



NCDEX SPOT Exchange Limited

Circular to all trading and clearing members of the Exchange

Circular No. : NCDEX SPOT/TRADING/027/2010/040

Date : 21st May 2010

Subject : Contract Specifications & Special terms and conditions for Steel Long
Contract (Seller Stock Based)

Trading & Clearing members are hereby requested to take a note of the contract specifications & special terms and conditions for the Steel Long contract (Seller Stock Based) Contract.

Commodity	Contract Symbol	Ex- Location
Steel Long (Seller Stock Based)	STLINGGZB	Ghaziabad

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 which the Spot Exchange issues from time to time.

For and on behalf of
NCDEX Spot Exchange Limited

Praveen Hiremath
Vice President
Products & Business Development Group

For Further information/clarification, please contact

1. Customer Service Group – 022-66473154/66473153
2. Mr Praveen Hiremath - Products & Business Development Group: - Mob 9969208878

Regd Office: 1st Floor, Akruti Corporate Park,, Lal Bahadur Shastri Marg,Kanjurmarg(W)
Phone: +91-22-6640 6789, Fax +91-22-6640 6899, Website: www.ncdexspot.com

ANNEXURE 1:- CONTRACT SPECIFICATIONS FOR STEEL LONG

Type of contract	Spot																
Name of commodity	Steel Long																
Ticker symbol	STLINGGZB																
Trading system	NCDEX Spot Trading System																
Basis	Ex-Warehouse Ghaziabad, exclusive of all taxes and duties																
Unit of trading	10 MT																
Delivery unit	10 MT																
Quotation/base value	Rs. Per MT																
Tick size	Rs. 10/- per MT																
Quality specification	<p>Mild Steel Ingot/Steel Long</p> <table border="1"> <tr> <td>Size</td> <td>3^{1/2} * 4^{1/2} inch</td> </tr> <tr> <td>Carbon content</td> <td>upto 0.3 % max</td> </tr> <tr> <td>Manganese</td> <td>min 0.4 %</td> </tr> <tr> <td>Sulphur</td> <td>upto 0.06% max</td> </tr> <tr> <td>Phosphorus</td> <td>upto 0.09% max</td> </tr> <tr> <td>Sulphur + Phosphorous</td> <td>upto 0.14% max</td> </tr> <tr> <td>Weight</td> <td>min of 90 Kgs per ingot</td> </tr> <tr> <td>Length</td> <td>min of 48 inches per ingot</td> </tr> </table> <p>Ingots without harmful and appreciable hollowness, piping and rising. Ingots must have reasonably plain surface. Heat number to be mentioned on each ingot. Ingots must be free of harmful refractories.</p>	Size	3 ^{1/2} * 4 ^{1/2} inch	Carbon content	upto 0.3 % max	Manganese	min 0.4 %	Sulphur	upto 0.06% max	Phosphorus	upto 0.09% max	Sulphur + Phosphorous	upto 0.14% max	Weight	min of 90 Kgs per ingot	Length	min of 48 inches per ingot
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Weight	min of 90 Kgs per ingot																
Length	min of 48 inches per ingot																
Quantity variation	+/- 3%																
Delivery center	Ghaziabad																
Trading hours	<p>Monday through Friday: 11:00 AM to 07:30 PM Saturday: 11.00 AM to 2.00 PM The Exchange may vary the above timing with due notice</p>																
Delivery specification	The contracts will be operational on a one day Daily Net Settlement mode. At the end of trading hours on each trading day all open positions will result into delivery.																
Due Date/ Expiry Date	End of day for each trading date																
Price band	Daily price fluctuation limit is (+/-) 4%. If the trade hits the prescribed daily price limit there will be a cooling off period for 15 minutes. Trade will be allowed during this cooling off period within the price band. Thereafter the price band would be raised by another 50% of the existing limit i.e. (+/-) 2%. If the price hits the revised price band (6%) again during the day, trade will only be allowed within the revised price band. No trade/order shall be permitted during the day beyond the revised limit of (+/-) 6%.																

Margins	<p>The buyer and seller will need to deposit the prescribed margin before taking any trading position. They will be permitted to square off their position on an intra day basis. However all open positions at the end of trading day will be settled by delivery.</p> <p>Additional Margin shall be levied on the buyer wanting delivery on the prescribed date as per timeline.</p>
Margin %	7 %
Location Premium/Discount	<p>The discounts applicable to the production centers within Uttar Pradesh (UP) state from where ex-delivery shall be effected shall be announced from time to time by way of circulars taking into account the applicable transport charges.</p>
Delivery Logic	Compulsory Delivery for all open positions at EOD.



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

DEFINITIONS

- a. **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.

- b. **the EXCHANGE**
`the Exchange' shall mean the NCDEX SPOT Exchange Ltd.

- c. **SELLER**
The person or entity who has offered STEEL LONG for sale on the Exchange platform in accordance with the prescribed Rules, general and special terms and conditions of the Exchange.

- e. **BUYER**
The person or entity who has offered to purchase STEEL LONG on the Exchange platform in accordance with the prescribed terms and conditions of the Exchange.

