CHAPTER 1 - TRADING PARAMETERS

Authority

Trading in 29 mm Cotton Futures contracts may be conducted under such terms and conditions as specified in the Rules, Byelaws and Regulations of the Exchange and as per circulars and notifications issued by the Exchange thereunder or the Securities Exchange Board of India (SEBI) from time to time. The approval for futures trading in 29 mm Cotton Futures contract specification is attached as **Exhibit 1**.

Unit of Trading

The unit of trading shall be 100 Bales (of 170 Kgs each). Bids and offers may be accepted in lots of 100 Bales (of 170 Kgs each) or multiples of 100 bales.

Months Traded In

Trading in 29 mm Cotton futures may be conducted in the months as specified by the Exchange from time to time.

Tick Size

The tick size of 29 mm Cotton shall be Rs. 10/-.

Basis Price

The basis price of 29 mm Cotton shall be ex-Warehouse Rajkot, exclusive of all taxes.

Unit for Price Quotation

The unit of price quotation for 29 mm Cotton shall be in Rs. per Bale, basis ex-Warehouse Rajkot, exclusive of all taxes.

Hours of Trading

As notified by the Exchange from time to time, currently- Mondays through Fridays:
09:00 a.m. to 9.00 p.m.
On the expiry date, contracts expiring on that day will not be available for trading after 5 p.m.
The Exchange may vary the above timing with due Notice

Last Day of Trading

Last day of trading shall be 20th day of the delivery month, if 20th day of the delivery month happens to be a holiday, a Saturday or Sunday then the expiry date (or due date) shall be the immediately preceding trading day of the Exchange.

Mark to Market

The outstanding positions in futures contract in 29 mm Cotton would be marked to market daily based on the Daily Settlement Price (DSP) as determined by the Clearing Corporation.

Position limits

Limits on open positions for aggregate as well as near month will be as under

Member-wise: 38,00,000 Bales or 15% of market wide open interest in the commodity, whichever is higher.

Client-wise: 3,80,000 Bales

Bona fide hedger clients may seek exemption as per approved Hedge Policy of the Exchange notified vide Circular No. NCDEX/CLEARING-019/2016/246 dated September 28, 2016

For near month contracts:

The following limits would be applicable from 1st of every month in which the contract is due to expire. If 1st happens to be a non-trading day, the near month limits would start from the next trading day.

Member-wise: **9,50,000 Bales** or one-fourth of the member's overall position limit in that commodity, whichever is higher.

Client-wise: **95,000 Bales**

Margin Requirements

NCCL will use risk based margin model, which will generate initial margin requirements, which will be adequate to cover atleast 99% VaR (Value at Risk) and Margin Period of Risk (MPOR) will be 3 days.

NCCL reserves the right to change, reduce or levy any additional margins including any markup margins.

For further details, participants can refer to circular no. NCCL/RISK-001/2018 dated September 26, 2018 on Risk Management Framework, NCCL/Risk-006/2020 dated February 18, 2020 and NCCL/RISK-037/2020 dated September 02, 2020 on Margin Framework for Commodity Derivatives Segment.

Additional/Special Margins

In case of unidirectional price movement/ increased volatility, an additional/ special margin at such other percentage, as deemed fit by the Regulator/Exchange/Clearing Corporation, may be imposed on the buy and the sell side or on either of the buy or sell sides in respect of all outstanding positions. Reduction/ removal of such additional/ special margins shall be at the discretion of the Regulator/Exchange/Clearing Corporation.

Pre-Expiry Margin

There will be an additional margin imposed for the last 7 trading days, including the expiry day of the 29 mm Cotton contract. The additional margin will be increased by 2.50% every day for the last 7 trading days including expiry day of the contract.

Concentration Margin

The Clearing Corporation shall levy Concentration Margin, when the overall market wide Open Interest (OI) of a commodity exceeds the specified Threshold Limit of Open Interest (OI) for that commodity.

For details, participants can refer to NCCL circular nos. NCCL/RISK-008/2019 dated June 12, 2019 on Concentration Margin– Revision in Concentration Margin and Threshold Level and NCCL/RISK-036/2020 dated September 02, 2020 on Revision in Concentration Margin Threshold Level. The Threshold Limit is 2,93,200 Bales for Peak period.

The Threshold Limits, slabs and applicable margins are subject to change and participants are requested to refer to relevant Clearing Corporation circulars issued from time to time.

Delivery Margins

In case of positions materializing into physical delivery, Delivery Margin will be charged for each commodity to mitigate the risks arising thereof. The Delivery Margin shall be higher of 3% + 5 day 99% VaR of spot price volatility or 20% on the long and short positions marked for delivery till the pay-in is completed by the member.

For further details, participants can refer to circular no. NCCL/RISK-001/2018 dated September 26, 2018 on Risk Management Framework.

Penalty for default

Upon expiry of the contracts all the outstanding open positions shall result in compulsory delivery.
The penalty on seller in case of delivery default shall be as follows:

Total amount of penalty = 3.0 % + the replacement cost. (difference between the Final Settlement Price (FSP) and the average of three highest of the last spot prices of 5 (five) succeeding days after the **commodity pay-out date**, if the average spot price so determined is higher than FSP, else this component will be zero.)

The 3.0 % penalty collected as mentioned above shall be used as follows:

a) 1.75 % component of the penalty shall be deposited in the Settlement Guarantee Fund

b) 1 % component of the penalty + replacement cost shall go to the Buyer who was entitled to receive delivery; and

c) Balance 0.25 % component of penalty shall be retained by the Clearing Corporation towards administrative expenses.

Buyer's defaults are not permitted. The amount due from the defaulting buyers shall be recovered from the defaulting buyers as Pay in shortage together with prescribed charges. Clearing Corporation shall have right to sell the goods on account of such defaulting Buyer to recover the dues and if the sale proceeds are insufficient, the defaulting Buyer would be liable to pay the balance.

