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## Chapter 1

### Trading Conditions

#### Authority

Trading of Cashew futures may be conducted under such terms and conditions as specified in the Rules, Byelaws & Regulations as well as directions of the Exchange. A specimen of Cashew futures contract is indicated in **Exhibit 1**.

#### Unit of Trading

The unit of trading for Cashew shall be 50 cartons. Bids and offers may be accepted in lots of 50 cartons or multiples thereof.

#### Months Traded In

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

#### Tick Size

The tick size of the price of Cashew shall be Re 1.00

#### Basis Price

The price of Cashew is basis W 320 warehouse Kollam exclusive of all taxes.

#### Unit for Price Quotation

The unit of Price quotation for Cashew shall be in Rupees per carton. The price quote would be on net basis and the net weight of each carton would be 22.68 kg. The price quote would be exclusive of all taxes. Quotes shall not be made on any other price basis.

#### Hours of Trading

The hours of trading for futures in Cashew shall be from 10:00 a.m. to 5.00 p.m. Indian Standard Time (IST) on all business days or as determined by the Exchange from time to time. On the last day of trading, the trading will take place only between 10 a.m. to 5 p.m. The hours of trading for futures in Cashew on all Saturdays shall be from 10:00 a.m. to 2.00 pm or as determined by the Exchange from time to time. On the Expiry Date, contracts expiring on that day will not be available for trading after 5.00 p.m.

#### Last Day of Trading

No trades in Cashew futures deliverable in the current month shall be made after 5.00 PM on 20<sup>th</sup> calendar day of that month and if 20<sup>th</sup> happens to be a holiday, a Saturday or a Sunday then the due date shall be the immediately preceding trading day of the Exchange.. The procedure for Cashew 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 and buyers having open positions would be required to indicate delivery information for giving or receiving delivery. NCDEX would thereafter complete the matching process based on the location and then by random, keeping in view the storage capacity of warehouse and Cashew 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 and penalties shall be applicable on sellers for such cash settlements in contracts with seller's choice to deliver. The penalty leviable is 2% of the Final Settlement Price.

## Mark To Market

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

## Position limits

At the commodity level, the member wise position limits will be a maximum of 2,00,000 cartons and the client wise position limits will be a maximum of 50,000 cartons. 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 markup margins as per its Regulations.

## Special Margins

Special Margins, by way of addition to the normal margins, would be levied on a large unidirectional movement of any cashew contract on either the buy or sale side whichever way the movement has happened based on the first day settlement/clearing price of that contract and valid for the life of that contract. A 20 per cent rise or fall from the closing price of first/opening day would attract a special margin of 4 per cent of the value of the contract by buyer or seller depending on whether price rise or fall.

## Pre-Expiry Additional Margin

There will be an additional margin imposed for the last 5 trading days, including the expiry date of the Cashew contract. The additional margin will be added to the normal exposure margin and will be increased by 2 % everyday for the last 5 trading days of the contract.

All provisions relating to additional margin as contained in our Circular No NCDEX/RISK-008/2005/084 dated April 12, 2005 shall apply to above stated additional margin.

## Delivery Margin

In case of open positions materializing into physical delivery, delivery margins will be charged for each commodity. 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).

## Arbitration

Disputes between NCDEX members 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 NCDEX.

## Chapter 2

### Delivery Procedures

#### Unit of Delivery

The minimum unit of delivery for Cashew shall be 50 cartons.

#### Delivery Size

Delivery is to be offered and accepted in lots of 50 cartons or multiples thereof. A quantity variation of +/- 1% is permitted as per contract specification.

#### Quality Standards

The contract grade for delivery of Cashew futures contracts made under NCDEX Regulations shall be Cashew conforming to the quality specification indicated in **Exhibit 2**. No lower grade / quality shall be accepted in satisfaction of contracts for futures contract delivery except as provided in the contract specifications.

#### Accredited Warehouse

NCDEX has accredited warehouse for receipt and delivery of Cashew. Receipt and delivery of Cashew will be undertaken only from the accredited warehouse. The details of the NCDEX accredited warehouse is as per **Exhibit 3**.

#### Cashew Delivery

The delivery of Cashew is effected by sellers providing delivery information to the Exchange during trading hours on the last three days of expiration of the contract through the delivery request window. The Cashew received at the warehouse will be tested and certified by NCDEX appointed Assayer before acceptance as good delivery in the warehouse. Likewise, Cashew delivered to buyers will be from the accredited warehouse only.

#### Packaging

Cashew delivered shall be packed in Flexipouches. Each pouch will contain cashew weighing 11.34 kg. net. The tare weight of the flexi pouches will be about 150 gms and The tare weight of the 3 ply carton in which the flexi pouches shall be kept will be about

550 gms. The packings will have neutral markings with the Manufacturing date and net weight.

### Standard Allowances

#### At the time of deposit:

The quantity credited will be adjusted to the moisture level at which the contract is in trade after allowing for standard allowances on account of spillage and sampling.

