
NATIONAL COMMODITY & DERIVATIVES EXCHANGE LIMITED

Circular to all trading and clearing members of the Exchange

Circular No : NCDEX/TRADING- 017/2019

Date : June 07, 2019

Subject : Modification in contract specifications – 29 mm Cotton (COTTON) Futures contract

The trading and clearing Members are requested to note that the Exchange as per its Bye-laws, Rules and Regulations, and with the approval received from the Securities and Exchange Board of India (SEBI) has modified contract specifications of 29 MM Cotton (Symbol: COTTON) Futures contracts expiring in the month of June 2019 and thereafter.

The running Futures contracts and contracts to be launched 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.

Currently, 29 MM Cotton (Symbol: COTTON) Futures contracts expiring in the month of June 2019, July 2019, October 2019, November 2019 and December 2019 are available for trading. The changes will be applicable for all the running and yet to be launched contracts from the beginning of the day June 10, 2019.

Trading and clearing members are also informed that all outstanding orders as at the end of day June 07, 2019 will get cancelled.

Summary of modifications in contract specifications for 29 MM Cotton Futures contracts expiring in the month of June 2019 and thereafter is given in Annexure I. Existing contract specifications applicable for 29 MM Cotton Futures contract till June 07, 2019 is given in Annexure II. Modified contract specifications applicable for 29 MM Cotton Futures contracts expiring in the month of June 2019 and thereafter with effect from June 10, 2019 is given in Annexure III.

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 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 Exchange either on their own or on behalf of them by any third party acting on behalf of the Market Participants/Constituents is in due compliance with the applicable regulations laid down by authorities like Food Safety & Standard Authority of India, AGMARK, BIS, Warehousing Development and Regulatory Authority (WDRA) , Orders 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 shall not be responsible or liable on account of any noncompliance 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. Mr. Mukesh Kumar on Mobile Phone (+91) 9860966033
2. Customer Service Group on toll free number: 1800 26 62339
3. Customer Service Group by e-mail to : askus@ncdex.com

Annexure I**Summary of the modifications in contract specifications for 29 MM Cotton Futures contracts**

Parameter	Existing Contract Specification	Modified Contract Specification	Rationale
Unit of Trading	25 Bales (of 170 Kgs each)	100 Bales (of 170 Kgs each)	To standardize the trading lot size and delivery lot size.
Maximum Order Size	50 Trading Lots i.e. 1250 Bales	50 Trading Lots i.e. 5000 Bales	Due to modification in unit of trading.

Annexure II
Existing contract specifications of 29 MM Cotton Futures contract till June 07, 2019

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 (of 170 Kgs each)
Delivery Unit	100 Bales (of 170 Kgs approx.)
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: 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 Above 5%, goods will be rejected</p> <p>6. Moisture: Basis 8.5%</p>

	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. The penalty structure for failure to meet delivery obligations will be as per circular no. NCDEX/CLEARING-020/2016/247 dated September 28, 2016
Trading hours	As notified by the Exchange from time to time, currently- Mondays through Fridays: 09:00 a.m. to 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
Due date/ Expiry Date	20 th day of the delivery month. If 20 th 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.
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	Expiry Date – E Pay-in and Pay-out: On E+2 basis. If the expiry date is E, then pay-in and pay-out would happen on E+2 day (excluding Saturday). If such a 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. Upon the expiry of the contract all outstanding open

	position shall result in compulsory delivery																												
Daily Price Limit (DPL)	<p>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%.</p> <p>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.</p>																												
Position Limits	<p>Limits on open positions for aggregate as well as near month will be as under</p> <p>Member-wise: 36,00,000 Bales or 15% of market wide open interest in the commodity, whichever is higher.</p> <p>Client-wise: 3,60,000 Bales</p> <p>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</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: 9,00,000 Bales or one-fourth of the member's overall position limit in that commodity, whichever is higher.</p> <p>Client-wise: 90,000 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 rowspan="2">Scenario</th> <th colspan="4">Polled spot price availability on</th> <th rowspan="2">FSP shall be simple average of last polled spot prices on:</th> </tr> <tr> <th>E0</th> <th>E-1</th> <th>E-2</th> <th>E-3</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Yes</td> <td>Yes</td> <td>Yes</td> <td>Yes/No</td> <td>E0, E-1, E-2</td> </tr> <tr> <td>2</td> <td>Yes</td> <td>Yes</td> <td>No</td> <td>Yes</td> <td>E0, E-1, E-3</td> </tr> <tr> <td>3</td> <td>Yes</td> <td>No</td> <td>Yes</td> <td>Yes</td> <td>E0, E-2, E-3</td> </tr> </tbody> </table>	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
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	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	4%					

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%

Annexure III
Modified contract specifications of 29 MM Cotton Futures contract with effect from June 10, 2019

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>8. 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>9. 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>10. Strength: With HVI mode of assaying Basis: Min. 28 G/Tex with no premium above 28 G/Tex</p> <p>11. Color Grade: Upto Standardized HVI Middling 31-3 accepted upto 41-3 with discount of 5%</p> <p>12. 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>13. Moisture: Basis 8.5% Acceptable up to 9.5% maximum with moisture adjusted weight</p> <p>14. 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>The penalty structure for failure to meet delivery obligations will be as per circular no. NCDEX/CLEARING-020/2016/247 dated September 28, 2016</p>
Trading hours	<p>As notified by the Exchange from time to time, currently- Mondays through Fridays: 09:00 a.m. to 9.00 p.m.</p> <p>On the expiry date, contracts expiring on that day will not be available for trading after 5 p.m.</p> <p>The Exchange may vary the above timing with due Notice</p>
Due date/ Expiry Date	20 th day of the delivery month. If 20 th 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.
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No. of active contracts	As per Launch Calendar
Closing of Contracts	<p>Expiry Date – E</p> <p>Pay-in and Pay-out: On E+2 basis. If the expiry date is E, then pay-in and pay-out would happen on E+2 day (excluding Saturday). If such a 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.</p>

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	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	4%					

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 NCDEX empanelled assayer.

Contract Launch calendar

Contract Launch month	Contract Expiry month
December 2018	June 2019
January 2019	July 2019
February 2019	-
March 2019	-
April 2019	October 2019
May 2019	November 2019
June 2019	December 2019