A seller who has got requisite stocks in the NCCL approved warehouses and / or has marked an intention during staggered delivery period is not allowed to default and any such delivery default by seller would be viewed seriously and an additional penalty of 3% over and above the penalty prescribed for delivery default shall be levied. In addition to the penalty, the Clearing Corporation shall take suitable penal / disciplinary action against such members.

For further details, participants can refer to circular no. NCCL/CLEARING-020/2020 dated April 07, 2020.

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.

Compliance of Laws

It is clarified that it is the sole obligation and responsibility of the Members and market participants to ensure that apart from the approved quality standards stipulated by the Exchange, the commodity deposited / traded / delivered through the approved warehouses of the Clearing Corporation either on their own or on their behalf by any third party is in due compliance with the applicable regulations laid down by authorities like Food Safety and Standards Authority of India (FSSAI), AGMARK, BIS, Warehousing Development and Regulatory Authority (WDRA) etc. and other State/Central laws and authorities issuing such regulations in this behalf from time to time, including but not limited to compliance of provisions and rates relating to GST, APMC Tax, Mandi Tax, LBT, Stamp Duty, etc. as applicable from time to time on the underlying commodity of any contract offered for deposit / trading / delivery and the Exchange shall not be responsible or liable on account of any non-compliance thereof.

CHAPTER 2 - DELIVERY PROCEDURES

Unit of Delivery

The unit of delivery for 29 mm Cotton shall be 100 Bales (of 170 Kgs approx.)

Delivery Size

Delivery is to be offered and accepted in lots of 100 Bales (of 170 Kgs approx.) or multiples thereof. A quantity variation of +/- 9% for total weight of each deliverable lot is permitted as per contract specification.

Delivery Requests

The procedure for 29 mm Cotton delivery is based on the contract specifications as per **Exhibit 1.**

Upon Expiry (i.e. E) of the contracts all the outstanding open positions will result in compulsory delivery. That is, **"upon expiry of the contracts, any Seller with open position shall give delivery of the commodity. The corresponding buyer with open position as matched by the process put in place by the Clearing Corporation shall be bound to settle the transaction by taking physical delivery. In the event of default by the Seller to give delivery, such defaulting Seller will be liable to penalty as may be prescribed by the Clearing Corporation from time to time"**.

The penalty structure for failure to meet delivery obligations, is as per circular no. NCCL/CLEARING-020/2020 dated April 07, 2020.

The delivery request for 29 mm Cotton will be on staggered basis where tender period would be the last 5 trading days (including expiry day) of the contracts. During the Tender period, if any delivery is tendered by seller, the corresponding buyer having open position and matched as per process put in place by the Clearing Corporation, shall be bound to settle by taking delivery from the delivery center where the seller has delivered same.

The Buyers and the Sellers need to give their location preference through NCFE web application. If the Sellers fail to give the location preference, then the allocation to the extent of his open position will be allocated to the base location.

Delivery Allocation

The Clearing Corporation would then compile the delivery requests received from members during the tender period, as specified in Exhibit 1. The buyers / sellers who have to receive / give delivery would be notified on the same day after the close of trading hours.

Delivery of 29 mm Cotton is to be accepted by the Buyers at the approved warehouse where the Seller effects delivery in accordance with the contract specifications. On expiry, all outstanding positions would be settled by giving / taking physical delivery.

Actual Delivery

Where 29 mm Cotton is sold for delivery in a specified month, the seller must have requisite electronic credit of such 29 mm Cotton 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 Repository account. However, the buyer must take actual physical delivery of 29 mm Cotton before expiry of the validity date as indicated in the quality test report/Assayer's Certificate of the Assayer.

Quality Standards

The contract quality for delivery of 29 mm Cotton futures contracts made under NCDEX Regulations shall be 29 mm Cotton 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. Delivery of higher grade would be accepted without premium.

False Packing

In case any trader, broker, ginner and any other market participant depositing the commodity in any of the approved warehouses of the Clearing Corporation is found resorting to false packing, then the Exchange/Clearing Corporation would take a serious view of such activities of such entities and suitable action would be taken by the Exchange/Clearing Corporation as it may deem fit against them in the interest of the commodity markets which may include blacklisting of such entities which are resorting to malafide practices and stopping of deposits by such entities in the approved warehouses of the Clearing Corporation.

Approved Warehouse

NCCL has approved warehouse for receipt and delivery of 29 mm Cotton. Receipt and delivery of 29 mm Cotton will be undertaken only from the Approved warehouse as per Exhibit 2. The 29 mm Cotton received at the NCCL Approved warehouse will be tested and certified by empanelled Assayer before acceptance as good delivery in the warehouse. Likewise, 29 mm Cotton delivered to buyers will be from the Approved warehouse only.

Packaging

Each bale must be well packed with 100 grams/ yard white twill cloth (woven cloth) or hessian, appropriately stitched on all sides (minimum 8 on each side), and properly strapped with at least 9 wraps of plastic/ iron bailings, and free from any kind of stains.

Each bale should bear a unique label displaying all the necessary details like the Press Running Number, ginner's details, weight, variety; and, crop year. Only current season Indian crop will be accepted, and roller ginned cotton will be accepted.

The net weight of cotton bales would be considered. Packaging tare of 2.3 Kgs per bale will be applied if iron bands are used for strapping the bales. Packaging tare of 0.6 Kg per bale will be applied if plastic bands are used for strapping the bales.

Standard Allowance

The standard allowance for the first time as well as for rest of the months of deposit will be variable.

After first month of deposit, subsequent standard deduction will be deducted on 11th of every month.

