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**NATIONAL COMMODITY & DERIVATIVES EXCHANGE LIMITED**

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Circular to all members of the Exchange

Circular No : NCDEX/TRADING-036/2020

Date : July 20, 2020

Subject : Launch of Options in Goods Contract on Rapeseed – Mustard Seed, Wheat and Maize – Feed/Industrial Grade

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The Exchange is pleased to inform that the Securities and Exchange Board of India has approved the launch of Options in Goods Contract on Rapeseed – Mustard Seed, Wheat and Maize – Feed/Industrial Grade.

The Options in Goods Contract on Rapeseed – Mustard Seed, Wheat and Maize – Feed/Industrial Grade expiring in the months of October 2020 and November 2020 would be available for trading w.e.f. July 27, 2020. Contracts for further expiries will be launched as per the enclosed contract launch calendar.

**Transaction Charges**

The transaction charges applicable on Options in Goods contract are mentioned below:

Transaction Charges	Rs. 30/ Lakh of <b>Premium Value</b>
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Members and participants are requested to note that Options in Goods contract will be available for trading as per the contract specifications given in Annexure – I.

The Options in Goods contracts to be launched shall be additionally governed by the Product Note as is notified on the Exchange website under the tab – “Options -> Products”. Members and participants are requested to kindly go through the same and get acquainted with the launched product, its trading and related process put in place by the Exchange.

The contracts and the transactions therein will be subjected to Bye Laws, Rules and Regulations of the Exchange and circular issued by the Exchange as well as directives, if any, issued from time to time, by the Regulator. 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 warehouse of the Clearing Corporation is in due compliance with the applicable regulations laid down by authorities like Food Safety and Standards Authority of India, AGMARK, BIS, Orders

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under Packaging and Labelling etc., as also 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.

For and on behalf of  
**National Commodity & Derivatives Exchange Limited**

Kapil Dev  
Executive Vice President –Business

Encl: Annexures

For further information / clarifications, please contact

1. Customer Service Group on toll free number: 1800 26 62339
2. Customer Service Group by e-mail to : [askus@ncdex.com](mailto:askus@ncdex.com)

## Annexure – I

Contract Specifications of Options in Goods on Wheat, Maize – Feed/Industrial Grade and Rapeseed-Mustard Seed.

### A. Wheat:

Field	Description
<b>Underlying</b>	WHEATFAQ
<b>Symbol</b>	<UNDERLYING SYMBOL><OPTIONS EXPIRY DATE-DDMMYY><CE/PE><STRIKE PRICE><UNDERLYINGTYPE-F/S>  Example: WHEATFAQ20MAY20CE2100S
<b>Unit of Trading</b>	10 MT
<b>Delivery Unit</b>	10 MT
<b>Settlement Type</b>	Compulsory Delivery
<b>Opening of Contracts</b>	Options contract shall be launched on the trading day following the day on which the Futures contract with the same underlying is launched
<b>Closing of Contract</b>	Upon the expiry of the contract all the outstanding open position shall result in compulsory delivery.  The penalty structure for failure to meet delivery obligations will be as per circular no. NCCL/CLEARING-002/2020 dated April 07, 2020.
<b>Final Settlement Price</b>	Same as Corresponding Futures Contract
<b>Options Type</b>	European
<b>Premium Quotation/base value</b>	Rs. Per Quintal
<b>Tick Size</b>	Rs.0.50 per Quintal
<b>Expiry Date</b>	Same as Corresponding Futures Contract
<b>Strike Interval</b>	10
<b>Number of Strikes</b>	10-1-10

