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The contents of this product note are subject to Rules, Byelaws and Regulations of NCDEX as in force from time to time and be read therewith.

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**CHAPTER 1 - TRADING PARAMETERS**

**Authority**

Trading of Pepper 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 Pepper futures contract specification is indicated in **Exhibit 1**.

**Unit of Trading**

The unit of trading shall be 1 MT. Bids and offers may be accepted in lots of 1 MT or multiples thereof.

**Months Traded In**

Trading in Pepper 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 Pepper shall be Re. 1.

**Basis Price**

The basis price of Pepper shall be Malabar Garbled 1 ex-designated warehouse Kochi exclusive of all taxes

**Unit for Price Quotation**

The unit of price quotation for Pepper shall be in Rupees per Quintal. The basis for Pepper traded as Pepper is exclusive of all taxes.

**Hours of Trading**

The hours of trading for futures in Pepper shall be as follows:

- Mondays through Fridays – 10.00 AM to 5.00 PM
- Saturdays – 10.00 AM to 2.00 PM

Or as determined by the Exchange from time to time. All timings are as per Indian Standard Timings (IST)

**Last Day of Trading**

Last day of trading shall be 20th calendar day of contract month, if 20th happens to be a holiday, Sunday or a Saturday, then the previous working day.

**Mark to Market**

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

**Position limits**

Member-wise: 3000 MT for all contracts or 15% of market wide open interest, whichever is higher

Client-wise: 900 MT for all contracts

Both position limits will be subject to NCDEX Regulations from time to time.

The above limit will not apply to bona fide hedgers as determined by the Exchange. 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

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**For near month contracts:**

The following limits would be applicable during the last seven trading days of the expiry of a contract

**Member:** Maximum of 1000 MT or 15% of the market-wide near month open-position, whichever is higher

**Client:** Maximum of 300 MT

**Margin Requirements**

NCDEX will use Value at Risk (VaR) based margin calculated at 99.95% confidence interval for one day time horizon. NCDEX reserves the right to change, reduce or levy any additional margins including any mark up margin.

**Special Margin**

Special margin of 4% of the value of the contract will be levied whenever the rise or fall in price exceeds 20% of the 90 days prior settlement price. The margin will be payable by buyer or seller depending on whether price rises or falls respectively. The margin shall stay in force so long as price exceeds the 20% limit and will be withdrawn as soon as the price is within the 20 % band.

**Pre-Expiry Additional Margin**

There will be an additional margin imposed for the last 5 trading days, including the expiry date of the contract. The additional margin will be added to the normal exposure margin and will be increased by 3 % everyday for the last 5 trading days of the contract.

**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).

**Penalty for default**

- Existing penalty = 3%
  - Out of 3%, 1% will be credited to the buyer's account.
  - 1.75% goes to the Investors Protection Fund and 0.25% would be retained by the Exchange.

In addition to the initial penalty of 3%, seller will be charged the price differential of the average of top 3 spot prices polled from E+1 to E+5. 100% of this differential will be transferred to the buyer

**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.

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## **CHAPTER 2 - DELIVERY PROCEDURES**

### **Unit of Delivery**

The unit of delivery for Pepper shall be 1 MT.

### **Delivery Size**

Delivery is to be offered and accepted in lots of 1 MT Net or multiples thereof. A quantity variation of +/- 2% is permitted as per contract specification.

### **Delivery Requests**

The procedure for Pepper delivery is based on the contract specifications as per **Exhibit I**. During the period from E-14 to E-1 prior to expiry, Seller & Buyer having open position are required to give their intention/notice to deliver to the extent of his open position. The delivery position would be arrived at by the exchange based on the information to give/take delivery furnished by the seller and buyer as per the process put in place by the exchange for effecting physical delivery. If the intentions of the buyers/sellers match, then the respective positions would be closed out by physical deliveries. If there is no delivery intention matching between sellers and buyers, then such intentions will get automatically extinguished at close of E-1 day. Intentions can be withdrawn during the course of E-14 to E-1 day if they remain unmatched.

Upon expiry (i.e. E) of the contracts all the outstanding open positions should result in compulsory delivery. That is, **"upon expiry of the contracts, any seller with open position shall give delivery of the commodity. The corresponding buyer with open position as matched by the process put in place by the Exchange shall be bound to settle by taking physical delivery. In the event of default by seller or buyer to give delivery or take delivery, as the case may be, such defaulting seller or buyer will be liable to penalty as may be prescribed by the Exchange from time to time"**. The penalty structure for failure to meet delivery obligations will be as per circular no. NCDEX/TRADING-086/2008/216 dated September 16, 2008

The Buyers and the Sellers need to give their location preference through the front end of the trading terminal. If the Sellers fail to give the location preference then the allocation to the extent of his open position will be allocated to the base location on the day of expiry.