The standard allowances towards loss arising on account of sample weight per validation of quality and spillage shall be as per charts mentioned below

Standard Allowance at the time of fresh deposit	
Deposit Date	**Standard Allowance %**
21 September to 20 February	0.35
21 February to 20 May	0.65
21 May to 20 June	0.60
21 June to 20 July	0.75

Standard Allowance for rest of the months other than the month of fresh deposit

Months / Date of Deposits	October	November	December	January	February	March	April	May	June	July	**Total**
21 September to 20 October	-	0.35	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	**1.55**
21 October to 20 November	-	-	0.35	0.15	0.15	0.15	0.15	0.15	0.15	0.15	**1.40**
21 November to 20 December	-	-	-	0.35	0.15	0.15	0.15	0.15	0.15	0.15	**1.25**
21 December to 20 January	-	-	-	-	0.35	0.15	0.15	0.15	0.15	0.15	**1.10**
21 January to 20 February	-	-	-	-	-	0.35	0.15	0.15	0.15	0.15	**0.95**
21 February to 20 March	-	-	-	-	-	-	0.15	0.15	0.15	0.15	**0.60**
21 March to 20 April	-	-	-	-	-	-	-	0.15	0.15	0.15	**0.45**
21 April to 20 May	-	-	-	-	-	-	-	-	0.15	0.15	**0.30**
21 May to 20 June	-	-	-	-	-	-	-	-	-	0.15	**0.15**
21 June to 20 July	-	-	-	-	-	-	-	-	-	-	**0.00**

Age Penalty

Age penalty is quality discount based on time and attributed to the assumed deterioration in the quality of Cotton lint over a period of time. As season for Cotton lint arrival starts in October a fixed discount on quality is imposed from March expiry till July expiry. The age penalty for different months is as follows:

Delivery in month of expiry	**Age Penalty (%)**
March	0.2
April	0.2
May	0.3
June	0.3
July	0.4

Weight

The weight of bales of 29 mm Cotton received at the approved warehouse would be determined by the weighbridge at the premises of the designated warehouse or a pre-designated weighbridge in its vicinity. Packaging tare of 2.3 Kgs per bale will be applied if iron bands are used for strapping the bales. Packaging tare of 0.6 Kg per bale will be applied if plastic bands are used for strapping the bales. This would be binding on all parties.

Good / Bad delivery Norms

29 mm Cotton deposited at approved 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. NCCL would from time to time review and update the good/ bad delivery norms retaining the trade/ industry practices.

Cotton Sampling and models of physical deliveries

(i) Deposits through empaneled ginners with supervision

- Bales for deposits at NCDEX platform to be produced under supervision of WSP
- Not every ginner can participate directly under supervision process

- A ginner will have to get empaneled with the WSP before participating on the Exchange platform
- WSP will empanel minimum 8-10 ginners at each location
- List of empaneled ginners will be published on the NCDEX website

Process to be followed by an empanelled ginner with supervision for depositing Cotton:

If an empanelled ginner finds profitable returns in delivering cotton bales on NCDEX platform and shows willingness to participate in deliveries, he need to go through the following process:

i. **Scheduling availability of a supervisor** – The empanelled ginner can schedule availability of a supervisor on his ginning unit for supervision purpose through following ways:

- Coordinating with WSP through email and getting confirmation for availability of supervisor on certain date/s and time

- Scheduling availability of supervisor through REPOSITORY – The ginner will reserve warehouse space through WSR for a certain date and quantity. Our REPOSITORY system should take intimation of warehouse space reservation as per categories of participants and availability of dates accordingly. Once request has been received, WSP will have to coordinate with the ginner to facilitate the whole process of supervision and preparation of lots as per process.

ii. While bales are being pressed, supervisor will supervise entire process and collect samples from 5 bales selected on random basis after the completion of a lot of 100 bales. Sample collection will be done by cutting of each of the 5 bales.

iii. Ginner will bear labour cost for de-stacking and re-stacking of the entire lot during sample collection

iv. Moisture testing will be done for about 20 bales in the ginning unit for reference purpose and if moisture is found within range, sample will be drawn else, the whole lot will be rejected.

v. As soon as a bale is pressed supervisor will put sticker on the bale. This sticker should be tamper proof and unique. Informations like PRN, date of pressing and details of ginner to be mentioned on every bales through ginner's slip.

vi. WSP will maintain the record of each bale.

vii. WSP will seal the stack and seal no. will be noted in a register.

viii. Supervisor will send 5 collected samples to the designated lab for testing and another 5 will be retained with the WSP for future reference.

ix. If the lab's result of 5 samples is found within our prescribed quality parameters, the whole lot of 100 bales will be allowed to be moved to NCCL approved warehouse

x. Seal of the stack will be checked and it is found intact, the lot will be dispatched to NCCL approved warehouse in the presence of WSP officials and while unloading the said lot, stickers on each bale will be checked. If any sticker is found missing, the whole lot will be rejected.

xi. Packaging of each bale will be checked at the time of loading and if it is not found within prescribed specifications then the Ginner will be asked to change it before loading.

xii. Average of 20 moisture readings taken at NCCL approved warehouse will be considered as final and moisture adjusted weight will be applied on this final value if required. The detailed methodology of moisture adjusted weight is given further in the note.

xiii. After moisture testing and packaging check is completed then the whole lot will be properly sealed.

xiv. For any other parameter for which lab would be providing report, not a single bale should be outside the range of prescribed quality parameter. Even if a single bale fails in any of the parameter the whole lot would be rejected.

xv. For other quality parameters staple length and trash, average of five bales will be considered as final value for whole lot of 100 bales.

xvi. For colour grade and micronaire worst of five will be considered as final value for whole lot

xvii. For strength and SFI, minimum and maximum out of five will be considered respectively

xviii. Once a lot send by empanelled ginner fulfils all criteria the same will be credited into his REPOSITORY account

xix. All 5 cut bales should be properly covered and kept on top of the lot to avoid any quality deterioration and spillage.

(ii) **Deposits through other categories of participants without any supervision**

- In this model there would be no supervision
- Any market participant would be allowed to participate in deposits
- As compared to supervision model sampling and testing would be for 7 to 10 bales in this model.

