

ANNEXURE - Crude Palm Oil Product Note

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CHAPTER 1 - TRADING PARAMETERS

Authority

Trading of Crude Palm 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 Crude Palm Oil futures contract specification is indicated in **Exhibit 1**.

Unit of Trading

The unit of trading shall be 10 MT. Bids and offers may be accepted in lots of 10 MT or multiples thereof.

Months Traded In

Trading in Crude Palm Oil futures may be conducted in the months as specified by the Exchange from time to time.

Tick Size

The tick size of the price of Crude Palm Oil shall be Re. 0.05 (5 Paise).

Basis Price

The basis price of Crude Palm Oil shall be Ex-tank Kandla exclusive of Sales tax / VAT

Unit for Price Quotation

The unit of price quotation for Crude Palm Oil shall be in Rupees per 10 Kgs. The basis for Crude Palm Oil traded as Crude Palm Oil is exclusive of Sales tax / VAT.

Hours of Trading

The hours of trading for futures in Crude Palm Oil shall be as follows:

- Mondays through Fridays - 10.00 a.m. to 05.00 p.m.
- Saturdays - 10.00 a.m. to 02.00 p.m.
- Expiry Date – last trading day of the delivery month, 05.00 p.m. If that happens to be a holiday, a Saturday or Sunday, then the due date shall be the immediately preceding trading day of the Exchange. All timings are as per Indian Standard Timing

Last Day of Trading

Last day of trading shall be last trading day of contract month, if that happens to be a holiday, Saturday or a Sunday, then the immediately preceding trading day of the Exchange.

Mark to Market

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

Position limits (Applicable from commencement of trade on April 01, 2010)

Member level: 60,000 MT or 15 % of Market Open Interest whichever is higher

Client level: 20,000 MT

The above limits will not apply to bona fide hedgers. For bona fide hedgers, the Exchange will, on a case to case basis, decide the hedge limits Please refer to Circular No. NCDEX/TRADING-100/2005/219 dated October 20,2005

Near month limit (Applicable from 28 days prior to expiry date)

Member level: 18,000 MT or 15 % of Market wide near month open-position whichever is higher

Client level: 6,000 MT

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

In case of open positions materializing into physical delivery, delivery margins as may be determined by the Exchange from time to time will be charged. The delivery margins will be calculated based on the number of days required for completing the physical delivery settlement (the look-ahead period and the risks arising thereof).

Special Margins

In case of additional volatility, a special margin at such other percentage, as deemed fit, will be imposed in respect of outstanding positions, which will remain in force as long as the volatility exists, after which the special margin may be relaxed.

Arbitration

Disputes between the members of the Exchange 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 the Exchange.



CHAPTER 2 - DELIVERY PROCEDURES

Unit of Delivery

The unit of delivery for Crude Palm Oil shall be 10 MT.

Delivery Size

Delivery is to be offered and accepted in lots of 10 MT Net or multiples thereof. A quantity variation of +/- 2% is permitted as per contract specification.

Delivery Requests

The procedure for Crude Palm 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 give/receive to the extent of his open position, at least 5 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 5 days prior to the expiry date (including the expiry date) of the contract.

NCDEX would thereafter complete the matching process based on the location and by random, keeping in view the storage capacity of warehouse and Crude Palm 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, as specified in Chapter 1 above. The buyers/ sellers who have to receive/ give delivery would be notified on the same day after the close of trading hours. Delivery of Crude Palm Oil is to be accepted by buyers at the accredited storage tank where the seller effects delivery in accordance with the contract specifications.

Actual Delivery

Where Crude Palm Oil is sold for delivery in a specified month, the seller must have requisite electronic credit of such Crude Palm Oil holding in his Clearing Member's Pool Account before the scheduled date of pay in. On settlement the buyer's Clearing Member's Pool Account would be credited with the said delivery quantity on 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 Palm Oil before expiry of the validity date as indicated in the quality test report/ Assayer's Certificate.



Electronic transfer

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

Accredited Tank

NCDEX has accredited storage tank for receipt and delivery of Crude Palm Oil.. Crude Palm Oil will only be received at and delivered from the same NCDEX accredited tank at such delivery location. The details of the NCDEX accredited tanks are as per **Exhibit 2**.

