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Chapter 1- Trading Conditions

Authority

Trading in Options on Futures on Guar Gum may be conducted under such terms and conditions as specified in the Rules, Byelaws and Regulations of the Exchange and as per the circulars and notifications issued by the Exchange thereunder or the Securities Exchange Board of India (SEBI) from time to time. The contract specifications for trading Options on Futures on **Guar Gum** is attached as **Exhibit 1**.

Underlying

GUARGUM5

Option on Commodity Futures contract shall have Commodity Futures contract (of a specified month) traded on the Exchange as the underlying. The underlying commodity specifications on devolvement into Futures will be the same as that mentioned in the contract specifications of underlying Futures.

Option Symbol Descriptor

<UNDERLYING SYMBOL><OPTIONS EXPIRY DATE-DDMMYY><CE/PE><STRIKE PRICE><UNDERLYINGTYPE-F/S><UNDERLYINGEXPIRY-MMMYY>

Example:

For Options on Futures on Guar Gum contract expiring on 20-May-2020, the corresponding Futures contract shall be GUARGUM5 expiring on 20-May-2020 and the Option symbol will be GUARGUM520MAY20CE4100FMAY20.

For option instruments Underlying: GUARGUM5 Market type: N (Normal) Instrument Type: OPTFUT

Unit of Trading

The unit of trading for Guar Gum shall be 5 Metric Tons (MT). Bids and offers may be accepted in lots of 5 MT or in multiples thereof.

Months Traded In

Trading in Options on Futures on Guar Gum may be conducted in the months as specified by the Exchange from time to time.

Number of Strikes

10-1-10

Each option expiry shall have minimum fifteen strikes available viz., seven each for In the Money (ITM), Out of the Money (OTM) and one At the Money (ATM).

Tick Size

The tick size of the price of Guar Gum shall be **Re. 0.50 per Quintal**

Base Price

Base Price on launch date of Option contract shall be theoretical price computed as per Black76 option pricing model.

The base price of the contracts on all subsequent trading days will be the closing price of the option

contracts on the previous trading day.

Unit for Premium Quotation / Base Value

The unit for premium quotation / base value shall be Rs. per quintal.

Daily Price Range

Daily price range will be computed based on Daily Price Range (DPR) of the underlying Futures contract and the volatility. The DPR (minimum / maximum operating price range) shall be applicable for the trading day. Orders submitted beyond the price range will be rejected by the Exchange. Daily price range for each option contract shall be available daily on extranet common folder.

Hours of Trading

The hours of trading for Options on Futures on Guar Gum shall be as follows:

Mondays through Fridays – 10:00 a.m. to 05.00 p.m.

Or as determined by the Exchange from time to time. All timings are as per Indian Standard Timings (IST)

Last Day of Trading

Last Friday of the month preceding the expiration month of the underlying futures contract. If the last Friday is a holiday, then the preceding working day will be the expiry day for options.

However, launch calendar with exact date of expirations shall be notified in advance.

Position limits

The exchange vide Circular nos. NCDEX/RISK-037/2016/244 dated September 28, 2016, NCDEX/TRADING-053/2017/144 dated June 15, 2017, NCDEX/RISK- 014/2017/184 dated July 27, 2017 and NCDEX/ TRADING- 028/2025 dated July 31, 2025 prescribed norms for position limits for commodity Futures, Options on Commodity Futures- Product Design and Risk Management Framework, clubbing of open positions, penalties for violation of position limits. Position limits for options shall follow the same norms as provided in the said circular for Futures.

Position limits for 'option on Futures' shall be clubbed with position limits of 'options in Goods' 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 of corresponding numbers applicable for Futures contracts.

Guar Gum: 64,800 MT and 6,480 MT for member and client, respectively.

Due to separate position limits for options, there is a possibility that post exercise of options i.e. after devolvement of options into corresponding futures positions open positions for clients/members may exceed their permissible position limits for future contracts. Such clients/members shall be permitted maximum up to two trading days post option expiry day to reduce their futures positions to bring them within the permissible position limits.