### **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 Pepper is to be accepted by buyers at the accredited warehouse where the seller effects delivery in accordance with the contract specifications.

### **Actual Delivery**

Where Pepper is sold for delivery in a specified month, the seller must have requisite electronic credit of such Pepper 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 Pepper before expiry of the validity date as

indicated in the quality test report/ Assayer's Certificate of the Assayer or get the same revalidated.

### **Accredited Warehouse**

NCDEX has accredited warehouses for receipt and delivery of Pepper. Pepper will only be deposited at and delivered from the NCDEX accredited warehouse. The details of the NCDEX accredited warehouses are as per **Exhibit 2**.

The Pepper received at the NCDEX accredited warehouse will be tested and certified by NCDEX accredited Assayer before acceptance as good delivery in the warehouse. Likewise, Pepper delivered to buyers will be from the accredited warehouse only.

### **Quality Standards**

The contract quality for delivery of Pepper futures contracts made under NCDEX Regulations shall be Pepper conforming to the quality specification indicated in the contract specification as per **Exhibit 1**. 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 premium.

### **Packaging**

Pepper delivered shall be packed in clean, dry, sound, single, new or unmended B-Twill polypropylene bags in merchantable condition and or any other accepted industry standard material with the mouth of the bag stitched disallowing sweating/ spilling. The packaging of Pepper should be in standard bags of 50 Kg (Net weight).

### **Standard Allowances**

Sample weight per validation of quality allowed will be 0.2% on account of sample testing, spillage and moisture loss.

### **At the time of deposit**

The quantity credited will be the actual quantity delivered at the tested moisture level, after providing for standard allowances on account of sampling.

### **At the time of withdrawal/ revalidation**

The weight of lot delivered/ revalidated at the time of withdrawal/ revalidation shall be adjusted to moisture level at the time of deposit/ revalidation whichever is later and such adjustment shall be over and above the standard allowances mentioned above.

### **Weight**

The quantity of Pepper received and/ or delivered at the NCDEX designated warehouse would be determined/ calculated by the weighbridge/ weigh scale at the premises of the designated warehouse and the quantity so determined would be binding on all parties. The weight of the bag will be 50.2 kg Gross. Variation of +/- 200 g at the time of deposit is acceptable.

### **Good/ Bad delivery Norms**

Pepper delivery into NCDEX designated 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.

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## **Pepper Sampling**

### **Sampling in case of Fresh Deposit:**

- In case of fresh deposits, sample would be drawn from 100% of total no. of bags in a lot without adhering to any fixed pattern. Thereafter, further sample would be drawn from randomly selected 10% of total no. of bags by fully opening the mouth of the bags. The above samples would be taken together to form a composite sample of approximately 2 Kg. Such composite sample shall be visually examined for 'Foreign Matter', 'Light Pepper' and 'Moisture'. The goods should be free from fungus.
- If upon such visual inspection, high presence of 'Foreign Matter' or 'Light Pepper' or 'Moisture' is identified or if the goods exhibit any pattern that indicates poor quality of stocks, the entire lot would be rejected outright.
- If no such pattern is observed and the contents are found fit for lab testing, sample would be divided into four parts as below:
  - One sample to Depositor
  - One sample to Warehouse
  - One sample for Analysis by assayer
  - One sample for record with assayer

### **Sampling in case of Revalidations:**

In case of revalidation, a composite sample of 2 Kg. shall be drawn from all the periphery bags as well as another 10% of total no. of bags other than those in the periphery (i.e. Center/ upper portion of the lots).

These samples will be distributed as under:

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

Pepper deposited during the months of May to October acceptable at a moisture level of upto 11.5% shall also be acceptable at a moisture of upto 11.5% at the time of revalidation.

### **Accredited Assayer**

NCDEX has approved the Assayer for quality testing and certification of Pepper received at the designated warehouse. The quality testing and certification of Pepper will be undertaken only by the approved Assayer. The assayer details are given in the **Exhibit 2** alongside the warehouses.

### **Quality Testing Report**

The test report issued by the Pepper testing laboratory 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**.

### **Testing Procedure**

Testing for Pepper will be done both physically and chemically. To test light Pepper, floatation method is used and sieve test is conducted for other matter. For Moisture, chemical test is done by following toluene distillation method.