- f. **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 STEEL LONG would be at Ghaziabad.

- g. **COMMODITY MANAGEMENT SYSTEM:** - The Commodity Management System (CMS) is a technology interface which facilitates deposit and withdrawal of holdings of commodities stored in the accredited Warehouse and the pay-in of funds towards trading in commodities on the NCDEX Spot Exchange.

- h. **CS TRACKER:** - **CS TRACKER** is a technology interface which facilitates settlement of levies & the short/excess quantities of the traded commodities as well as premium and discount on the commodity grade.

Terms & Conditions:-

1. All the transactions, contracts, deals and trades for sale/purchase of STEEL LONG 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.
2. The location for delivery pursuant to trades on the Exchange shall be at Ghaziabad.
3. The Seller shall, through the trading member, offer and the Buyer shall, through the trading member offer, respectively, to sell and to buy STEEL LONG of quality and details as specified in the contract specifications herein 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 or directives notified by the Exchange.
4. 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.
5. The net open position at the end of trading hours shall have to be settled by giving and taking delivery of the commodity traded.
6. The Buyers/Sellers shall be permitted to square-off their sell or buy positions during the trading day.
7. The Sellers or Buyers who are not registered as members of the Exchange can trade by placing their orders through a registered member or becoming a registered member of the Exchange.
8. The members can give quotes on their own behalf or on behalf of clients for different quantities through out the trading hours.

9. The member shall be permitted to modify the buy/sell quotes till the time of matching on the Exchange trading platform.
10. During the stipulated trading hours, a member shall not be allowed to put in a sell order in excess of his Net Buy Open Positions + Free Commodity balance.

Free Commodity balance is calculated by using the below formula

Quantity Locked	xx
Less: - Qty already traded	xx
Less: - Open Sell orders	xx
Less: - Withdrawal requests	xx
<hr/>	
Free Commodity Balance	XX

11. Margins shall be charged on the net buy positions only and shall get released online when a buy position is squared off.
12. Net open sell or buy positions shall be calculated at the client level for each member.
13. Short selling of commodities shall not be allowed on the trading platform.
14. A margin amount of 7 % of the purchase order value shall be charged from the Buyers towards buy trade position. The percentage of margin amount towards buy trade position shall be as deemed and decided by the Exchange and shall also be subject to revision at the discretion of the Exchange.
15. No margin shall be charged from the seller

16. Time for trading:-

Monday through Friday 11:00 AM to 07:30 PM (IST)

Saturday 11:00 AM to 02:00 PM (IST)

All timings are as per Indian Standard Time. No trading shall take place on any day which is declared as holiday by the Exchange at its absolute discretion. The Exchange reserves the right to suspend or stop trading at any time at its absolute discretion.

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

- Offers for sale & purchase can be made in lots of 10MT or multiples thereof.
- The unit of price quotation shall be Rs./ MT
- The orders/trades will be on ex-Commodity basis and will be quoted on the basic rate basis i.e. exclusive of all taxes/levies.

18. All unmatched outstanding orders will be cancelled at the end of the trading hours.

19. There will only be one type of order – Limit order.

Seller/Depositor.

1. Only those depositors who have deposited the STEEL LONG in the Exchange accredited warehouse and whose quality is in accordance with the specifications prescribed by the Exchange from time to time may sell STEEL LONG on the Exchange platform.
2. When the Seller deposits the STEEL LONG into the Exchange accredited warehouse, the same will be subject to visual inspection as may be approved by exchange time to time.
3. The details of the deposit will have to be entered into CMS (Commodity Management System) by the accredited Warehouse.

4. Seller shall ensure availability of STEEL LONG equivalent to the quantity of STEEL LONG to be traded, in the Commodity Management System (CMS) put in place by the Exchange prior to entering sell order through the trading platform and shall electronically lock the same in the CMS.
5. The Seller Member shall lock-in the quantity of goods intended to be sold on the Exchange in the CMS as per prescribed procedure. Such lock-in quantity/lots will be available for trading only on successful lock-in by the member,
6. Failure to deposit & lock in sufficient quantity of STEEL LONG 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.
7. Seller may unlock any quantity of STEEL LONG prior to execution of trade on any given day and may request release of goods if deposited in the CMS.
8. 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.
10. The warehouse shall have to be informed by the Member regarding any withdrawal of the goods.
11. The member /member's representative (whose details is created in the CMS) can take the physical delivery of the requested quantity of STEEL LONG from the warehouse on presentation of necessary proofs.
12. Warehouse shall issue a lot no. to the Seller for every tradable lot which is deposited.
For eg :- if a depositor has brought in 50 MT of STEEL LONG, then the warehouse shall issue 5 separate e-deposit as lot no. to the Seller on net quantity after deducting standard allowance as mentioned in the contract specifications.

13. **Withdrawal of non-traded goods:** Withdrawal requests for the free balance of commodity can be placed online. If the depositor 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 the lot in the CMS,
- b. after lock-in of the lot no. and till the time there is no sell order placed 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.