<b>Quality Parameters</b>	Same as corresponding Futures Contract.
<b>Quality Premium/Discount</b>	Same as corresponding Futures Contract.
<b>Tolerance limit for Outbound delivery</b>	Same as corresponding Futures Contract.
<b>Quantity Variation</b>	+/- 5%
<b>Basis</b>	Ex-warehouse Kota, exclusive of GST
<b>Delivery Center</b>	Kota (within 50 Km radius from the municipal limits)
<b>Additional Delivery Centers</b>	Rajkot (Gujarat), Sri Ganganagar (Rajasthan), Indore (M.P.) and Agra (U.P.) (within 50 Km radius from the municipal limits) with location – wise premium/discount for all centers will be announced by the Exchange prior to launch of the contract.
<b>Options Launch Calendar</b>	Same as corresponding Futures Contract.
<b>Trading Hours</b>	Same as corresponding Futures Contract.
<b>Daily Price Range</b>	Based on the factors of Daily Price Range (DPR) of Futures contract and volatility.
<b>Position Limits</b>	<p>Position limits for 'option in goods' shall be clubbed with position limits of 'options on commodity futures' on the same underlying goods but shall remain separate from position limits of futures contracts on the same underlying.</p> <p>Numerical value for client level/member level limits in Options shall be twice of corresponding numbers applicable for Futures contracts.</p> <p>Wheat: 50,00,000 MT and 5,00,000 MT for member and client respectively.</p> <p><b>For near month contracts:</b></p> <p>The following limits would be applicable from 1<sup>st</sup> of every month in which the contract is due to expire. If 1<sup>st</sup> happens to be a non-trading day, the near month limits would start from the next trading day.</p> <p>Member-wise: 6,25,000 MT or One-eighth of the member's overall</p>

	<p>position limit in that commodity, whichever is higher.</p> <p>Client-wise: 62,500 MT</p>
<b>Exercise of Options</b>	European Options to be exercised only on the day of Expiration of the Options contracts
<b>Mechanism of Exercise</b>	<p>a) All option contracts belonging to 'CTM' option series shall be exercised only on 'explicit instruction' for exercise by the long position holders of such contracts.</p> <p>b) All In the money (ITM) option contracts, except those belonging to 'CTM' option series, shall be exercised automatically, unless 'contrary instruction' has been given by long position holders of such contracts for not doing so.</p> <p>c) All Out of the money (OTM) option contracts, except those belonging to 'CTM' option series, shall expire worthless.</p> <p>d) All exercised contracts within an option series shall be assigned to short positions in that series in a fair and non-preferential manner.</p>
<b>Final Settlement Method</b>	<p>On exercise, Option position shall result in physical Delivery of underlying commodity:</p> <ul style="list-style-type: none"> <li>• long call position shall result into a buy (commodity receivable) position</li> <li>• long put position shall result into a sell (commodity deliverable) position</li> <li>• short call position shall result into a sell (commodity deliverable) position</li> <li>• short put position shall result into a buy (commodity receivable) Position</li> </ul>
<b>Initial Margin</b>	<p>NCCL shall adopt appropriate initial margin model and parameters that are risk-based and generate margin requirements sufficient to cover potential future exposure to participants/clients.</p> <p>The initial margin shall be imposed at the level of portfolio of individual client comprising of his positions in futures and options contracts on each commodity.</p> <p>Margins shall be adequate to cover atleast 99% VaR (Value at Risk) and Margin Period of Risk (MPOR shall be at least three days.)</p> <p>For buyer of the option, buy premium shall be charged as margins and blocked from the collaterals.</p> <p>On computation of settlement obligation at the end of day, the premium blocked shall be released and collected as pay-in as per process notified.</p>

	<p>NCCL shall fix prudent price scan range and volatility scan range based on the volatility in the price of the underlying commodity.</p> <p>Appropriate Short Option Minimum Margin (SOMM) shall be fixed.</p>
<b>Other Margins</b>	<ul style="list-style-type: none"> <li>• <b>Extreme loss margin:</b> NCCL shall levy appropriate Extreme loss margin as applicable.</li> <li>• <b>Calendar spread charge:</b> The calendar spread charge shall be calculated on the basis of delta of the portfolio of futures and options. A calendar spread charge of 25% on each leg of the positions shall be charged.</li> <li>• <b>Mark to Market:</b> NCCL shall mark to market the options positions by deducting/adding the current market value of options (positive for long options and negative for short options) times the number of long/short options in the portfolio from/to the margin requirement. Thus, mark to market gains and losses would not be settled in cash for options positions.</li> <li>• <b>Pre expiry margin:</b> Pre expiry margin will be charged on potential in the money long and short option positions. The pre expiry margin will be increased gradually every day beginning from the pre-determined number of days before the expiry of the contract as applicable.</li> <li>• <b>Delivery Margin</b>  Appropriate Delivery Margin will be charged on the long and short positions resulting into physical delivery.</li> <li>• <b>Margining at client level:</b> Clearing Corporation shall impose initial margins at the level of portfolio of individual client comprising of his positions in futures and options contracts on each commodity.</li> <li>• <b>Other margins:</b> Other margins like additional margins and special margins shall be applicable as and when they are levied by the Exchange/CC/Regulator.</li> </ul>