Margin Requirement:

Initial Margin: National Commodity Clearing Limited (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.

The contents of this product note are subject to Rules, Bye Laws and Regulations of NCDEX as in force from time to time and be read therewith.

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.

Margins shall be adequate to cover at least 99% VaR (Value at Risk) and Margin Period of Risk (MPOR) shall be at least four days.

For buyer of the Option, buy premium shall be charged as margins and blocked from the collaterals.

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.

NCCL shall levy appropriate Short Option Minimum Margin (SOMM) for sellers / writers of the Options contract.

NCCL shall fix prudent price scan range and volatility scan range based on the volatility in the price of the underlying commodity.

The Volatility Scan Range (VSR) shall be 7% and Short Option Minimum Margin (SOMM) shall be 12%.

Extreme Loss Margin (ELM)

NCCL shall levy appropriate extreme loss margin on short option contracts as applicable.

Calendar Spread Charge

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.

Mark to Market (MTM)

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.

Pre Expiry Margin

Pre expiry margin would be levied as 33.33%(Expiry-2), 66.66%(Expiry-1) and 100%(Expiry) of the initial margins of underlying futures contracts three days prior to the expiry (including the day of expiry) of the options contracts respectively.

Pre expiry margin will be charged only on At the Money (ATM) and In the Money (ITM) long and short option positions. Further, during intraday if any Out of the Money (OTM) contract becomes ATM or ITM, per expiry margin would be levied intraday after volatility computation.

Further, Pre expiry margin shall be charged at end of the day (EOD). For short option positions, actual Short Option Minimum Margin (SOMM) charged shall be reduced from total pre expiry margin to be charged.

Additional Lean Period Margin

During lean period (i.e. the period before the arrival of new crop) there is often uncertainty about the

arrivals of new crop. This may lead to higher volatility in prices of commodities during this period. Therefore, NCCL shall levy additional lean period margin of 2% on options contracts whose underlying contracts are expiring during lean period.

Other Margins

Other margins like additional margins and special margins shall be applicable as and when they are levied by the Exchange/Clearing Corporation/Regulator.

Margining at Client Level

NCCL shall impose initial margins at the level of portfolio of individual client comprising of his positions in futures and options contracts on each commodity.

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 Guar Gum 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 other state.

Taxes**Goods and Services Tax (GST)****On services rendered by Members**

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

Commodity Transaction Tax (CTT)

Commodity Transaction Tax, if and as applicable, will be collected as per the prescribed process. Accordingly, members are advised to update themselves with the change in rate of applicable CTT from time to time.

Dispute Resolution

Any Disputes, between members of the Exchange or Clearing Corporation inter-se and/or between members and constituents, arising out of or pertaining to deals/transactions executed on the Exchange platform shall be settled through Online Dispute Resolution (ODR) mechanism or any other such mechanism prescribed by the Regulator. The ODR mechanism shall facilitate conciliation/arbitration through online/digital process and shall be governed as per the Exchange Rules, Bye Laws and Regulations and/or SEBI directives/ guidelines issued from time to time.

Compliance of Laws

It is hereby 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 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 and Standards

Authority of India (FSSAI), AGMARK, BIS, Orders under packaging and labelling, 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/Clearing Corporation shall not be responsible or liable on account of any non-compliance thereof.

It is further clarified that upon the devolvement of an option contracts into futures positions, it shall be the responsibility of the parties to ensure that the underlying commodity specifications on devolvement into futures will be the same as mentioned in the contract specification of the underlying Guar Gum futures contract and it shall be the responsibility of the parties to ensure compliance of all applicable laws including those as stated above.

