COMTRACK

PHYSICAL DELIVERY GUIDE

V 1.2

14 January 2015

PREFACE TO THE PHYSICAL DELIVERY GUIDE

NCDEX is the only commodity Exchange in the country promoted by national level institutions. This unique parentage enables it to offer a bouquet of benefits, which are currently in short supply in the commodity markets. The institutional promoters and shareholders of NCDEX are prominent players in their respective fields and bring with them institutional building experience, trust, nationwide reach, technology and risk management skills.

NCDEX is a nation-level, technology driven de-mutualized on-line commodity Exchange with an independent Board of Directors and professional management - both not having any vested interest in commodity markets. It is committed to provide a world-class commodity Exchange platform for market participants to trade in a wide spectrum of commodity derivatives driven by best global practices, professionalism and transparency.

We are extremely happy to present to our Members and constituents this edition of handbook on physical delivery guide. It is the endeavor of the Exchange to incorporate the necessary changes in the existing process of physical delivery to smoothen the process and make it more transparent. Members are requested to go through this handbook and educate themselves the process followed by the Exchange in physical deliveries. In case any further clarifications are required members are free to approach the customer service group.

This book includes the latest developments and the existing processes to be followed by the depositor and the buyer while dealing with physical commodities through the Exchange delivery process with the approved warehouses and other service providers of National Commodity & Derivatives Exchange Limited.

We express our gratitude to all those who responded to our call for feedback offering valuable suggestions. Care has been taken to incorporate most of them thereby making the book more valuable.

TABLE OF CONTENTS

1   Introduction to COMTRACK®

COMTRACK® is a one point contact which brings all entities like Investors, Warehouses, Assayers, COMTRACK® Participants (CPs), Clearing Members (CMs) and the Exchange involved in the Physical Settlement process of Commodities on one common electronic platform. Through COMTRACK® Exchange will be able to monitor the activities of all service providers from the date of deposit and till the time the members get electronic credit. This will enable the Exchange to take corrective action immediately if the electronic credit process is held up at any stage.

2   COMTRACK® Account Opening

It is mandatory to open an account in COMTRACK® with any of the listed COMTRACK® Participant for receiving and tendering commodities trading through NCDEX system since the pay-out would be received in the designated COMTRACK® account only.

The COMTRACK® account is required to account for the commodity balances representing the commodities lying at the Exchange approved warehouses/vaults.

2.1   Type of COMTRACK® accounts

The accounts can be classified as:-

- • COMTRACK® Beneficiary account
- • COMTRACK® Pool account

COMTRACK® Beneficiary Account

A beneficiary account is an account in the name of an individual (single or jointly). Such an account could also be in the name of a Corporate, a partnership firm, trust, HUF. This account is to be opened with an empanelled Comtrack® Participant of the Exchange and is used for transacting in commodity balances held by the account holder at Exchange approved warehouses.

COMTRACK® Pool Account

A member pool account is an account opened by the Exchange for all Clearing Members of NCDEX. This account is opened to facilitate the pay-in and pay-out process of the Exchange. The Exchange has opened Pool accounts of all its existing CMs in Comtrack® and new accounts are opened as and when a new CM is activated. Pool accounts are not linked to any CP.

2.2   Points to be considered while selecting a COMTRACK® Participant (CP)

- • Convenience: i.e. proximity to office/ residence. Service standards i.e.: Executing instructions and providing holding & transaction statements on time.
- • Proficiency i.e. well versed with Commodity Exchange operations. Confidentiality and comfort level.
- • Cost: i.e. service and transaction charges levied by the COMTRACK® Participant.

2.3   Procedure for opening a COMTRACK® Account

- Fill up the account opening form (sample beneficiary account opening form is displayed on the COMTRACK® website)

- For details on types of accounts & documentation, please refer Account Opening Manual on COMTRACK® website.

- Submit the duly filled form to the COMTRACK® Participant along with the other requirements such as proof of identity and proof of address

- Sign the agreement with the COMTRACK® Participant. This has to be executed on stamp paper according to the stamp value prevailing in the state in which the agreement is being executed.

- Clients desirous on delivering on the Exchange platform should ensure that CM, TM (Trading Member) & Trading client ID are mapped with their COMTRACK® account.

- The COMTRACK® Participant will open the client account and inform the client accordingly.

- The COMTRACK® account can be operated by the holder / owner of the COMTRACK® account if it is in single name or by joint holders if it is in joint names. In case of Corporates, Firms, HUF, Trusts etc. authorized officials will operate the account. They will have to submit the Board Resolution, Memorandum and Articles of Association, Bye Laws, Trust Deed as the case may be and such other enabling documents as may be required by the COMTRACK® Participants.

- On opening of a client's beneficiary account in COMTRACK® an email would be sent to the clients containing their user id and password for accessing the system. The client can access the system to view and print their holding statement, transaction statement and Client Master details. Clients can also view the pending Remat status, client details screen & user manual.

3   Process of commodity deposit and credit in the COMTRACK® account

<div style="border:1px solid black; text-align:center; color:red; font-weight:bold">

Please note that credit balance in the account or any statement is NOT a Negotiable Warehouse Receipt

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- Deliveries on the Exchange platform for all major commodities are possible only in the electronic form.

- The client desirous of delivering commodities on NCDEX platform should arrange to move the commodities to a warehouse which has been approved by NCDEX. The list of all approved warehouses by NCDEX along with their contact details and indicative charges is given on web site www.ncdex.com on the home page under the heading "Clearing Services--→ Others".

- The Exchange keeps this list updated for each commodity from time to time.

- Clients should contact the warehouse in advance for availability of space before initiating any process for deposit and send the delivery schedules to the warehouse in which he is intending to deposit through COMTRACK®.

- The client should get the assaying done for the quality of the commodities from the assayer appointed by warehouse and approved by NCDEX. Their contact details are provided on the Exchange website www.ncdex.com on the home page under the heading "Clearing Services-→ Others".

- At the time of deposit, client has to give the CDF (Commodity Deposit Form) duly filled up and signed to the warehouse.

3.1 While filling up the Commodity Deposit Form the client has to ensure the following:

- Fill up all the details in the form i.e. name, commodity being deposited, quantity of the commodity, details of the COMTRACK® account etc.

- The quality of commodities being lodged into the Exchange approved warehouses has to conform to the specifications as given by NCDEX for the different commodities (for further details please see the product notes on the NCDEX website www.ncdex.com under "Products" section) Quality certification given by approved assayer shall be considered final and binding on all the parties.

- Once the depositor deposits the commodities duly certified by the approved assayer at the warehouse, the warehouse will issue a confirmation of receipt of commodity to the client.

- After assaying the assayer sends the copy of the report to the client, warehouses, & one copy will be retained for record purpose.

- The client will have to bear all the initial charges such as initial storage charges till the date of electronic credit (being levied by warehouse for a minimum period of 7 days or as given on the Website as indicative warehouse charges), loading/unloading charges, weighing, sampling charges etc. These charges will be payable directly to the warehouse and after the credit is received in the COMTRACK® account; the applicable COMTRACK® Participants charges will have to be paid to the respective COMTRACK®
Participant. The applicable warehouse charges will be collected via the COMTRACK® Participant and paid to the warehouse on a monthly basis. Client may please note that they have to make payment of all applicable charges on time else penalty clause as determined by Exchange from time to time will be levied and will be binding on all the clients.

- The warehouse will accept the commodities from the client and initiate the process for credit of electronic balance into the client's COMTRACK® account.

3.2 The process of obtaining electronic credit in COMTRACK®

- After opening a COMTRACK® beneficiary account with a COMTRACK® Participant a client has to approach a WSP with whom he intends to deposit the commodity for opening an account.

- The accounts opened with COMTRACK® Participant are called as CMS-E account and with a WSP are called as CMS-P account. Both accounts are internally mapped by the concerned WSP. A fresh deposit will be entered by the WSP in the CMS-P account of the client and will be eventually transferred to the CMS-E account of the client based on the mapping done by the WSP on instructions of the client.

- On receipt of CDF from the client (Duly filled and signed) at the time of deposit, warehouse enters the required details in COMTRACK® and a lot/s are generated. Each lot/s is identified by a unique lot number/s.

- The lot details will be transmitted to the concerned assayer for their confirmation of acceptance/rejection. If the commodity adheres to the quality parameters as mentioned in the respective Contract Specification, assayer enters the NCDEX quality grade and confirms. Else NON NCDEX grade is given for rejected lots.

- Subsequently the same is transmitted back to the warehouse for verification of the data entered by the assayer with the hard copy of the report.