Process to be followed:

i. The lot of 100 pre-pressed bales will be at the seller's location

ii. The participant will book warehouse space through WSR

iii. The participant can get upto maximum of 3 bales tested either by our WSP or on their own.

iv. After the above process is over, the assayer will paste WSP's sticker on all 100 bales. This sticker should be tamper proof and unique. Informations like PRN, date of pressing and details of ginner to be mentioned on every bales through ginner's slip. This sticker should be tamper proof, unique and with informations like PRN, date of pressing and identification code of empanelled ginner.

v. WSP will seal the stack and seal no. will be noted in a register.

vi. If the lab's result of 3 samples and moisture content of about 20 samples are found within our prescribed quality parameters, the whole lot of 100 bales will be allowed to be moved to NCCL approved warehouse

vii. Seal of the stack will be checked and if it is found intact, the lot will be dispatched to NCCL approved warehouse in the presence of WSP officials and while unloading the said lot, stickers on each bale will be checked. If any sticker is found missing, the whole lot will be rejected.

viii. Packaging of each bale will be checked and if it is not found within prescribed specifications then the depositor will be asked to change it within 24 hrs.

ix. At the NCCL approved warehouse WSP will randomly select 7 bales from which samples will be taken and sent to lab for testing

x. Moisture testing will be done for about 20 bales in the NCCL approved warehouse after material is unloaded in the warehouse

xi. Packaging of each bale will be checked and if it is not found within prescribed specifications then the depositor will be asked to change it within 2 working days.

xii. After moisture testing and packaging check is completed then the whole lot will be properly sealed.

xiii. Average of about 20 moisture readings taken at NCCL approved warehouse will be considered as final and process of moisture adjusted weight will be applied on this final value.

xiv. For any other parameter for which lab would be providing report, not a single bale should be outside the range of prescribed quality parameter. Even if a single bale fails in any of the parameter the whole lot would be rejected.

xv. For other quality parameters staple length and trash, average of 7 bales will be considered as final value for whole lot of 100 bales.

xvi. For colour grade and micronaire worst of 7 will be considered as final value for whole lot.

xvii. For strength and SFI, minimum and maximum out of 7 will be considered respectively.

xviii. If the lab's result of 7 samples and moisture result is found within our prescribed quality parameters, the said lot will be credited into the REPOSITORY account of the empanelled ginner.

xix. All 7 or 10 (in case of optional sampling and testing at depositor's warehouse) cut bales should be properly covered and kept on top of the lot to avoid any quality deterioration and spillage.

xx. Complete details of brokers/ agents/ traders/ ginners depositing goods for some financial investor will have to be maintained by the WSP.

7. Criteria for empanelment of ginners for deliveries through supervision process

- Minimum of 5 years of experience in bale pressing
- Bale pressing capacity of minimum 200 bales per day
- Capacity for press bale of about 160 kg (+/-9%)
- Client profiles of last two years- client list must include atleast 2 reputed Spinning Mills or Corporates or Exporters
- Reputation check, minimum two reference- Brokers, Cotton Traders, Exporters etc. (to be recorded)
- Willingness to accept our SOP for sampling and deposits
- Willingness to give Undertaking/Indemnity for quality from bales pressing till delivery from the warehouse
- Past experience of Exchange requirements for parameters

Empanelment process to be done by WSP and they need to provided complete information on each empanelment to the Exchange

Moisture adjusted weight

Depositors whose goods are having moisture above the basis point will get electronic credit for the quantity brought less the standard deduction and further with reduction in weight by discount for moisture as defined in the contract specifications and product note. The weight after deducting standard deduction and moisture discount (by weight) will be credited to the depositors REPOSITORY CMSP a/c by warehouse service provider.

Following steps will be followed for deduction of standard deduction and Moisture adjusted weight:

- Step 1: Gross weight (W1) of Cotton bales inward = Gross quantity (i.e. after deducting the tare weight of the truck and deduction of tare weight of packaging as per PN) – Standard deduction
- Step 2: MAW Deduction: Quantity to be entered in REPOSITORY (W2) = W1 – Moisture % above basis (but <= max permissible) *W1/100
- W2 will be the quantity that the WSP will mention as Gross quantity at the time of fresh deposit.

It may be clarified here that the lot being deposited should remain a deliverable lot even after deduction of standard allowance both the time fresh deposit & revalidation and reduction due to moisture being higher than the basis moisture as illustrated below:

Weighbridge net weight at the time of deposit (after deducting truck weight and tare weight)	**Standard allowance**	**Moisture (basis and maximum as per contract specifications)**	**Actual moisture at the time of fresh deposit**	**Weight of lot for credit into beneficiary account**	**Good/Bad delivery**
Case-1					
17 MT	01.90% (Max)	8.5% and 9.5%	8.50%	16.67 MT	Deliverable
Case-2					
17 MT	01.90% (Max)	8.5% and 9.5%	9.00%	16.59 MT	Deliverable
Case-3					
15.9 MT	01.90% (Max)	8.5% and 9.5%	9.50%	15.44 MT	Not Deliverable

With 17 MT basis deliverable quantity and 9% allowed quantity variation the range of acceptable net weight of one deliverable lot of Cotton bales after all kinds of deductions and for maximum possible period of validity should be within 15470 kg to 18530 kg (including both values).

WSP has to deliver entire withdrawn quantity provided the lifting is done by EDD and the outbound moisture level is at basis point or below; Since the buyer will be buying the goods at basis moisture level after application of MAW at the time of deposit, if at the time of delivery out, the moisture level is higher than the basis moisture levels, the WSP has to also deliver the buyer the difference quantity proportionate to the higher moisture content.

If outbound moisture is less than basis, the quantity equivalent to that of basis moisture will be compensated to the buyer.

If a depositor comes with material having moisture content below basis, no extra quantity is added while giving credit. The actual weight is credited.

