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## CHAPTER 1 - TRADING PARAMETERS

### Authority

Trading of Chilli futures may be conducted under such terms and conditions as specified in the Rules, Byelaws & Regulations and directions of the Exchange issued from time to time. A specimen of Chilli futures contract specification is indicated in **Exhibit 1**.

### Unit of Trading

The quintal of trading shall be 5 METRIC TONNES (MT). Bids and offers may be accepted in lots of 5 METRIC TONNES (MT) or multiples thereof.

### Months Traded In

Trading in Chilli futures may be conducted in the months as specified by the Exchange from time to time.

### Tick Size

The tick price of Chilli shall be Re. 1.

### Basis Price

The basis price of Chilli shall be Guntur Sannam Medium Best Ex-Warehouse Guntur Inclusive of all Taxes.

### Quintal for Price Quotation

The quintal of price quotation for Chilli shall be in Rupees per Qunital. The basis of trading for Chilli is Guntur Sannam Medium Best Ex-Warehouse Guntur Inclusive of all Taxes.

### Hours of Trading

The hours of trading for futures in Chilli shall be as follows:

- Mondays through Fridays - 10.00 A.M. To 5.00 P.M.
- Saturdays - 10.00 A.M. To 2.00 P.M.

Or as determined by the Exchange from time to time. All timings are as per Indian Standard Timings (IST)

### Last Day of Trading

Last day of trading shall be 20th calendar day of contract month, if 20th happens to be a holiday or a Saturday, then the previous working day.

### Mark to Market

The outstanding positions in futures contract in Chilli would be marked to market daily based on the Daily Settlement Price (DSP) as determined by the Exchange.

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### Position limits

At the commodity level, the member-wise position limits will be a maximum of 50,000 MT. The Client-wise position limits will be a maximum of 5,000 MT. Both position limits will be subject to NCDEX Regulations and directions from time to time.

### Margin Requirements

NCDEX will use Value at Risk (VaR) based margin calculated at 99% confidence interval for one day time horizon. NCDEX reserves the right to change, reduce or levy any additional margins including any mark up margin.

Special Margins, by way of addition to the normal margins, would be levied on a large unidirectional movement of any Chilli contract on either the buy or sale side whichever way the movement has happened based on the first day settlement price of that contract and valid for the life of that contract.

Currently, if there is a 20 per cent and above unidirectional movement, a special margin of 4% shall be applicable.

### Pre-Expiry Additional Margin

There will be an additional margin imposed for the last 5 trading days, including the expiry date of the Chilli contract. The additional margin will be added to the normal exposure margin and will be increased by 1% everyday for the last 5 trading days of the contract. From the contract expiring on or after September 20, 2005 it will be increased by 3% per day for the last 5 trading days.

### Delivery Margins

In case of open positions materializing into physical delivery, delivery margins as may be determined by the Exchange from time to time will be charged. The delivery margins will be calculated based on the number of days required for completing the physical delivery settlement (the look-ahead period and the risks arising thereof).

### Penalty for cash settlement

The Exchange may impose such penalties as may be decided, on sellers who choose not to deliver the commodity. Currently such penalty for Chilli is prescribed at 2%. For the contracts expiring on or after September 20, 2005 it will be levied at 0.5%. This penalty % may be revised by the Exchange from time to time.

Ten percent (10%) of such penalty amount shall be retained by the Exchange and the balance ninety percent (90%) shall be paid to the buyers to whom the deliveries could not be made.

### Arbitration

Disputes between the members of the Exchange inter-se and between members and constituents, arising out of or pertaining to trades done on NCDEX shall be settled through arbitration. The arbitration proceedings and appointment of arbitrators shall be as governed by the Bye-laws and Regulations of the Exchange.

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## CHAPTER 2 - DELIVERY PROCEDURES

### Unit of Delivery

The quintal of delivery for Chilli shall be 5 MT.

### Delivery Size

Delivery is to be offered and accepted in lots of 5 MT Net or multiples thereof. A quantity variation of +/- 2% is permitted as per contract specification.

