

NCDEX ICE Light Sweet Crude Oil Product Note

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CHAPTER 1 – TRADING PARAMETERS

Authority

Trading of Light Sweet Crude Oil futures may be conducted under such terms and conditions as specified in the Rules, Byelaws & Regulations and directions of the Exchange issued from time to time. A specimen of Light Sweet Crude Oil futures contract is indicated in **Exhibit 1**.

Unit of Trading

The unit of trading for Crude Oil shall be 100 barrels (1 Barrel=42 US Gallons=158.98 Liters). Bids and offers may be accepted in lots of 100 barrels or multiples thereof.

Months Traded In

Trading in Crude Oil futures may be conducted in the months as specified by the Exchange from time to time. The trading months for the contract are given in **Exhibit 5**

Basis Price

The price of Crude Oil is basis FOB Cushing, Oklahoma, United States of America exclusive of all levies and taxes.

Tick Size

The tick size of the price of Crude Oil shall be Re. 1 per barrel.

Unit for Price Quotation

The unit of Price quotation for Crude Oil shall be in Rupees per Barrel, basis - FOB Cushing, Oklahoma, United States of America exclusive of all levies and taxes. Quotes shall not be made on any other price basis.

Hours of Trading

As per directions of the Forward Markets Commission from Time to Time, currently:

- Mondays through Fridays – 10:00 AM to 11:30 PM
10:00 AM to 11.55 PM (during US day light saving period)
- Saturdays – 10:00AM to 02:00 PM

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- o Expiry Date – Date as per **Exhibit 5** at 11:30 PM / 11.55 PM *

Or as per directions from Forward Market Commission from time to time. All timings are as per Indian Standard Timings (IST)

*during US day light saving period

Last Day of Trading

The last day of trading for future contracts is given in **Exhibit 5**.

Mark To Market

The outstanding positions in futures contract in Crude Oil would be marked to market daily based on the Daily Settlement Price (DSP) as determined by the Exchange.

Position limits

At the commodity level, the member-wise position limit will be a maximum of 12,00,000 barrels. The client-wise position limit will be a maximum of 4,00,000 barrel. Both position limits will be subject to NCDEX Regulations and directions from time to time.

Margin Requirements

NCDEX will use Value at Risk (VaR) based margin calculated at 99% confidence interval for one day time horizon. NCDEX reserves the right to change, reduce or levy any additional margins including any mark up margin.

Delivery Margins

Buyers who have been matched by the exchange to receive deliveries would have to deposit with the exchange the whole value of the delivery on the day after the expiry of the contract. The seller matched by the exchange to give deliveries would have to deposit a delivery margin as determined by the exchange from time to time. This margin will have to be given on the day after the expiry of the contract. Open unmatched positions would not attract any delivery margins.

Arbitration

Disputes between NCDEX members inter-se and between members and constituents, arising out of or pertaining to trades done on NCDEX shall be settled through arbitration. The arbitration proceedings and appointment of arbitrators shall be as governed by the Bye-laws and Regulations of NCDEX.

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CHAPTER 2 – DELIVERY PROCEDURES

Unit of Delivery

The minimum unit of delivery for Crude Oil shall be 50,000 barrels.

Delivery Size

Delivery is to be offered and accepted in lots of 50,000 barrels or multiples thereof. A quantity variation of +/- 1% by volume is permitted as per contract specification.

Delivery Requests

The procedure for Light Sweet Crude Oil delivery is based on the contract specifications as per Exhibit 1. Sellers & Buyers having open positions are required to give their intention/notice to deliver to the extent of his open position, at least 3 days before the expiry of the contract. Accordingly, the window for acceptance of delivery requests will be open for 3 working days and shall close 3 days prior to the expiry date (including the expiry date) of the contract. Members giving delivery requests for the commodities are not permitted to square off their open positions once such request is made. A penalty of 5% of final settlement price on the position squared off will be levied on the Members violating the same.

NCDEX would thereafter complete the matching process based on the location and by random, keeping in view the storage capacity of warehouse and Light Sweet Crude Oil already deposited/ available in dematerialized form for delivery or any other factor(s) that the Exchange deems appropriate for completion of the matching process.

All open positions of those sellers who do not provide required information for physical delivery or are unable to find a corresponding buyer as with similar intention shall be settled in cash.

Delivery Allocation

The Exchange would then compile delivery requests received from members on the last trading day. The buyers/ sellers who have to receive/ give delivery would be notified on the same day after the close of trading hours. Delivery of Light Sweet Crude Oil is to be accepted by buyers at the accredited tank/ pipeline where the seller effects delivery in accordance with the contract specifications.