Weigh bridge net weight at the time of deposit	**Inbound moisture result (in %)**	**Weight of lot to credit into beneficiary account (considering 1.9% standard allowance and 1% extra moisture)**	**Outbound moisture result (in %)**	**Minimum Quantity to be delivered by WSP to Buyer**	**Deviation in quantity which a buyer will receive (on 1:1 basis)**	**Remarks**
17	9.50	16.507	9.50	16.677	+1%	As outbound moisture is 1% above basis, 1% extra quantity is compensated to the buyer
17	9.50	16.507	9.00	16.760	+0.5%	As outbound moisture is 0.5% above basis, 0.5% extra quantity is compensated to the buyer
17	9.50	16.507	8.50	16.507	No Change	As outbound moisture is equal to basis, no extra quantity is compensated to the buyer
17	9.50	16.507	7.50	16.507	No Change	Even though outbound moisture is less than basis but quantity equivalent to that of basis moisture will be compensated to the buyer

Empanelled Assayer

NCCL has empanelled Warehouse Service Provider (WSP) for quality testing and certification of 29 mm Cotton received at the approved warehouse. The quality testing and certification of 29 mm Cotton will be undertaken only by such empanelled WSP as appointed by the Exchange.

Quality Testing Report

Test report for the sampling carried out at Ginner's premises is only indicative. The test results of sampling carried out at approved warehouse by WSP will be binding on all the parties for all purposes and the test report issued by the WSP on the samples drawn shall be final and binding on all parties.

Assayer Certificate

Testing and quality certificate issued by NCCL empanelled WSP for 29 mm Cotton deposited at approved warehouse in Rajkot and Kadi, or at such other locations announced by the Exchange from time to time shall be acceptable and binding on all parties.

Validity period

The validity period for 29 mm Cotton (new season produce) for the deposits done is appended in the table:

Months of Deposit /Date of entry by warehouse in system (Jan -Dec)*	Expiry period from the date of Fresh Deposit (no. of months)	Validity period at the time of fresh deposit (no of months)	How many times revalidations allowed	Validity Period of first revalidation (no. of months)	Validity period of second revalidation (no. of months)
October	10	10	0	0	0
November	9	9	0	0	0
December	8	8	0	0	0
January	7	7	0	0	0
February	6	6	0	0	0
March	5	5	0	0	0
April	4	4	0	0	0
May	3	3	0	0	0
June	2	2	0	0	0
July	1	1	0	0	0

*20th of previous month to 19th of the current month as mentioned in the table above

The stock of 29 mm Cotton deposited in the NCCL Approved warehouses shall necessarily be removed after the Validity Period as indicated above and continuation of the storage beyond Validity Period shall be entirely a private arrangement between the Warehouse and the depositor/beneficiary holder. The Exchange/Clearing Corporation shall not be responsible in any manner whatsoever for those stocks which have not been received by any Buyer through an immediate preceding settlement on the Exchange platform and for those stocks which have crossed the Validity Period.

Electronic transfer

Any buyer or seller receiving and or effecting 29 mm Cotton would have to open a Repository account with an empanelled Repository Participant (RP) to hold the 29 mm Cotton in electronic form. On settlement, the buyer's account with the RP would be credited with the quantity of 29 mm Cotton received and the corresponding seller's account would be debited. The Buyer desirous of taking physical delivery of the 29 mm Cotton holding has to make a request in prescribed form to his RP with whom Repository account has been opened. The RP would route the request to the warehouse for issue of the physical commodity i.e. 29 mm Cotton to the buyer and debit his account, thus reducing the electronic balance to the extent of 29 mm Cotton so withdrawn.

Charges

All charges and costs payable at the Approved warehouse towards delivery of 29 mm Cotton including sampling, grading, weighing, handling charges; storage etc from the date of receipt into Approved warehouse up to 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 with & including storage, handling etc. after the payout shall be borne by the buyer. Warehouse storage charges will be charged to the member/ client by the respective Repository 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 29 mm Cotton into the NCCL Approved 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 such client is located in another state.

Taxes

Goods and Services Tax (GST)

On services rendered by Members:

GST shall be payable by the members on the gross amount charged by them, from their clients on account of dealing in commodities.

On Deliveries effected on the NCCL Platform:

GST on the deliveries effected on the NCCL Platform as the case may be would be applicable on the delivered commodities and a buyer on the NCCL platform shall make payment to his corresponding seller the value of GST payable by buyer on the commodities received by the seller in the settlement. The buyer and the seller shall be responsible for fulfillment of the obligations under the GST act on all contracts. The seller shall issue appropriate invoices to his corresponding buyer as may be required under the GST act. The seller is required to remit the GST amount so collected/received from the buyer wherever applicable to the GST authorities within such time frame as may be prescribed under the GST rules. Members and / or their constituents requiring to receive or deliver 29 mm Cotton (COTTON) should register themselves with the relevant GST authorities of the place where the delivery is proposed to be received / given. In the event of any GST exemptions, such exemption certificate as may be required under the GST law would have to be issued/provided to his seller before the settlement of the obligation.

All Members and / or their constituents are required to adhere to the requirements under the GST act and the Rules made thereunder including the notifications issued by the Central or State Government and must have valid GST registration in place for transacting in physical deliveries and also comply with the requirements under the GST act.
The taxes payable on the commodity contracts shall be governed by the relevant Govt. legislations and notifications issued by the State or the Central Govt. from time to time and the buyer and seller is responsible to comply with the tax laws as applicable to the commodity.