Currently, as per the system put in place,

- a. the depositor has to place a "Withdrawal Request" through his Member CMS module for processing.
- b. The depositor has to then submit his photo id, signature proof along with the CMS deposit details to the Warehouse.
- c. Upon verification and satisfaction by the warehouse, the requested withdrawal quantity will get released through the CMS as per process put in place.

Buyer.

1. Buyers shall, before placing an order through the automated trading system, have sufficient margin balance as prescribed by the Exchange, in the settlement account for the quantity of STEEL LONG proposed to be purchased. The buying member before placing an order shall ensure that funds towards such margin are transferred to the settlement bank account of the Exchange and allocate towards margin balances through PFM. In the event of shortage of funds, the buy orders will be rejected in the system.
2. The Buyer shall be entitled to visually inspect the stock at the accredited Warehouse prior to trading.

3. Buyer can modify quantity and price quoted or may also withdraw any buy order before the order is matched /executed on the automated trading system
4. After the matching of quotes, the Buyer shall bring the full purchase consideration including adjustments for excess/shortage quantity, grade premium/discount if any and all the applicable taxes. The cut off time for payment of full consideration would be T+2 day by 11.30 am. *(pls see Annexure 2 for time & activity flow for trading & settlement)*
5. Any Buyer shall, for removal of STEEL LONG from the warehouse, contact the warehouse person and arrange for such removal / delivery.
6. The Buyer shall have to take delivery of the STEEL LONG from the accredited warehouse at the delivery centre either himself or through an authorized representative in the manner given below.
7. 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 STEEL LONG from the accredited Warehouse.
8. Buyer or the Buyer/'s authorized representative shall, on or after the T+2 day or such other day as may be permitted, 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.
9. 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

10. Warehouse shall verify the identity proof submitted by the Buyer or his authorized representative with the proofs recorded in the CMS.
11. Buyer/Buyer's authorized representative & warehouse shall confirm physical delivery in the CMS by registering the identity proofs in the manner provided.
12. 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.
13. 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.
- .14. Failure to bring in the total obligation amount payable towards the purchase consideration shall attract non-performance compensation as decided and deemed fit by the Exchange. A non-performance compensation of an amount equal to **Allocated Quantity defaulted *DSP * Margin Percentage** shall be recovered from the margin already lying with the Exchange on the net buy positions.
15. The non-performance compensation shall be recovered from the margin payment already paid by the Buyer Member. 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. 30% to Seller Member for the opportunity loss incurred by him
 - b. 40% towards building a Settlement Guarantee Fund.
 - c. 30% to NCDEX Spot Exchange to cover operational expenses



16. There shall be levied on the Buyer non-performance compensation if the Buyer client fails to collect the physical commodity within the stipulated time period.

17 Buyer shall bear the warehousing charges from the date of regular settlement (T+2) till the date of actual physical delivery.

Other terms & conditions.

1. Deposit /Withdrawal of Funds

- Deposit and withdrawal of funds to the Members settlement account can be done through any of banking channel (Cheque/RTGS/Cash/NET) available.
- The Exchange would recognize only those funds balances which are transferred from member settlement account to the Exchange settlement account. The transfer of funds from fund account to margin account can be done online through PFM (Participant Funds Management).
- The buy order can be placed only if sufficient margin balances are available to the account of the concerned Buyer 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 pay-out run as per schedule notified.

2. Settlement

- The net open positions at the End of Day (EOD) shall result in compulsory delivery. ie the Buyer shall have to take delivery and the Seller shall have to give delivery of the physical commodity.
- 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.
- The Buyer shall have to ensure availability of the full consideration including differential quantity & grade premium & discount adjustments in the designated account by or before the Exchange cut-off time on T+2 day as permitted.

- 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 levies/taxes & shortage/excess of quantity/grade premium & discount 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.
- The sale tax payout to the Seller member would be done only after confirmation of receipt of invoice by the Buyer member.
- The time & activity flow for settlement is available in the annexure 2
- Delivery and other charges at the time of deposit are to be borne by the Seller.
- Delivery and lifting charges at the time of taking physical delivery are to be borne by the Buyer.
- 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 2.
- 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.

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

4. **Complaints & Dispute Redressal**

- 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.

- No quantity/quality related issues will be accepted once the STEEL LONG 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.

Annexure 2:- Time & Activity Flow for Settlement

Day	Activity	Time
T	Pre-open session	10:30 am- 11:00 am
T	Trading hours	11:00 am- 07:30 pm
T	Declaration of DSP	After 7:30 pm
T+1	Allocation	1 :00 pm
T+1	Buyer for regular settlement shall provide client details through CS Tracker	1:00 pm – 04:00 pm
T+1	Seller for regular settlement shall provide details of lots and taxes through CS tracker	04:00 pm – 06:00 pm
T+2	Funds pay-in	11:30 am
T+2	Penalty settlement	2:00 pm
T+2	Commodity payout	2:00 pm
T+2	Funds payout	After 2:00 pm