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**B. Maize – Feed/Industrial Grade**

Field	Description
<b>Underlying</b>	MAIZE
<b>Symbol</b>	<UNDERLYING SYMBOL><OPTIONS EXPIRY DATE-DDMMYY><CE/PE><STRIKE PRICE><UNDERLYINGTYPE-F/S>  Example: MAIZE20MAY20CE2100S
<b>Unit of Trading</b>	10 MT
<b>Delivery Unit</b>	10 MT
<b>Settlement Type</b>	Compulsory Delivery
<b>Opening of Contracts</b>	Options contract shall be launched on the trading day following the day on which the Futures contract with the same underlying is launched
<b>Closing of Contract</b>	Upon the expiry of the contract all the outstanding open position shall result in compulsory delivery.  The penalty structure for failure to meet delivery obligations will be as per circular no. NCCL/CLEARING-002/2020 dated April 07, 2020.
<b>Final Settlement Price</b>	Same as Corresponding Futures Contract
<b>Options Type</b>	European
<b>Premium Quotation/base value</b>	Rs. Per Quintal
<b>Tick Size</b>	Rs.0.50 per Quintal
<b>Expiry Date</b>	Same as Futures Expiry Date
<b>Strike Interval</b>	25
<b>Number of Strikes</b>	7-1-7
<b>Quality Parameters</b>	Same as corresponding Futures Contract.
<b>Quality Premium/</b>	Same as corresponding Futures Contract.

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<b>Discount</b>	
<b>Tolerance limit for Outbound delivery</b>	Same as corresponding Futures Contract.
<b>Quantity Variation</b>	At the time of Inbound: +/-3.5% Outbound +/- 5%
<b>Basis</b>	Ex-warehouse Gulabbagh exclusive of GST (From April to September) Ex-warehouse Nizamabad exclusive of GST (From October to March)
<b>Delivery Center</b>	Gulabbagh (Within 75 km radius from the municipal limits) (From April to September) Nizamabad (Within 75 km radius from the municipal limits) (From October to March)
<b>Additional Delivery Centers</b>	Nizamabad, Jalgaon, Sangli and Sonipat (Within 75 km radius from the municipal limits)  (From April to September), with location Premium/Discount as notified by the Exchange from time to time  Jalgaon, Gulabbagh, Sangli and Sonipat (Within 75 km radius from the municipal limits)  (From October to March), with location Premium/Discount as notified by the Exchange from time to time.
<b>Options Launch Calendar</b>	Same as corresponding Futures Contract.
<b>Trading Hours</b>	Same as corresponding Futures Contract.
<b>Daily Price Range</b>	Based on the factors of Daily Price Range (DPR) of Futures contract and volatility.
<b>Position Limits</b>	Position limits for 'option in goods' shall be clubbed with position limits of 'options on commodity futures' on the same underlying goods but shall remain separate from position limits of futures contracts on the same underlying.  Numerical value for client level/member level limits in Options shall be twice