Premium / Discount

Quality Premium/Discount

Premium & Discount on 29 mm cotton delivered will be provided by the NCCL on the basis of quality specifications and also on a location basis, if any. NCCL will communicate the premium/ discount amount applicable. Such amount will be adjusted to the members account through the supplementary settlement. Currently, the applicable premium/discounts for the commodity are:

Delivery ready reckoner

Micronaire		
Bet 3.5 to 3.59	01	-0.30
Bet 3.6 to 4.8	02	0.00
Bet 4.81 to 4.9	03	-0.30

Trash Content			Staple Length		
2	01	0.75	28	01	-2
2.1	02	0.7	28.1	02	-1.8
2.2	03	0.65	28.2	03	-1.6
2.3	04	0.6	28.3	04	-1.4
2.4	05	0.55	28.4	05	-1.2
2.5	06	0.5	28.5	06	-1
2.6	07	0.45	28.6	07	-0.8
2.7	08	0.4	28.7	08	-0.6
2.8	09	0.35	28.8	09	-0.4
2.9	10	0.3	28.9	10	-0.2
3	11	0.25	Bet 29.0 to 29.5 mm	11	0
3.1	12	0.2	29.6	12	0.2
3.2	13	0.15	29.7	13	0.4
3.3	14	0.1	29.8	14	0.6
3.4	15	0.05	29.9	15	0.8
3.5	16	0	30	16	1
3.6	17	-0.1	30.1	17	1.1
3.7	18	-0.2	30.2	18	1.2
3.8	19	-0.3	30.3	19	1.3
3.9	20	-0.4	30.4	20	1.4
4	21	-0.5	30.5	21	1.5
4.1	22	-0.6	30.6	22	1.6
4.2	23	-0.7	30.7	23	1.7
4.3	24	-0.8	30.8	24	1.8
4.4	25	-0.9	30.9	25	1.9
4.5	26	-1	31	26	2
4.6	27	-1.1			
4.7	28	-1.2			

Color Grade		
Upto 31-3	01	0.00
Bet 31-3 to 41-3	02	-5.00

Ginning Pattern		
Roller Ginned	01	0.00
Saw Ginned	02	-1.00

Age Penalty	
Applicable for March expiry	-0.2
Applicable for April expiry	-0.2
Applicable for May expiry	-0.3
Applicable for June expiry	-0.3
Applicable for July expiry	-0.4

4.8	29	-1.3
4.9	30	-1.4
5	31	-1.5

Note: *Please refer the below mentioned link for Quality Premium Discount matrix.*
www.ncdex.com/Products/Agri Products/29 mm Cotton/Quality Premium Discount matrix.

Location Premium Discount will be notified by the Exchange from time to time.

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 Clearing Corporation 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 will be determined by the Clearing Corporation on maturity of the contract. All open positions on the expiry day of the contract would result in compulsory delivery.

FSP shall be arrived at by taking the simple average of the last polled spot prices of the last three trading days viz., E0 (expiry day), E-1 and E-2. In the event the spot price for any one or both of E- 1 and E-2 is not available; the simple average of the last polled spot price of E0, E-1, E-2 and E-3, whichever available, shall be taken as FSP. Thus, the FSP under various scenarios of non-availability of polled spot prices shall be as under:

Scenario	Polled spot price availability on				FSP shall be simple average of last polled spot prices on:
	E0	E-1	E-2	E-3	
1	Yes	Yes	Yes	Yes/No	E0, E-1, E-2
2	Yes	Yes	No	Yes	E0, E-1, E-3
3	Yes	No	Yes	Yes	E0, E-2, E-3
4	Yes	No	No	Yes	E0, E-3
5	Yes	Yes	No	No	E0, E-1
6	Yes	No	Yes	No	E0, E-2
7	Yes	No	No	No	E0

The Settlement Price for any delivery allocation during staggered period (i.e. up to one day prior to expiry) would be the last available spot price for the respective contract.

In case of non-availability of polled spot price on expiry (E0) due to sudden closure of physical market under any emergency situations noticed at the basis center, the Framework for Determination of Final Settlement Price (FSP) as laid down by NCDEX vide its circular No. NCDEX/TRADING-012/2019 dated April 05, 2019 shall be applicable.

Spot Prices

NCDEX will announce / disseminate spot prices for 29 mm Cotton relating to the approved 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. and are published on the website of the Exchange.

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 29 mm Cotton. 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 giving any notice to the market.

Dissemination of Spot Prices

Spot prices for 29 Cotton will be disseminated on daily basis on availability.

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. 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 Clearing and Settlement Account with the Clearing bank.

Time (T/E+1)	Activity
On or before 8.30 hrs	PAYIN - Debit paying member Clearing & Settlement a/c for funds
After 10.30 hrs	PAYOUT – Credit receiving member Clearing & Settlement 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 with their respective Clearing member before "pay in".

Pay in and Pay out for Final Settlement in case of physical deliveries	
Time (T/E+2)	**Activity**
On or before 12.00 hrs	PAYIN - Debit Buyer Member Clearing and Settlement a/c for funds - Debit Seller Member's CM Pool Account for 29 mm Cotton
After 14.30 hrs	PAYOUT - Credit Seller Member Clearing and Settlement a/c for funds - Credit Buyer Member's CM Pool Account for 29 mm Cotton

Tender Date – T

Tender period

Delivery request will on staggered basis where tender period will be the last 5 trading days (including expiry date) of the contract.

Pay-in and Pay-out: On a T/E+2 basis. If the tender date is T/E then, pay-in and pay-out would happen on T/E + 2 day. If such a T/E + 2 day happens to be a Saturday, a Sunday or a holiday at the Exchange/Clearing Corporation, clearing banks or any of the service providers, Pay-in and Pay-out would be effected on the next working day.

Expiry Date

20th day of the delivery month. 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.

The settlement of contract would be by a staggered system of Pay-in and Pay-out including the last Pay-in and Pay-out which would be the Final Settlement of the contract.

Additionally, the supplemental settlement for 29 mm Cotton futures contracts for premium/ discount adjustments relating to quality of 29 mm Cotton 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.

The Schedule for such settlement is given below:

Pay in and Pay out for supplemental settlement	
Time (T/E + 2)	**Activity**
On or before 15.00 hours	**PAY IN**: Debit Member Clearing and Settlement a/c for funds
After 15.00 hours	**PAY OUT**: Credit Member Clearing and Settlement a/c for funds

Early Pay-in of Commodities

Members can avail early pay-in of commodities to get exemption from the applicable pre-expiry and delivery margins and the same would be considered for the purpose of adjustment against their settlement obligations. The member shall mark EPI using the WEB NCFE SYSTEM. The user guide for the same is available for download in the WEB NCFE webpage as under:-

WEB NCFE Menu: Downloads-> Download files-> Under User Manual folder-> EPI user guide.