Chapter 2 - Clearing and Settlement**Premium Settlement for Option Contracts**

- a. Premium settlement in respect of trades in options contracts shall be settled in cash by debit/ credit of the clearing & settlement accounts of clearing members with the respective clearing bank.
- b. The premium payable or receivable value of clearing members shall be computed after netting the premium payable or receivable positions at trading member level, for each option contract, at the end of each trading day.
- c. The premium pay-in shall be effected before the start of trading on T+1 day along with pay-in of daily mark to market losses in respect of trades / positions in Futures contracts. ('T' is the trade date)
- d. The Clearing Members should make the amount of funds available in their clearing & settlement account before 8:30 AM on T+1 day
- e. The pay-out of funds (Options Premium + Futures MTM) shall be done after 9.30 AM, or as declared by the Clearing Corporation from time to time
- f. The Premium Pay-in / Pay-out obligation of the clearing member for trades in option contracts will be netted with daily MTM Pay-in / Pay-out obligation of trades / positions in Futures contracts.

Mark to Market

The options positions shall be marked to market 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.

Exercise Style

European Options to be exercised only on the day of Expiration of the Options contracts

Final Settlement Price (FSP)

Daily Settlement Price (DSP) of the underlying Futures contract on the Options Expiration day shall be the Final Settlement Price.

Settlement Method

On exercise, Option position shall devolve into underlying Futures position as follows:

- long call position shall devolve into long position in the underlying Futures contract
- long put position shall devolve into short position in the underlying Futures contract
- short call position shall devolve into short position in the underlying Futures contract
- short put position shall devolve into long position in the underlying Futures contract

All such devolved futures positions shall be opened at the strike price of the exercised options.

Exercise / Devolvement Mechanism

On expiry, following mechanism shall be adopted for exercise / devolvement of the options contracts:

- i. All In the money (ITM) option contracts shall be exercised automatically, unless 'contrary instruction' has been given by long position holders of such contracts for not doing so.
- ii. All Out of the money (OTM) option contracts shall expire worthless.

- iii. All exercised contracts within an option series shall be assigned to short positions in that series in a fair and non-preferential manner.

Example:

The following are the examples for identification of ITM and OTM strikes as per the Final Settlement price.

Where Strike is equal to the FSP it is an OTM contract for Call or Put

Strike Interval	200		Strike Interval	200		Strike Interval	200
Final Settlement Price	10,400		Final Settlement Price	10,600		Final Settlement Price	10,800
For CALL Options			For CALL Options			For CALL Options	
Strike Price	Strike Type		Strike Price	Strike Type		Strike Price	Strike Type
9,600	ITM		9,800	ITM		10,000	ITM
9,800	ITM		10,000	ITM		10,200	ITM
10,000	ITM		10,200	ITM		10,400	ITM
10,200	ITM		10,400	ITM		10,600	ITM
10,400	OTM		10,600	OTM		10,800	OTM
10,600	OTM		10,800	OTM		11,000	OTM
10,800	OTM		11,000	OTM		11,200	OTM
11,000	OTM		11,200	OTM		11,400	OTM
11,200	OTM		11,400	OTM		11,600	OTM
11,400	OTM		11,600	OTM		11,800	OTM

For PUT Options			For PUT Options			For PUT Options	
Strike Price	Strike Type		Strike Price	Strike Type		Strike Price	Strike Type
9,600	OTM		9,800	OTM		10,000	OTM
9,800	OTM		10,000	OTM		10,200	OTM

10,000	OTM		10,200	OTM		10,400	OTM
10,200	OTM		10,400	OTM		10,600	OTM
10,400	OTM		10,600	OTM		10,800	OTM
10,600	ITM		10,800	ITM		11,000	ITM
10,800	ITM		11,000	ITM		11,200	ITM
11,000	ITM		11,200	ITM		11,400	ITM
11,200	ITM		11,400	ITM		11,600	ITM
11,400	ITM		11,600	ITM		11,800	ITM

A table giving gist of devolvment procedure under different option series is given below:

Series	Devolvment procedure	Effect
ITM	Positions shall devolve automatically	- Positions would get devolved into Futures contract at strike price - Difference between settlement price and strike price shall be cash settled on T+1 day and form part of the MTM pay-in and payout under Futures position.
	ITM long position holder can give contrary instruction	- No positions will get devolved into Futures contract - Expire worthless
OTM	Positions shall not devolve into Futures	All positions will expire worthless

Marking Instruction for devolvment of positions

- The members can mark the instruction to not devolve through NCFE post close of trading session of option contract on expiry day
- Instruction can be marked by holder of the options contract i.e. long position holder
- For ITM option series, members shall give instruction for the quantity which is **not intended to be**

 devolved.