	<p>of corresponding numbers applicable for Futures contracts.</p> <p>Maize – Feed/Industrial Grade: 56,00,000 MT and 5,60,000 MT for member and client respectively.</p> <p><b>For near month contracts:</b></p> <p>The following limits would be applicable from 1<sup>st</sup> of every month in which the contract is due to expire. If 1<sup>st</sup> happens to be a non-trading day, the near month limits would start from the next trading day.</p> <p>Member-wise: 7,00,000 MT or One-eighth of the member's overall position limit in that commodity, whichever is higher.</p> <p>Client-wise: 70,000 MT</p>
<b>Exercise of Options</b>	European Options to be exercised only on the day of Expiration of the Options contracts
<b>Mechanism of Exercise</b>	<p>a) All option contracts belonging to 'CTM' option series shall be exercised only on 'explicit instruction' for exercise by the long position holders of such contracts.</p> <p>b) All In the money (ITM) option contracts, except those belonging to 'CTM' option series, shall be exercised automatically, unless 'contrary instruction' has been given by long position holders of such contracts for not doing so.</p> <p>c) All Out of the money (OTM) option contracts, except those belonging to 'CTM' option series, shall expire worthless.</p> <p>d) All exercised contracts within an option series shall be assigned to short positions in that series in a fair and non-preferential manner.</p>
<b>Final Settlement Method</b>	<p>On exercise, Option position shall result in physical Delivery of underlying commodity:</p> <ul style="list-style-type: none"> <li>• long call position shall result into a buy (commodity receivable) position</li> <li>• long put position shall result into a sell (commodity deliverable) position</li> <li>• short call position shall result into a sell (commodity deliverable) position</li> <li>• short put position shall result into a buy (commodity receivable) Position</li> </ul>
<b>Initial Margin</b>	<p>NCCL shall adopt appropriate initial margin model and parameters that are risk-based and generate margin requirements sufficient to cover potential future exposure to participants/clients.</p> <p>The initial margin shall be imposed at the level of portfolio of individual client comprising of his positions in futures and options contracts on each</p>

	<p>commodity.</p> <p>Margins shall be adequate to cover atleast 99% VaR (Value at Risk) and Margin Period of Risk (MPOR shall be at least three days.)</p> <p>For buyer of the option, buy premium shall be charged as margins and blocked from the collaterals.</p> <p>On computation of settlement obligation at the end of day, the premium blocked shall be released and collected as pay-in as per process notified.</p> <p>NCCL shall fix prudent price scan range and volatility scan range based on the volatility in the price of the underlying commodity.</p> <p>Appropriate Short Option Minimum Margin (SOMM) shall be fixed.</p>
<b>Other Margins</b>	<ul style="list-style-type: none"> <li>• <b>Extreme loss margin:</b> NCCL shall levy appropriate Extreme loss margin as applicable.</li> <li>• <b>Calendar spread charge:</b> The calendar spread charge shall be calculated on the basis of delta of the portfolio of futures and options. A calendar spread charge of 25% on each leg of the positions shall be charged.</li> <li>• <b>Mark to Market:</b> NCCL shall mark to market the options positions by deducting/adding the current market value of options (positive for long options and negative for short options) times the number of long/short options in the portfolio from/to the margin requirement. Thus, mark to market gains and losses would not be settled in cash for options positions.</li> <li>• <b>Pre expiry margin</b> will be charged on potential in the money long and short option positions. The pre expiry margin will be increased gradually every day beginning from the pre-determined number of days before the expiry of the contract as applicable.</li> <li>• <b>Delivery Margin</b> Appropriate Delivery Margin will be charged on the long and short positions resulting into physical delivery.</li> <li>• <b>Margining at client level:</b> Clearing Corporation shall impose initial margins at the level of portfolio of individual client comprising of his positions in futures and options contracts on each commodity.</li> </ul>

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	<ul style="list-style-type: none"><li>• <b>Other margins:</b> Other margins like additional margins and special margins shall be applicable as and when they are levied by the Exchange/CC/Regulator.</li></ul>
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### C. Rapeseed-Mustard Seed