- After the warehouse verifies the data entered in COMTRACK are correct, it initiates a process of electronic credit in the CMS_E account of the client.

- Criteria for lots to be transferred from CMS-P account to CMS-E account is that lots should possess NCDEX quality grade and quantity of the lot should be within the tolerable range of Quantity Variation (as specified in Contract Specifications)

- The client could check with its COMTRACK® Participant for the credit in its COMTRACK® account and also request for a Holding/Transaction Statement which will reflect the balances in the COMTRACK® account of the client. Normally the gap between the time of deposit of the commodity at the warehouse and the credit in the COMTRACK® account is expected to be within 7 days; if the electronic balance is not reflected within this time frame, the Exchange may please be informed immediately for corrective action. Kindly contact NCDEX customer service group at 022-66406613-6615 or e-mail at askus@ncdex.com

- The following are the important points to note in the Holding/Transaction Statement received from the CP.

  - ✓ Name of account holder

  - ✓ Lot number

  - ✓ Description of the commodity deposited

✓ Grade allotted

✓ Quantity as weighed in at the warehouse (less allowance for spillage etc., if any)

✓ Validity (Revalidation) date

✓ Quantity

✓ Final Expiry date (FED)

The Lot number of each commodity along with its specific details is uniquely represented. The client can also check the grade allotted from the lot descriptor on the NCDEX website.

✓ If there is any discrepancy in the grade allocation as per the credit balance, the client should immediately contact the warehouse.

✓ For the difference in grades of the commodities there are premiums and discounts, hence the confirmation of the correct grade is critical.

✓ The client has to ensure that validity date as specified is after the settlement date in which he intends to deliver this would enable him to deliver the commodity on the Exchange on the settlement date for which he intends to deliver.

All commodities when deposited for the first time will have a final expiry date, which may be different than validity date. The expiry date will be the period till which the commodity can be revalidated. This is the maximum time the commodity can go for revalidations. After this period the commodity needs to be compulsorily taken out of the warehouse. However it should be noted that the expiry date is just an indicative date and there is no mandatory requirement for the assayer to extend the validity even if it has not reached the expiry date.

✓ Client should always check both validity date and final expiry date in the Lot/s before delivering the same on the Exchange platform.

✓ Lot which has valid FED but validity date is over, the same cannot be delivered unless the validity date is extended by doing revalidation.

✓ Thus validity date and FED date of lot/s should be beyond the expiry date of the month in which the client intends to deliver.

4   Process of revalidation of Lot/s

4.1   Concept of validity date and need for revalidation

• All commodities, particularly agricultural commodities have a shelf life and cannot be indefinitely stored.

• The concept of validity date has therefore been introduced wherein the NCDEX approved quality testing agency for the respective commodity and

warehouse, provides a date known as validity date up to which the commodity stored in the warehouse is expected to retain the properties / quality specifications confirmed at the time of deposit at the warehouse.

- Information on the validity date can be obtained from the holding statement issued by the COMTRACK® Participant.

4.2 Rules and procedure for revalidation

- Assaying can be done only by the designated Assayer appointed by warehouse and approved by Exchange.

- Revalidation of a commodity is possible only in the COMTRACK® account.

- No revalidations can happen in pool account. It may please be noted that revalidation can also happen of balances on which a lien is created. The lien need not be lifted for the lots to be revalidated.

- The warehouse will acknowledge the receipt of revalidation request and allot a revalidation request number. This number should always be quoted while enquiring the status of revalidation. The warehouse will facilitate testing of the referred quantity. The assaying, handling and other incidental charges for revalidation has to be borne by the client holding the commodity balances; the charges for such revalidation vary from commodity to commodity and indicative details are available on the Exchange website www.ncdex.com on the home page under the heading "Clearing Services--→ Others".

- Time period for updation under normal circumstances will not be exceeding 7 days and it may also be noted that the lot/s number/s would not change after revalidation. This facility would enhance the tracking ability of the system.

4.3 Failure in revalidation

- If the assaying report fails to confirm the quality or the expiry date of the commodity is over, the beneficiary client is informed by the warehouse and has to take out the commodities from the warehouse.
- The beneficiary client makes a withdrawal request in the prescribed form (Transfer Request Form) to the COMTRACK® Participant (CP) with whom the COMTRACK® account is being held and should follow the process for withdrawal as explained in the subsequent chapters.
- Such commodities in respect of which the approved assayers report fails to confirm the quality specifications of the Exchange or the expiry of the commodity is over, shall not be considered as valid delivery for trades on the Exchange platform.

5   Process of Pledging

5.1   Funding Pledge

This facility is available to clients who intend to pledge their lots for availing finance from Institutions approved by the Exchange. A client has to choose an institution from the list available on the Exchange website and finalize the terms and conditions before initiating the pledge through a CP. Pledging is available for those lots which are in the CMS-E account of the client.

Pledge Creation process

- ✓ CP on behalf of client initiates pledge request in COMTRACK® and select the lots to be pledged.
- ✓ On successful submission "Transaction Submitted Successfully" message will be displayed on the screen and
- ✓ Pledge transaction status will reflect as pending.

Role of Pledge Administrator

The Pledge Administrator will have the authority to approve or reject a pledge request. The rejection of a pledge request would be with a rejection reason

Role of Pledgee

- ✓ Once approved by the Pledge Administrator the pledgee maker shall enter the Loan Validity Date and Loan Amount (Loan amount should be less than the Market Value) and other relevant details
- ✓ The pledgee maker shall then approve the workflow
- ✓ Pledgee Checker shall check the details and documentation and then approve the pledge transaction
- ✓ On successful submission "Transaction Submitted Successfully" message will be displayed on the screen
- ✓ Transaction Status will reflect as Completed
- ✓ Click on Generate Receipt
- ✓ E-Pledge Receipt will be generated and would be handed over to the client

Pledge Redemption Process Flow

- ✓ The Pledgee maker selects the lots pledge for redemption and fills up all the mandatory fields.
- ✓ The Pledgee maker enters the loan amount received and selects lots to be redeemed.
- ✓ The Pledgee checker click on Approve / Reject / Discard.
- ✓ The transaction Status will reflect as Completed if approved and the lots will be in free status in borrower's account

Pledge Confiscate Process Flow

- ✓ The Pledgee maker selects the lots to be confiscated
- ✓ The Pledgee maker fill up all the mandatory fields and selects the "to Client ID" and clicks the validation tab
- ✓ The Pledgee maker selects lots to be confiscated and submits the request
- ✓ The Pledgee checker can approve or reject the request
- ✓ If approved the Pledgee checker would confirm the details and the lots would be transferred to the confiscated COMTRACK account and Pledgee may take any action as deemed fit.

5.2 Exposure Pledge

Stock Holding Corporation of India is the sole custodian providing pledge services towards exposure taken on the Exchange platform. All members desirous of availing these services can contact SHCIL for the same.

6 Process of withdrawal of lots

As and when the client wants to take the physical delivery of the commodities, he can do so by making a request in prescribed form to the COMTRACK® Participant with whom he holds his COMTRACK® account.

- ✓ Client fills in the TRF and hands it over to the COMTRACK® Participant.

- ✓ COMTRACK® Participant verifies the signature of the client and the lot numbers mentioned in the form with the holdings in the COMTRACK® electronic account and keys-in all the information to generate the Transfer Request Number (TWH);

- ✓ COMTRACK® Participant gives the acknowledgement copy of the WRR to the client and the delivery instruction is electronically transmitted to the warehouse.

- ✓ Client or his agent will have to call the warehouse informing them of the request for delivery and requesting them to keep the delivery ready;

- ✓ Client or his agent approaches the warehouse along with following documents:

- ✓ Original acknowledgement slip issued by the COMTRACK® Participant on which WRR number is written;
- ✓ Authority letter from the client authorizing the agent to take the physical delivery on his behalf (if the client has appointed an agent to take the delivery),

- ✓ Proof of identity of the person taking the delivery establishing his identity.

- ✓ On receiving the above documents the warehouse will verify the authenticity with the authorization in the system;

If the authentication is successful then they will give the physical delivery. In case the warehouse refuses to accept the instruction for delivery the beneficiary may contact the NCDEX customer service group for assistance. The client should ensure that all warehouse storage charges are paid before taking delivery. Warehouse storage charges are payable by clients to the CP only till TWH generation date and further charges would be payable directly to the WSP.

