in the lot in the CMS.
  - b. after lock-in of the lot no. and till the time the lots has not been assigned to any allocation for settlement

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

Currently, as per the system put in place,

- a. the depositor has to place a "Withdrawal Request" for the commodity lots through his Member CMS module for processing.

- c. The requested withdrawal quantity will get released through the CMS only after confirmation from the CMS Vault module provided to the Vault for commodity lot management.
- **Buyer Delivery/withdrawal:** The Buyer shall have to take delivery of the commodity lots settled from the vault at the delivery centre either himself or through an authorized representative in the manner given below.
  - Any Buyer shall, for removal of commodity lots from the vault, contact the vault person and arrange for such removal / delivery.
  - Buyer or the Buyer's authorized representative shall, on or after the T+2<sup>nd</sup> day or such other day as may be permitted, go to the Vault with necessary identity proof as entered in the CMS after intimating the Vault. 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 Vault.
  - 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

- Vault shall verify the identity proof submitted by the Buyer or his authorized representative with the proofs recorded in the CMS.
- Upon completion of removal of commodity lots from the vault by the buyer, the vault user would close out the Withdrawal request by approving the same.

### C. Deposit /Withdrawal of Funds and Maintenance of Margin Balance

- Deposit and withdrawal of funds to the Members settlement account can be done through any of banking channel (Cheque/RTGS/Cash/NET) available.
- The transfer of funds from member settlement account to Exchange settlement account can be done online through payment gateway. The Exchange would recognize only those funds balances, which are transferred from member settlement account to the Exchange settlement account through payment gateway.
- An order can be placed only if sufficient margin balances are available in the account of the concerned member with the Exchange.

- The margin balances with the Exchange can be maintained online
- Request for withdrawal of funds from the Settlement a/c will be processed in the succeeding Bank payout run as per schedule notified.

**D. Legal obligation:** The members will provide appropriate tax forms wherever required as per law and as customary and neither of the parties (seller member and buyer member) will unreasonably refuse to do so.

**E. Applicability of Rules, Regulations & Bye laws:** The general provisions of Rules, Regulations & Bye laws of the Exchange and decisions taken by the Board of Directors and Executive Committee of the Exchange in respect of matters specified above will apply mutatis mutandis. The Exchange may further prescribe additional measures relating to delivery procedures, warehousing, quality certification, margin and risk management from time to time. In case of any interpretational dispute or clarifications, the decision of the Exchange shall be final and binding on the members and others.

#### **F. Settlement procedure**

- (1) The net open positions at the End of Day (EOD) shall result in compulsory delivery. i.e. the Buyer shall have to take delivery and the Seller shall have to give delivery of the physical commodity.
- (2) At the EOD, Members would receive an accurate listing of all trades done during the day as well as their net positions based on which the member is obliged to pay/receive funds and/or commodities.
- (3) The Buyer shall have to ensure availability of the full consideration in the designated account by or before the Exchange cut-off time on T+2nd day as detailed in Annexure 1.

#### **(4) Early Payin-Settlement:-**

- The Exchange provides a facility for real time settlement of funds and commodity/ies during the early pay-in window available before designated settlement day. ***(Please refer Cir. No NCDEX SPOT /TRADING /075/2009/124 for the detailed procedure on early pay-in settlement window)***
- At the end of every early pay-in settlement window, the settlement obligations shall be matched and allocated for settlement and delivery. I.e. the Buyer shall have to take delivery and the Seller shall have to give delivery of the physical commodity.

- (5) The seller shall ensure availability of commodity in the Commodity Management System (CMS) put in place by the Exchange prior to commodity pay-in cut-off time as specified by electronically locked-in the commodity lot and assigning the commodity lot.
- (6) The Seller has to assign the locked-in lots for the trades in the manner prescribed by or before the Exchange cut-off time as detailed in Annexure 1.
- (7) The Exchange reserves the right to assign any locked-in lots for settlement upon the failure on the part of the Seller to assign lots for settled trades.
- (8) The time & activity flow for settlement is available in the annexure 1.
- (9) Invoice / Tax Settlement**
  - Seller shall issue an invoice to the Buyer at the Daily Settlement price. Daily settlement price (DSP) shall be the volume weighted average price of the whole day.
  - The amount due towards taxes shall be settled at the Daily Settlement price determined by the Exchange and invoices shall be raised accordingly.
  - The seller member would receive tax payout only after confirmation of receipt of invoice by the Buyer member.
- (10) The Circular No NCDEX SPOT/TRADING/035/2009/061 gives guidance on the treatment of difference between` the DSP and Traded Price.
- (11) Delivery and other charges at the time of deposit are to be borne by the Seller.
- (12) Delivery and lifting charges at the time of taking physical delivery are to be borne by the Buyer.
- (13) Buyer Non –Performance**
  - Buyer member shall ensure availability of funds towards commodity pay-in, before the pay-in time. Exchange will check the availability of funds during the pay-in run. (Ensure availability by 11.00 AM)
  - In case of insufficiency of funds for settlement with member, the exchange in consultation with the buyer member would earmark allocation, which need not be settled i.e. Partial settlement will be done for available funds for delivery lot.
  - For the allocation earmarked for annulment, the non-performance compensation equal the DSP \* Default allocated qty \* Margin % for the commodity (Complete Margin amount) would be forfeited from the amount kept by the defaulting buying member as margins.
  - The seller member will be compensated 30% of the margin forfeited.
  - The fund payout run would now be for the revised pay-in and pay-out amount.
  - There would be no commodity payout run for unsettled allocation.