Field	Description
<b>Underlying</b>	RMSEED
<b>Symbol</b>	<UNDERLYING SYMBOL><OPTIONS EXPIRY DATE-DDMMYY><CE/PE><STRIKE PRICE><UNDERLYINGTYPE-F/S>  Example: RMSEED20MAY20CE4100S
<b>Unit of trading</b>	10 MT
<b>Delivery Unit</b>	10 MT
<b>Settlement Type</b>	Compulsory Delivery
<b>Opening of Contracts</b>	Options contract shall be launched on the trading day following the day on which the Futures contract with the same underlying is launched
<b>Closing of Contract</b>	Upon the expiry of the contract all the outstanding open position shall result in compulsory delivery.  The penalty structure for failure to meet delivery obligations will be as per circular no. NCCL/CLEARING-002/2020 dated April 07, 2020.
<b>Final Settlement Price</b>	Same as Corresponding Futures Contract
<b>Options Type</b>	European
<b>Premium Quotation/base value</b>	Rs. Per Quintal
<b>Tick Size</b>	Rs.0.50 per Quintal
<b>Expiry Date</b>	Same as Corresponding Futures contract
<b>Strike Interval</b>	50
<b>Number of Strikes</b>	7-1-7
<b>Quality Parameters</b>	Same as Corresponding Futures contract

<b>Quality Premium/Discount</b>	Same as corresponding Futures Contract.
<b>Tolerance limit for Outbound delivery</b>	Same as corresponding Futures Contract.
<b>Quantity Variation</b>	+/- 2%
<b>Basis</b>	Ex- warehouse Jaipur, exclusive of GST
<b>Delivery Center</b>	Jaipur (within 50 Km radius from the municipal limits)
<b>Additional Delivery Centers</b>	Alwar (Rajasthan), Kota (Rajasthan), Sri Ganganagar (Rajasthan), Bikaner (Rajasthan), Jodhpur (Rajasthan), Tonk (Rajasthan) and Agra (Uttar Pradesh) (At all centers, up to the radius of 50 km from the municipal limits) (Premium/discount for all centres will be announced at the time of launching a contract).
<b>Options Launch Calendar</b>	Same as corresponding Futures Contract.
<b>Trading Hours</b>	Same as corresponding Futures Contract.
<b>Daily Price Range</b>	Based on the factors of Daily Price Range (DPR) of Futures contract and volatility.
<b>Position Limits</b>	<p>Position limits for 'option in goods' shall be clubbed with position limits of 'options on commodity futures' on the same underlying goods but shall remain separate from position limits of futures contracts on the same underlying.</p> <p>Numerical value for client level/member level limits in Options shall be twice of corresponding numbers applicable for Futures contracts.</p> <p>Rapeseed-Mustard Seed: 17,00,000 MT and 1,70,000 MT for member and client respectively.</p> <p><b>For near month contracts:</b></p> <p>The following limits would be applicable from 1<sup>st</sup> of every month in which the contract is due to expire. If 1<sup>st</sup> happens to be a non-trading day, the near month limits would start from the next trading day.</p> <p>Member-wise: 2,12,500 MT or One-eighth of the member's overall position limit in that commodity, whichever is higher.</p>

	Client-wise: 21,250 MT
<b>Exercise of Options</b>	European Options to be exercised only on the day of Expiration of the Options contracts
<b>Mechanism of Exercise</b>	<p>a) All option contracts belonging to 'CTM' option series shall be exercised only on 'explicit instruction' for exercise by the long position holders of such contracts.</p> <p>b) All In the money (ITM) option contracts, except those belonging to 'CTM' option series, shall be exercised automatically, unless 'contrary instruction' has been given by long position holders of such contracts for not doing so.</p> <p>c) All Out of the money (OTM) option contracts, except those belonging to 'CTM' option series, shall expire worthless.</p> <p>d) All exercised contracts within an option series shall be assigned to short positions in that series in a fair and non-preferential manner.</p>
<b>Final Settlement Method</b>	<p>On exercise, Option position shall result in physical Delivery of underlying commodity:</p> <ul style="list-style-type: none"> <li>• long call position shall result into a buy (commodity receivable) position</li> <li>• long put position shall result into a sell (commodity deliverable) position</li> <li>• short call position shall result into a sell (commodity deliverable) position</li> <li>• short put position shall result into a buy (commodity receivable) Position</li> </ul>
<b>Initial Margin</b>	<p>NCCL shall adopt appropriate initial margin model and parameters that are risk-based and generate margin requirements sufficient to cover potential future exposure to participants/clients.</p> <p>The initial margin shall be imposed at the level of portfolio of individual client comprising of his positions in futures and options contracts on each commodity.</p> <p>Margins shall be adequate to cover atleast 99% VaR (Value at Risk) and Margin Period of Risk (MPOR shall be at least three days.)</p> <p>For buyer of the option, buy premium shall be charged as margins and blocked from the collaterals.</p> <p>On computation of settlement obligation at the end of day, the premium blocked shall be released and collected as pay-in as per process notified.</p> <p>NCCL shall fix prudent price scan range and volatility scan range based</p>

