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The contents of this Product note are subject to Rules, Byelaws and Regulations of NCDEX as in force from time to time and be read therewith.

Chapter 1

Trading Conditions

Authority

Trading of Crude Palm Oil futures may be conducted under such terms and conditions as specified in the Rules, Bye laws & Regulations of the Exchange. A specimen of Crude Palm Oil futures contract is indicated in Exhibit 1.

Unit of Trading

The unit of trading for Crude Palm Oil shall be 1 Metric Tonne (MT). Bids and offers may be accepted in lots of 1 MT or multiples thereof.

Months Traded In

Trading in Crude Palm Oil for future delivery may be conducted in the months as specified by the Exchange from time to time.

Tick Size

The tick size of the price of Crude Palm Oil shall be Re. 0.05 (5 paise).

Unit for Price Quotation

The unit of price quotation for Crude Palm Oil shall be in Rupees per 10 Kgs., basis Kandla, exclusive of local sales tax. Quotes shall not be made on any other price basis.

Hours of Trading

The hours of trading for futures in Crude Palm Oil shall be from 10:00 AM to 4:00 PM Indian Standard Time (IST) on all business days or as determined by the Exchange from time to time. The Exchange will provide for "closing session" trading from 4.15 PM – 4.30 PM IST each day in futures contract except the last trading day of the futures contract.

Last Day of Trading

No trades in Crude Palm Oil futures deliverable in the current month shall be made after the 20th calendar day of that month. On the expiry of the contract, Buyers and Sellers having open positions, would be required to indicate delivery information for receiving or delivering Crude Palm Oil. NCDEX would thereafter complete the matching process based on the location and then randomly, keeping in view the storage capacity of storage tank and Crude Palm Oil already deposited / dematerialized for delivery or any other factor(s) that the Exchange deems appropriate for completion of the matching process.

Mark To Market

The outstanding positions in futures contracts in Crude Palm Oil would be marked to market daily based on the Daily Settlement Price as determined by the Exchange.

Margin Requirements

NCDEX will use SPAN method for calculation of Value at Risk (VaR) based margin calculated at 99% confidence interval for one day time horizon. In addition NCDEX will levy a certain mark up percentage over and above the SPAN margin to cover for extreme movements in prices . NCDEX reserves the right to change , reduce or levy any additional margins as per its Regulations.

Position limits

The member wise position limits will be maximum of Rs. 40 crores or 15% of open interest whichever is higher. The Client wise position limits will be maximum of Rs. 20 crores or 10% of open interest whichever is higher. Both position limits will be subject to NCDEX regulations from time to time.

Arbitration

Disputes between NCDEX members and non members pertaining to trades done / to be done on NCDEX will be settled through arbitration. The arbitration proceedings and appointment of arbitrators will be governed by the Rules, Byelaws and Regulations of NCDEX.

Chapter 2

Delivery Procedures

Unit of Delivery

The unit of delivery for Crude Palm Oil shall be 10 MT.

Delivery Size

Delivery is to be offered and accepted in lots of 10 MT or multiples thereof.

Quality Standards

The contract grade for delivery of Crude Palm Oil futures contracts made under NCDEX Regulations shall be Crude Palm Oil conforming to the quality specification indicated in Exhibit 2.

No lower grade shall be accepted in satisfaction of contracts for futures delivery. Delivery of higher grade would be accepted with no premium.

Accredited Warehouse

NCDEX has accredited storage tank for receipt and delivery of Crude Palm Oil. Receipt and delivery of Crude Palm Oil will be undertaken only from the designated storage tank. i.e. Chemicals and Resins Pvt. Limited, Kandla. The details of the NCDEX accredited storage tank is indicated in Exhibit 3.

Crude Palm Oil Delivery

Receipt and delivery of Crude Palm Oil is effected by providing delivery information to the Exchange during trading hours on the last day of expiration of the contract through the delivery request window. Crude Palm Oil delivered by sellers at the NCDEX designated storage tank will be co-mingled subject to adherence of quality specification indicated in the futures contract. The Crude Palm Oil delivered will be certified by NCDEX appointed Assayer before acceptance in the storage tank.

Likewise, Crude Palm Oil delivered to buyers will be from the above storage tank only.

Good / Bad delivery Norms

Crude Palm Oil delivery into NCDEX designated storage tank would constitute either good delivery or bad delivery based on the good / bad delivery norms as per Exhibit 4.

