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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.

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## Chapter 1

### Trading Conditions

#### Authority

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

#### Unit of Trading

The unit of trading for Castor seed shall be 10 Metric Tonne (MT). Bids and offers may be accepted in lots of 10 MT or multiples thereof.

#### Months Traded In

Trading in Castor Seed 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 castor seed shall be 10 Paise.

#### Unit for Price Quotation

The unit of Price quotation for castor seed shall be in Rupees per 20 Kg.

#### Hours of Trading

The hours of trading for futures in Castor Seed shall be from 10:00 AM to 4.00 pm and 5.00 pm to 11.00 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 11.15 PM – 11.30 PM IST each day in futures contract except the last trading day of the futures contract. The hours of trading for futures in Castor Seed on all Saturdays shall be from 10:00 AM to 2.00 pm or as determined by the Exchange from time to time. The Exchange will provide for "closing session" trading from 2.15 PM – 2.30 PM on Saturday.

#### Last Day of Trading

No trades in Castor Seed futures deliverable in the current month shall be made after the 20<sup>th</sup> calendar day of that month. The procedure for Castor Seed delivery is based on the contract specifications. On the expiry of the contract, if any sellers having open position desires to give physical delivery at a particular delivery center, then the buyer with corresponding open position shall be bound to settle by taking physical delivery. NCDEX would thereafter complete the matching process based on the location and then by

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random, keeping in view the storage capacity of warehouse and Castor Seed already deposited / dematerialized for delivery or any other factor(s) that the Exchange deems appropriate for completion of the matching process. The settlement for sellers having open positions and not providing information for physical delivery of Castor Seed shall be completed by cash settlement.

## **Mark To Market**

The outstanding positions in futures contract in Castor Seed 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 a maximum of Rs. 20 crores or 15% of open interest whichever is higher. The Client wise position limits will be maximum of Rs. 10 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.

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## Chapter 2

### Delivery Procedures

#### Unit of Delivery

The minimum unit of delivery for Castor Seed 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 Castor Seed futures contracts made under NCDEX Regulations shall be Castor Seed conforming to the quality specification indicated in Exhibit 2. Delivery of lower grade would be accepted with proportional discount as indicated in the contract specifications.

#### Castor Seed Delivery

The delivery of Castor Seed is affected by sellers providing delivery information to the Exchange during trading hours, ~~three working days before~~ expiry of the contract, inclusive of date of expiry, through the delivery request window. The period for providing delivery information may be increased / decreased as may be notified by the Exchange. The Castor Seed received at the warehouse will be tested and certified by NCDEX appointed Assayer before acceptance as good delivery in the warehouse. Likewise, Castor Seed delivered to buyers will be from the accredited warehouse only.

#### Packaging

Castor Seed delivered shall be packed (ISI IS: 4428 – 1967) in clean, dry, sound, single, new or once used un mended B-Twill bags in merchantable condition without patches and not having previously used for cement bagging and or any other accepted industry standard material with the mouth of the bag stitched disallowing sweating / spilling. The packaging of Castor Seed should be in standard bags of 75 Kg.

#### Good / Bad delivery Norms

Castor Seed delivery into NCDEX designated warehouse would constitute either 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.

## **Accredited Assayer**

NCDEX has accredited Assayer for quality testing and certification of Castor Seed received at the designated warehouse. The quality testing and certification of Castor Seed will be undertaken only by the appointed Assayer.

## **Assayer Certificate**

Testing and quality certificate issued by NCDEX accredited Assayer for Castor Seed delivered at designated warehouses shall be acceptable and binding on all parties. Each delivery of Castor Seed at the warehouse must be accompanied by a certificate from NCDEX appointed assayer in the format as per Exhibit 4.

## **Castor Seed Sampling**

Castor Seed samples shall be drawn by NCDEX nominated assayer at the time of delivery /storage at the designated warehouse. The samples shall be randomly drawn as per established standard Industry methods / practice. The Sample portions so drawn will be packaged in clean dry containers or plastic sachets. The samples shall be in accordance with the set Industry standards and shall be marked specifically so as to recognize NCDEX member identity, quantity, date, time etc. Samples so drawn shall be equated into 3 parts, one for testing and certification by the assayer, the second shall be retained by the assayer for 3 months and the third shall be retained as NCDEX referee sample.

## **Weight**

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

## **Testing Procedure**

The Castor Seed samples collected will be tested as per set Industry standards as regards testing methodology and specification parameters as mentioned in the Futures Contract.

## **Electronic Transfer**

Any buyer or seller receiving and or effecting Castor Seed delivery would have to open a depository account with an NCDEX empanelled Depository Participant to hold the warehouse receipt for Castor Seed in electronic form. On settlement, the buyer account with the DP would be credited with the quantity of Castor Seed received and seller account would be debited. The Buyer wanting to take physical delivery of the – Castor Seed holding has to make a request to the DP in prescribed form, with whom depository

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account has been opened. The DP would route the request to the warehouse who would issue the physical commodity i.e.: Castor Seed to the buyer and debit his account, thus reducing the electronic balance to the extent of the Castor Seed rematerialized.

## **Delivery Allocation**

The Exchange would receive delivery information from the selling members as on the last trading day, i.e. 20<sup>th</sup> of the month. The buyers who have to take delivery would be notified on the same day after the close of trading hours.

## **Actual Delivery**

Where Castor Seed 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 Castor Seed with full costs payable by the Clearing Member.