6.1 Sampling before taking physical delivery

Members/Clients are allowed sampling of commodity stored in NCDEX approved warehouses before taking actual physical deliveries on submission of following documents to the warehouse:-

- ✓ Original Withdrawal Request acknowledgement slip duly signed and stamped by the holder's COMTRACK® Participant (CP)
- ✓ Authorization letter in favor of the representative taking the delivery
- ✓ Proof of Identity of the authorized representative

The warehouse shall facilitate identification and sampling from one of the identifiable lots represented in the withdrawal request has been submitted by the holder/ authorized representative. The party which draws the sample will have to compulsorily take physical delivery within 2 working days from the date on which sample is drawn failing which the warehouse will not be liable to make the delivery of the already identified lot represented under the applicable lots. This facility can be exercised only once for each withdrawal request.

6.2 Outbound deliveries

It should be noted that due to inherent nature of agricultural commodities, instances of occurrence of minor quantum of weevils, insects, fungus and moulds during storage in spite of the best management process adopted by warehouse keepers cannot be ruled out. Exchange clarifies to the market participants that presence of minor quantum of weevils, insects, fungus and moulds in outbound deliveries would not be treated as bad delivery.
At the time of outbound delivery, goods if found infested with minor quantum of live weevils, insects, fungus or moulds will be fumigated by the warehouse service providers at their cost and delivery would be given in reasonable time frame to the buyer. In some commodities there is a tolerance limit in quality parameters at the time of taking the goods out of the warehouse as per the contract specifications. Such delivery would be treated as good delivery in terms of settlement.

Once goods are moved out of the warehouse, no further claims/ complaints will be entertained by the Exchange on account of quality/ quantity.

7 Charges

- All charges which are incidental to the physical delivery are to be borne by the recipient and paid upfront at the time of delivery. All charge till the time pay-in is completed is to be borne by the depositor (seller) and after the pay-out is completed, the charges have to be borne by the buyer.

- All charges and costs payable to the warehouse towards delivery of the commodity including sampling, weighing, handling charges, initial storage charges etc. up to electronic credit (levied for the minimum holding period as decided by the Exchange) from the date of receipt into designated warehouse up to the date of pay-in and settlement shall be paid by the seller. The indicative charges and minimum billing period is available on the site under the heading Clearing Indicative Warehouse Charges. The charges are payable by cash/ DD.

- Generally, the warehouse facilitates above activities, these are purely value added services from the warehouse and as may be negotiated by the recipient with the warehouse. The Exchange does not accept any liability/responsibility towards these activities.

- All charges and costs associated with delivery and including storage, handling etc after the pay-out shall be borne by the buyer.

- Warehouse storage charges after credit is received in the COMTRACK® account will be charged to the client by the respective COMTRACK® Participants.

- The Assayer charges for testing and quality certification should be paid to the assayer directly at the delivery location by the client.

8 Process of delivery at Exchange

8.1 Submission of delivery request

- ✓ Members who wish to give / take delivery have to submit delivery requests to the Exchange.

- ✓ Submission of delivery requests can be done within the stipulated period as mentioned in the following paragraph.

- ✓ Sellers & Buyers having open positions are required to give their intention/notice to deliver to the extent of their open position, at least 5 days (for Agri Commodities) / 3 days (for international referenceable commodities) before the expiry of the contract. Accordingly, the window for acceptance of delivery requests will be open for 3 working days. The

window will close 5 days/ 3 days prior to the expiry date of the contract. in case of Sellers Option and Intention Matching Contract.

✓ The marking of intention for staggered delivery contracts of Gold and Silver will start one working day prior to the last working day, other than a Saturday, of the calendar month prior to expiry date of the contract or as may be notified by the Exchange from time to time.

✓ The marking of intention for staggered delivery contracts (Compulsory Delivery and certain Sellers Option contracts, i.e. Soybean) other than Gold & Silver start on 11th of every month in which the contract is due to expire, excluding Saturdays. 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.

✓ On the day of expiry of compulsory delivery contracts, all the outstanding open positions shall result in compulsory delivery.

✓ On expiry of the contract, the following type of open positions would be cash settled in Intention matching contract & Sellers Option contract:

   o Delivery information not provided.
   Unmatched Deliver Information.

✓ In case of Sellers Options, the Exchange may impose penalties for cash settlement as may be decided, on sellers who choose not to deliver the commodity. Currently such penalty is prescribed at 0.5%. Ten percent (10%) of such penalty amount shall be retained by the Exchange and the balance ninety percent (90%) shall paid to the buyers to whom the deliveries could not be made.

In case of Sellers Option & Intention Matching contract, Members are not allowed to square off their positions once delivery intentions are submitted. A penalty is levied (presently 5%) of final settlement price on the position squared off, on the Members violating this stipulation. Further, Members are not allowed to create fresh positions during the last five days before the expiry of the contract except in RBD Palmolein, Crude Palm Oil, Soybean and in some international referenceable commodities already notified vide circular no. NCDEX/RISK-039/2013/370 dated December 05, 2013, NCDEX/TRADING-060/2012/217 dated June 14, 2012 and NCDEX/RISK-007/2010/064 dated March 05, 2010 respectively, failing which penalty would be levied as prescribed by the Exchange, besides any further action as deemed fit by the Exchange.

Members are advised, not to put through trade that violates this directive.

✓ The delivery request is submitted by the Clearing Member on the Trader workstation by selecting the commodity on the Market Watch Screen and pressing the key Control+ F4. The following details are to be entered:

✓ Buy/Sell indicator

- ✓ Quantity

- ✓ Client Code
- ✓ Location where delivery is to be given/received

- ✓ Deposited in warehouse Flag (If the commodities have been deposited in the approved warehouse and/or credit has been received in the COMTRACK® account of the client this flag has to be selected by the member)

8.2 Rejection of delivery request:

The rejection of delivery requests will happen under the following circumstances:

✓ Non availability of open position to the extent of the delivery request. The request will be valid only to the extent of the open position for the Member at client level in the respective contract. Any additional delivery request will be rejected.

✓ The delivery request can also be rejected in case the warehouse capacity of the commodity is exceeded or for such other reasons that the Exchange may deem fit.

8.3 Delivery matching

Seller's right Contracts

Sell requests:

A valid sell delivery request would result in delivery on the Exchange for those contracts which have seller's right to deliver.

Buy Requests:

For contracts with seller's right to deliver, delivery obligation would be created for all valid sell requests received by the Exchange and allocation would be done to the Buyers with open positions on a random basis whether or not the buy request has been submitted. Such Buyers will be bound to take delivery.

However, on the day of expiry, while allocating the deliveries, preference would be given to those buyers who have submitted buy requests.

Compulsory delivery Contracts

All Sellers & Buyers with open position on expiry of the contract will have to tender/receive delivery on the Exchange.

Delivery information

In order to allocate deliveries from the preferred location for clients in an optimum manner, the Members shall give delivery information for preferred location.

Submission of delivery intention

Members should submit specific delivery requests for their clients for preferred delivery centers (base location / additional delivery centers) by invoking the delivery request window on the trading front-end.

Default location

Members, who do not submit the preference for the default location, shall be allocated delivery in the base location specified for the commodity.

Matching

Matching of preferred locations submitted by the buyer Members will be done to the maximum possible extent. If the Member does not give any delivery request for that expiry, the one-time location preference given by the Member in the commodity will be considered while matching. In case of mismatches in locations between Sellers' and Buyers', the Sellers' choice of location will be given preference over that of the Buyers' while allocating deliveries.

Intention Matching Contracts

On expiry day the Exchange matches buy & sell requests. Upon successful matching of requests, w.r.t commodity and warehouse location, the same shall result in delivery on settlement day.

The process followed in case of staggered delivery is explained in the following paragraphs.

8.4 Tender Period

Tender period for commodity is the period in which the intention to deliver / receive commodity is tendered / submitted. Therefore, assuming 'Tender Date' as T,

Pay-in and Pay- Out shall be on T+1/2 basis, i.e. if the tender date is T then, pay-in and pay-out would take place on T + 1/2 day. If such a T + 1/2 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.

In case of Direct Delivery Mechanism, the pay-in of Funds would take place on T+2 day and pay-out of funds would take place on T+8 day. The pay-in & pay-out of commodity would be carried out between T+3 day and T+7 day, If any such day happens to be a Saturday, a Sunday or a holiday at the

Exchange, clearing banks or any of the service providers, the pay-in/ pay-out would be effected on the next working day.

Due date/ Expiry date:

The Gold & Silver contracts expire on the 3rd of the expiry month, If 3rd happens to be a Saturday or a holiday then the contract will expire on the succeeding working day.

