

Gasoline Product Note

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CHAPTER 1 – TRADING PARAMETERS

Authority

Trading of Gasoline 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 Gasoline futures contract is indicated in **Exhibit 1**.

Unit of Trading

The unit of trading for Gasoline shall be 4200 US gallons. Bids and offers may be accepted in lots of 4200 US Gallons or multiples thereof.

Months Traded In

Trading in Gasoline 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 2**

Basis Price

The price of Gasoline is basis Ex - Mumbai (excluding all taxes, sales tax / VAT as the case may be, levies and other expenses).

Tick Size

The tick size of the price of Gasoline shall be Rs. 0.05 (i.e. 5 paise).

Unit for Price Quotation

The unit of Price quotation for Gasoline shall be in Rupees per US Gallon, basis - Ex - Mumbai (excluding all taxes, sales tax / VAT as the case may be, levies and other expenses).

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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
- Expiry Date – Date as per **Exhibit 2** 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 2**.

Mark To Market

The outstanding positions in futures contract in Gasoline 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 12000 contracts or 20% of market open position, whichever is higher. The client-wise position limit will be a maximum of 4000 contracts. 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

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).

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Special Margin

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 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.

CHAPTER 2 – DELIVERY PROCEDURES

Unit of Delivery

The minimum unit of delivery for Gasoline shall be 2100000 US gallons (with +/- 2% tolerance limit).

Delivery Size

Delivery is to be offered and accepted in lots of 2100000 US gallons or multiples thereof. A quantity variation of +/- 2% is permitted as per contract specification.

Delivery Requests

The procedure for Gasoline 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 Gasoline 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.

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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 Gasoline is to be accepted by buyers at the accredited storage facility where the seller effects delivery in accordance with the contract specifications.

Actual Delivery

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

Where Gasoline is sold for delivery in a specified month, the seller must have requisite electronic credit of such Gasoline 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 Gasoline within thirty days after the expiry of the contract.

Quality Standards

87 octane index Gasoline with maximum RVP of 15 pounds per square inch with minimum VOC percentage reduction of 23.4.

Standard Allowances

Standard Allowance per validation of quality allowed will be 1% on account of sampling loss. The quantity credited will be the actual quantity delivered at the tested quality parameters, after providing for standard allowances on account of sampling.

Good/ Bad delivery Norms

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

Quality Testing Report

The test report issued by the Gasoline 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**.

Assayer Certificate

Testing and quality certificate issued by NCDEX empanelled Assayer for Gasoline 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 Gasoline at the accredited storage facility/ warehouse must be accompanied by a certificate from such Assayer in the format as per **Exhibit 4**.

Electronic transfer

Any buyer or seller receiving and or effecting Gasoline delivery would have to open a depository account with an NCDEX empanelled Depository Participant (DP) to hold the Gasoline in electronic form. On settlement, the buyer's account with the DP would be credited with the quantity of Gasoline received and the corresponding seller's account would be debited. The Buyer wanting to take physical delivery of the Gasoline 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. Gasoline to the buyer and debit his account, thus reducing the electronic balance to the extent of electronic holding of Gasoline 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

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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 Gasoline 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 Gasoline.

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) of Gasoline contract would be the international spot price of Gasoline as polled by the Exchange and converted at the USD/Rupee exchange rate prevailing on expiry date.

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

For Gasoline 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 25th of a particular month (i.e. on E), the FSP will be available on the subsequent trading day (i.e.26th 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 25th of the month (i.e. E day).The MTM Settlement will be done on the 25th at the Daily Settlement Price for the contract. The actual funds settlement would be done on 26th 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 26th of the month (i.e.E+1). The Final funds pay in pay-out will be done on the 27th 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

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After 13.00 hours	PAYOUT: Credit receiving member a/c for funds
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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 / Gasoline 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 Gasoline
After 14.30 hours	PAYOUT - Credit Seller Member Settlement a/c for funds - Credit Buyer Member's / Buying Clearing Member Pool Account for Gasoline

Additionally the supplemental settlement for Gasoline futures contracts for premium / discount adjustments relating to quality of Gasoline 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 + 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.

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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	GASOLINE
Ticker symbol	GASOLINE
Trading System	NCDEX Trading System
Unit of trading	4200 US gallons
Delivery unit	2100000 US gallons with +/- 2% tolerance limit
Quotation/base value	Rs per US Gallon
Tick size	Rs 0.05 (i.e. 5 paise)
Quality specification	87 octane index gasoline with maximum RVP of 15 pounds per square inch with minimum VOC percentage reduction of 23.4.
Basis	Ex - Mumbai (excluding all taxes, sales tax / VAT as the case may be, levies and other expenses)
Delivery center	JNPT/ Mumbai Port
Trading hours	<p>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 *</p> <p>All timings are as per Indian Standard Timings (IST) *during US day light saving period</p>
Due date/Expiry date	<p>25th day of the delivery month</p> <p>If 25th happens to be a holiday, a Saturday or a Sunday then the due date shall be the immediately preceding trading day of the Exchange</p>
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.
Delivery Logic	Intention Matching
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

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	of counterparty to settle delivery, will be cash settled at Final Settlement Price on the expiry of the contract.
Opening of contracts	Trading in any contract month will open on the 26th day of the month. If the 26th day happens to be a non-trading day, contracts would open on the next trading day
No. of active contracts	As per launch calendar
Price limit	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%. 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.
Position limits	Client level: 4000 contracts Member level: 12000 contracts or 20% of the open market position, whichever is higher. 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
Special Margin	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
Final Settlement Price	The Final Settlement Price (FSP) of Gasoline contract would be the international spot price of Gasoline as polled by the Exchange and converted at the USD/Rupee exchange rate prevailing on expiry date.

Exhibit 2- Schedule of the Due Date/ Expiry Date of Trading on Gasoline Futures

LAUNCH CALENDAR

Opening Date	Expiry Date
10 February 2010	April 2010
February 2010	May 2010
March 2010	June 2010

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 Gasoline 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 (not applicable for Gasoline).			
The goods delivered may be accepted / rejected.			
Chief Inspector / Authorized Signatory			