### Delivery Requests

The procedure for Chilli delivery is based on the contract specifications as per **Exhibit I**. During three trading days prior to expiry of the contract (including the date of expiry), sellers having open positions would be required to indicate delivery information for giving delivery. NCDEX would thereafter complete the matching process based on the location and by random, keeping in view the storage capacity of warehouse and Chilli already deposited / dematerialized for delivery or any other factor(s) that the Exchange deems appropriate for completion of the matching process.

It may be noted that upon expiry of the contract, if any seller having open position desires to give physical delivery at a specified delivery center, then the buyer with corresponding open position as matched by the process put in place by the Exchange, shall be bound to settle by taking physical delivery. All open positions of those sellers who do not provide required information for physical delivery shall be settled in cash with penalties.

### Delivery Allocation

The Exchange would then compile delivery requests received from members on the last trading day, as specified in Chapter 1 above. The buyers / sellers who have to receive / give delivery would be notified on the same day after the close of trading hours. Delivery of Chilli is to be accepted by buyers at the accredited warehouse where the seller effects delivery in accordance with the contract specifications.

### Actual Delivery

Where Chilli is sold for delivery in a specified month, the seller must have requisite electronic credit of such Chilli holding in his Clearing Member's Pool Account before the scheduled date of pay in. On settlement the buyer's Clearing Member's Pool Account would be credited with the said delivery quantity on pay out. The Clearing Member is expected to transfer the same to the buyer's depository account. However, the buyer must take actual physical delivery of Chilli before expiry of the validity date as indicated in the quality test report/Assayer's Certificate of the Assayer or get the same revalidated.

### Accredited Warehouse

NCDEX has accredited warehouses for receipt and delivery of Chilli. Chilli will be received and delivered only from the NCDEX accredited warehouse. The details of the NCDEX accredited warehouses are as per **Exhibit 2**.

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The Chilli received at the NCDEX accredited warehouse will be tested and certified by NCDEX accredited Assayer before acceptance as good delivery in the warehouse. Likewise, Chilli delivered to buyers will be from the accredited warehouse only.

### **Quality Standards**

The contract quality for delivery of Chilli futures contracts made under NCDEX Regulations shall be Chilli conforming to the quality specification indicated in the contract. No lower grade/quality shall be accepted in satisfaction of futures contracts for delivery except as and to the extent provided in the contract specifications.

### **Packaging**

Chilli should be delivered in 25 Kgs net basis in new Jute bags.

### **Standard Allowances**

Sample weight per validation of quality allowed will be 1% per 5 MT or part thereof on account of sample testing.

### **At the time of deposit**

The quantity credited will be the actual quantity delivered at the tested moisture level, after providing for standard allowances on account of sampling.

### **At the time of withdrawal / revalidation:**

The weight of lot delivered / revalidated at the time of withdrawal/revalidation shall be adjusted to moisture level at the time of deposit/revalidation whichever is later and such adjustment shall be over and above the standard allowances mentioned above.

### **At the time of withdrawal / revalidation**

The weight of lot delivered / revalidated at the time of withdrawal / revalidation shall be adjusted to moisture level at the time of deposit / revalidation whichever is later and such adjustment shall be over and above the standard allowances mentioned above.

### **Weight**

The quantity of Chilli received and / or delivered at the NCDEX designated warehouse would be determined / calculated by the weighbridge / weigh scale at the premises of the designated warehouse and the quantity so determined would be binding on all parties. The weight of the bag will be maximum 26 Kgs Gross.

### **Good / Bad delivery Norms**

Chilli delivery into NCDEX designated Warehouse would constitute good delivery or bad delivery based on the good / bad delivery norms as per **Exhibit 3**. The list contained in Exhibit 3 is only illustrative and not exhaustive. NCDEX would from time to time review and update the good / bad delivery norms retaining the trade / industry practices.