#### **(14) Seller Non - Performance**

- Seller member shall ensure the commodity (Obligation quantity) locked-in for a particular client towards commodity pay-in, before the pay-in time. Exchange will check the availability of commodity during the pay-in run. (Ensure availability by 11.00 AM)
- Exchange will monitor seller non-performance at client level.
- In case of insufficiency of commodity for settlement with member, it will be treated as sellers non-performance for pay-in of commodities and therefore, liable to forfeiture non-performance compensation equal to  $DSP * \text{Default allocated qty} * \text{Margin \%}$  for the commodity from the margin lying with Exchange.
- The buyer member will be compensated 30% of the margin forfeited.
- The fund payout run would now be for the revised pay-in and pay-out amount.
- There would be no fund payout run for unsettled allocation.

#### **(15) Complaints & Dispute Redressal**

- The SPOT Exchange may refer any dispute arising between the Seller member and the Buyer member to the dispute resolution mechanism as put in place. However such dispute shall be brought to the notice of the SPOT Exchange on or before T+3 or the settlement date whichever is earlier after which the SPOT Exchange shall not entertain any reference in that regard.
- No quantity/quality related issues will be accepted from the buyer member once the Gold bars have been taken out of the Vault.
- The arbitration and dispute redressal mechanism of the SPOT Exchange shall take over from then on.

**Annexure 1:- Time and Activity flow for Trading & Settlement**

DAY	ACTIVITY	TIME
T	Pre-open session	10.30 am to 11.00 am
T	Trading hours	11.00 am to 7.30 pm
T	Declaration of Daily Settlement Price	After 7.30 pm
T+1	Buyer for regular settlement shall provide client details through CTracker	1.30 pm upto 5.00 am
T+1	Seller for regular settlement shall assign locked in lots and provide tax details through CTracker – Commodity Payin	4.00 am to 10.30 am (T+2)
T+1	Dissemination of Final allocation report	After 1.00 pm
T+2	Payin run for Funds	11.30 am
T+2	Payout run for Commodity & Funds	2.00 pm
T+2	Penalty Settlement	2.00 pm

**Annexure 2:- Contract specifications for Gold Mumbai**

<b>Type of Contract</b>	Spot Contract Specifications
<b>Name of the Commodity</b>	Gold
<b>Trading/Ticker Symbol</b>	RSGL100MUM
<b>Contract Design</b>	NCDEX Bullion Private Limited
<b>Trading System</b>	NCDEX Spot Exchange Limited (NSPOT)
<b>Basis</b>	Ex – Mumbai Inclusive of all taxes and levies relating to import duty, customs & octroi but excluding Sales Tax / VAT and any other additional tax or surcharge.
<b>Type of Contract</b>	Spot T+2 (T – One Trading day)
<b>Trading Unit</b>	100 GMS
<b>Quotation</b>	Rs. per 10 grams with 995 fineness
<b>Tick size</b>	Re. 1
<b>Type of Trade</b>	Buying and selling on intra day basis will be permitted, but all the net outstanding positions at the end of the trading session on a trade day must result into compulsory delivery & the settlement shall be on T + 2 basis.
<b>Trading days</b>	Monday through Friday: 11.00 am to 7.30 pm Saturdays: 11.00 am to 2.00 pm The exchange may vary the above timings and may also suspend & stop trading in the contracts with due notice.
<b>Initial Margin</b>	4 % on Order basis. In case of simultaneously orders i.e. A buy order & sell order in same client code, margin will be charged on only on one side for an order with a higher value.
<b>Special Margin</b>	In case of additional volatility, a special margin, at such percentage, as deemed fit, may be imposed on either the buy side or the sell side in respect of all orders. Removal of such margins will be at the discretion of the exchange.
<b>Price limit</b>	Daily price fluctuation limit is (+/-) 4%. No order shall be permitted during the day beyond the limit of (+/-) 4%.
<b>Position limit</b>	Member wise: 6000 KGS Client wise: 2000 KGS

<b>Delivery Unit</b>	100 GMS
<b>Delivery centre (s)</b>	MUMBAI, at Vault of RSBL Mumbai at Riddhi Siddhi Bullion Ltd,5/A, Trishala Premises, 122, Sheikh Memon Street, Zaveri Bazar, Mumbai-400002.
<b>Quality Specification</b>	Gold bars of 995 fineness only. If the purity is less than or more than 995 fineness, it will be rejected.