Option Status	Position	Contrary instruction (Instruction to not exercise)	Effect
ITM	100	30	Partial Instruction – Balance 70 quantity shall devolve into underlying Futures Contract.
ITM	100	-	No Instruction – 100 quantity shall devolve into underlying Futures Contract.
ITM	100	100	Full Instruction – No positions shall get devolved into underlying Futures Contract.

Assignment Process

- The long positions in options contracts shall be assigned to short positions in the same contract.
- The total quantity to be exercised shall be computed as per exercise mechanism
- The total quantity to exercise in an options contract will be divided by the total long open positions in the options contract to determine the "exercise ratio".
- The short position of each client in the options contract of same series will be multiplied by the exercise ratio to determine the pro-rata quantity for assignment.
- Quantity equal to the pro-rata quantity rounded down to the nearest multiple of Futures lot size will be assigned to short position holders in the first round of assignments.
- If the total long quantity to be exercised has not been assigned in this first assignment round then a second assignment round will be carried out to assign the remaining quantity (i.e., the quantity remaining after subtracting the quantity assigned in the first round from the total long quantity to be exercised).
- The remaining quantity will be assigned one lot at a time in descending order from the short positions with the largest remaining pro-rata quantity to the short position with the smallest remaining pro-rata quantity.
- In the event that two or more short positions has equal remaining pro-rata quantity, and there is an insufficient quantity to assign to all such short positions, then a random number will be used by systems to determine assignment.

Completion of Settlement on NCCL Platform

The settlement obligations on NCCL platform 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 Options on Futures on Guar Gum

(Applicable for contracts expiring in the months of November 2025 and thereafter)

Type of Contract	Options on Futures
Underlying	GUARGUM5 The underlying commodity specifications on devolvement into Futures will be the same as that mentioned in the contract specifications of underlying Futures.
Symbol	<UNDERLYING SYMBOL><OPTIONS EXPIRY DATE-DDMMYY><CE/PE><STRIKE PRICE><UNDERLYINGTYPE-F/S><UNDERLYINGEXPIRY-MMMYY> Example: GUARGUM526JUL17CE3200FAUG17
Unit of trading	5 MT
Delivery Unit	5 MT
Maximum Order Size	250 MT
Settlement Type	Devolvement into Corresponding Futures
Opening of Contracts	Options contract shall be launched on the trading day following the day on which the Futures contract with the same underlying is launched
Closing of Contract	Upon the expiry of the contract all the outstanding open position shall result in devolvement into Futures.
Final Settlement Price	Daily Settlement Price (DSP) of the underlying Futures contract on the Options Expiration day.
Options Type	European
Premium Quotation/base value	Rs. Per Quintal
Tick Size	Rs.0.50 per Quintal
Expiry Date	Last Friday of the month preceding the expiration month of the underlying futures contract. If the last Friday is a holiday, then the preceding working day will be the expiry day for options.
Strike Interval	200
Number of Strikes	10-1-10
Quality Parameters	Same as Corresponding Futures contract
Quality Premium/Discount	Same as corresponding Futures Contract.
Tolerance limit for Outbound delivery	Same as corresponding Futures Contract.
Quantity Variation	Same as corresponding Futures Contract.

The contents of this product note are subject to Rules, Bye Laws and Regulations of NCDEX as in force from time to time and be read therewith.