The Crude Palm Oil received at the NCDEX accredited tanks will be tested and certified by NCDEX empanelled Assayer before acceptance as good delivery in the tank. Likewise, Crude Palm Oil delivered to buyers will be from the accredited storage tank only. All deposits and deliveries of Crude Palm Oil would be on net basis.

Crude Palm Oil Delivery

Crude Palm Oil delivered by sellers at the NCDEX designated storage tank will be comingled subject to adherence of quality specification indicated in the futures contract. The Crude Palm Oil delivered will be certified by Assayer before acceptance in the storage tank.

Likewise, Crude Palm Oil delivered to buyers will be from the above storage tank only.

Quality Standards

The contract quality for delivery of Crude Palm Oil futures contracts made under NCDEX Regulations shall be Crude Palm Oil conforming to the quality specification indicated in the contract. No lower grade/ quality shall be accepted in satisfaction of futures contracts for delivery except as and to the extent provided in the contract specifications. Delivery of higher grade would be accepted without any premium.

Standard Allowances

Deduction of sample weight allowed per validation of quality will be 2 litres on account of sample testing.

Weight

The quantity of Crude Palm Oil received and/ or delivered at the NCDEX designated storage tank would be determined/ calculated by the designated weighbridge/ weigh scale at the premises or in vicinity of the accredited storage tank and the quantity so determined would be binding on all parties.



Good/ Bad delivery Norms

Crude Palm Oil delivery into NCDEX designated tank 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 exhaustive. NCDEX would from time to time review and update the good/ bad delivery norms retaining the trade/ industry practices.

Empanelled Assayer

NCDEX has empanelled Assayer for quality testing and certification of Crude Palm Oil received at the designated tank. The quality testing and certification of Crude Palm Oil will be undertaken only by the empanelled Assayer. The assayer details are given in the **Exhibit 2** alongside the tanks.

Crude Palm Oil Sampling

Crude Palm Oil samples shall be drawn by Assayer before delivery/ loading of Crude Palm Oil into the designated storage tank. The samples drawn will be from various quarters of the vessel/ tanker as per industry standard methods. The sample portions drawn will be packaged in clean, dry containers of Industry accepted standards. Samples drawn shall be marked to recognize NCDEX member/depositor identity, quantity, date, time, etc.

Testing Procedure

Testing for Crude Palm Oil will be done both physically and chemically.

Assayer Certificate

Testing and quality certificate issued by empanelled Assayer for Crude Palm Oil delivered at designated tank in existing delivery centers and at such other locations announced by the Exchange from time to time shall be acceptable and binding on all parties. Each delivery of Crude Palm Oil at the storage tank must be accompanied by a certificate from such Assayer in the format as per **Exhibit 4**.

Validity period

The validity period of the Assayer's Certificate for Crude Palm Oil is 1 month or till the first withdrawal from the storage tank, whichever is earlier. There is no revalidation in Crude Palm Oil.

Months of Deposit /Date of entry by warehouse in system(Jan -dec)	Expiry period from the date of Fresh Deposit (no. of months)	Validity period at the time of fresh deposit (no of months)	How many times revalidations allowed
January	1	1	0
February	1	1	0
March	1	1	0
April	1	1	0
May	1	1	0
June	1	1	0
July	1	1	0
August	1	1	0



September	1	1	0
October	1	1	0
November	1	1	0
December	1	1	0

Charges

All charges and costs payable to the designated storage tank towards delivery of Crude Palm Oil including weighing, unloading, pigging, storage, handling costs etc. from the date of receipt up to date of pay in & settlement shall be paid by the seller. All charges and costs associated and including storage, handling, pigging, etc. after the pay out shall be borne by the buyer. Storage tank charges will be charged to the member client by the respective Depository Participant.

No refund for storage tank charges paid by the seller for full validity period shall be given to the seller or buyer for delivery earlier than the validity period.

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 by the seller.

Duties & levies

All duties, levies etc. up to the point of sale will have to be fully borne by the seller and shall be paid to the concerned authority. All related documentation should be completed before delivery of Crude Palm Oil into the NCDEX accredited storage tank.

Stamp Duty

Stamp duty is payable on all contract notes issued as may be applicable in the State from where the contract note is issued or State in which such contract note is received by the client.

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 dealing in commodities.

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 Crude Palm 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

Crude Palm Oil conforming to the quality specification and delivered to the accredited storage tank will be co-mingled.



The Exchange will communicate the premium/ discounts amount applicable. Such amount will be adjusted to the members account through the supplementary settlement.