Actual Delivery

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The seller would have to deliver the product to storage facility at Mumbai Port/ JNPT Area. This will be tested for quality and quantity by an NCDEX appointed assayer. Based on the satisfactory report by the assayer the credit of this crude oil would be transferred into the seller's demat account.

Where Crude oil is sold for delivery in a specified month, the seller must have requisite electronic credit of such Crude oil holding in his Clearing Member's Pool Account before the scheduled date of pay in. On settlement, the buyer's Clearing Member Pool Account would be credited with the said delivery quantity after pay out. The clearing member is expected to transfer the same to the buyer's depository account. However, the buyer must take actual physical delivery of Crude oil within thirty days after the expiry of the contract.

Accredited Storage Facility/ Warehouse

NCDEX has arranged with IMC Limited to arrange for storage facility for the Light Sweet Crude Oil. The sellers would have to contact IMC Ltd in advance to arrange for the storage facility. The address and contact details of IMC Ltd are as mentioned in **Exhibit 2** of this note.

Accredited Assayer

NCDEX has accredited/ approved assayer for quality testing and certification of Light Sweet Crude Oil received at the accredited warehouse. The Light Sweet Crude Oil received at such NCDEX accredited storage facility/ warehouse will be tested and certified by NCDEX accredited Assayer before acceptance as good delivery in the warehouse. Likewise, Light Sweet Crude Oil delivered to buyers will be from the accredited storage facility/ warehouse only. The address and contact details of NCDEX accredited Assayer are as mentioned in **Exhibit 2** of this note.

Quality Standards

Any of these grades are deliverable.

Crude oil	API Gravity	Sulphur Content
All crudes which satisfy the following	37-42 degrees	Less than or equal to 0.42%

Standard Allowances

Standard Allowance per validation of quality allowed will be 1% on account of sample testing. The quantity credited will be the actual quantity delivered at the tested API Gravity and Sulphur Content Levels, after providing for standard allowances on account of sampling.

Good/ Bad delivery Norms

Light Sweet Crude Oil delivery into NCDEX accredited storage facility/ warehouse would constitute good delivery or bad delivery based on the good/ bad delivery norms as per **Exhibit 3**. The list contained in **Exhibit 3** is only illustrative and not

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exhaustive. NCDEX would from time to time review and update the good/ bad delivery norms retaining the trade/ industry practices.

Light Sweet Crude Oil Sampling

One Litre of sample is drawn from Bottom, Middle and Top of the tank for making a composite mixture of 3 Litres for conducting the tests. This is then divided into 4 parts,

These samples will be distributed as under:

- One sample to Depositor
- One sample to Warehouse owner
- One sample for Analysis by assayer
- One sample for record with assayer

Quality Testing Report

The test report issued by the Light Sweet Crude Oil testing laboratory of the accredited assayer on the samples drawn shall be acceptable and binding on all parties. A specimen format of the quality testing report is indicated in **Exhibit 4**.

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Testing Procedure

Testing for Light Sweet Crude Oil will be done as per the following standards,
For API-Gravity – ASTM D 1298
For Sulphur Content – ASTM D 129

Assayer Certificate

Testing and quality certificate issued by NCDEX approved Assayer for Light Sweet Crude Oil delivered at accredited storage facility/ warehouse in Mumbai/ JNPT Area and at such other locations announced by the Exchange from time to time shall be acceptable and binding on all parties. Each delivery of NCDEX ICE Light Sweet Crude Oil at the accredited storage facility/ warehouse must be accompanied by a certificate from NCDEX approved Assayer in the format as per **Exhibit 4**.

Electronic transfer

Any buyer or seller receiving and or effecting Light Sweet Crude Oil delivery would have to open a depository account with an NCDEX empanelled Depository Participant (DP) to hold the Light Sweet Crude Oil in electronic form. On settlement, the buyer's account with the DP would be credited with the quantity of Light Sweet Crude Oil received and the corresponding seller's account would be debited. The Buyer wanting to take physical delivery of the Light Sweet Crude Oil holding has to make a remat request in prescribed form to his DP with whom depository account has been opened. The DP would route the request to the warehouse for issue of the physical commodity i.e. Light Sweet Crude Oil to the buyer and debit his account, thus reducing the electronic balance to the extent of electronic holding of Light Sweet Crude Oil so rematerialized.