For further details, refer circular no. NCCL/CLEARING-020/2020 dated April 07, 2020.

Supplementary Settlement for GST

NCCL will conduct a separate supplementary settlement, as illustrated below, three days after normal pay out for completion of GST 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 Clearing Corporation latest by 15.00 hrs on T/E+3 day failing which the Buying member is considered as the end buyer and accordingly invoice is issued in his/their name.

The Seller Clearing Members are required to give the Seller client details to the Clearing Corporation latest by 15.00 hrs on E + 4 day.

The amounts due to the above differences will be debited / credited to Member’s Clearing and Settlement account similar to normal settlement

Pay in and Pay out for GST	
Time (T/E + 5)	**Activity**
On or before 10.30 hours	**PAY IN:** Debit Buyer Member Clearing and Settlement a/c for funds.
After 10.30 hours	**PAY OUT**: Credit Seller Member Clearing and Settlement a/c for funds

For Further details, of the procedure for Supplementary Settlement for GST and the procedure for exchange of Physical Delivery information please refer circular number NCCL/CLEARING-020/2020 dated April 07, 2020.

Completion of Settlement

The settlement obligations shall be deemed to be completed as per the provisions of the Rules, Bye-laws and Regulations of the Clearing Corporation and the circulars issued by the Clearing Corporation thereunder from time to time.

Exhibit 1 - Contract specifications of 29 MM Cotton Futures contract
(Applicable for contracts expiring in the month of December 2020 and thereafter)

(Applicable for all the contracts available for trading with effect from September 01, 2020)

Type of Contract	Futures Contract
Name of Commodity	29 mm Cotton
Ticker Symbol	COTTON
Trading System	NCDEX Trading System
Basis	Ex-warehouse Rajkot, exclusive of all taxes
Unit of Trading	100 Bales (of 170 Kgs each)
Delivery Unit	100 Bales (of 170 Kgs approx.)
Maximum Order Size	50 Trading Lots i.e. 5000 Bales
Quotation/Base value	Rs. per Bale
Tick Size	Rs. 10
Quality Specifications and applicable Premium/ Discount for Tenderable Range	1. Staple Length: Basis 29 mm, as per Standard HVI Mode of Assaying Tenderable Range: Below 28.0 mm = Rejected 28.0 to 28.4 mm = Disc. of 2% 28.5 to 28.9 mm = Disc. of 1% 29.0 to 29.5 mm = No Premium/ Discount 29.6 to 30.0 mm = Prem. of 1% 30.1 to 31.0 mm = Prem. of 2% Above 31.0 mm = No additional Premium 2.Micronaire: 3.6 – 4.8 Tenderable Range: Below 3.5 = Rejected Below 3.6 and upto 3.5 = Discount of 0.3% 3.6 to 4.8 = Basis (No Premium/ Discount) Above 4.8 and upto 4.9 = Discount of 0.3% Above 4.9 = Rejected 3.Strength: With HVI mode of assaying Basis: Min. 28 G/Tex with no premium above 28 G/Tex 4.Color Grade: Upto Standardized HVI Middling 31-3 accepted upto 41-3 with discount of 5% 5.Trash: Basis 3.5% Tenderable Range: Above 3.5% and upto 5% = Discount of 1:1 Below 3.5% and upto 2% = Premium of 1:0.5 Above 5%, goods will be rejected 6.Moisture: Basis 8.5% Acceptable up to 9.5% maximum with moisture adjusted weight 7.Short Fiber Index (SFI) = Maximum 8.5
Quantity Variation	+/- 9% for total weight of each deliverable lot
Additional Delivery Norms	Ginning pattern: Roller ginned cotton will be accepted. Saw ginned cotton will be accepted with 1% discount
Delivery Center	Rajkot, within a radius of 100 Kms from the municipal limits

Additional Delivery Centers	Kadi (Gujarat) within a radius of 100 Kms from the municipal limits at a premium/ discount as announced by the Exchange from time to time.
Delivery Logic	Compulsory Delivery
Delivery Specification	Upon expiry of the contracts all the outstanding open positions shall result in compulsory delivery. During the Tender period, if any delivery is tendered by the seller, the corresponding buyer having open position and matched as per process put in place by the Exchange, shall be bound to settle by taking delivery on T+2 day from the delivery center where the seller has delivered same. The penalty structure for failure to meet delivery obligations will be as per circular no. NCDEX/CLEARING020/2016/247 dated September 28, 2016
Trading hours	As notified by the Exchange from time to time, currently- Mondays through Fridays: 09:00 a.m. to 09:00 p.m. On the expiry date, contracts expiring on that day will not be available for trading after 5 p.m. The Exchange may vary the above timing with due Notice.
Due date/ Expiry Date	20th day of the delivery month. If 20th happens to be a holiday, a Saturday or a Sunday, then the expiry date (or due date) shall be the immediately preceding trading day of the Exchange, which is other than a Saturday. The settlement of the contract would be by a staggered system of Pay-in and Pay-out including the Last Pay-in and Pay-out which would be the Final Settlement of the contract.
Tender Period	Tender Date –T Tender Period: The tender period would be the last 5 trading days (including expiry day) of the contracts. Pay-in and Pay-out: On a T+2 basis. If the tender date is T, then pay-in and pay-out would happen on T+2 day. If such a T+2 day happens to be a Saturday, a Sunday or a holiday at the Exchange, Clearing Corporation, clearing banks or any of the service providers, pay-in and pay-out would be effected on the next working day.
Opening of Contracts	Trading in new contract will open on the 1st day of the month in which near month contract is due to expire. If the 1st day happens to be a non-trading day, contracts would open on the next trading day
No. of active contracts	As per Launch Calendar
Closing of Contracts	Clearing and settlement of contracts will commence with the commencement of Tender Period by compulsory delivery of each open position tendered by the seller on T + 2 to the corresponding buyer matched by the process put in place by the Exchange. Upon the expiry of the contract all the outstanding open position shall result in compulsory delivery.
Daily Price Limit (DPL)	Daily price limit is (+/-) 3%. Once the 3% limit is reached, then after a period of 15 minutes this limit shall be increased further by 1%. The trading shall be permitted during the 15 minutes period within the 3%