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

The weight of lot delivered / revalidated at the time of withdrawal/revalidation shall be adjusted to the moisture level at which the contract is been traded.

### Good / Bad delivery Norms

Cashew delivery into NCDEX designated warehouse 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 retaining the trade / industry practices.

### Accredited Assayer

NCDEX has approved the Assayer for quality testing and certification of cashew received at the designated warehouse. The quality testing and certification of cashew will be undertaken only by such approved Assayer. The assayer details are given in the **Exhibit 3** alongside the warehouses.

### Assayer Certificate

Testing and quality certificate issued by NCDEX appointed Assayer for cashew delivered at designated warehouse and at such other locations announced by the Exchange from time to time shall be acceptable and binding on all parties. Each delivery of cashew at the warehouse must be accompanied by a certificate from NCDEX approved Assayer in the prescribed format as per **Exhibit 5**.

### Cashew Sampling

In 1 carton there are two pouches . Each pouch or tin weighs 11.34 Kgs. Two pouches will weigh 22.64 kgs which is equivalent to 50 pounds.

The depositor brings in 53 cartons. Out of these cartons 3 cartons are selected randomly and from each of these 1 pouch is opened and 500 Gms sample is drawn from each pouch. A composite sample is made out of these 2 Kgs. These are then equated into 4 equal parts of 500 Gms each.

These samples will be distributed as under:

- One sample to Depositor

- One sample to Warehouse owner
- One sample for Analysis by SGS
- One sample for record with SGS

The opened cartons from where the cashew is taken out will be returned to the depositor.

## Weight

The quantity of cashew received at the NCDEX accredited warehouse would be determined / calculated by the weighbridge / weigh scale at the premises of such warehouse or such other weighbridge / weigh scale recognized by such warehouse and the quantity so determined would be binding on all parties.

## Testing Procedure

Testing for Cashew is all physical and is done visually and manually for testing all the parameters like colour, size and broken.

## Validity period

The validity period of the Assayer's Certificate for Cashew is up to 2 months or till the first withdrawal from the warehouse whichever is earlier.

## Electronic Transfer

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

## Delivery Allocation

The Exchange would compile delivery information received from the selling members on the last trading day, i.e. 20<sup>th</sup> of the month or such other day as specified in Chapter I above. The buyers who have to receive delivery would be notified on the same day after the close of trading hours. Delivery of Cashew is to be accepted by buyers at the accredited warehouse where the seller effects delivery in accordance with the contract specifications.



## Actual Delivery

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

## Charges

All charges and costs payable to the designated warehouse towards delivery of Cashew 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. All charges and costs 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 Cashew 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 as per the Stamp Act of the State in which such contract note is received by the client if the client is located in other State.

## 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 Cashew 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**

Cashew confirming to contract specification and delivered to NCDEX designated warehouse will be graded and stored. Due to quality variations, there will be premium / discount determined by the Exchange. The decision of the Exchange in determination of premium / discount is final and binding on all market participants.

## Chapter 3

### Clearing and Settlement

#### Daily Settlement

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

#### Daily Settlement Price & Final Settlement Price

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

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

#### Dissemination of Spot Prices

Spot prices for Cashew will be collected and disseminated on daily basis.

#### Final settlement

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

- a) Delivery information not provided by seller.
- b) Any other unmatched delivery information

The pay in and pay out in case of cash settlement would be the day after the expiry date of the contract (E+1) as per settlement calendar issued by the Exchange. The open positions for which information have been provided for and the same have been matched by the Exchange, would result in physical delivery. The final settlement will be on E+ 7 bases as per settlement calendar issued by the Exchange.

#### Spot Prices

NCDEX will announce / disseminate spot prices for Cashew 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 Cashew. 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.

## 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 have to be done in the Member's Settlement Account with the Clearing Bank.

Time (E + 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 on expiration of contract for final cash / physical settlement. The buyers / sellers would have to deposit requisite funds / Cashew 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 hours	PAYIN - Debit Buyer Member Settlement a/c for funds Debit Seller Member's CM Pool Account for Cashew
After 13.00 hours	PAYOUT – Credit Seller Member Settlement a/c for funds Credit Buyer Member's CM Pool Account for Cashew

The supplemental settlement for Cashew futures contracts and 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 (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 failing which the buying member is considered as the end buyer and accordingly invoice is issued in his/their name.

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 (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