If any live infestation is found at the time of delivery out, then the goods would be deliverable after fumigation by warehouse.

**Assayer Certificate**

Testing and quality certificate issued by NCDEX approved Assayer for Pepper delivered at designated warehouse in Kochi and at such other locations announced by the Exchange from time to time shall be acceptable and binding on all parties. Each delivery of Pepper at the warehouse must be accompanied by a certificate from NCDEX approved Assayer in the format as per **Exhibit 4**.

**Validity period**

The validity period of the Assayer’s Certificate for Pepper will be as follows:

<b>Months of Deposit /Date of entry by warehouse in system(Jan -dec)</b>	<b>Expiry period from the date of Fresh Deposit (no. of months)</b>	<b>Validity period at the time of fresh deposit (no of months)</b>	<b>How many times revalidations allowed(no. of months)</b>	<b>Validity Period of first revalidation(no. of months)</b>
January	6	3	1	3
February	6	3	1	3
March	6	3	1	3
April	6	3	1	3
May	6	3	1	3
June	6	3	1	3
July	6	3	1	3
August	6	3	1	3
September	6	3	1	3
October	6	3	1	3
November	6	3	1	3
December	6	3	1	3

**Electronic transfer**

Any buyer or seller receiving and/ or effecting Pepper delivery would have to open a depository account with an NCDEX empanelled Depository Participant (DP) to hold the Pepper in electronic form. On settlement, the buyer’s account with the DP would be credited with the quantity of Pepper received and the corresponding seller’s account would be debited. The Buyer wanting to take physical delivery of the Pepper 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 warehouse for issue of the physical commodity i.e. Pepper to the buyer and debit his account, thus reducing the electronic balance to the extent of Pepper so rematerialized.

**Charges**

All charges and costs payable at the designated warehouse towards delivery of Pepper including sampling, grading, weighing, handling charges, storage etc. from the date of

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receipt into designated warehouse upto date of pay in & settlement shall be paid by the seller.

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

All charges and costs associated & including storage, handling etc. after the pay out shall be borne by the buyer. Warehouse storage charges will be charged to the member/ client by the respective Depository Participant.

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.

#### **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 Pepper into the NCDEX accredited warehouse.

#### **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 Pepper 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**

Premium & Discount on the Pepper delivered will be provided by the Exchange on the basis of quality specifications:

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

Currently, there is no premium or discount applicable in case of Pepper.

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## **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. All open positions on the expiry day of the contract would result in compulsory delivery.

The Final Settlement Price (FSP) shall be arrived at by taking the average of the last three days' spot prices. The last spot price for the day as polled by the Exchange during the last three days shall be taken for arriving at the FSP. In the event of unavailability of the spot prices during any one of the last three days excluding the expiry day (i.e., on E - 1 or E - 2), the spot price of the previous day (E - 3) shall be considered for the average of the last three days. In case spot prices are not available during the 3 day period prior to the expiry date, the last spot price of the expiry day shall be considered for arriving at the FSP.

### **Spot Prices**

NCDEX will announce / disseminate spot prices for Pepper 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 such as traders, importers / exporters, processors etc.

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 Pepper. 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 Pepper will be disseminated on daily basis.

### **Pay in and Pay out for Daily Settlement**

The table below illustrates timings for pay in and pay out in case of daily 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.

<b>Time (T+1)</b>	<b>Activity</b>
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

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**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/ Pepper with their respective Clearing member before “pay in”.

**Tender Date -T**

**Tender period:**

Tender period would be of 14 Calendar days during trading hours prior to the expiry date of the contract.

**Pay-in and Pay-out:** on a T+2 basis. If the tender date is T then, pay-in and pay-out would happen on T + 2 day. If such a T + 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.

During the period from E-14 to E-1, Seller & Buyer having open position are required to give their intention/notice to deliver to the extent of his open position. The delivery position would be arrived at by the exchange based on the information to give/take delivery furnished by the seller and buyer as per the process put in place by the exchange for effecting physical delivery. If the intention of the buyers/sellers match, then the respective positions would be closed out by physical deliveries. If there is no delivery intention matching between sellers and buyers, then such intentions will get automatically extinguished at close of E-1 day. Intentions can be withdrawn during the course of E-14 to E-1 day if they remain unmatched.

Upon expiry (i.e E) of the contracts all the outstanding open positions should result in compulsory delivery.