Currently, there is no premium/ discount applicable for the commodity.



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).

Daily Settlement Prices

The Daily Settlement Price (DSP) will be as disseminated by the Exchange at the end of every trading day. The DSP will be reckoned for marking to market all open positions.

Final Settlement Prices

The Final Settlement Price (FSP) will be determined by the Exchange upon maturity of the contract. The FSP will be calculated on the basis of average of last spot prices of last Three days of the expiry month contract

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

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

Spot Prices

NCDEX will announce/ disseminate spot prices for Crude Palm Oil relating to the designated delivery center and specified grade/ quality parameters determined through the process of polling a set of market participants representing different segments of the value chain.

The polled prices shall be input to a normalizing algorithm (like 'bootstrapping' technique) to arrive at a representative, unbiased and clean 'benchmark' spot price for Crude Palm Oil. The security of data and randomness of polling process will ensure transparency and correctness of prices. The Exchange has absolute right to modify the process of determination of spot prices at any time without notice.

Dissemination of Spot Prices

Spot prices for Crude Palm Oil will be disseminated on daily basis.

Pay in and Pay out for Daily Settlement / Final Settlement

The table below illustrates timings for pay in and pay out in case of daily settlement as well as cash settled positions for final settlement. The buyer clients would have to deposit requisite funds with their respective Clearing Member before "pay in".

All fund debits and credits for 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 hrs	PAYIN - Debit paying member a/c for funds
After 13.00 hrs	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 / Crude Palm Oil with their respective Clearing member before "pay in".

Pay in and Pay out for Final Settlement in case of physical deliveries	
Time (E+2)	Activity
On or before 12.00 hrs	PAYIN - Debit Buyer Member Settlement a/c for funds - Debit Seller Member's CM Pool Account for Crude Palm Oil
After 14.30 hrs	PAYOUT - Credit Seller Member Settlement a/c for funds - Credit Buyer Member's CM Pool Account for Crude Palm Oil

Additionally the supplemental settlement for Crude Palm Oil futures contracts for premium / discount adjustments relating to quality of Crude Palm 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.

Pay in and Pay out for supplemental settlement	
Time (E + 2)	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+3 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 + 4 day.

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

Pay in and Pay out for Taxes	
Time (E + 5)	Activity
On or before 11.00 hours	PAY IN: Debit Buyer Member Settlement a/c for funds.
After 11.00 hours	PAY OUT: 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.




Exhibit 1 – CONTRACT SPECIFICATIONS OF CRUDE PALM OIL

Name of Commodity	Crude Palm Oil	
Ticker symbol	CRDPOLKDL	
Basis	Ex-tank Kandla exclusive of Sales Tax / VAT	
Unit of trading	10 MT	
Delivery unit	10 MT	
Quotation/base value	Rs per 10 kg	
Tick size	5 Paise	
Quality specification	Moisture & Impurities	0.10 % Max
	Refractive Index, 50°C	1.4491-1.4552
	Specific Gravity, 42°C	0.895-0.897
	Saponification Value	195-205
	Iodine Value	50-55
	Unsaponification Value	1.2 % Max
	Melting Point, Capillary Slip Method	37°C Max
	FFA	5 % Max
Quantity variation	+ /- 2%	
Delivery center	Kandla (within a radius of 50 km from the municipal limits)	
Additional delivery center	Kakinada, with location wise premium/discount as announced by the Exchange from time to time.	
Hours of Trading	As per directions of the Forward Markets Commission from time to time, currently - Mondays through Fridays: 10:00 AM to 5:00 PM Saturdays: 10.00 AM to 2.00 PM The Exchange may vary the above timing with due notice.	
Delivery specification	Upon expiry of the contract, the delivery position would be arrived at by the Exchange based on the information to give/take delivery furnished by the sellers and buyers as per the process put in place by the Exchange for effecting physical delivery	
No. of active contracts	As per Launch Calendar	