## Exhibit 1 – Cashew Contract note

Type of contract	Futures Contract Specifications
Name of commodity	Cashew
Ticker symbol	CSHW320KLM
Trading system	NCDEX Trading System
Basis	W 320 Ex- warehouse Kollam exclusive of all taxes.
Unit of trading	50 cartons
Delivery unit	50 cartons
Quotation/ Base value	Rs. per carton. The price quote would be on net basis and the net weight of each carton would be 22.68 kg.
Tick size	Re. 1
Quality specification	<ul style="list-style-type: none"> <li>○ Color and characteristics <ul style="list-style-type: none"> <li>• White Wholes</li> <li>• White/pale ivory/light ash and Characteristic shape</li> </ul> </li> <li>○ Count/454 gm size description <ul style="list-style-type: none"> <li>• 300-320</li> </ul> </li> <li>○ Moisture - 4% maximum</li> <li>○ Broken allowed – 5% maximum</li> <li>○ Next lower size grade and next lower grade - <ul style="list-style-type: none"> <li>• 5 %( Next lower size grade &amp; Scorched wholes together )</li> </ul> </li> <li>○ Kernels shall be completely free from infestation, insect damage, mould rancidity, adhering testa and objectionable extraneous matter.</li> <li>○ Scraped and partially shriveled kernels also permitted provided such scraping/shriveling does not affect the characteristic shape of the kernel.</li> </ul>
Quantity variation	+/- 1%
Delivery center	Kollam
Additional delivery center	Mangalore
Hours of Trading	As per directions of the Forward Markets Commission from

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

	<p>time to time, currently -</p> <p><b>Mondays through Fridays :</b></p> <ul style="list-style-type: none"> <li>· Morning Session - 10:00 a. m. to 05:00 p.m.</li> </ul> <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>
Delivery specification	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
No. of active contracts	Minimum 2 contracts and maximum 12 contracts running concurrently.
Opening of contracts	The first set of contracts were launched on March 29, 2005 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
Due date/Expiry date	<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>
Closing of contract	All open positions will be settled as per general rules and product specific regulations
Price band	Limit of 5%
Position limits	<p>Member-wise: 2,00,000 cartons</p> <p>Client-wise: 50,000 cartons</p>
Special margins	<p>Special Margins, by way of addition to the normal margins, would be levied on a large unidirectional movement of any Cashew futures contract on either the buy or sale side whichever way the movement has happened based on the first day settlement/clearing price of that contract and valid for the life of that contract. Special margins would be levied as follows:</p> <p>A 20 per cent rise or fall from the closing price of first day would attract a special margin of 4 per cent of the value of the contract by buyer or seller depending on whether price rises or falls.</p>

## Exhibit 2 - Quality Specification for Cashew

Quality specification	<ul style="list-style-type: none"> <li>○ Color and characteristics <ul style="list-style-type: none"> <li>• White Wholes</li> <li>• White/pale ivory/light ash and Characteristic shape</li> </ul> </li> <li>○ Count/454 gm size description <ul style="list-style-type: none"> <li>• 300-320</li> </ul> </li> <li>○ Moisture - 4% maximum</li> <li>○ Broken allowed – 5% maximum</li> <li>○ Next lower size grade and next lower grade - <ul style="list-style-type: none"> <li>• 5 %( Next lower size grade &amp; Scorched wholes together )</li> </ul> </li> <li>○ Kernels shall be completely free from infestation, insect damage, mould rancidity, adhering testa and objectionable extraneous matter.</li> <li>○ Scraped and partially shriveled kernels also permitted provided such scraping/shriveling does not affect the characteristic shape of the kernel.</li> </ul>
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## Exhibit 3 - Warehouse address for delivery of Cashew

<b><i>Warehouse Name</i></b>	<b><i>Assayer Name</i></b>
Kerela State Warehousing Corporation, Karikode 691005  Phone 0474 2710943	SGS India Pvt. Ltd, P.O Box 560, Subramanian Road, Willingdon Island, Kochi 682 003.  Mr. M K Joseph Paul Tel: 0484 2668 690 / 691 Fax: 0484 2668689



## Warehouse Timings and workings

No.	Headings	Details
1	Timings	9.30 am to 5.30 pm ( Monday to Saturday)
2	Working days	All days except 2nd Saturday of a month and Sunday and such local holidays declared by the State Government. The same will be intimated from time to time.

## Exhibit 4- Good / Bad delivery norms

No.	Particulars	Good / Bad delivery
1	Cashew quality not meeting futures contract specification.	Bad delivery
2	Delivery at non accredited warehouse.	Bad delivery
3	Testing & certification by NCDEX accredited Location / product specific Assayer.	Good delivery
4	Testing & certification by NCDEX accredited assayer but not location / product specific.	Bad delivery
5	Delivery before contract expiration.	Good delivery
6	Delivery after pay in date / time.	Bad delivery
7	Delivery of wrong product ( Eg.: Soya bean instead of Cashew).	Bad delivery
8	Delivery without testing / certification/expired validity.	Bad delivery
9	Delivery without weigh bridge certificate.	Bad delivery
10	Delivery by weigh bridge at premises of NCDEX accredited warehouse.	Good delivery
11	Delivery not compatible to delivery size as mentioned in contract specification.	Bad delivery
12	Delivery beyond specified working hours.	Bad delivery
13	Delivery without proper documentation.	Bad delivery
14	Delivery quantity is more than quantity to be delivered.	Good delivery
15	Cashew at other than designated warehouse weigh bridge / Weigh scale.	Bad delivery
16	Delivery by unauthorized person / agent without proper identification	Bad delivery

## Exhibit 5- Specimen of Assayer certificate

### 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 ) / Kilos net of Cashew 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 Kerala State Warehousing Corporation 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