
NATIONAL COMMODITY & DERIVATIVES EXCHANGE LIMITED

Circular to all Members of the Exchange

Circular No. : NCDEX/TRADING-011/2023

Date : March 31, 2023

Subject : Modification in contract specification of 29MM Cotton (COTTON) Futures Contract

Members are requested to note that the Exchange, as per SEBI circular no. SEBI/HO/CDMRD/DOP/CIR/P/2019/135 dated November 14, 2019 regarding Modifications in the contract specifications of commodity derivatives contracts and SEBI/HO/CDMRD_DOP/P/CIR/2021/592 dated July 08, 2021 regarding Review of Advance Intimation timelines for modifications in the contract specifications of commodity derivatives contracts has modified the contract specifications of 29MM Cotton (Symbol: COTTON) Futures contract expiring in the month of April 2023 and thereafter with effect from April 11, 2023.

Currently, 29MM Cotton (Symbol: COTTON) Futures Contracts expiring in the months of April 2023, May 2023, June 2023, July 2023, November 2023 and February 2024 are available for trading and would continue to be traded as per the existing contract specification till April 10, 2023. The changes will be applicable for 29MM Cotton Futures contracts expiring in the month of April 2023 and thereafter with effect from April 11, 2023.

The running futures contracts and contracts to be launched further shall be additionally governed by the Product Note as is notified on the Exchange website under the Tab — “Products”. Members and Participants are requested to kindly go through the same and get acquainted with the product launched and its trading and related process put in place by the Exchange.

Members are requested to take note of the following:

1. Summary of modifications in contract specifications for 29MM Cotton (COTTON) Futures contracts expiring in the month April 2023 and thereafter with effect from April 11, 2023 is given in **Annexure I**.
2. Existing contract specifications applicable for 29MM Cotton (COTTON) Futures contracts expiring in the month of April 2023, May 2023, June 2023, July 2023, November 2023 and February 2024 till April 10, 2023 is given in **Annexure II**.
3. Modified contract specifications for 29MM Cotton (COTTON) Futures contracts expiring in the month of April 2023 and thereafter with effect from April 11, 2023 is given in **Annexure III**.
4. Premium/Discount for delivery location difference for contract expiring in the month of April 2023 and thereafter with effect from April 11, 2023 is given in **Annexure IV**.

The contracts and the transactions therein will be subject to Bye Laws, Rules and Regulations of the Exchange and circulars issued by the Exchange as well as directives, if any, issued from time to time by SEBI.

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 either on their own or on behalf of them by any third part acting on behalf of the Market Participants/Constituents is in due compliance with the applicable regulations laid down by authorities like BIS, Warehousing Development and Regulatory Authority (WDRA), Orders under Packaging and Labelling 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, 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

Arun Yadav
Senior Vice President – Products

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

Annexure I: Summary of modifications in contract specifications for 29MM Cotton (COTTON) Futures contracts expiring in the month April 2023 and thereafter with effect from April 11, 2023

29MM Cotton (COTTON) Futures contracts

Sr. Number	Parameter	Existing Quality Specification				Modified Quality Specification				Rationale
Quality Parameter										
1a)	Staple Length	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				Staple 2.5% span length: 29 mm (-1mm) with discount. Below 28 mm = reject, 28.0 to 28.4 = Disc. Of 2 %, 28.5 to 29.0 mm= Disc. of 1% and above 29mm no premium				As per the current market practice
1b)	Color Grade	Up-to Standardized HVI Middling 31-3 accepted up-to 41-3 with discount of 5%				Basis Grade RD (Reflectance) value and +b (Yellowness): Basis 75 RD value (-2RD value) with discount Below 75- upto 74 RD – Discount 1% PRO RATA Below 74 upto 73- Additional Discount of 1.5% Below 73 RD value reject. +b upto 10.2 accept, +b above 10.2 reject.				As per the current market practice
1c)	Tolerance limit	Commodity Specifications	Basis	Acceptable quality range as per contract specification	Permissible Tolerance	Commodity Specifications	Basis	Acceptable quality range as per contract specification	Permissible Tolerance	As per the current market practice

		Staple Length	29 mm	Accepted upto minimum staple length of 28.0 mm with discount and upto maximum staple length of 31 with premium as mentioned in the contract specifications	+/- 0.50		Staple Length	29 mm	Accepted upto minimum staple length of 28.0 mm with discount and upto maximum staple length of 31 without premium as mentioned in the contract specifications	+/- 0.50	
Trading Parameter											
2a)	Trading & Delivery Unit	100 Bales (of 170 kg each)				25 bales (170 kg each)				In order to facilitate participation of small and medium size ginners and other market participants.	
2b)	Maximum Order Size	50 Trading Lots i.e. 5000 Bales				50 Trading Lots i.e. 1250 Bales				Due to modification in unit of trading.	