Assayer Charges

The Assayer charges for testing and quality certification should be paid to the Assayer directly at the delivery location either by cash/ cheque/ demand draft. These charges shall be borne by the seller at the time of delivery into the storage tank.

Duties & levies

The seller shall be responsible to bring the Cargo to Mumbai Port/ JNPT Area. The buyer shall be responsible for the freight cost, insurance, import duty and all other taxes and levies on actual basis. Freight and Insurance will be paid on actual basis on production of satisfactory documentary evidence from the seller. The customs duty will be applicable on the day the goods are cleared from Indian Customs Department.

Stamp Duty

Stamp duty is a State subject, and shall be payable as per applicable State Laws.

Taxes

Service tax

Service tax will be payable by the members of Commodity Exchanges on the gross amount charged by them from their clients on account of trades/ deals executed by them on Exchange platform.

Sales Tax/ VAT

Local taxes/ VAT wherever applicable is to be paid by the seller to the sales tax/ VAT authorities on all contracts resulting in delivery. Accordingly the buyer will have to pay the taxes/ VAT to the seller at the time of settlement. Members and/ or their constituents requiring to receive or deliver Light Sweet Crude Oil should register with the relevant tax/ VAT authorities of the place where the delivery is proposed to be received/ given. In the event of sales tax exemption, such exemption certificate should be submitted before settlement of the obligation. There will be no exemptions on account of resale or second sale in VAT regime.

Premium/ Discount

No premium or discount on the basis of quality specifications will be applicable for Light Sweet Crude Oil.

CHAPTER 3 – CLEARING AND SETTLEMENT

Daily Settlement

All open positions of a futures contract would be settled daily based on the Daily Settlement Price (DSP) as determined by the Exchange.

Daily Settlement Price

The Daily Settlement Price (DSP) determined by the exchange at the end of every trading day. The DSP will be utilized for marking to market all open positions.

Final Settlement Price

The Final Settlement Price (FSP) in Indian Rupees (INR) will be determined by the Exchange on maturity of the contract. The FSP will be the daily settlement price published as on that day (i.e. expiry day of the contract on NCDEX) by ICE Futures, London for a similar corresponding contract on ICE called the ICE WTI contracts. The exchange rate to be used as the conversion factor shall be the RBI reference spot exchange rate on that day i.e. Expiry day of contract. (as obtained from Reserve Bank of India website (www.rbi.org.in))

On expiry of the contract, the following types of open positions would be cash settled:

- a) Delivery information not provided.
- b) Unmatched delivery information

The open positions for which information have been provided for and have been matched by the Exchange, would result in physical delivery.

Pay in and Pay out for Daily Settlement / Final physical settlement

For Light Sweet Crude Oil the daily settlements will be as per the table illustrated below. As the FSP will be declared only on E+1 day the contract will be initially settled on E+1 using the Daily Settlement Price. Subsequently on E+2 after the declaration of FSP the difference between the FSP and the DSP will be settled. The buyer clients would have to deposit requisite funds with their respective Clearing Member before "pay in" on both the days.

Example: For a contract is expiring on 15th of a particular month (i.e. on E), the FSP will be available on the subsequent trading day (i.e. 16th of the month or E+1).

The process of settlement will be done as follows:

The Trading would be done on the expiring contract till the 15th of the month (i.e. E day). The MTM Settlement will be done on the 15th at the Daily Settlement Price for

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the contract. The actual funds settlement would be done on 16th of the month (i.e. on E+1) The Final Settlement will be done with respect to the difference between Daily Settlement Price and Final Settlement Price as declared by the Exchange on 16th of the month (i.e.E+1). The Final funds pay in pay-out will be done on the 17th of the month (i.e. E+2).

All fund debits and credits for Daily Settlement of the Member would be done in the Member's Settlement Account with the Clearing bank.

Time (T/E+1)	Activity
On or before 11.00 hours	PAYIN: Debit paying member a/c for funds
After 13.00 hours	PAYOUT: Credit receiving member a/c for funds

All fund debits and credits for difference of Daily Settlement Price and Final Settlement Price would be done in the Member's Settlement Account with the Clearing bank.

Time (E+2) Activity	Activity
On or before 11.00 hours	PAYIN: Debit paying member a/c for funds
After 13.00 hours	PAYOUT: Credit receiving member a/c for funds

Pay in and Pay out for final physical settlement

The table below illustrates timings for pay in and pay out in case of positions marked for physical settlement. The buyers / sellers would have to deposit requisite funds / NCDEX ICE Light Sweet Crude Oil with their respective Clearing member before "pay in".