The list contained in Exhibit 4 is only illustrative and not exhaustive. NCDEX would from time to time review and update the good / bad delivery norms according to trade / industry practices.

Accredited Assayer

NCDEX has accredited Assayer for quality testing and certification of Crude Palm Oil received at the designated storage tank . CPO delivered at the designated storage tank will be tested and certified for quality only by the appointed assayer i.e:M/s J.B.Boda Surveyors Private Limited.

Assayer Certificate

Testing and quality certificate issued by NCDEX accredited Assayer for Crude Palm Oil delivered at accredited warehouse in Kandla shall be acceptable and binding on all parties. Each delivery of Crude Palm Oil into the storage tank must be accompanied by a certificate from NCDEX appointed assayer in the format as per Exhibit 5.

Assayer Details

The address details of the accredited Assayer at Kandla for Crude Palm Oil is mentioned below:

M/s J.B.Boda Surveyors Private Limited
Bungalow no. 16,
Sector No. 4
Gandhidham - 370 201
Kutch
Contact person : Mr. A.A.Lobo
Phone: (02836) 228320 / 21, 231946 , 231801
Fax: (02836) 231693
Email: jbbkdlad1@sancharnet.in , jbboda_kdl_pmj@yahoo.com

Crude Palm Oil Sampling

Crude Palm Oil samples shall be drawn by NCDEX nominated Assayer before delivery / loading of Crude Palm Oil into the designated storage tank. The samples drawn will be from various quarters of the vessel / tanker as per industry standard methods. The sample portions drawn will be packaged in clean , dry containers of Industry accepted standards. Samples drawn shall be marked to recognize NCDEX member identity, quantity , date , time etc . Samples drawn will be equated into three parts. One part will be utilized for testing and certification by the assayer. The second part will be retained by the Assayer for a period of three months. The third part will be retained as NCDEX referee sample.

Weight

The quantity of Crude Palm Oil received and or delivered at the NCDEX designated storage tank would be determined / calculated by the weighbridge / weigh scale at the premises of the designated storage tank and would be binding on all parties.

Testing Procedure

The Crude Palm Oil samples collected will be tested by standard test methods as per ISI IS 548 and American Oil Chemists Society (AOCS) for specification parameters as mentioned in the futures contract.

Electronic transfer

Any buyer or seller receiving and / or effecting Crude Palm Oil delivery would have to open a depository account with an NCDEX empanelled Depository Participant (DP) to hold the Crude Palm Oil in electronic form. On settlement, the buyer account with the DP would be credited with the quantity of Crude Palm Oil received and seller account would be debited. The buyer wanting to take physical delivery of Crude Palm Oil has to make a request to the DP in prescribed form, with whom depository account has been opened. The DP would route the request to the storage tank who would issue the physical commodity i.e. Crude Palm Oil to the buyer and debit his account, thus reducing the electronic balance to the extent of Crude Palm Oil rematerialized.

Delivery Allocation

The Exchange would receive delivery information from the members & match on the last trading day, i.e. 20th of the month. The buyers / sellers who have to receive / give delivery would be notified on the same day after the close of trading hours.

Actual Delivery

Where Crude Palm Oil is sold for delivery in a specified month, the seller must have requisite electronic credit in his Clearing Members Account before the scheduled date of pay in. On settlement the buyers clearing member account would be credited with the delivery quantity on pay out. The clearing member is expected to transfer the same to the buyers depository account. However, the buyer must take physical delivery within 15 days of getting credit in his depository account. In the event of the Buyer Client failing to take delivery, the Exchange reserves the right to dispose the uncollected Crude Palm Oil with full costs payable by the Clearing Member.

Charges

All charges and costs payable to the designated storage tank towards delivery of Crude Palm Oil including, weighing, unloading, pigging, storage, handling costs etc. from the date of receipt up to date of pay in & settlement shall be paid by the seller. All charges and costs associated and including storage, handling, pigging, etc. after the pay out shall be borne by the buyer. Storage tank 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 by the seller.

Sales Tax

Local sales tax is to be paid by seller on all contracts resulting in delivery. Accordingly the buyer will have to pay the sales tax to the seller at the time of settlement. Members and or their constituents requiring to receive or deliver Crude Palm Oil should register with the relevant sales tax authorities of place where the delivery is proposed to be received / delivered. In the event of sales tax exemption, such exemption certificate should be submitted before settlement of the obligation.