The Gold 100 grams contract shall expire on the last trading day of the month. If the expiry date happens to be a holiday, a Saturday or a Sunday then the due date shall be the immediately succeeding trading day of the Exchange, which is other than a Saturday.
The remaining staggered delivery contracts shall expire on 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 contracts would be by a staggered system of Pay-in(s) and Pay-out(s) including the Last Pay- in and Pay-out which would be the Final Settlement of the contract.

8.5   Penalty

The penalty structure for failure to meet delivery obligations by the sellers is as follows:

For Compulsory Delivery Contracts:

Total amount of penalty = 3.0 % + the difference between the Final Settlement Price (FSP) and the average of three highest of the last spot prices of 5 (five) succeeding days after the expiry of contract (E+ 1 to E +5 days), if the average spot price so determined is higher than FSP; else this component will be zero.

The 3.0 % penalty collected as mentioned above shall be used as follows:

✓ 1.75 % component of the penalty shall be deposited in the Investor Protection Fund of the Exchange;
✓ 1 % component of the penalty shall go to the Buyer who was entitled to receive delivery and
✓ Balance 0.25 % component of penalty shall be retained by the Exchange towards administrative expenses.

Further, the difference between the FSP and the average spot price (as mentioned above) shall also go to the buyers. Please refer circular no. NCDEX/TRADING-086/2008/216dated September 16, 2008

Penalty structure for Chana, Pepper, Rape- Mustard Seed and Cotton Seed is as follows:-

Total amount of penalty = 1.5 % + the difference between the Final Settlement Price (FSP) and the average of three highest of the last spot prices of 5 (five) succeeding days after the expiry of contract (E+ 1 to E +5 days), if the average spot price so determined is higher than FSP; else this component will be zero.

The 1.5 % penalty collected as mentioned above shall be used as follows:

✓ 0.75 % component of the penalty shall be deposited in the Investor Protection Fund of the Exchange;
✓ 0.5 % component of the penalty shall go to the Buyer who was entitled to receive delivery; and
✓ Balance 0.25 % component of penalty shall be retained by the Exchange towards administrative expenses.

Further, the difference between the FSP and the average spot price (as given above) shall also go to the buyers. Please refer circular no. NCDEX/TRADING-045/2012/161 dated April 30, 2012.

Penalty structure for commodity settled through Direct Delivery mechanism is as follows:

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

✓ 1.75 % component of the penalty shall be deposited in the Investor Protection Fund of the Exchange;

✓ 1.0% component of the penalty shall go to the Buyer who was entitled to receive delivery; and

✓ 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.

If the buyer makes the pay in but does not specify the warehouse where the delivery should be given, then the buyer would be penalized and 3.0% penalty shall be levied on buyer and used as under:

✓ 1.75 % component of the penalty shall be deposited in the Investor Protection Fund of the Exchange;

✓ 1.0% component of the penalty shall go to the Seller who was supposed to give delivery; and

✓ 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.

For Intention Matching & Seller's Right Contract:

Total amount of penalty = 2.5 % + the difference between the Final Settlement Price (FSP) and the spot price prevailing on the last day of pay-in/pay-out of the expired contract, if the said spot price is higher than FSP; else this component will be zero.
The 2.5 % penalty collected as mentioned above shall be used as follows:-

✓ 2 % component of the penalty shall be deposited in the Investor Protection Fund of the Exchange;
✓ 0.5 % component of the penalty shall go to the opposite party; and
✓ If the spot price on the last day of pay-in/pay-out of the expired contract is higher than the FSP, then the difference between the FSP and the spot price prevailing on the said latter day shall also go to the opposite party.

Please refer circular no. NCDEX/TRADING-091/2007/235 dated October 4, 2007 & NCDEX/TRADING–097/2007/247 dated October 17, 2007.

The buyers under no circumstances can refuse delivery. If the buyer defaults, penalty at the rate of 0.09% per day computed on the amount outstanding from the day on which monies are due to be paid until the day all obligation including shortfalls in deposits are fulfilled. (Subject to minimum of Rs 500 per instance)

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 delivery from the delivery center where the seller has delivered same.

A seller who has got requisite stocks in the Exchange accredited warehouses is not allowed to default and any such delivery default by seller would be viewed seriously and the Exchange shall take suitable penal / disciplinary action against such members over and above the prescribed penalty as enumerated above.

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 +1/2 to the corresponding buyer matched by the process put in place by the Exchange.

8.6 Query of delivery requests already submitted

The delivery requests can be queried using the Ctrl+F4 key on the NCDEX trader workstation. The list of delivery requests submitted for the current expiry period will be displayed.

8.7 Reading delivery information files

✓   Members who have submitted delivery requests can obtain the status of the requests and the delivery allocation if any with the following files
✓   RS03-Request Status Report
✓   AL02-Delivery Allocation Report

(Please refer Circular No: NCDEX/TRADING004/2003/015 dated December 24, 2003 for details)

8.8 Settlement Calendar

The Settlement Calendar is issued by the Exchange to inform Members regarding the schedule of various activities that are to be carried out for physical settlement of different commodities. These activities are broadly classified as Commodities settlement, Supplemental settlement for Premium/discounts as well as Closing outs and Sales Tax settlement cycles.

A sample format of the Settlement Calendar is shown in Annexure

9   Shortages

- Any shortage, which is above acceptable limit, is treated as short delivery and penalty will be charged on Seller Member as prescribed in section 8.5.
- Acceptable limits are different for each commodity and are specified in the relevant contracts e.g. for Silver (SILVER) acceptable limit is 10% whereas for Guar Seed (GUARSEED) it is 2%. In case of such shortages, the settlement of short delivered or over delivered portion is completed at the Final Settlement Price plus the location premium or discount applicable for that center.

10 Process of delivery

10.1 Quality and delivery lots

- It is necessary for the delivering participants to deliver one deliverable lot at each time of pay-in. For e.g. Delivery is to be offered and accepted in deliverable lots gross or multiples thereof. A quantity variation is permitted on deliverable lot as per contract specification.

- If the delivering participant is not able to deliver as per the delivery lots then it would be treated as Short Delivery.

- Members and their constituents should therefore ensure that the delivery of commodities at the time of pay-in is only in deliverable lots to ensure smooth settlement process.

10.2 Delivery process

- The client who wants to deliver the commodity should transfer the credit balances from his account to the clearing Member pool account before the pay-in (Settlement) date specified by the Exchange by filling up the Client to pool Transfer Form. This form will be provided by the CP. Basic formats of all forms are available on COMTRACK® website.

- While filling up the Client to Pool account Transfer form the client should take care that the lot details have been correctly entered and the account holder have signed the form.

  ✓ Lot no: This will be available from the COMTRACK®
    Holding/Transaction statement (Facility is available in the system for the client to enter only the no. of lots he wishes to deliver. In this case lots will be auto selected by the system in serial order. The CP can manually remove or insert lots after this based on clients instruction.)

  ✓ Quantity: This is the quantity mentioned against the commodity lot in the COMTRACK® holding statement.

  ✓ Market Type and Settlement No. : This is made available in the circular issued by the exchange and/ or from the broker.

- CP will enter the instruction in its COMTRACK® Participant module and on the execution date the balances will be freezed in the client account for delivery. It can also be considered as a notional transfer to members pool account.

- The member also has to ensure that it has received all the deliveries from the clients before the pay-in to the Exchange. If any client fails to do Client to Pool (CTP) till the time of pay-in it would be treated as default of the member.

- On the pay-in day the balances will be delivered to the Exchange and on pay-out will be given to the buying brokers pool account. The procedure of normal and early pay-in is mentioned in the subsequent chapters.

10.3 Pay-in process at Comtrack

- Client needs to give an instruction to his CP through "Instruction Slip for Client To Pool/Ownership Transfer" which is available on www.comtrack.in under Downloads. Accordingly CM has to ensure that the balances are available in the pool account at the time of pay-in otherwise it would be treated as default.

- CM needs to communicate settlement date to all his clients so as to ensure that all lots are moved to his CM Pool A/c before settlement date. If the balances are not available in the CM Pool account at the time of pay-in it will be treated as default.

- On a scheduled settlement date, Comtrack will provide a balances file to NCFE having lot wise balances for each Clearing Member Pool Account (CM-Pool A/c).

- NCFE based on settlement obligation of a given Clearing Member (CMID), will generate a response to Comtrack to affect commodity pay-in which will be later credited to respective buyers' CM Pool A/c.

- If the commodity received in any settlement is required to be delivered towards the next settlement, the CM needs to transfer the "swept-out" lots available in his pool account to client's Beneficiary account and then Client needs to give instruction to his CP for transferring the said lots in Member's Pool account. The lots with status "swept-out" will not be considered for Early pay-in & normal pay-in obligation.