Pay in and Pay out for Final Settlement in case of physical deliveries

Time (E+3) Activity	Activity
On or before 12.00 hours	PAYIN - Debit Buyer member a/c - Debit Seller Member's / Selling Clearing Member Pool Account for NCDEX ICE Light Sweet Crude Oil
After 14.30 hours	PAYOUT - Credit Seller Member Settlement a/c for funds - Credit Buyer Member's / Buying Clearing Member Pool Account for NCDEX ICE Light Sweet Crude Oil

Additionally the supplemental settlement for Light Sweet Crude Oil futures contracts for premium / discount adjustments relating to quality of Light Sweet Crude Oil delivered, actual quantity delivered and close out for shortages, will also be conducted on the same day. Clearing Members are required to maintain adequate fund balances in their respective accounts.

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Pay in and Pay out for supplemental settlement	
Time (E + 3)	Activity
On or before 15.00 hours	PAY IN - Debit Member Settlement a/c for funds
After 15.00 hours	PAY OUT – Credit Member Settlement a/c for funds

Supplementary Settlement for Taxes

The Exchange will conduct a separate supplementary settlement, as illustrated below, three days after normal pay out for completion of tax transactions.

In order to facilitate issue of invoice to right parties, the buyer Clearing Members are required to give the buyer client details to the Exchange latest by 15.00 noon on E+4 day failing which the buying member is considered as the end buyer and accordingly invoice is issued in his/their name.

The Seller Clearing Members are required to give the seller client details to the exchange latest by 15.00 hrs on E + 5 day.

The amounts due to the above differences will be debited / credited to Member's clearing bank account similar to normal settlement.

Time (E+6) Activity	Activity
On or before 11.00 hours	PAYIN: Debit Buyer Member Settlement a/c for funds.
After 11.00 hours	PAYOUT: Credit Seller Member Settlement a/c for funds

For further clarification and detailed procedure on sales tax settlement, participants can refer to circular number NCDEX/CLEARING-001/2008/002 issued on January 04, 2008.

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Exhibit 1 – Contract Specifications

Type of Contract	Futures Contract Specifications		
Name of Commodity	Light Sweet Crude Oil		
Ticker symbol	CRUDEOIL		
Trading System	NCDEX Trading System		
Unit of trading	100 barrels		
Delivery unit	50,000 barrels		
Quotation/base value	Rs per barrel*		
Tick size	Re 1.00		
Quality specification	Crude oil	API Gravity	Sulphur Content
	all crudes which satisfy the following	37-42 degrees	Less than or equal to 0.42%
Quantity variation	+/- 1% by volume		
Basis	FOB Cushing, Oklahoma, United States of America exclusive of all levies and taxes		
Delivery center	JNPT/ Mumbai Port. The buyer shall be responsible for the freight cost, insurance, import duty and all other taxes and levies on actual basis. Freight and Insurance will be paid on actual basis on production of satisfactory documentary evidence from the seller.		
Trading hours	Mondays through Fridays - 10:00 AM to 11:30 PM 10:00 AM to 11:55 PM (during US day light saving period) Saturdays - 10:00AM to 02:00 PM Expiry Date - at 11:30 PM / 11:55 PM * All timings are as per Indian Standard Timings (IST) *during US day light saving period		
Due date/Expiry date	As per Exhibit 5		
Delivery specification	The buyer and seller shall give intentions of taking/giving delivery through the delivery request window at least three trading days prior to the expiry of the contracts and such intentions can be given during 3 days which would be notified separately. This will be matched by exchange for physical delivery as per the process put in place by the Exchange.		

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Closing of contract	All open positions for which delivery intentions have not been received or for which delivery intentions have been rendered but remain unmatched for want of counterparty to settle delivery, will be cash settled at Final settlement Price on the expiry of the contract.
Opening of contracts	As per Exhibit 5
No. of active contracts	As per Exhibit 5
Price limit	<p>Base daily price fluctuation limit is (+/-)4%. If the trade hits the prescribed daily price limit, the price limits will be relaxed up to (+/-)6% without any break/ cooling off period in the trade. In case the daily price limit of (+/-)6% is breached, then after a cooling off period of 15 minutes, the daily price limit will be further relaxed up to (+/-) 9%. Trade will be allowed during the cooling off period within the price band of (+/-)6%.</p> <p>In case of price movement in International markets which is more than the maximum daily price limit (currently 9%), the same may be further relaxed in steps of 3% with the approval of FMC.</p> <p>On the first day the limit on daily price fluctuation will be reckoned with reference to the opening price. On the second and subsequent days of trade, the daily price fluctuation limit would be reckoned with reference to the mark-to-market rate of the previous closing day.</p>
Position limits	<p>12,00,000 barrels for Member 4,00,000 barrels for Client</p> <p>(For hedge limits refer circular no. NCDEX/TRADING-100/2005/219 dated October 20, 2005).</p>
Quality Allowance (for Delivery)	No variation allowed