2c)	Additional Delivery Centre	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			Kadi (Gujarat) and Akola (Maharashtra) within a radius of 100 Kms from the municipal limits at a premium/ discount as announced by the Exchange from time to time.			Maharashtra is second largest producer of cotton and Akola is a major trading centre of cotton in Maharashtra.										
2d)	Premium/ Discount For Delivery Location Difference	<table border="1"> <thead> <tr> <th>Commodity (Base centre)</th> <th>Additional Delivery Centre</th> <th>(+) Premium/(-) Discount</th> </tr> </thead> <tbody> <tr> <td>29 mm Cotton (Rajkot)</td> <td>Kadi</td> <td>- ₹ 50 per Bale</td> </tr> </tbody> </table>	Commodity (Base centre)	Additional Delivery Centre	(+) Premium/(-) Discount	29 mm Cotton (Rajkot)	Kadi	- ₹ 50 per Bale		<table border="1"> <thead> <tr> <th>Commodity (Base centre)</th> <th>Additional Delivery Centre</th> <th>(+) Premium/(-) Discount</th> </tr> </thead> <tbody> <tr> <td>29 mm Cotton (Rajkot)</td> <td>Kadi & Akola</td> <td>At Par</td> </tr> </tbody> </table>	Commodity (Base centre)	Additional Delivery Centre	(+) Premium/(-) Discount	29 mm Cotton (Rajkot)	Kadi & Akola	At Par		As per the current market practice and market feedback received during the Cotton complex product advisory meeting.
Commodity (Base centre)	Additional Delivery Centre	(+) Premium/(-) Discount																
29 mm Cotton (Rajkot)	Kadi	- ₹ 50 per Bale																
Commodity (Base centre)	Additional Delivery Centre	(+) Premium/(-) Discount																
29 mm Cotton (Rajkot)	Kadi & Akola	At Par																

Annexure II: Existing Contract Specifications for 29MM Cotton (COTTON) Futures contracts

(Applicable for contracts expiring in the month of April 2023, May 2023, June 2023, July 2023, November 2023 and February 2024 till April 10, 2023)

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	<p>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</p> <p>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</p> <p>3. Strength: With HVI mode of assaying Basis: Min. 28 G/Tex with no premium above 28 G/Tex</p> <p>4. Color Grade: Upto Standardized HVI Middling 31-3 accepted upto 41-3 with discount of 5%</p> <p>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</p>

	<p>Above 5%, goods will be rejected</p> <p>6. Moisture: Basis 8.5% Acceptable up to 9.5% maximum with moisture adjusted weight</p> <p>7. Short Fiber Index (SFI) = Maximum 8.5</p>
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	<p>Upon expiry of the contracts all the outstanding open positions shall result in compulsory delivery.</p> <p>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.</p> <p>The penalty structure for failure to meet delivery obligations will be as per circular no. NCCL/CLEARING-010/2021 dated March 24, 2021 and circular no. NCCL/CLEARING-029/2021 dated August 18, 2021</p>
Trading hours	<p>As notified by the Exchange from time to time, currently: Mondays through Fridays: 9.00 A.M. to 5.00 P.M. The Exchange may vary above timing with due notice.</p>
Due date/ Expiry Date	<p>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, which is other than a Saturday.</p> <p>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.</p>
Tender Period	<p>Tender Date –T</p> <p>Tender Period: The tender period would be the last 5 trading days (including expiry day) of the contracts.</p> <p>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.</p>

Opening of Contracts	Trading in new contract will open on the 1 st day of the month in which near month contract is due to expire. If the 1 st day happens to be a non-trading day, contracts would open on the next trading day						
No. of active contracts	As per the launch calendar						
Closing of contract	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 (+/-) 4%. Once the 4% limit is reached, then after a period of 15 minutes this limit shall be increased further by 2%. The trading shall be permitted during the 15 minutes period within the 4% limit. After the DPL is enhanced, trades shall be permitted throughout the day within the enhanced total DPL of 6%. The DPL on the launch (first) day of new contract shall be as per the circular no. NCDEX/TRADING-010/2021 dated March 22, 2021.						
Position Limits	<p>Limits on Open position for aggregate as well as near month will be as under</p> <p>Member-wise: 2,00,000 Bales or 15% of market wide open interest in the commodity, whichever is higher. Client-wise: 50,000 Bales</p> <p>Bona fide hedger clients may seek exemption as per approved Hedge Policy of the Exchange notified vide Circular No. NCDEX/TRADING-026/2021 dated August 30, 2021.</p> <p>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.</p> <p>Member-wise: 50,000 Bales or one-fourth of the member's overall position limit in that commodity, whichever is higher. Client-wise: 5,000 Bales</p>						
Final Settlement Price	<p>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:</p> <table border="1"> <thead> <tr> <th>Scenario</th> <th>Polled spot price availability on</th> <th>FSP shall be simple</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Scenario	Polled spot price availability on	FSP shall be simple			
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		E0	E-1	E-2	E-3	average of last polled spot prices on:
	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 margins	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	10%					

Tolerance limit for outbound deliveries for 29 mm Cotton Futures contracts:

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 31 with premium as mentioned in the contract specifications	+/- 0.50
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 2022	April 2023
November 2022	May 2023 November 2023
December 2022	June 2023
January 2023	July 2023
February 2023	February 2024

Annexure III: Modified Contract Specifications for 29MM Cotton (COTTON) Futures contracts

(Applicable for contracts expiring in the month of April 2023 and thereafter with effect from April 11, 2023)

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	25 bales (170 kg each)
Delivery unit	25 bales (170 kg each)
Maximum Order Size	50 Trading Lots i.e. 1250 Bales
Quotation/base value	Rs. Per Bale
Tick size	Rs. 10
Quality Specifications and applicable Premium/ Discount for Tenderable Range	<p>1. Staple Length: Staple 2.5% span length: 29 mm (-1mm) with discount. Below 28 mm = reject 28.0 to 28.4 = Disc. Of 2 % 28.5 to 29.0 mm = Disc. of 1% Above 29mm = no premium</p> <p>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</p> <p>3. Strength: With HVI mode of assaying Basis: Min. 28 G/Tex with no premium above 28 G/Tex</p> <p>4. Color Grade: Basis Grade RD (Reflectance) value and +b (Yellowness): Basis 75 RD value (-2RD value) with discount Below 75- upto 74 RD – Discount 1% PRO RATA</p> <p>Below 74 upto 73- Additional Discount of 1.5% Below 73 RD value reject. +b upto 10.2 accept,</p>

	<p>+b above 10.2 reject.</p> <p>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</p> <p>6.Moisture: Basis 8.5% Acceptable up to 9.5% maximum with moisture adjusted weight</p> <p>7. Short Fiber Index (SFI) = Maximum 8.5</p>
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) and Akola (Maharashtra) (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	<p>Upon expiry of the contracts all the outstanding open positions shall result in compulsory delivery.</p> <p>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.</p> <p>The penalty structure for failure to meet delivery obligations will be as per circular no. NCCL/CLEARING-010/2021 dated March 24, 2021 and circular no. NCCL/CLEARING-029/2021 dated August 18, 2021</p>
Trading hours	As notified by the Exchange from time to time, currently: Mondays through Fridays: 9.00 A.M. to 5.00 P.M. The Exchange may vary above timing with due notice.
Due date/ Expiry Date	<p>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, which is other than a Saturday.</p> <p>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.</p>

Tender Period	<p>Tender Date –T</p> <p>Tender Period: The tender period would be the last 5 trading days (including expiry day) of the contracts.</p> <p>Pay-in and Pay-out:</p> <p>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.</p>
Opening of Contracts	<p>Trading in new contract will open on the 1st day of the month in which near month contract is due to expire.</p> <p>If the 1st day happens to be a non-trading day, contracts would open on the next trading day</p>
No. of active contracts	As per the launch calendar
Closing of contract	<p>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.</p> <p>Upon the expiry of the contract all the outstanding open position shall result in compulsory delivery.</p>
Daily Price Limit (DPL)	<p>Daily price limit is (+/-) 4%. Once the 4% limit is reached, then after a period of 15 minutes this limit shall be increased further by 2%. The trading shall be permitted during the 15 minutes period within the 4% limit. After the DPL is enhanced, trades shall be permitted throughout the day within the enhanced total DPL of 6%.</p> <p>The DPL on the launch (first) day of new contract shall be as per the circular no. NCDEX/TRADING-010/2021 dated March 22, 2021.</p>

Position Limits	<p>Limits on Open position for aggregate as well as near month will be as under</p> <p>Member-wise: 2,00,000 Bales or 15% of market wide open interest in the commodity, whichever is higher. Client-wise: 50,000 Bales</p> <p>Bona fide hedger clients may seek exemption as per approved Hedge Policy of the Exchange notified vide Circular No. NCDEX/TRADING-026/2021 dated August 30, 2021.</p> <p>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.</p> <p>Member-wise: 50,000 Bales or one-fourth of the member's overall position limit in that commodity, whichever is higher. Client-wise: 5,000 Bales</p>																																																				
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6	Yes	No	Yes	No	E0, E-2																																																
7	Yes	No	No	No	E0																																																
Special margins	<p>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</p>																																																				

Minimum Initial Margin	10%
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Tolerance limit for outbound deliveries for 29 mm Cotton Futures contracts:

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 31 without premium as mentioned in the contract specifications	+/- 0.50
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 2022	April 2023
November 2022	May 2023 November 2023
December 2022	June 2023
January 2023	July 2023
February 2023	February 2024
March 2023	-
April 2023	October 2023 April 2024
May 2023	-
June 2023	December 2023

Annexure IV: Premium/Discount for delivery location difference for 29mm Cotton Futures Contracts expiring in the month of April 2023 and thereafter with effect from April 11, 2023

Commodity (Base centre)	Additional Centre	Delivery	(+) Premium/(-) Discount
29 mm Cotton (Rajkot)	Kadi Akola		At Par