- Pool to Client (PTC) will be done by the member in his module in COMTRACK®

10.4 Delivery mechanism (Direct Delivery – Sellers' Warehouse Model):-

Process Flow of Direct Delivery - T/E to T/E+9T/E (Tender/ Expiry date)

- ✓ Seller will mark an intention for his open position

- ✓ In case delivery intention is not marked by Seller on expiry, it shall be treated as Sellers Default and the positions are settled on E+1 with penalty on Seller.

T/E+1

- ✓ Assayers would be randomly allocated by the system to the respective buyer and would be done by 12.00 AM.

✓ The details of allocation displayed to buyers and sellers so that required information can be updated.

T/E+2

✓ Pay in of funds from Buyer

✓ Buyer will give details of delivery location & necessary details for tax settlement (within 50 km radius)

T/E+3 to T/E+7

✓ Seller will deliver the goods at the buyer's informed location.

✓ Depending on the total allocated quantity, Assayer will inform both the buyer and seller of the delivery schedule, so that the assaying results are available to Exchange latest by EOD on T+7.

✓ Assayer will be present at buyer's informed location, according to the delivery schedule, and will conduct assaying of goods.

✓ Assayer will upload the report of quality and quantity of goods and accordingly accept/reject the goods, as per exchange specified quality norms.

✓ Seller will give invoice to the buyer, along with delivery of goods.

✓ Seller & Buyer or their representatives have an option to supervise the assaying process.

✓ Assayer will give final confirmation for delivery.

✓ The entire process needs to be completed by EOD of T+7.

✓ All risk and costs associated with storage of goods in the buyer's WH, for the entire duration of assaying, i.e. till the time settlement is completed, would be borne by the Buyer.

T+8 Case 1 – the goods are accepted

✓ Pay out to seller

✓ Tax details will be passed on to Seller to be updated

Case 2 – the goods are rejected

✓ Seller will be given 2 days to lift the rejected lots from buyer's location, after which Funds will be paid back to buyer

✓ Buyer would also receive penalty.

T+9

Settlement of Taxes

11 Early Pay-in Process

11.1 Time of early pay-in
✓ EPI can be done by the Member to avail delivery margin benefit for their delivery intention given during staggered period.
✓ EPI can also be done by the member to avail pre-expiry margin benefit during last five days of Contract Expiry.

11.2 The applicable rules of the EPI are explained as below:
✓ 'Early Pay-in' of Agri commodities prior to expiry will get exemption from the applicable pre-expiry margins.
✓ For availing the exemption, Members may make 'Early pay-in' from one day prior to the day when pre-expiry margins are applicable.
✓ The outstanding position would be exempt from the applicable pre-expiry margins to the extent of early pay-in made and after the Early pay-in information is processed at the end of day. However all other margins viz. initial margins, exposure margins, additional and special margins, unless otherwise specified, will continue to be levied on these positions.
✓ The Early pay-ins' received up to 4.30 p.m. on weekdays and up to 12.00 noon on Saturday will only be processed for giving exemption from pre expiry margins for next day.
✓ Members should have open position in the commodity for which early pay-in is made.
✓ The Early pay-in should be made for a valid lot for the settlement.
✓ Mark to Market (MTM) settlement will continue to be done for the outstanding positions for which Early pay-in has been given before expiry.
✓ The pre-expiry margin shall be applied by the system in the normal course and the benefit of exemption of pre-expiry margins will be extended.
✓ The said exemption of pre-expiry margin shall be reversed at the expiry of the contract for which early pay-in has been made or in case position is squared off in the contract.
✓ In case the open position is squared off after marking an Early pay-in or delivery allocation is from a different location than the lots tendered in Early pay-in, the lots delivered by the member will be returned to the member on respective Physical Settlement pay-in / pay out day.
✓ If there is a shortage for the same Member in commodities pay-in for other delivery positions in other commodities, the Early pay-in lot will not

be utilized for the member's delivery shortages and will be released back to the Member.

(Refer Circular No. NCDEX/CLEARING-003/2011/008 dated January 06, 2011)

11.3 Merits of early pay-in (EPI)

- One of the major benefits of Early Pay-In is that, on receipt of Early Pay-In, all applicable margins collected towards physical settlements are released.

- It also saves the hassles of not being able to deliver the commodity on pay-in day for a CM.

11.4 Early Pay-in process in COMTRACK® using NCFE:

- A CM has to ensure that goods are deposited in COMTRACK before marking an EPI,
- A Clearing Member can mark EPI against the position/ allocation.
- A help manual for using the Web based Early pay in module is available at"\\Common\Web NCFE" folder on Extranet.

12 Physical Delivery Settlement Charges

The Exchange will levy a charge for physical deliveries of goods on the Exchange platform in settlement of contracts for all agri commodities and for steel in the metals group. The Exchange will levy on each side i.e. seller and buyer, a delivery charge of 0.15% of the value of delivery.

13 NCDEX Clearing Front End Software (N C F E)

- With a view to facilitate the submission of data to the Exchange, NCDEX Clearing Front End Software (NCFE) has been developed. NCFE allows Members to carry out the various activities in a convenient and user friendly manner.

- Members can access NCFE for the following activities.
  - ✓ Unique Client Code - Maintenance of Client Code details & submission to the Exchange

  - ✓ Daily clearing files – Loading of daily clearing data & viewing the information.

- NCFE was released by the Exchange on November 26, 2004. Using NCFE, a Member can interact with Exchange in structured manner.

- Members can contact NCDEX Customer service group if they have not received the CD-ROM for NCFE software. CD-ROM of NCFE contains detailed procedure for installation and the manual on how to operate NCFE.

- The disabled members place orders by giving instructions to the Exchange for closing out their positions on their behalf, through fax on the designated fax numbers of the Market watch group of the Exchange.

To facilitate the members to send order entries, the Exchange has modified the procedures for accepting such order entries. A new feature in the NCFE software allows the members to input the order requests for squaring up their positions. The squaring up order requests is uploaded into the extranet server in the specific folder. On receipt of this file, the Exchange Operations group of the Exchange initiates the process for squaring up. However it should be noted that in such cases, the Exchange would not in any way be liable for any change in market movements or prices or responsible for any losses occurring to the Members and/or their clients.

14   Unique Client Code

All members should allot and maintain the Client ID-Nos. along with personal details of clients. They should also fill the 'Know Your Client' form stipulated by the Exchange. With a view to strengthen the database of clients of its members a unique identity number (UCC) is allotted to each client. All trading and clearing members should collect and maintain in their back office information for each of their clients. Members can collect copy of identity proof viz PAN Card, Passport, driving license or a copy of Voter ID card for an individual. If partnership firm/companies is a client then the unique registration number along with copy of PAN Card needs to be collected.

15   Sales Tax Settlement Process

15.1   Sales tax information and its significance

- Any person offering a physical delivery on the Exchange platform should have necessary registration with the local sales tax authorities in the state where the delivery center is located or shall deliver through a settlement agent who has necessary registration.

- However, in case of select commodities wherein exemption is available for the purchasers from the payment of sales tax, to avail such exemption they also need to have registration with local tax authorities or shall avail the services of the settlement agent as stated above for settling their purchase transactions.
- In such a case the purchaser need to give details of such exemptions being availed by them in requisite form and within the time specified failing which relevant tax is levied.

- In case of Sellers who are empanelled under the composite scheme for Bullion in that State, whereby they deposit a composite amount in lieu of tax on purchase and sale of Bullion, such sellers are not entitled to recover Sales Tax at the time of sale from their respective buyers.

15.2 General guidelines for receiving/delivering clearing members

- Receiving/Delivering Clearing Members should submit delivery information within the stipulated period before the contract expiry through Trader Work Station.

- Exchange verifies and allocates delivery requests as per open positions of respective Members as per process put in place by the Exchange.

- After matching, a report is provided to the Members for all the receipts allocated/deliveries allocated against their delivery information.

- This is a Member specific report and is generated only for those Members who have a delivery /receipt position. This report will be made available on the next morning of Contract expiry date.

- In case of compulsory delivery contracts, all Members will have to deliver or receive the goods as per their open positions on the expiry day depending on their choice of delivery center. They will receive a report of their obligation on the next morning of Contract expiry date.

- Receiving clearing Members are required to send sales tax information along with additional information including buying client details by **1500 Hours on next working day** after Commodities Settlement day as per Settlement Calendar.
- The data/information submitted by receiving clearing Members is processed for accuracy and completeness.