Duties & levies

All duties, levies etc. up to the point of sale have to be fully paid by the seller to the concerned authority and all documentation fully complied and completed before delivery of Crude Palm Oil into NCDEX designated storage tank.

Stamp duty

Stamp duty is payable on all contract notes issued. The rate of stamp duty payable depends on place of issuance of contract note by the member.

Service tax

For the present no service tax is applicable on commodity broking activities. However, members are advised to get the same reconfirmed with relevant excise authorities.

Premium / Discount

Crude Palm Oil conforming to the quality specification and delivered to the accredited storage tank will be co mingled. There will be no premium or discount on such Crude Palm Oil delivered.

Chapter 3

Clearing and Settlement

Daily Settlement

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

Daily Settlement Prices

The Daily Settlement Price, determined by the Exchange at the end of every trading day, would be as per the following basis:

- Single Price Auction, if the number of contracts are greater than or equal to 15, and the number of clients are greater than or equal to 5, else ,
- Last 0.5 hour of futures Volume Weighted Average Price (VWAP), if the number of contracts traded during last 0.5 hour is greater than 25 and the number of clients greater than 5, else,
- Last 1 hour of futures VWAP, if the number of contracts traded during last 1 hour is greater than 25 and the number of clients who traded is greater than 5, else
- Theoretical futures price

Theoretical futures price will be calculated as $\text{spot price} \times \{e^{(r \cdot t)}\}$, where r = interest rate/ Mumbai inter bank offer rate (MIBOR), t = time remaining till maturity. The spot price will be the price of Crude Palm Oil prevailing in the physical market as on the expiry date of the futures contract and will be determined through a transparent mechanism of polling. The Exchange at its sole discretion can change the method of computation of the daily settlement prices via notice/circular given out to the market participants.

Dissemination of Spot Prices

Spot prices for CPO will be collected and disseminated on daily basis from diverse markets spread across the country.

Final settlement

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

- a) Delivery information not provided
- b) Open positions not confirming to deliverable units (Odd lot)
- c) Unmatched delivery information

The pay in and pay out in case of cash settlement would be 1 day after the expiry date of the contract (T+1).The open positions for which information has been provided for and the same have been matched by the Exchange, would result in physical delivery.

Final Settlement Price

The Final Settlement price will be determined by the Exchange at the maturity of the contract, as the spot price on the last trading day.

The Exchange at its sole discretion may change the method of computation of the final settlement prices by a notice/circular issued to the market participants.

Spot Prices

NCDEX will announce / disseminate spot prices for Crude Palm Oil relating to the designated delivery center and specified grade / quality parameters 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 Crude Palm Oil. The security of data and randomness of polling process will ensure transparency and correctness of prices. The spot prices disseminated will be final and binding on all market participants.

Pay in and Pay out for daily settlement / final cash 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 of the Member would be done in the Member's Settlement Account with the Clearing bank.

Time (T+1)	Activity
On or before 11.00 hours	PAYIN - Debit paying member a/c
After 13:00 hours	PAYOUT –Credit receiving member a/c

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/Crude Palm Oil with their respective Clearing member before "pay in".

Pay in and Pay out for Final Settlement in case of physical deliveries	
Time (T +7)	Activity
On or before 11.00 hours	PAYIN - Debit Buyer Member Settlement a/c for Funds Debit Seller Member's CM Pool Account for Crude Palm Oil
After 13:00 hours	PAYOUT – Credit Seller Member Settlement a/c for Funds Credit Buyer Member's CM Pool Account for Crude Palm Oil

The supplemental settlement for Crude Palm Oil futures contracts close out for shortages will 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 (T + 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 sales tax

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

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

Pay in and Pay out for Sales Tax	
Time (T + 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

