NCDEX

NATIONAL COMMODITY & DERIVATIVES EXCHANGE LIMITED

Circular to all trading and clearing members of the Exchange
Circular No : NCDEX/TRADING-046/2014/103
Date : April 09, 2014
Subject : Launch of futures contracts – Steel Long Commercial Grade (STEELCOMM)

The Exchange is pleased to announce that, as per the Bye-laws, Rules and Regulations of the Exchange and with the approval of the Forward Markets Commission, futures contracts in Steel Long Commercial Grade (Symbol : STEELCOMM) expiring in the months of May 2014, June 2014 and July 2014 would be available for trading from **April 11, 2014.** Contracts for further expiries will be launched as per the contract launch calendar.

The contract specifications applicable for Steel Long Commercial Grade (STEELCOMM) futures contracts expiring in the months of May 2014 and thereafter are given in Annexure I. Contract launch calendar is given in Annexure II. The location premium/discount applicable for contracts expiring in May 2014, June 2014 and July 2014 is given in Annexure III. Additional Delivery Mechanism – Direct Delivery is given in Annexure IV.

Members may note that all Steel Long Commercial Grade (STEELCOMM) futures contracts expiring in May 2014 and thereafter would be exclusively settled through COMTRACK® only. It may be noted that all clients and members desirous of delivering and receiving Steel Long Commercial Grade on the Exchange platform would have to open commodity account in COMTRACK®.

Further, in continuation of our circular no. NCDEX/TRADING-015/2014/041 dated February 18, 2014, transaction charges applicable on Steel Long Commercial Grade (STEELCOMM) will be as per List B, as noted below:

	Rate per Rs. lakh
List B Average Daily Turnover ('ADTV')	List B commodities
Up to Rs.50 Crore	Rs. 0.40
On incremental ADTV above Rs.50 Crore	Rs. 0.30

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

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For and on behalf of
National Commodity & Derivatives Exchange Limited

Vivek Jalan
Senior Vice President – Business

For further information / clarifications, please contact

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Annexure I

Contract Specifications for Steel Long Commercial Grade (STEELCOMM) futures contract

(Applicable for contracts expiring in May 2014 and thereafter)

Type of contract	Futures Contract
Name of commodity	Steel Long Commercial
Ticker symbol	STEELCOMM
Trading system	NCDEX Trading System
Basis	Ex-Warehouse Wada (Thane), exclusive of excise duty and VAT/CST, but inclusive of basic customs duty
Unit of trading	10 MT
Maximum Order size	500 MT
Delivery unit	10 MT
Quotation/base value	Rs. Per MT
Tick size	Rs. 10/- per MT
Quality specification	1)Mild Steel Ingots

Size	$3^{1/2} * 4^{1/2}$ inch
Carbon content	upto 0.3 % max
Manganese	min 0.4 %
Sulphur	upto 0.06% max
Phosphorus	upto 0.09% max
Sulphur + Phosphorous	upto 0.14% max
Weight	min of 90 Kgs per ingot
Length	min of 48 inches per ingot

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	Heat number to be mentioned on each ingot. The weight and length parameters should be exactly as per the quality specification mentioned above. Ingots without harmful and appreciable hollowness, piping and rising. Ingots must have reasonably plain surface. Ingots must be free of harmful refractories. 2) Mild Steel Billets Size: 100*100 to 130*130 mm Length: 6m ± 200mm Chemistry of the Billet to be same as of Ingot. Heat number to be mentioned on each Billet 3) Additional Grade: Mild Steel Ingot Size: 3 1/4 * 4 1/4 inch Heat number to be mentioned on each ingot. Chemistry to be the same as mentioned in the quality specifications for MS Ingot.
Quantity variation	+/- 3% or 5 MT, whichever is lower
Delivery center	Wada (Thane) (within 50 kms of the municipal limits of Wada (Thane))
Additional Delivery Centers	Raipur (within 50 kms from the municipal limits of the additional delivery centre)
Trading hours	As per directions of the Forward Markets Commission from time to time, currently :- Monday through Friday: 10:00 AM to 11:30 PM On the expiry date, contracts expiring on that day will not be available for trading after 5 PM The Exchange may vary the above timing with due notice

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No. of active contracts	As per launch calendar below
Opening of Contracts	Trading in any contract month will open on the 1st day of the month. If the opening day happens to be a non-trading day, contracts would open on the next trading day.
Tender Period	Tender Period: The tender period shall start on 11th of every month in which the contract is due to expire. In case 11th happens to be a Saturday, a Sunday or a holiday at the Exchange, the tender period would start from the next working day. 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 (excluding Saturday). If such a T+2 day happens to be a Saturday, a Sunday or a holiday at the Exchange, clearing banks or any of the service providers, pay-in and pay-out would be effected on the next working day.
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.
Due date/Expiry date	Expiry date of the contract: 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. 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.
Delivery Specification	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 Exchange, shall be bound to settle by taking physical delivery.
Additional Delivery	An additional mechanism of direct delivery shall be available for the participants if the buyer and seller