### **Chilli Sampling**

The sampling will be done with 5% of Chilli. Out of every lot, 5 MT or part thereof of bags will be randomly selected & out of these bags any 10 bags will be taken, samples will be

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drawn from 3 places of each bag and a composite mixture of 2.5 Kgs will be made. This is then divided into 4 parts

These samples will be distributed as under:

- One sample to Depositor
- One sample to Warehouse owner
- One sample for Analysis by assayer
- One sample for record with assayer

### **Accredited Assayer**

NCDEX has approved the Assayer for quality testing and certification of Chilli received at the designated warehouse. The quality testing and certification of Chilli will be undertaken only by the approved Assayer. The assayer details are given in the Exhibit 2 alongside the warehouses.

### **Quality Testing Report**

The test report issued by the Chilli testing laboratory on the samples drawn shall be acceptable and binding on all parties. A specimen format of the quality testing report is indicated in **Exhibit 4**.

### **Testing Procedure**

Testing for Chilli will be done both physically and chemically. To test Whitish and coloured seeds, admixture and rain affected seeds, physical tests are conducted. For FFA and Moisture, chemical test is done by oven dry method.

### **Assayer Certificate**

Testing and quality certificate issued by NCDEX approved Assayer for Chilli delivered at designated warehouse in Guntur and at such other locations announced by the Exchange from time to time shall be acceptable and binding on all parties. Each delivery of Chilli at the warehouse must be accompanied by a certificate from NCDEX approved Assayer in the format as per **Exhibit 4**.

### **Validity period**

The validity period of the Assayer's Certificate for Chilli is 3 months or till the first withdrawal from the warehouse whichever is earlier. Revalidation will be for 1 month each for two revalidations.

### **Electronic transfer**

Any buyer or seller receiving and or effecting Chilli would have to open a depository account with an NCDEX empanelled Depository Participant (DP) to hold the Chilli in electronic form. On settlement, the buyer's account with the DP would be credited with the quantity of Chilli received and the corresponding seller's account would be debited. The Buyer wanting to take physical delivery of the Chilli holding has to make a request in prescribed form to his DP with whom depository account has been opened. The DP would route the request to the warehouse for issue of the physical commodity i.e. Chilli to the buyer and debit his account, thus reducing the electronic balance to the extent of Chilli so rematerialized.

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### **Charges**

All charges and costs payable at the designated warehouse towards delivery of Chilli including sampling, grading, weighing, handling charges, storage etc. from the date of receipt into designated warehouse upto date of pay in & settlement shall be paid by the seller.

No refund for warehouse charges paid by the seller for full validity period shall be given to the seller or buyer for delivery earlier than the validity period.

All charges and costs associated & including storage, handling etc. after the pay out shall be borne by the buyer. Warehouse storage charges will be charged to the member / client by the respective Depository Participant.

The Assayer charges for testing and quality certification should be paid to the Assayer directly at the delivery location either by cash / cheque / demand draft.

### **Duties & levies**

All duties, levies etc. up to the point of sale will have to be fully borne by the seller and shall be paid to the concerned authority. All related documentation should be completed before delivery of Chilli into the NCDEX accredited warehouse.

### **Stamp Duty**

Stamp duty is payable on all contract notes issued as may be applicable in the State from where the contract note is issued or State in which such contract note is received by the client.

### **Taxes**

#### **Service tax**

Service tax will be payable by the members of Commodity Exchanges on the gross amount charged by them from their clients on account of dealing in commodities.

#### **Sales Tax / VAT**

Local taxes/ VAT wherever applicable is to be paid by the seller to the sales tax/VAT authorities on all contracts resulting in delivery. Accordingly the buyer will have to pay the taxes/VAT to the seller at the time of settlement. Members and / or their constituents requiring to receive or deliver Chilli should register with the relevant tax/VAT authorities of the place where the delivery is proposed to be received / given. In the event of sales tax exemption, such exemption certificate should be submitted before settlement of the obligation. There will be no exemptions on account of resale or second sale in VAT regime.

#### **Premium / Discount**

There are no Premium/Discounts currently allowed in the delivery of Chilli.