	<p>on the volatility in the price of the underlying commodity.</p> <p>Appropriate Short Option Minimum Margin (SOMM) shall be fixed.</p>
<b>Other Margins</b>	<ul style="list-style-type: none"> <li>• <b>Extreme loss margin:</b> NCCL shall levy appropriate Extreme loss margin as applicable.</li> <li>• <b>Calendar spread charge:</b> The calendar spread charge shall be calculated on the basis of delta of the portfolio of futures and options. A calendar spread charge of 25% on each leg of the positions shall be charged.</li> <li>• <b>Mark to Market:</b> NCCL shall mark to market the options positions by deducting/adding the current market value of options (positive for long options and negative for short options) times the number of long/short options in the portfolio from/to the margin requirement. Thus, mark to market gains and losses would not be settled in cash for options positions.</li> <li>• <b>Pre expiry margin</b> will be charged on potential in the money long and short option positions. The pre expiry margin will be increased gradually every day beginning from the pre-determined number of days before the expiry of the contract as applicable.</li> <li>• <b>Delivery Margin</b>  Appropriate Delivery Margin will be charged on the long and short positions resulting into physical delivery.</li> <li>• <b>Margining at client level:</b> Clearing Corporation shall impose initial margins at the level of portfolio of individual client comprising of his positions in futures and options contracts on each commodity.</li> <li>• <b>Other margins:</b> Other margins like additional margins and special margins shall be applicable as and when they are levied by the Exchange/CC/Regulator.</li> </ul>

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**Annexure – II**
**Launch Calendar for Options in Goods on Rapeseed-Mustard Seed, Wheat and Maize – Feed/Industrial Grade**
**Rapeseed-Mustard Seed**

Contract Launch Month	Contract Expiry Month
<b>July 27, 2020</b>	<b>October 2020</b> <b>November 2020</b>
August 2020	December 2020
September 2020	January 2021
October 2020	February 2021
November 2020	April 2021
December 2020	May 2021
January 2021	June 2021
February 2021	July 2021
March 2021	No Launch
April 2021	August 2021
May 2021	September 2021
June 2021	October 2021
July 2021	November 2021
August 2021	December 2021



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**Wheat**

Contract Launch Month	Contract Expiry Month
<b>July 27, 2020</b>	<b>October 2020</b> <b>November 2020</b>
August 2020	December 2020
September 2020	January 2021
October 2020	February 2021
November 2020	March 2021
December 2020	April 2021
January 2021	May 2021
February 2021	June 2021
March 2021	July 2021
April 2021	August 2021
May 2021	September 2021
June 2021	October 2021
July 2021	November 2021
August 2021	December 2021

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**Maize – Feed/Industrial Grade**

Contract Launch Month	Contract Expiry Month
<b>July 27, 2020</b>	<b>October 2020</b> <b>November 2020</b>
August 2020	December 2020
September 2020	January 2021
October 2020	February 2021
November 2020	March 2021
December 2020	April 2021
January 2021	May 2021
February 2021	June 2021
March 2021	July 2021
April 2021	August 2021
May 2021	September 2021
June 2021	October 2021
July 2021	November 2021
August 2021	December 2021