## **Charges**

All charges and costs payable to the designated warehouse towards delivery of Castor Seed 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 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.

## **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 Castor Seed 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 will have to be fully paid by the seller to the concerned authority and all documentation fully complied with and completed before delivery of Castor Seed into NCDEX designated warehouse.

## **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**

In accordance with the budget proposals for 2004 – 2005, service tax will be payable by the members of commodity exchanges on the brokerage charges by them from their clients on account of dealing in commodities. However, this will be effective on enactment of Finance Bill, 2004.

## **Premium / Discount**

Castor Seed conforming 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 discount is final and binding on all market participants.



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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.

#### Daily Settlement Prices

The Daily Settlement Price (DSP) 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 will be determined by the exchange on maturity of the contract.

#### Dissemination of Spot Prices

Spot prices for Castor Seed 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 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 (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.

#### Spot Prices

NCDEX will announce / disseminate spot prices for Castor Seed 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, millers, commission agents 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 Castor Seed. The security of data and randomness of polling process will ensure transparency and correctness of prices.

## 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 (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. On expiration of contract for final cash / physical settlement, the buyers / sellers would have to deposit requisite funds /Castor Seed 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 – Castor Seed
After 13.00 hours	PAYOUT – Credit Seller Member Settlement a/c for funds Credit Buyer Member’s CM Pool Account for – Castor Seed

The supplemental settlement for Castor Seed futures contracts to include premium / discount adjustments for quality of Castor Seed delivered 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 ( 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.

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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: Castor Seed Contract note

Trading System	NCDEX Trading System
Trading Hours	Monday through Fridays 10:00 am to 4:00 pm & 5.00 pm to 11.00 pm Closing Session - 11:15 pm to 11:30 pm Saturday 10:00 am to 2:00 pm Closing Session - 2:15 pm to 2:30 pm On the expiry date, contracts expiring on that day will not be available for trading after 4 p.m.
Basis Price	Ex- Disa ( inclusive of all taxes, excluding sales tax )
Unit of Trading	10MT
Delivery Unit	10 MT
Quotation/base value	Rs . per 20 Kg.
Tick Size	10 paise
Price Band	Limit 10%. Limits will not apply if the limit is reached during final 30 minutes of trading.
Quality Specification	Gujarat small seed, Oil basis 47% Foreign matter and impurities (max) 3%
Quantity Variation	Note less than 74.5 Kg and not more than 76 Kg
Premium / Discount	<ul style="list-style-type: none"> <li>Oil content: Between 45-47%, rebate of 2:1 and there of</li> <li>Foreign matter and impurities, more than 3%,rebate 1:1, more than 6% rejected</li> </ul>
No. of Active contracts	Maximum 12 contracts or minimum 2 contracts running concurrently.
Delivery Center	Disa
Additional Delivery Center	Patan, Kadi
Delivery	Upon expiry of the contracts, if any Seller with open position desires to give physical 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.
Opening of contracts	October, November and December 2004 to be launched on 23-07-2004. Subsequently trading in any contract month will open on the 21 <sup>st</sup> of the month. If the opening day happens to be a non-trading day, contracts would open on the next trading day.
Due Date	20 <sup>th</sup> day of the delivery month. If 20 <sup>th</sup> happens to be a holiday then previous working day. If 20 <sup>th</sup> happens to be a Saturday or Sunday then the due date shall be the immediate preceding trading day of the Exchange.

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Position Limits	Member-wise: Max (Rs.20 crore, 15% of open interest), whichever is higher. Client -Wise: Max(Rs.10 crore,10% of open interest), whichever is higher.
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## Exhibit 2 Quality Specification for Castor Seed

Quality Specification	Gujarat small seed, Oil basis 47% Foreign matter and impurities (max) 3%
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### Methodology for arriving at Quality allowances for Castor Seed

The quality allowances for castor seed are:

- **Oil content:** The basis of the contract for oil content is 47 %. The allowable limits are 45 – 47%. If the oil content on testing is between 45-47% then, a rebate of 2:1 will be given in the price.

For Example,

1. If the oil content is 46.50 % then,

$$47.00 \text{ (basis)} - 46.50 = 0.50$$

$$\text{Rebate} = 2 * (0.50) = 1\%$$

$$\text{Discounted price} = 350 - (1\% \text{ of } 350) = \text{Rs. } 346.50$$

- **Foreign matter and impurities:** The basis of the contract for foreign matter and impurities is maximum of 3%. The allowable limits are 3-6%. A rebate of 1:1 will be given on the price for any lot having more than 3% of foreign matter and impurities. Any lot on testing, if found to have more than 6% of foreign matter and impurities then the lot would be rejected.

### Exhibit 3- Good / Bad delivery norms

No.	Particulars	Good / Bad delivery
1	Castor Seed 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.: Wheat instead of Castor Seed ).	Bad delivery
8	Delivery without testing / certification.	Bad delivery
9	Delivery without weigh bridge certificate.	Bad delivery
10	Delivery by weighbridge 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	Castor Seed at other than designated warehouse weigh bridge / Weigh scale.	Bad delivery
16	Delivery by unauthorized person / agent without proper identification	Bad delivery

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### Exhibit 4- 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 of Castor Seed at the NCDEX designated warehouse:

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

2) **QUALITY** :

The results of analysis performed by our laboratory of the samples collected 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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