**Expiry Date**

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 contract would be by a early delivery system of a maximum of 15 Pay-ins and Pay-outs or less including the last Pay-in and Pay-out which would be the Final Settlement of the contract.

Pay in and Pay out for Final Settlement in case of physical deliveries	
<b>Time (T/E+2)</b>	<b>Activity</b>
On or before 12.00 hrs	<b>PAYIN</b> - Debit Buyer Member Settlement a/c for funds - Debit Seller Member’s CM Pool Account for Pepper
After 14.30 hrs	<b>PAYOUT</b> - Credit Seller Member Settlement a/c for funds - Credit Buyer Member’s CM Pool Account for Pepper

In case of two settlements on the same day, the timings for the pay in of commodities would be at 12.00 noon and 2.30 pm respectively. The timings of Pay out of commodities would be at 12.30 pm and 3.00 pm respectively. Funds pay in – pay out would happen at 12.00 noon and 3.00 pm respectively.

Additionally the supplemental settlement for Pepper futures contracts for premium/discount adjustments relating to quality of Pepper 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	
<b>Time (E + 2)</b>	<b>Activity</b>
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 hrs 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	
<b>Time (T/E + 5)</b>	<b>Activity</b>
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 PEPPER FUTURES CONTRACT**

**(Updated on December 30, 2010)**

<b>Name of commodity</b>	Pepper
<b>Ticker symbol</b>	PPRMLGKOC
<b>Trading system</b>	NCDEX Trading System
<b>Hours of Trading</b>	As per directions of the Forward Markets Commission from time to time  <b>Mondays through Fridays : 10:00 AM to 05:00 PM</b>  <b>Saturdays : 10.00 AM to 2.00 PM</b>  The Exchange may vary the above timing with due notice.
<b>Basis</b>	Malabar Garbled 1 ex designated warehouse Kochi exclusive of all taxes
<b>Unit of trading</b>	1000 kgs (=1 MT)
<b>Delivery Unit</b>	1000 kgs (=1 MT)
<b>Quotation/Base Value</b>	Rs per Quintal
<b>Tick size</b>	Re 1
<b>Price Band</b>	Daily price limit will be (+)/(-)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 another (+/-)1%.  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%.
<b>Quality specification</b>	<b>Light pepper:</b> 2% Max <b>Other matter:</b> 0.5% Max <b>Moisture:</b> 11% Max from November to April  11.5% Max from May to October
<b>Quantity variation</b>	+/- 2%
<b>No. of active contracts</b>	As per the launch calendar
<b>Delivery center</b>	Kochi (within a radius of 50 km from the municipal limits)

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<b>Additional Delivery centers</b>	Calicut, Trissur (within a radius of 50 km from the municipal limits)  Location Premium/Discount as notified by the Exchange from time to time
<b>Delivery Logic</b>	Compulsory delivery
<b>Opening of contracts</b>	Trading in any contract month will open on the 10th of the month. If the 10th day happens to be a non-trading day, contracts would open on the next trading day
<b>Tender Period</b>	<p><b>Tender Date :</b> T</p> <p><b>Tender Period:</b></p> <p>Tender period would be of 14 Calendar days during trading hours prior to the expiry date of the contract.</p> <p>Pay-in and Pay-out: on a T+2 basis. If the tender date is T then, pay-in and pay-out would happen on T + 2 day. If such a T + 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.</p>
<b>Closing of contracts</b>	Clearing and Settlement of contracts will commence with the commencement of Tender Period by delivery through intention matching arrived at by the exchange based on the information furnished by the seller and buyer respectively as per the process put in place by the exchange for effecting physical delivery during the period from E-14 to E-1 prior to expiry. Upon the expiry of the contract all the outstanding open position would result in compulsory delivery.
<b>Due date/Expiry date</b>	<p><b>Expiry date of the contract:</b></p> <p>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.</p> <p>The settlement of contract would be by early delivery system of a maximum of 15 Pay-ins and Pay-outs or less including the last Pay-in and Pay-out which would be the Final Settlement of the contract.</p>
<b>Final Settlement Price</b>	The Final Settlement Price (FSP) shall be arrived at by taking the average of the last three days' spot prices.