- In event of a receiving member failing to provide sales tax information within stipulated time, it is assumed that delivery is taken by member himself and accordingly relevant information is provided to delivering members concerned and the invoices will be raised in the name of the receiving Member. As no changes are possible once the file is uploaded Members should ensure that correct details are provided while uploading the file for Delivering Clearing Members

- Information submitted by the receiving clearing Members is provided to the Delivering clearing Members seeking the sales tax information for each delivery transaction. The buyer client details and sales tax information (viz. exemption form numbers, if any) as provided in the report can be passed on by the Delivering clearing Member to their Seller clients for generating invoices. Exchange shall provide this report to Delivering clearing Members **by the evening on next working day** after Commodities Settlement day as per Settlement Calendar. A return file is generated and sent to the delivery clearing Members to inform the status of sales tax reporting.

- The Delivering clearing Members are required to provide the information by **1500 Hours on or before 2nd working day (except Saturday)** after the commodity settlement day.

- Based on the sales tax information submitted by the Delivering clearing Member, sales tax settlement obligation is determined. Sales tax settlement of funds shall be completed **by 11:00 am on 3rd working day** after Commodities Settlement day as per Settlement Calendar.

- In the event of delivering member failing to submit sales tax information, it is assumed that there is no sales tax settlement to be carried out for deliveries made by him.

- Delivering clearing Members are required to ensure that Sales Tax amount submitted to the Exchange complies with applicable State Sales Tax laws. If a Member needs to collect Sales Tax and/or Other charges and/or Resale Tax – they need to submit a single amount for settlement purpose, however the Invoice sent to Buyer shall have all different amounts indicated clearly.

The sales tax invoice should clearly mention, besides other things

- Delivery receipt no., Client name & address
- Trading member-id of the seller member and buyer member
Whether Composite Tax scheme availed

- If the seller fails to give these details or informs lesser amount than the actual sales tax then the amount or short amount of sales tax, as the case may be, cannot be recovered from the buyer. However, the liability for the payment of sales tax to the authorities shall continue to be on the seller irrespective of the amount he has collected from the buyer or not.

15.3 Sales tax settlement - Procedure for exchange of Physical Delivery information

In order to simplify and strengthen the processes of tax settlement post-delivery, Exchange has put in place a Web NCFE interface for exchange of information on documents related to sales tax between members. The seller member shall share the invoice and dispatch details with the buyer and in turn buyer shall confirm the receipt of the same thereby completing the sales tax settlement process. For this, members shall login to the existing Web NCFE and use the Sales Tax module.

The activities and respective timelines is given in the below table:

Sr.	Activity	Timeline
1	Updating details related to invoices or any settlement related document in NCFE by Delivering Member	From T/E+3 (03.00 pm) to T/E+5
2	Updating details related to Dispatch of settlement related document in NCFE by Delivering Member	From T/E+3 (03.00 pm)
		to T/E+7
3	Receiving Member Confirmation on invoice details updated by Seller.	From T/E+6 to T/E+9

Note:

- ✓ Any update in invoice details after T/E+5 and before T/E+9 will first go to Exchange approval and then the same record should be approved by receiving Clearing Member.

- ✓ If Delivering Clearing Member has not updated the invoice detail during T/E+3 to T/E+5, then from T/E+6 penalty will be levied on Delivering Clearing Member for any updates in invoice details.

- ✓ The Receiving Clearing Member/Constituent is required to inform discrepancy/non receipt of invoices or any settlement related document or other required information to the Exchange by T/E+9 day.

PORTION OF PAYOUT WITHHELD BY EXCHANGE:

Exchange will hold an amount equivalent to 10% of the delivery pay-out which shall be released to the delivering Clearing Member on T/E+10 working days after satisfactory compliances of obligations stated above, by the delivering Clearing Member / its Constituents subject to appropriation of late fee, penalties, charges etc. if any, as mentioned below. In the event of any intimation of discrepancy in the information or documents provided or non-receipt of the information/documents by the Buyer, raised by corresponding receiving Clearing Member, the amount so withheld shall not be released till the matter is resolved.

LATE FEE

BUYER/SELLER	ACTIVITY	TIMELINE (excluding Saturday and Sunday)	LATE FEE FOR NONADHERANCE
Seller	Uploading of invoices and other relevant and applicable documents	T/E+5	Rs.5000/- per day per invoice from T/E+6
Seller	Discrepancies in invoice/documents or non receipt of documents by buyer	T/E+9	A late fee of 0.10% of the delivery value or Rs. 5,000/- whichever is higher, for each invoice will be charged per day

A help manual for using the Web based sales tax module is available at \\Common\Web NCFE folder on Extranet. Further, please refer circular no. NCDEX/CLEARING-016/2013/204 dated June 18, 2013 & NCDEX/CLEARING-002/2014/003 dated January 06, 2014 for further details.

15.4 Terms and conditions and procedure for settling through agents

Receiving or giving delivery of commodities through authorized agents is an accepted practice in commodities markets. The Exchange also allows its Members to settle their trades upon expiry of contracts through authorized agents. The procedure for settling through agents is given below:

1. The Constituents may appoint Agents on the terms and conditions as they deem appropriate. The Constituents shall be responsible for the acts of their Agents under the Rules, Bye Laws and Regulations of the Exchange.

2. The Constituents through their clearing Members must inform the Exchange of their desire to complete the delivery through an Agent by 5 PM on next working day after Expiry of Contracts.

3. The constituent intending to avail the services of an Agent will have to give an authority letter to the Agent authorizing him to give or take, as the case may be, the delivery of commodities on his behalf in accordance with the process and procedure prescribed by the Exchange.

4. It will be the obligation of Members to obtain written confirmations from their Constituents regarding giving/receiving delivery to the specific Agent/s appointed by their Constituents.

5. The Agent so appointed should have opened commodity account as required under the Regulation for affecting delivery of commodities on the Exchange platform and the Constituent will route his receipts/delivery only through the account of the Agent so appointed by him.

6. Invoice will be raised by and/or in the name of the Agent giving the details of the Constituents for whom the invoice being issued/raised.

7. Sales tax and other statutory charges relating to the transactions will be settled by and in the name of the Agent.

8. Members shall provide Sales Tax information for Agent instead of Constituent and the same shall match as per the request submitted to the Exchange.

9. The delivery of commodities to the Agent and receipt of commodities from the Agent, instead of respective Constituents, if proper in other respects, shall be deemed to be a compliance of delivery obligation under the Regulations.

10. It is to be noted that such arrangements are exclusively between the Members, their Constituents and the Agent. The Exchange merely permits settlement obligations by giving/receiving delivery of commodities through the respective Agents as communicated to the Exchange through Members. The Exchange is not responsible for any disputes between the parties nor accepts any liabilities in connection with these arrangements.

11. Constituents availing the services of agents need to obtain a confirmation from such agents to be appointed before the same is communicated to the Exchange.

12. Before availing the service the Members and/or constituents need to comply with the necessary documentation as may be suggested by such agents.

13. The Members should provide the details of the agents, where appointed, in the sales tax information files instead of details of constituents.

14. Members should ensure that subsequent to the settlement the commodities are transferred to the agents" Comtrack accounts from the Members' pool accounts. Similarly, in the course of pay-in for the settlement the commodities will move to the Members' pool accounts from the agents" Comtrack accounts.

The members should also ensure that:

✓ Necessary confirmation is received from the agents before the same is communicated to the Exchange;

✓ The details of constituents are forwarded to the agents to facilitate settlement;

✓ Invoices and other relevant documents are issued within the period stipulated by the Exchange;

15.5 Sales tax obligations

▪ If the buyer has availed exemption for payment of tax against the declaration/exemption form he needs to forward the same to the seller within 5 working days from the tender / expiry date..

▪ In case of default the buyer/buying Member may formally approach the Exchange for intervention for compliance by the parties.

15.6 NCDEX transactions are LST

▪ As per the settlement process the seller and the buyer are deemed to have given and taken deliveries at the delivery center (i.e. warehouse approved by the Exchange) and the sales tax applicable in the State where the delivery center is located is applicable in the absence of any interstate movement of commodities, it is considered as a local sale and thus does not attract any CST.

▪ In case the buyer opts for moving the commodity to a place outside the state of delivery, the all necessary formalities are to be completed by the buyer on his own including payment of additional tax.

15.7 Implications of unregistered buyer & seller

▪ As mentioned above unless the parties avail the services of a settlement agent any delivery based transactions will have additional burden of sales tax on them.