*** 1 BARREL = 42 US GALLONS = 158.98 LITRES**

Exhibit 2 – Warehouse & Assayer Address Details

Warehouse Address	Assayer Address
<p>IMC Ltd.-Bulk Liquid Terminal, Plot No.6, Nhava Sheva, Uran, New Mumbai 400707. Phone: 91-22-2724 1431 and 2724 1432</p> <p>Contact Person:</p> <p>Mr. Nanduri Rao, Terminal Manager Phone: 91-22-2724 1431, Mobile: +91 98193 97316</p> <p>Regional Office: IMC Ltd. 59, Bajaj Bhavan, Nariman Point, Mumbai 400 021, India Phone: 91-22-2202 6677, 2283 0803</p> <p>Contact Person: Mr. Sanjiv Lele, General Manager (West) Phone: 91-22- 2202 6677 Mobile: +91 98212 31527</p>	<p>Geo-Chem Laboratories Pvt. Ltd. 39, KK Chambers, A.K. Nayak road, Near Cathedral & John Connon Senior School, Behind ICICI Bank (D.N.Road Branch), Fort, Mumbai – 400 001</p> <p>Contact Person:</p> <p>Mr. Ravindra Sharma. Phone: 022 56383838 Mobile: 9820294208 Email: petroleum@geochemgroup.com</p>

For the updated list of Warehouse & Assayers kindly refer to the NCDEX Website
http://www.ncdex.com/ClearingServices/Clearing_Services_others.aspx

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Exhibit 3 - Good/ Bad delivery norms for acceptance of Commodity at warehouse

No.	Particulars	Good/ Bad delivery
1	Quality not meeting futures contract specification.	Bad delivery
2	Delivery at storage facility other than accredited storage facility/ warehouse	Bad delivery
3	Delivery completed but without sampling & testing / certification/ expired validity	Bad delivery
4	Delivery without weight certificate	Bad delivery
5	Weighed at any weigh bridge/ weigh scale other than that recognized by accredited storage facility/ warehouse	Bad delivery
6	When sample is not drawn as per sampling norms and not carried out at the time of unloading	Bad delivery
7	Delivery found contaminated on visual inspection	Bad delivery

Exhibit 4 – Specimen of NCDEX ICE Light Sweet Crude Oil Testing Report

CERTIFICATE OF QUANTITY & QUALITY			
Date : _____		Report no.: _____	
NCDEX member : _____			
Commodity : _____			
Lorry No. : _____			
1) QUANTITY :			
This is to certify that National Commodity & Derivative Exchange Ltd. (NCDEX) member / constituent _____ has delivered _____ Barrels of NCDEX <i>ICE Light Sweet</i> Crude Oil at the NCDEX designated warehouse: _____.			
The volume/weight/ tonnage of material delivered is as per .../weigh bridge / weigh scale/Flow Meter/Measuring Scale in the premises of the designated storage tank..			
2) QUALITY :			
The results of analysis performed by our laboratory of the samples collected by <WH NAME> is stated below :			
Test Items	Test method	Specification	Test results
The material delivered by the above NCDEX Member is in accordance with the specification provided bearing grade _____and valid up to (not applicable for NCDEX <i>ICE Light Sweet</i> Crude Oil).			
The goods delivered may be accepted / rejected.			
Chief Inspector / Authorized Signatory			

Exhibit 5- Schedule of the Due Date/ Expiry Date of Trading on Crude Futures

LAUNCH CALENDAR TILL JUNE 2009

Opening Date	Expiry Date
October 2008	January 2009
November 2008	February 2009
December 2008	March 2009
January 2009	April 2009
February 2009	May 2009
March 2009	June 2009

LAUNCH CALENDAR TILL DECEMBER 2009

Opening Date	Expiry Date
16 April 2009	15 July 2009
16 May 2009	14 August 2009
16 June 2009	15 September 2009
16 July 2009	15 October 2009
17 August 2009	13 November 2009
16 September 2009	15 December 2009