

OPTIONS ON FUTURES ON DHANIYA



Limited downside*
(*for the options buyer)

Options: The Game Changers

Devolvment into
Corresponding Futures
& not into delivery

Take margin benefit in
futures through opposite
positions in options



Hence,
Options:

- Work as a Safety Net
(or Insurance plan)
for
hedgers, who buy
Options.

- Are a cost-
effective
Price risk
management
tool



CONTRACT SPECIFICATIONS FOR OPTIONS ON FUTURES ON DHANIYA

Type of Contract	Options on Futures
Underlying	DHANIYA 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- MMY> Example: DHANIYA10MAY20CE7100FMAY24
Unit of trading	5 MT
Delivery Unit	5 MT
Maximum Order Size	500 MT
Settlement Type	Devolvement into Corresponding 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. 1 per Quintal
Due Date/ Expiry Date	The expiry of the Options on Futures contract shall be 4 trading day prior to the start of the staggered delivery period of the underlying Futures contract.
Strike Interval	100
Number of Strikes	7-1-7
Daily Price Range (DPR)	Based on the factors of Daily Price Range (DPR) of Futures contract and volatility.
Position Limits	Position limits for 'option on Futures' 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. Coriander: Member-wise: 82,000 MT Client-wise: 8,200 MT 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. Member-wise: 10,250 MT or One-eighth of the member's overall position limit in that commodity, whichever is higher. Client-wise: 1,025 MT



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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. 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 riskbased 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.



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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

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 the options contract whose underlying futures contracts will expire during lean period.

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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