▪ The purchase from an unregistered seller makes the buyer liable for payment of sales tax. Therefore the Exchange does not allow an unregistered seller to make any delivery-based transactions. In such cases, the seller needs to make good the losses suffered by the buyer including the penalty levied by the sales tax authorities and Exchange also may impose penalties.

▪ Similarly if the buyer is not registered or does not use settlement agent, he has to pay the applicable sales tax and the sales tax paid on his purchase becomes irrecoverable for him at the time of subsequent sales by him. In addition his subsequent sale transaction will again attract the sales tax even if he makes a sale of a commodity on which tax has been paid. Besides, such purchaser may be liable to penalties under the State sales laws.

15.8 Payment of Mandi Tax and non-furnishing/receipt of *Mandi* related documents

The member/client giving/taking physical deliveries in agricultural commodities are required to be registered with the respective local *Mandi* under the applicable APMC law.

The Exchange receives queries regarding the non-receipt of mandi tax paid certificate/documents. Mandi's across India have specified different procedures for payment of these *Mandi* taxes and issuance of receipt for the same. The members and their constituents giving/delivering should be

conversant with relevant rules and be aware of all the documents required under the respective enactments of *Mandi* authorities in the physical settlement process. The members/clients are supposed to make payment of *mandi* tax, if applicable, while depositing of goods in the warehouse and obtain the receipt / certificate for the same. The said *mandi* paid receipt /certificate is required to be endorsed/ handed over to the next buying member/client along with other settlement related documents like invoice.

The Buyers should inform non receipt of any settlement related document including mandi tax paid certificate/receipt to the Exchange within the specified timelines (i.e.: E+22 or 12th of the following month in which the contract expired, whichever is later). If no such information is received from the member/constituent who is entitled to receive such documents, it is deemed that all the requisite information and documents have been exchanged between the selling and the buying members.

Non furnishing of documents to the buyers is considered as violations of the Regulations and directives of the Exchange. The penalties levied, in such cases are in addition to the value of the Settlement documents required to be issued or given to the counter party. The members, who are under obligation to deliver or issue such settlement documents, would be liable to pay the value corresponding to the settlement related documents and such value will be debited to them and passed on to the counterparty.

The above penalties levied by the Exchange would in no way be the substitute or be in lieu of any action that the Mandi tax authorities may impose upon such members for not complying with the requirements of Mandi tax provisions of the respective States where deliveries happen.

15.9 Excise information and its significance

Any person offering physical delivery of commodities where Excise duty benefit would be availed by the buyer should have necessary registration with the Excise authorities under relevant provisions of Central Excise Act, 1944 in order to pass on the CENVAT credit to the buyer. As per prevailing laws on central excise, only the manufacturer, first stage dealer and second stage dealer who are registered under the Act can charge or claim credit of central excise paid by the manufacturer on such goods. This can be done by issuance of Excise Invoice by the manufacturer or first stage dealer showing the amount of central excise paid. In case where the price quoted for trades in such commodities on the Exchange is exclusive of central excise:

✓ Only manufacturers and first stage dealers registered under the Act will be able to claim central excise amount from the subsequent buyer provided they are in a position to pass on the CENVAT credit.
✓ The buyer will have to be either first stage dealer or second stage dealer duly registered under the Act in order to claim credit under CENVAT.

Members or their constituents who have to give or take delivery must be registered with the Central Excise authorities apart from being registered

under Sales Tax/Value Added Tax. The seller will issue his Excise Invoice to the buyer mentioning therein the Excise credit passed to the buyer. In case where the price quoted for trades in such commodities on the Exchange is inclusive of central excise. In such a case where the Excise duty is not explicitly mentioned, it is assumed that the price is inclusive of Excise duty and no supplementary settlement is done for the same.

15.10 Purchase tax

Wherever Purchase tax is applicable concerned buyers will have to get themselves registered and pay the purchase tax on their own. However, such Purchase tax can be recovered in his subsequent sale on the NCDEX platform in cases where the final settlement price excludes all taxes (on sales as well as on purchases), which he will claim as other charges. In such a case, he will have to issue a tax paid invoice

15.11 Customs duty and its significance

Customs duty is payable on all imported commodities in addition to Countervailing duty and the cess thereon is also applicable. All of these are to be paid simultaneously. If the price quoted on the exchange is inclusive of customs duty and exclusive of Countervailing Duty (CVD) and cess, the process as defined by the Exchange can take place under following cases.

Buyer pays the Customs Duty:

In case of imported materials, they can be stored in the custom bonded warehouses, wherein the customs duty, CVD and cess thereon can be paid at the time of moving out the commodity from such warehouses. In such a case the seller pays the customs duty and cess thereon to the buyer. Subsequently the buyer will have to take the goods within the ISIN validity period and shall pay the custom duty, CVD and cess thereon. As the Customs Duty is inclusive in the price, CD will be collected from the seller and given to the buyer. The CD and the CVD will be paid by the buyer at the time of taking physical delivery. This CD and CVD will be payable on the Landed Cost or the FSP, whichever is higher.

Seller pays the Customs Duty:

The seller paying the customs duty will also have to discharge the liability for payment of CVD. CD and CVD is payable simultaneously by the importer who files the Bill of Entry. Such seller will have to issue the appropriate invoice to the buyer to enable him to claim the credit for the CVD under the CENVAT Credit Rules. Similarly, the subsequent first stage and second stage sellers will also be entitled to pass on the credit of the CVD on their sales. However, for the purpose, such sellers will have to obtain registration at the warehouse address in order to enable them to pass on the credit.

The requirements of this process would be: (i) registration of the sellers as well as buyers at the warehouse address; and (ii) only first and second stage sellers can pass on the credit and not any subsequent sellers. The seller will be able to claim the amount paid towards CVD over and above the quoted price only if the seller is able to pass on the CENVAT credit to the buyer under the laws governing central excise irrespective of whether the buyer is entitled to claim or not. In other words, only importers and first and second stage dealers registered under the Act will be able to claim central excise amount to the extent of amount specified in the Central Excise Invoice which will have to be handed over to the buyers.

15.12 Registration for specific commodities

In some commodities Members need to register themselves with certain agencies in order to deal in those commodities. Such details regarding the commodities are available in the respective product notes.

Annexure

Format of Settlement Calendar

The Settlement Calendar and timelines for submission of delivery Intentions for all Contracts due to expire in the month of January 2014& Bullion contracts due to expire in the month of February 2014 are given in the following tables. The Trading and Clearing Members are requested to note the Settlement Type for every commodity using the Key given in Para 1 below where the commodities are classified on the basis of delivery logic and settlement type.

| Delivery Logic | Settlement Type | | | Symbol | Expiry Date | Tender / Delivery Intention Marking | |
	Physical Settlement	Premium /Discount Settlement and Close Out	Sales Tax Settlement			Start Date	End date
Compulsory with Staggered Delivery	D	A	B	PVC	20-Jan-14	06-Jan-14	20-Jan-14
				BARLEYJPR	20-Jan-14	13-Jan-14	20-Jan-14
				CASTORSEED	20-Jan-14	13-Jan-14	20-Jan-14
				CHARJDDEL	20-Jan-14	13-Jan-14	20-Jan-14
				COCUDAKL	20-Jan-14	13-Jan-14	20-Jan-14
				DHANIYA	20-Jan-14	13-Jan-14	20-Jan-14
				GUARGUM	20-Jan-14	13-Jan-14	20-Jan-14
				GUARSEED	20-Jan-14	13-Jan-14	20-Jan-14
				GUARSEED10	20-Jan-14	13-Jan-14	20-Jan-14
				MAIZEKHRF	20-Jan-14	13-Jan-14	20-Jan-14
				RBRRS4KOC	20-Jan-14	13-Jan-14	20-Jan-14
				RMSEED	20-Jan-14	13-Jan-14	20-Jan-14
				STEELLONG	20-Jan-14	13-Jan-14	20-Jan-14
				SUGARM200	20-Jan-14	13-Jan-14	20-Jan-14
				WHEAT	20-Jan-14	13-Jan-14	20-Jan-14
	P	A	B	STEELLONG	20-Jan-14	13-Jan-14	20-Jan-14
	N	A	B	GOLD	03-Feb-14	30-Jan-14	03-Feb-14