	limit. After the DPL is enhanced, trades shall be permitted throughout the day within the enhanced total DPL of 4%. The DPL on the launch (first) day of new contract shall be as per the circular no. NCDEX/RISK-034/2016/209 dated September 08, 2016.
Position Limits	**Limits on open positions for aggregate as well as near month will be as under** **Member-wise: 38,00,000 Bales** or 15% of market wide open interest in the commodity, whichever is higher. **Client-wise: 3,80,000 Bales** Bona fide hedger clients may seek exemption as per approved Hedge Policy of the Exchange notified vide Circular No. NCDEX/CLEARING-019/2016/246 dated September 28, 2016 **For near month contracts:** The following limits would be applicable from 1st of every month in which the contract is due to expire. If 1st happens to be a non-trading day, the near month limits would start from the next trading day. **Member-wise**: **9,50,000 Bales** or one-fourth of the member's overall position limit in that commodity, whichever is higher. **Client-wise**: **95,000 Bales**
Final Settlement Price	FSP shall be arrived at by taking the simple average of the last polled spot prices of the last three trading days viz., E0 (expiry day), E-1 and E-2. In the event the spot price for any one or both of E- 1 and E-2 is not available; the simple average of the last polled spot price of E0, E-1, E-2 and E-3, whichever available, shall be taken as FSP. Thus, the FSP under various scenarios of non-availability of polled spot prices shall be as under:

Scenario	Polled spot price availability on				FSP shall be simple average of last polled spot prices on:
	E0	E-1	E-2	E-3	
1	Yes	Yes	Yes	Yes/No	E0, E-1, E-2
2	Yes	Yes	No	Yes	E0, E-1, E-3
3	Yes	No	Yes	Yes	E0, E-2, E-3
4	Yes	No	No	Yes	E0, E-3
5	Yes	Yes	No	No	E0, E-1
6	Yes	No	Yes	No	E0, E-2
7	Yes	No	No	No	E0

Special margin	In case of unidirectional price movement/ increased volatility, an additional/ special margin at such other percentage, as deemed fit by the Regulator/Exchange, may be imposed on the buy and the sell side or on either of the buy or sell sides in respect of all outstanding positions. Reduction/ removal of such additional/ special margins shall be at the discretion of the Regulator/Exchange.
Minimum Initial Margin	8%

Tolerance limit – 29 mm Cotton:

Commodity Specifications	Basis	Acceptable quality range as per contract specification	Permissible Tolerance
Staple Length	29 mm	Accepted upto minimum staple length of 28.0 mm with discount and upto maximum staple length of	+/- 0.50

		31 with premium as mentioned in the contract specifications	
Micronaire	3.6-4.8	Accepted upto minimum 3.5 and maximum 4.9 with discount as mentioned in the contract specifications	+/- 0.10
Trash	3.5%	Accepted upto +/- 1.5%, with Premium/Discount as mentioned in contract specifications	+/- 0.50%

Note: Tolerance limit is applicable only for outbound deliveries. Variation in quality parameters within the prescribed tolerance limit as above will be treated as good delivery when members/clients lift the materials from warehouse. These permissible variations shall be based on the parameters found as per the immediate preceding test certificate given by NCCL empanelled assayer.

Contract Launch calendar

Contract Launch month	**Contract Expiry month**
April 2020	October 2020
May 2020	November 2020
June 2020	December 2020
July 2020	-
August 2020	-
September 2020	-
October 2020	January 2021 February 2021 March 2021 April 2021
November 2020	May 2021 November 2021
December 2020	June 2021
January 2021	July 2021
February 2021	February 2022
March 2021	-
April 2021	October 2021 April 2022
May 2021	-
June 2021	December 2021

Disclaimer

Members and market participants who enter into buy and sell transactions may please note that they need to be aware of all the factors that go into the mechanism of trading and clearing, as well as all provisions of the Exchange's and/or Clearing Corporation's Bye Laws, Rules, Regulations, Product Notes, circulars, directives, notifications of the Exchange as well as of the Regulators, Governments and other authorities.

It is clarified that it is the sole obligation and responsibility of the Members and market participants to ensure that apart from the approved quality standards stipulated by the Exchange, the commodity deposited / traded / delivered through the approved warehouses of the Clearing corporation either on their own or on their behalf by any third party is in due compliance with the applicable regulations laid down by authorities like Food Safety and Standards Authority of India (FSSAI), AGMARK, BIS, Warehousing Development and Regulatory Authority (WDRA) and other State/Central laws and authorities issuing such regulations in this behalf from time to time, including but not limited to compliance of provisions and rates relating to GST, APMC Tax, Mandi Tax, LBT, Stamp Duty, etc. as applicable from time to time on the underlying commodity of any contract offered for deposit / trading / delivery and the Exchange/Clearing Corporation shall not be responsible or liable on account of any non-compliance thereof.

Exhibit 2 - Warehouse and Assayer details

For information & the updated list of Warehouses & Assayers kindly refer to the NCDEX website.

http://www.ncdex.com/ClearingServices/ClearingServicesOthers.aspx

Exhibit 3 - Good / Bad delivery norms for acceptance of Commodity at the Warehouse

No.	Particulars	Good / Bad delivery
1.	Quality not meeting futures contract specification	Bad delivery
2.	Delivery at non Approved warehouse	Bad delivery
3.	Delivery completed but without sampling & testing/ certification	Bad delivery
4.	Delivery without weight certificate	Bad delivery
5.	Delivery beyond quantity variation allowed	Bad delivery
6.	When sample is not drawn as per sampling norms and not carried out at the time of unloading	Bad delivery
7.	Delivery not as per the packaging specification	Bad delivery
8.	Delivery found contaminated on visual inspection	Bad delivery