Exhibit 1 - Crude Palm Oil Contract note

Trading System	NCDEX's Trading System
Trading Hours	Monday to Friday Normal Market Hours : 10:00 am to 4:00 pm Closing session : 4.15 pm to 4.30 pm
Unit of Trading	1000 Kgs. (= 1 MT)
Delivery Unit	10,000 Kgs (= 10 MT)
Quotation/Base Value	Rs per 10 Kg
Tick Size	5 paise
Price band	Limit 10%. Limits will not apply if the limit is reached during final 30 minutes of trading.
Quality Specification	Moisture & Impurities, Max:0.10% Refractive Index, 50 °C:1.4491 – 1.4552 Specific gravity, 42°C: 0.895 – 0.897 Saponification value : 195-205 Iodine Value : 50-55 Unsaponification value, % Max : 1.2 Melting Point, Capillary slip method, °C , Max : 37 FFA, Max : 5%
Quantity Variation	+/- 2%
No. of Active Contracts	At any date, 3 concurrent month contracts will be active. There will be a total of twelve contracts in a year.
Delivery Center	Kandla
Opening of Contracts	Trading in any contract month will open on the 21 st day of the month, 3 months prior to the contract month i.e. February 2003 contract opens on 21 st November 2002.
Due Date	20th day of the delivery month, if 20th happens to be holiday then previous working day.
Position Limits	Member-wise: Max (Rs. 40 crore, 15% of open interest) Client-wise: Max (Rs. 20 crore, 10% of open interest)
Premium / Discount	None

Exhibit 2 - Quality Specification for Delivery of Crude Palm Oil

Quality Specification	Moisture & Impurities, Max:0.10% Refractive Index, 50 °C:1.4491 – 1.4552 Specific gravity, 42°C: 0.895 – 0.897 Saponification value : 195-205 Iodine Value : 50-55 Unsaponification value, % Max : 1.2 Melting Point, Capillary slip method, °C , Max : 37 FFA, Max : 5%
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Exhibit 3 - Storage tank address details for delivery of Crude Palm Oil

Mr. R.R. Mishra
Terminal Manager (Operations & Maintenance)
Chemicals & Resins Pvt. Ltd.
Near K.P.T West Gate
New Kandla – 370 210
Telephone no.: (02836) 270574, 270376
Fax.: (02836) 270574

Warehouse Timings and workings

No.	Headings	Details
1	Timings	9.30 am to 5.00 pm
2	Working days	All days except Sundays and such local holidays. The same will be intimated from time to time.

Exhibit 4 - Good / Bad delivery norms

No.	Particulars	Delivery Status
1	Crude Palm Oil quality not meeting futures contract specification.	Bad delivery
2	Delivery at non-accredited storage tank.	Bad delivery
3	Testing & certification at NCDEX designated Location / product specific Assayer.	Good delivery
4	Delivery before contract expiration.	Good delivery
5	Delivery after pay in date / time.	Bad delivery
6	Delivery of wrong product (Eg.:RBD Palm Olein instead of Crude Palm oil) .	Bad delivery
7	Delivery without testing / certification.	Bad delivery
8	Delivery without weigh bridge certificate.	Bad delivery
9	Delivery by weighbridge at premises of NCDEX designated storage tank.	Good delivery
10	Delivery not compatible to delivery size as mentioned in contract specification.	Bad delivery
11	Untenable Delivery at storage tank site due to solidification	Bad delivery
12	Delivery beyond specified storage tank working hours.	Bad delivery
13	Delivery without proper documentation such as proof of custom duty paid etc.	Bad delivery
14	Delivery quantity is more than quantity to be delivered.	Good delivery
15	Crude Palm Oil weighed at other than designated storage tank weigh bridge	Bad delivery
16	Delivery by unauthorized person / agent without proper identification	Bad delivery

Exhibit 5 - Specimen of Assayer Certificate

M/s J.B.Boda Surveyors Private Limited
 Bunglow no. 16,
 Sector No. 4
 Gandhidham - 370 201
 Phone: (02836)228320 / 21, 231946 , 231801
 Fax: (02836) 231693
 Email: jbbkdlad1@sancharnet.in ; jbboda_kdl_pmj@yahoo.com

CERTIFICATE OF QUANTITY & QUALITY

Date : _____

Report no.:

NCDEX member :
 Commodity :
 Vessel name :
 Lorry Tanker no. :

1) **QUANTITY:** This is to certify that National Commodity & Derivative Exchange Ltd. (NCDEX) member _____ has delivered _____ Metric Tons of Crude Palm Oil at the NCDEX accredited storage tank:.

The weight / tonnage of material delivered is as per weigh bridge in the premises of the above accredited storage tank.

2) **QUALITY :** The results of analysis performed at our laboratory of the samples collected by our inspector 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**.

For J.B.Boda Surveyors Pvt.Ltd.

Chief Inspector / Authorized Signatory