Seller"s Option with Staggered Delivery	D	A	B	SYBEANIDR	20-Jan-14	13-Jan-14	20-Jan-14
Seller"s Option Contracts	K	A	B	GURCHMUZR	20-Jan-14	10-Jan-14	13-Jan-14
Intention Matching Contracts	G	A	B	BRENTCRUDE	16-Jan-14	09-Jan-14	13-Jan-14
				CRUDEOIL	17-Jan-14	10-Jan-14	14-Jan-14
				SBMEALIDR	20-Jan-14	10-Jan-14	13-Jan-14
				SYOREFIDR	20-Jan-14	10-Jan-14	13-Jan-14
				CPO	31-Jan-14	23-Jan-14	25-Jan-14
				RBDPALMOLN	31-Jan-14	23-Jan-14	25-Jan-14

Settlement Calendar

All Commodities

Tender / Expiry Date	STL Type	STL No.	Delivery and Funds Pay-in and Pay-out	STL Type	STL No.	Funds Payin and Payout	STL Type	STL No.	Funds Payin and Payout
		Physical Settlement			Premium Discount & Close Out Settlement			Sales Tax Settlement	
06-Jan-14	D	2014001	08-Jan-14	A	2014001	08-Jan-14	B	2014001	13-Jan-14
07-Jan-14	D	2014002	09-Jan-14	A	2014002	09-Jan-14	B	2014002	15-Jan-14
08-Jan-14	D	2014003	10-Jan-14	A	2014003	10-Jan-14	B	2014003	16-Jan-14
09-Jan-14	D	2014004	13-Jan-14	A	2014004	13-Jan-14	B	2014004	17-Jan-14
10-Jan-14	D	2014005	15-Jan-14	A	2014005	15-Jan-14	B	2014005	20-Jan-14
13-Jan-14	D	2014006	16-Jan-14	A	2014006	16-Jan-14	B	2014006	21-Jan-14
14-Jan-14	D	2014007	16-Jan-14	A	2014006	16-Jan-14	B	2014006	21-Jan-14
15-Jan-14	D	2014008	17-Jan-14	A	2014007	17-Jan-14	B	2014007	22-Jan-14
16-Jan-14	D	2014009	20-Jan-14	A	2014008	20-Jan-14	B	2014008	23-Jan-14
17-Jan-14	D	2014010	21-Jan-14	A	2014009	21-Jan-14	B	2014009	24-Jan-14
20-Jan-14	D	2014011	22-Jan-14	A	2014010	22-Jan-14	B	2014010	27-Jan-14
17-Jan-14	G	2014001	21-Jan-14	A	2014009	21-Jan-14	B	2014009	24-Jan-14
18-Jan-14	G	2014002	21-Jan-14	A	2014009	21-Jan-14	B	2014009	24-Jan-14
20-Jan-14	G	2014003	22-Jan-14	A	2014010	22-Jan-14	B	2014010	27-Jan-14
31-Jan-14	G	2014004	04-Feb-14	A	2014016	04-Feb-14	B	2014015	07-Feb-14
20-Jan-14	K	2014001	22-Jan-14	A	2014010	22-Jan-14	B	2014010	27-Jan-14
30-Jan-14	N	2014001	31-Jan-14	A	2014017	31-Jan-14	B	2014016	05-Feb-14
31-Jan-14	N	2014002	03-Feb-14	A	2014018	03-Feb-14	B	2014017	06-Feb-14
03-Feb-14	N	2014003	04-Feb-14	A	2014016	04-Feb-14	B	2014015	07-Feb-14

Commodities under Direct Delivery mechanism

Tender / Expiry Date	Physical Settlement				Premium Discount & Close Out Settlement			Sales Tax Settlement		
	STL Type	STL No.	Funds Pay-in	Funds Pay-out	STL Type	STL No.	Funds Pay-in and Pay-out	STL Type	STL No.	Funds Payin and Payout
13-Jan-14	P	2014001	16-Jan-14	24-Jan-14	A	2014011	24-Jan-14	B	2014010	27-Jan-14
14-Jan-14	P	2014002	16-Jan-14	24-Jan-14	A	2014011	24-Jan-14	B	2014010	27-Jan-14
15-Jan-14	P	2014003	17-Jan-14	27-Jan-14	A	2014012	27-Jan-14	B	2014011	28-Jan-14
16-Jan-14	P	2014004	20-Jan-14	28-Jan-14	A	2014013	28-Jan-14	B	2014012	29-Jan-14
17-Jan-14	P	2014005	21-Jan-14	29-Jan-14	A	2014014	29-Jan-14	B	2014013	30-Jan-14
20-Jan-14	P	2014006	22-Jan-14	30-Jan-14	A	2014015	30-Jan-14	B	2014014	31-Jan-14

Schedule for exchange of Physical Delivery information (invoices and otherrelated document) :

Tender / Expiry Date	STL Type	STL No.	Invoice updation by Seller Start Date (T+3)	Invoice Updation by Seller End Date (T+5)	Buyer Confirmation Start Date (T+6)	Buyer Confirmation End Date (T+9)
06-Jan-14	D	2014001	09-Jan-14	13-Jan-14	15-Jan-14	20-Jan-14
07-Jan-14	D	2014002	10-Jan-14	15-Jan-14	16-Jan-14	21-Jan-14
08-Jan-14	D	2014003	13-Jan-14	16-Jan-14	17-Jan-14	22-Jan-14
09-Jan-14	D	2014004	15-Jan-14	17-Jan-14	20-Jan-14	23-Jan-14
10-Jan-14	D	2014005	16-Jan-14	20-Jan-14	21-Jan-14	24-Jan-14
13-Jan-14	D	2014006	17-Jan-14	21-Jan-14	22-Jan-14	27-Jan-14
14-Jan-14	D	2014007	17-Jan-14	21-Jan-14	22-Jan-14	27-Jan-14
15-Jan-14	D	2014008	20-Jan-14	22-Jan-14	23-Jan-14	28-Jan-14
16-Jan-14	D	2014009	21-Jan-14	23-Jan-14	24-Jan-14	29-Jan-14
17-Jan-14	D	2014010	22-Jan-14	24-Jan-14	27-Jan-14	30-Jan-14
20-Jan-14	D	2014011	23-Jan-14	27-Jan-14	28-Jan-14	31-Jan-14

17-Jan-14	G	2014001	22-Jan-14	24-Jan-14	27-Jan-14	30-Jan-14
18-Jan-14	G	2014002	22-Jan-14	24-Jan-14	27-Jan-14	30-Jan-14
20-Jan-14	G	2014003	23-Jan-14	27-Jan-14	28-Jan-14	31-Jan-14
31-Jan-14	G	2014004	05-Feb-14	07-Feb-14	10-Feb-14	13-Feb-14
20-Jan-14	K	2014001	23-Jan-14	27-Jan-14	28-Jan-14	31-Jan-14
30-Jan-14	N	2014001	04-Feb-14	06-Feb-14	07-Feb-14	12-Feb-14
31-Jan-14	N	2014002	05-Feb-14	07-Feb-14	10-Feb-14	13-Feb-14
03-Feb-14	N	2014003	06-Feb-14	10-Feb-14	11-Feb-14	14-Feb-14

List of Important Circulars :-

Sr. No.	Particulars	Circular No.	Date
1	Delivery Charges	46	07 Feb 2012
2	Staggered Delivery	165	03 May 2012
3	Invoice Penalty	204	18 June 2013
4	Appointment of agent for delivery settlement	171	18 Nov 2004
5	Policy on accident losses at warehouse	177	1 Sept 2005
6	Goods in Exchange accredited warehouse (Double Rent)	121	15 Apr 2013
7	Penalty for failure to meet delivery obligations	203	05 Jun 2012
8	KYD policy for deposits of goods into WSP	140	03 May 2013
9	Compliance of Central and State laws for delivery obligations	391	20 Nov 2012
10	Launch of Exchange of Futures for Physicals (EFP) Facility	250	14 Aug 2013
11	Amendment in Rajasthan Value Added Tax	78	13 Mar 2013
12	Amendment in the Gujarat Value Added Tax	286	18 Sep 2013
13	Steel Long Direct Delivery	420	21Dec 2013
14	Sales Invoice Procedure	204	18 Jun 2013
15	Chana stock limit notification by Rajasthan Government	303	1 Oct 2011
16	Sampling before taking physical delivery	151,249	10 Jun 2006,29 Sept 2006
17	Revised settlement process for Silver (SILVER)	344	25 Nov 11
18	Modification in warehouse billing procedure for commodities in COMTRACK®	312	14 Oct 2013

19	Physical withdrawal of commodities having crossed the Final Expiry Date	336	6 Nov 2013
20	Removal of all ISIN balances from the depository accounts	9	15 Jan 2014
21	Appointment of Second Assayer for RM Seed, Turmeric &Jeera	61	14 Mar 2014

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