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## CHAPTER 3 - CLEARING AND SETTLEMENT

### Daily Settlement

All open positions of a futures contract would be settled daily based on the Daily Settlement Price (DSP).

### Daily Settlement Prices

The Daily Settlement Price (DSP) will be as disseminated by the Exchange at the end of every trading day. The DSP will be reckoned for marking to market all open positions.

### Final Settlement Prices

The Final Settlement Price (FSP) will be determined by the Exchange upon maturity of the contract.

On expiry of the contract, the following types of open positions would be cash settled:

- a) Delivery information not provided.
- b) Unmatched delivery information

The open positions for which information have been provided for and have been matched by the Exchange, would result in physical delivery.

### Spot Prices

NCDEX will announce / disseminate spot prices for Chilli relating to the designated delivery center and specified grade/ quality parameters determined through the process of polling a set of market participants representing different segments of the value chain such as traders, importers / exporters, processors etc.

The polled prices shall be input to a normalizing algorithm (like 'bootstrapping' technique) to arrive at a representative, unbiased and clean 'benchmark' spot price for Chilli. The security of data and randomness of polling process will ensure transparency and correctness of prices. The Exchange has absolute right to modify the process of determination of spot prices at any time without notice.

### Dissemination of Spot Prices

Spot prices for Chilli will be disseminated on daily basis.

### Pay in and Pay out for Daily Settlement / Final Settlement

The table below illustrates timings for pay in and pay out in case of daily settlement as well as cash settled positions for final settlement. The buyer clients would have to deposit requisite funds with their respective Clearing Member before "pay in".

All fund debits and credits for the Member would be done in the Member's Settlement Account with the Clearing bank.

Time (E+1)	Activity
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On or before 11.00 hrs	PAYIN - Debit paying member a/c for funds
After 13.00 hrs	PAYOUT – Credit receiving member a/c for funds

**Pay in and Pay out for final physical settlement**

The table below illustrates timings for pay in and pay out in case of positions marked for physical settlement. The buyers / sellers would have to deposit requisite funds / Chilli with their respective Clearing member before “pay in”.

Pay in and Pay out for Final Settlement in case of physical deliveries	
Time (E+7)	Activity
On or before 11.00 hrs	PAYIN - Debit Buyer Member Settlement a/c for funds - Debit Seller Member’s CM Pool Account for Chilli
After 13.00 hrs	PAYOUT - Credit Seller Member Settlement a/c for funds - Credit Buyer Member’s CM Pool Account for Chilli

Additionally the supplemental settlement for Chilli futures contracts for premium / discount adjustments relating to quality of Chilli delivered, actual quantity delivered and close out for shortages, will also be conducted on the same day. Clearing Members are required to maintain adequate fund balances in their respective accounts.

Pay in and Pay out for supplemental settlement	
Time (E + 7)	Activity
On or before 16.00 hours	PAY IN - Debit Member Settlement a/c for funds
After 18.00 hours	PAY OUT – Credit Member Settlement a/c for funds

**Supplementary Settlement for Taxes**

The Exchange will conduct a separate supplementary settlement, as illustrated below, two days after normal pay out for completion of tax transactions.

In order to facilitate issue of invoice to right parties, the buyer Clearing Members are required to give the buyer client details to the Exchange latest by 12.00 noon on E+8 day.

The amounts due to the above differences will be debited / credited to Member’s clearing bank account similar to normal settlement.

Pay in and Pay out for Taxes
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Product Note



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Time (E + 9)	Activity
On or before 11.00 hours	PAY IN: Debit Buyer Member Settlement a/c for funds.
After 13.00 hours	PAY OUT: Credit Seller Member Settlement a/c for funds

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**Exhibit 1 – CONTRACT SPECIFICATIONS OF Chilli**

<b>Type of contract</b>	Chilli Futures Contract Specifications
<b>Name of commodity</b>	Chilli
<b>Ticker symbol</b>	CHLGSMGTR