Quality Allowance	Same as corresponding Futures Contract.
Trading Hours	Same as corresponding Futures Contract.
Daily Price Range	Based on the factors of Daily Price Range (DPR) of Futures contract and volatility.
Position Limits	Position limits for 'option on futures' shall be clubbed with position limits of 'options in goods' 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 of corresponding numbers applicable for Futures contracts. Guar Gum Refined Splits: 64,800 MT and 6,480 MT for member and client respectively.
Exercise of Options	European Options to be exercised only on the day of Expiration of the Options contracts
Mechanism of Exercise	a). All In the money (ITM) option contracts shall be exercised automatically, unless 'contrary instruction has been given by long position holders of such contracts for not doing so. b). All Out of the money (OTM) option contracts shall expire worthless. c). All exercised contracts within an option series shall be assigned to short positions in that series in a fair and non-preferential manner. d). In the event contrary instruction are given by ITM option position holders, the positions shall expire worthless.
Final Settlement Method	On exercise, Option position shall devolve into underlying Futures position as follows: • long call position shall devolve into long position in the underlying Futures contract • long put position shall devolve into short position in the underlying Futures contract • short call position shall devolve into short position in the underlying Futures contract • short put position shall devolve into long position in the underlying Futures contract All such devolved futures positions shall be opened at the strike price of the exercised options.
Initial Margin	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. 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. Margins shall be adequate to cover atleast 99% VaR (Value at Risk) and Margin Period of Risk (MPOR) shall be at least four days. For buyer of the option, buy premium shall be charged as margins and blocked from the collaterals. 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. NCCL shall fix prudent price scan range and volatility scan range based on the volatility in the price of the underlying commodity. Appropriate Short Option Minimum Margin (SOMM) shall be fixed.
Other Margins	● Extreme loss margin: NCCL shall levy appropriate Extreme loss margin as applicable. ● Calendar spread charge: 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. ● Mark to Market: 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. ● Pre expiry margin: Pre expiry margin would be levied as 33.33%(Expiry-2), 66.66%(Expiry-1) and 100%(Expiry) of the initial margins of underlying futures contracts three days prior to the expiry (including the day of expiry) of the options contracts respectively. ● Pre expiry margin will be charged only on At the Money (ATM) and In the Money (ITM) long and short option positions. Further, during intraday if any Out of the Money (OTM) contract becomes ATM or ITM, per expiry margin would be levied intraday after volatility computation. ● For short option positions, actual Short Option Minimum Margin (SOMM) charged shall be reduced from total pre expiry margin to be charged

	• Margining at client level: NCCL shall impose initial margins at the level of portfolio of individual client comprising of his positions in futures and options contracts on each commodity. • Other margins: Other margins like additional margins and special margins shall be applicable as and when they are levied by the Exchange/Clearing Corporation/Regulator.
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Contract Launch Calendar:

Contract Launch Month	Options Expiry Month	Underlying Contract Expiry Month
June 2025	November 2025	December 2025
July-2025	December 2025	January-2026
August-2025	January-2026	February-2026
September-2025	February-2026	March-2026
October-2025	March-2026	April-2026
November-2025	April-2026	May-2026
December-2025	May-2026	June-2026
January-2026	June-2026	July-2026
February-2026	July-2026	August-2026
March – 2026	August-2026	September-2026
April – 2026	September-2026	October-2026
May – 2026	October-2026	November-2026
June – 2026	November-2026	December-2026

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 Rules, Bye Laws and 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 Clearing Corporation 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 and Standards Authority of India, AGMARK, BIS, orders under packaging and labelling, 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/Clearing Corporation shall not be responsible or liable on account of any non-compliance thereof.

It is further clarified that upon the exercise of an option contract, it shall be the responsibility of the parties to ensure that the commodity specifications on exercise will be the same as mentioned in the contract specification of the Options on Futures on Guar Gum and it shall be the responsibility of the parties to ensure compliance of all applicable laws including those as stated above.