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	<p>The last spot price for the day as polled by the Exchange during the last three days shall be taken for arriving at the FSP.</p> <p>In the event of unavailability of the spot prices during any one of the last three days excluding the expiry day (i.e., on E - 1 or E - 2), the spot price of the previous day (E - 3) shall be considered for the average of the last three days. In case spot prices are not available during the 3 day period prior to the expiry date, the last spot price of the expiry day shall be considered for arriving at the FSP</p>
<p><b>Delivery Specification</b></p>	<p>During the period from E-14 to E-1, Seller &amp; Buyer having open position are required to give their intention/notice to deliver to the extent of his open position. The delivery position would be arrived at by the exchange based on the information to give/take delivery furnished by the seller and buyer as per the process put in place by the exchange for effecting physical delivery. If the intention of the buyers/sellers match, then the respective positions would be closed out by physical deliveries. If there is no delivery intention matching between sellers and buyers, then such intentions will get automatically extinguished at close of E-1 day. Intentions can be withdrawn during the course of E-14 to E-1 day if they remain unmatched.</p> <p>Upon expiry (i.e E) of the contracts all the outstanding open positions should result in compulsory delivery.</p> <p>The penalty structure for failure to meet delivery obligations will be as per circular no. NCDEX/TRADING-086/2008/216 dated September 16, 2008.</p>
<p><b>Position limits</b></p>	<p><b>Member:</b> 3000 MT for all contracts or 15% of market wide open interest, whichever is higher.</p> <p><b>Client:</b> 900 MT</p> <p>(For hedge limits refer circular no. NCDEX/TRADING-100/2005/219 dated October 20, 2005).</p> <p><b>For near month contracts:</b> The near month limit will be applicable during the last 7 trading days of the expiry of a contract</p> <p><b>Member:</b> 1000MT or 15% of market wide open interest in near month whichever is higher</p> <p><b>Client:</b> 300 MT</p>

The contents of this product note are subject to Rules, Byelaws and Regulations of NCDEX as in force from time to time and be read therewith.

<b>Quality Premium/Discount</b>	None
<b>Special Margin</b>	Special margin of 4% of the value of the contract will be levied whenever the rise or fall in price exceeds 20% of the 90 days prior settlement price. The margin will be payable by buyer or seller depending on whether price rises or falls respectively. The margin shall stay in force so long as price exceeds the 20% limit and will be withdrawn as soon as the price is within the 20 % band

**Tolerance Limits for Outbound Deliveries of Pepper**

<b>Specification</b>	<b>Basis</b>	<b>Acceptable quality range</b>	<b>Permissible Tolerance</b>
Light pepper	2% Max	-	+/- 0.2%
Other matter	0.5% Max	-	-
Moisture	11% Max with a tolerance of 0.5% from May to October	-	+/- 0.5% (for delivery out during May-January 12%, February to April - 11.5%)
Max Loss for all the characteristics			+/-1.00%

**Note:** Tolerance limit is applicable only for outbound deliveries. Variation in quality parameters within the prescribed tolerance limit as above will be treated as good delivery when members/clients lift the materials from warehouse. These permissible variations shall be based on the parameters found as per the immediate preceding test certificate given by NCDEX approved assayer.

**Contract Launch Calendar**

<b>Contract Launch Month</b>	<b>Contract Expiry Month</b>
August 2010	January 2011 & February 2011
September 2010	March 2011
October 2010	April 2011
November 2010	May 2011
December 2010	June 2011
January 2011	July 2011
February 2011	August 2011
March 2011	September 2011
April 2011	October 2011
May 2011	November 2011
June 2011	December 2011



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**Exhibit 2 - WAREHOUSE & ASSAYER ADDRESS DETAILS**

For the updated list of Warehouse & Assayers kindly refer to the NCDEX Website  
[http://www.ncdex.com/ Downloads/ Clearing Services/](http://www.ncdex.com/Downloads/Clearing%20Services/)

**Exhibit 3 - GOOD/ BAD DELIVERY NORMS FOR ACCEPTANCE OF COMMODITY AT WAREHOUSE**

<b>No.</b>	<b>Particulars</b>	<b>Good/ Bad delivery</b>
1.	Quality not meeting futures contract specification.	Bad delivery
2.	Delivery at non designated 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 other than recognized by designated warehouse/ weigh bridge/ weigh scale	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 not as per the packaging specification	Bad delivery
8.	Delivery found contaminated on visual inspection	Bad delivery

**Exhibit 4 – SPECIMEN OF PEPPER 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 \_\_\_\_\_ Metric Tons ( MT ) Net of Pepper at the NCDEX designated warehouse:

The weight/ tonnage of material delivered is as per weigh bridge/ weigh scale in the premises of the designated warehouse.

2) QUALITY :

The results of analysis performed by our laboratory of the samples collected by Warehouse \_\_\_\_\_ 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**