<b>Trading system</b>	NCDEX Trading System																		
<b>Basis</b>	Ex-warehouse Chilli (Paala) traded as Guntur Sannam Medium Best Ex warehouse Guntur Inclusive of all taxes																		
<b>Unit of trading</b>	5 MT																		
<b>Delivery unit</b>	5 MT																		
<b>Quotation/base value</b>	Rs. per Quintal																		
<b>Re. 1.</b>	Re. 1.00																		
<b>Quality specifications</b>	<p>Chilli Guntur Sannam medium best grade with the following specifications:</p> <table border="1"> <tr> <td>Colour</td> <td>Bright Red</td> </tr> <tr> <td>Length</td> <td>Not less than 5 cms</td> </tr> <tr> <td></td> <td>Chillies less than 5 cms and above 3 cms will be allowed to a maximum of 5% by weight</td> </tr> <tr> <td>Moisture</td> <td>not be more than 12%</td> </tr> <tr> <td>Foreign matter</td> <td>not be more than 2%</td> </tr> <tr> <td>Broken Chillies</td> <td>not be more than 7%</td> </tr> <tr> <td>Loose seeds</td> <td>not be more than 2%</td> </tr> <tr> <td>Damaged and discoloured pods</td> <td>not more than 8%</td> </tr> <tr> <td>Pods without stalks</td> <td>not be more than 10%</td> </tr> </table> <p>* Tolerance of 0.5% of the above limits will be allowed</p>	Colour	Bright Red	Length	Not less than 5 cms		Chillies less than 5 cms and above 3 cms will be allowed to a maximum of 5% by weight	Moisture	not be more than 12%	Foreign matter	not be more than 2%	Broken Chillies	not be more than 7%	Loose seeds	not be more than 2%	Damaged and discoloured pods	not more than 8%	Pods without stalks	not be more than 10%
Colour	Bright Red																		
Length	Not less than 5 cms																		
	Chillies less than 5 cms and above 3 cms will be allowed to a maximum of 5% by weight																		
Moisture	not be more than 12%																		
Foreign matter	not be more than 2%																		
Broken Chillies	not be more than 7%																		
Loose seeds	not be more than 2%																		
Damaged and discoloured pods	not more than 8%																		
Pods without stalks	not be more than 10%																		
<b>Quantity variation</b>	+/- 2%																		
<b>Delivery center</b>	Guntur																		
<b>Hours of trading</b>	As per directions of the Forward Markets Commission from																		

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	<p>time to time, currently -</p> <p><b>Mondays through Fridays:</b> 10:00 a. m. to 05:00 p.m.</p> <p><b>Saturdays:</b> 10.00 a.m. to 2.00 p.m.</p> <p>On the expiry date, contracts expiring on that day will not be available for trading after 5.00 p.m.</p> <p>The Exchange may vary the above timing with due notice.</p>
<b>Due date/Expiry date</b>	<p>20th day of the delivery month</p> <p>If 20th happens to be a holiday, a Saturday or a Sunday then the due date shall be the immediately preceding trading day of the Exchange</p>
<b>Delivery specification</b>	<p>Upon expiry of the contracts, if any seller with open position desires to give delivery at a particular delivery center, then the corresponding buyer with open position as matched by the process put in place by the Exchange shall be bound to settle by taking physical delivery</p>
<b>Closing of contract</b>	<p>All open positions will be settled as per general rules and product specific regulations</p>
<b>Opening of contracts</b>	<p>The first set of contracts was launched on March 11, 2005.</p> <p>Subsequently, trading in any contract month will open on the 21st day of the month. If the 21st day happens to be a non-trading day, contracts would open on the next trading day</p>
<b>No. of active contracts</b>	<p>Minimum 2 contracts with a maximum of 12 contracts running concurrently</p>
<b>Price limit</b>	<p>Limit of 5 per cent</p>
<b>Special Margins</b>	<p>Special Margins, by way of addition to the normal margins, would be levied on a large unidirectional movement of any Chilli contract on either the buy or sale side whichever way the movement has happened based on the first day settlement price of that contract and valid for the life of that contract.</p> <p>A 20% and above unidirectional movement would attract a</p>