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Mechanism	mutually opt for the same. Please refer to Annexure for more details.
Price band	Daily price fluctuation limit is (+/-) 4%. If the trade hits the prescribed daily price limit there will be a cooling off period for 15 minutes. Trade will be allowed during this cooling off period within the price band. Thereafter the price band would be raised by another 50% of the existing limit i.e. (+/-) 2%. If the price hits the revised price band (6%) again during the day, trade will only be allowed within the revised price band. No trade/order shall be permitted during the day beyond the revised limit of (+/-) 6%.
Position limits	Member: 6,00,000 MT or 15% of market wide open interest, whichever is higher. Client: 1,20,000 MT The above limits will not be applicable to bona fide hedgers. For bona fide hedgers, the Exchange will, on a case to case basis, decide the hedge limits. Please refer to Circular No NCDEX/TRADING-100/2005/219 dated October 20, 2005
Special margins	In case of additional volatility, a special margin at such percentage, as deemed fit, will be imposed in respect of outstanding positions, under immediate intimation to the Commission which will remain in force as long as volatility exists, after which the special margin may be relaxed.
Location Premium/Discount	Location and Grade Premium/Discount would be announced before launch of contracts.
Delivery Logic	Compulsory Delivery (Upon the expiry of the contract all the outstanding open position shall result in compulsory delivery)
Final Settlement Price	The Final Settlement Price shall be the last spot price of the day as polled by the Exchange on the last trading day of the contract.
Minimum Initial margin	5%

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Annexure II

Contract Launch Calendar

Launch Month	**Expiry Month**
April 11, 2014	May 2014, June 2014, July 2014
May 2014	August 2014
June 2014	September 2014
July 2014	October 2014
August 2014	November 2014
September 2014	December 2014

Annexure III

Premium/discount for Grade difference

<table>
<tr><th colspan="5">STEEL LONG (Commercial Grade)</th></tr>
<tr><th colspan="2">Base Grade</th><th colspan="2">Additional Grade</th><th>P/D Applicable to additional grade</th></tr>
<tr><td colspan="2" rowspan="2">Mild Steel Ingots</td><td colspan="2">Mild Steel Ingots</td><td rowspan="2">No Premium/ Discount</td></tr>
<tr><td>Size</td><td>$3^{1/4}*4^{1/4}$ inch</td></tr>
<tr><td>Size</td><td>$3^{1/2}*4^{1/2}$ inch</td><td colspan="2">Mild Steel Billets</td><td>+ ₹ 400 /MT</td></tr>
</table>

Premium/discount for Location difference

Commodity (Base Centre)	**Additional Delivery Centre**	**(+) Premium/ (-) Discount**
Steel Long Commercial Grade (Wada (Thane))	Raipur	-₹ 2440/MT

Annexure IV

Additional Delivery Mechanism – Direct Delivery

It is proposed to provide an additional delivery mechanism of direct delivery for the participants who mutually agree to pursue this mode for settlement of contract. In case the sellers and buyers are both willing to settle through direct delivery mechanism they can utilize the direct delivery settlement system. Under this mechanism, an intention window will open on 11^{th} of the expiry month. In this window, sellers and buyers can give intention stating their location preference and preference to choose the direct delivery mechanism for settling the contract.

The process flow of Direct Delivery shall be as under:

1. The intention window will open on 11^{th} of the month**.** If 11^{th} is a holiday, the window will open on the next working day.

2. Seller and buyer will have an option of marking an intention for direct delivery and location preference on any day during the time intention window is open**.** In case the seller and buyer intention matches then that position will be closed and settled as given below. In case the intentions are not matched or partially matched, the unmatched open intentions would be updated on the website of the Exchange.

3. The seller or buyer can opt to cancel the unmatched open intentions prior to expiry of the contract.

4. If the date of matching of intention is T, then pay-in would happen on T+2 (excluding Saturday) and pay-out would happen on T+8 day (excluding Saturday). If such a T+2 / T+8 day happens to be a Saturday, a Sunday or a holiday at the Exchange, clearing banks or any of the service providers, pay-in and pay-out would be effected on the next working day.

5. The Settlement price for any delivery allocation during the time intention window is open (i.e. up to one day prior to expiry) would be the last available spot price displayed by the Exchange for the respective contract.

6. In case of seller default after allocation (i.e. T+1 to T+8), the prescribed penalty should be 3.0% as per below;

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a. 1.75 % component of the penalty shall be deposited in the Investor Protection Fund of the Exchange;
b. 1.0 % component of the penalty shall go to the Buyer who was entitled to receive delivery; and
c. Balance 0.25 % component of penalty shall be retained by the Exchange towards administrative expenses.

The difference between the Final Settlement Price (FSP) and the average of three highest of the last spot prices of 8 (Eight) succeeding days after the expiry of contract (T+ 1 to T +8 days), if the average spot price so determined is higher than FSP will also be charged to the seller.

7. In case seller does partial delivery after allocation (i.e. T+1 to T+8), It would be treated as sellers default for the undelivered quantity and would be settled as per point 6.

8. If the buyer makes the pay in but doesn't specify the warehouse where the delivery should be given, then the buyer would be penalized and 3.0% penalty should be levied on buyer and will be used as under:

a. 1.75 % component of the penalty shall be deposited in the Investor Protection Fund of the Exchange;
b. 1.0 % component of the penalty shall go to the Seller who was supposed to give delivery; and
c. Balance 0.25 % component of penalty shall be retained by the Exchange towards administrative expenses

The difference between the Final Settlement Price (FSP) and the average of three lowest of the last spot prices of 8 (Eight) succeeding days after the expiry of contract (T+ 1 to T +8 days), if the average spot price so determined is lower than FSP will also be charged from the buyer.

9. If the assayer reports that goods are not as per the Exchange specifications, then it will be treated as a case of sellers default and would be settled as per point 6.

10. If the assayer reports that goods are as per the Exchange specifications then it will be considered as a good delivery.

11. The buyer has to take delivery only in his name or his authorized C&F agent.

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