Opening of contracts	Trading in any contract month will open 10th day of the month. If the 10th day happens to be a non-trading day, contracts would open on next trading day.
Due date/Expiry date	<p>Last trading day of the month</p> <p>If last day happens to be a trading holiday, a Saturday or a Sunday then the due date shall be the immediately preceding trading day of the Exchange</p>
Closing of contract	On the expiry of the contract, all outstanding positions not resulting in giving/taking of physical delivery of the commodity shall be closed out at the Final Settlement Price announced by the Exchange.
Price band	<p>Daily price fluctuation limit is (+/-) 3%. If the trade hits the prescribed daily price limit there will be a cooling off period for 15 minutes. Trade will be allowed during this cooling off period within the price band. Thereafter the price band would be raised by (+ / -) 1% and trade will Be resumed.</p> <p>If the price hits the revised price band (4%) again during the day, trade will only be allowed within the revised price band. No trade / order shall be permitted during the day beyond the revised limit of (+/-) 4%</p>
Position limits	<p>Member level: Maximum of 30,000 MT or 15 % of Market Open Position in the commodity, whichever is higher</p> <p>Client level: 10,000 MT</p> <p>The above limits will not apply to bona fide hedgers. For bona fide hedgers, the Exchange will, on a case to case basis, decide the hedge limits. Please refer circular no. NCDEX/TRADING-100/2005/219 dated October 20, 2005</p> <p>Near month limit (Applicable from 28 days prior to expiry date)</p> <p>Member level : Maximum of 10,000 MT or 15 % of the total near month Open Position in the commodity, whichever is higher</p> <p>Client level : 3,000 MT</p> <p><u>Position limits applicable from April 01, 2010</u></p> <p>Member level: Maximum of 60,000 MT or 15 % of</p>



	<p>Market Open Position in the commodity, whichever is higher Client level: 20,000 MT</p> <p>The above limits will not apply to bona fide hedgers. For bona fide hedgers, the Exchange will, on a case to case basis, decide the hedge limits. Please refer circular no. NCDEX/TRADING-100/2005/219 dated October 20, 2005</p> <p>Near month limit (Applicable from 28 days prior to expiry date)</p> <p>Member level : Maximum of 18,000 MT or 15 % of the total near month Open Position in the commodity, whichever is higher Client level : 6,000 MT</p>
Special margins	<p>In case of additional volatility, a special margin at such other percentage, as deemed fit, will be imposed in respect of outstanding positions, which will remain in force as long as the volatility exists, after which the special margin may be relaxed.</p>

Launch Calendar

Contract Launch Month	Contract Expiry Month
March 16, 2010	March 2010 April 2010 May 2010 June 2010
April 2010	July 2010
May 2010	August 2010



Exhibit 2 - Storage tank & Assayer Details

Storage tank Address	Assayer Address
<p>JICS LOGISTICS KANDLA, GUJARAT CONTACT PERSON: MR. GOVIND SABOO MOBILE – 09324246515</p>	<p>M/S JICS LABORATORIES 13-B, SECTOR A, SANVER ROAD, INDORE - 452015 MADHYA PRADESH. CONTACT PERSON: MR. ANIL JHAWAR; MOBILE: 09302225380.</p>





Exhibit 3 - Good/ Bad delivery norms

No.	Particulars	Good / Bad delivery
1.	Delivery before contract expiration.	Good delivery
2.	<PACKS> drawn for the purpose of drawing the sample	Good Delivery
3.	Delivery quantity is more than quantity to be delivered.	Good delivery
4.	Crude Palm Oil quality not meeting futures contract specification.	Bad delivery
5.	Delivery at non designated storage tank.	Bad delivery
6.	Delivery after pay in date/ time.	Bad delivery
7.	Delivery of wrong product (E.g.: Crude Palm Oil instead of <OTHER CRUDE PALM OIL>).	Bad delivery
8.	Delivery completed but without sampling & testing/ certification/ expired validity.	Bad delivery
9.	Delivery without weight certificate.	Bad delivery
	Delivery not compatible to delivery size as mentioned in contract specification.	Bad delivery
10.	Delivery beyond specified working hours.	Bad delivery
11.	Delivery without proper documentation.	Bad delivery
12.	Cotton bales weighed at other than designated storage tank weigh bridge/ weigh scale.	Bad delivery
13.	Delivery of Crude Palm Oil found contaminated on visual inspection.	Bad delivery
14.	Delivery by unauthorized person/ agent without proper identification	Bad delivery



Exhibit 4 – Specimen of Crude Palm Oil Testing Report

CERTIFICATE OF QUALITY

Date : _____

Report no.:

NCDEX member :

Commodity :

Lorry No. :

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 _____.

The goods delivered may be accepted / rejected.

Chief Inspector / Authorized Signatory