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	special margin of 4%.
<b>Position limits</b>	Member-wise: 50,000 MT Client-wise: 5,000 MT

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## Exhibit 2 - Warehouse & Assayer Address Details

Warehouse Address	Assayer Address
<b>1. NCMSL</b> Tirumala Cold Storage Pvt.Ltd, Nallapadu Road, Guntur - 522004, A.P.	<b>SGS India Pvt. Ltd</b> 443, Anna Salai, Teynampet, ZipCode / City: Chennai 600 018 Country: INDIA Phone: (91-44) 2433.55.52
<b>2. NCMSL</b> Sai Sivam Cold Storage Pvt. Ltd.,11/D, Nallapadu Road, Guntur - 522 004, A.P.	(91-44) 24341878 (91-44) 24347503 (91-44) 2436 4171 (91-44) 2436 4273 Telefax: (91-44) 24347502
<b>3. NCMSL</b> Rythu Mitra Cold Storage Pvt. Ltd., Nallapadu Road, Besides Market Yard, Guntur - 522 004, A.P.	E-mail: bala_muralikrishnan@sgs.com Contact person; Mr. Bala Muralikrishnan 098407 68007
<b>4. NCMSL</b> Uttamchand Wadhvani Pvt. Ltd. Old Grand Trunk Road, Near Mirchi Yard, Guntur - 533 004, A.P.	
<b>5. JICSSMCS-GUNTUR</b> C/o Shubham Maheshwari Cold Storage Duggirala Guntur – 522 330, Andhra Pradesh Contact Person: Mr. Sharma Tel No: 08644 – 277979	

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**Exhibit 3 - Good / Bad delivery norms**

No.	Particulars	Good / Bad delivery
1.	Delivery before contract expiration.	Good delivery
2.	Weighing of Chilli at the Exchange designated warehouse.	Good delivery
3.	5% drawn for the purpose of drawing the sample	Good Delivery
4.	Delivery quantity is more than quantity to be delivered.	Good delivery
5.	Chilli quality not meeting futures contract specification.	Bad delivery
6.	Delivery at non designated warehouse.	Bad delivery
7.	Delivery after pay in date / time.	Bad delivery
8.	Delivery of wrong product (E.g.: Sugar instead of Chilli).	Bad delivery
9.	Delivery completed but without sampling & testing / certification / expired validity.	Bad delivery
10.	Delivery without weight certificate.	Bad delivery
	Delivery not compatible to delivery size as mentioned in contract specification.	Bad delivery
11.	Delivery beyond specified working hours.	Bad delivery
12.	Delivery without proper documentation.	Bad delivery
13.	Cotton bales weighed at other than designated warehouse weigh bridge / weigh scale.	Bad delivery
14.	Delivery of Chilli found contaminated on visual inspection.	Bad delivery
15.	Delivery by unauthorized person / agent without proper identification	Bad delivery

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**Exhibit 4 – Specimen of Chilli Testing Report**

**CERTIFICATE OF QUANTITY & QUALITY**

Date : \_\_\_\_\_

Report no.:

NCDEX Member :

Commodity :

Lorry No. :

1) QUANTITY : This is to certify that National Commodity & Derivative Exchange Ltd. ( NCDEX ) member / constituent

\_\_\_\_\_ has delivered \_\_\_\_\_

Metric Tons ( MT ) Net of Chilli at the NCDEX designated warehouse:

The weight / tonnage of material delivered is as per weigh bridge / weigh scale in the premises of the designated warehouse.

2) QUALITY :

The results of analysis performed by our laboratory of the samples collected by Warehouse \_\_\_\_\_ is stated below :

Test Items	Test method	Specification	Test results

The material delivered by the above NCDEX Member is in accordance with the specification provided bearing grade \_\_\_\_\_ and valid up to \_\_\_\_\_.

The goods delivered may be accepted / rejected.

**Chief Inspector / Authorized Signatory**

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