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**CHAPTER 1 - TRADING PARAMETERS**

**Authority**

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

**Unit of Trading**

The unit of trading shall be 5 Kg. Bids and offers may be accepted in lots of 5 kgs. or multiples thereof.

**Months Traded In**

Trading in Silver 5 Kgs. 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 Silver 5 Kgs. shall be Re. 1

**Basis Price**

The basis price of Silver 5 Kgs. shall be Ex- Ahmedabad inclusive of Customs Duty, exclusive of local sales tax/VAT.

**Unit for Price Quotation**

The unit of price quotation for Silver 5 Kg contracts shall be in Rupees per kg of Silver with 999 fineness.

**Hours of Trading**

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

- Mondays through Fridays – 10.00 AM to 11.30 PM\*
- Saturdays – 10.00 AM to 02.00 PM

\*Please note that during international daylight saving timings, the trade timings from Monday through Fridays would be from 10 A.M. to 11.55 P.M.

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 delivery month, if 20th happens to be a holiday, Sunday or a Saturday, then the previous working day of the Exchange other than a Saturday.

**Mark to Market**

The outstanding positions in futures contract in Silver 5 Kgs. 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 As per Annexure or 15% of market-wide open position whichever is higher. The Client-wise position limit will be As per Annexure. Both position limits will be subject to NCDEX Regulations and

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directions from time to time. The above position limits will not apply to bona fide hedgers as determined by the Exchange.

#### **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.

#### **Special Margin**

In case of additional volatility, a special margin of at such other percentage, as deemed fit, will be imposed immediately on both buy and sell side in respect of all outstanding positions, which will remain in force for next 2 days, after which the special margin will be relaxed.

#### **Pre-Expiry Additional Margin**

There will be an additional margin imposed for the last 2 trading days, including the expiry date of the Silver contract. The additional margin will be added to the normal exposure margin and will be increased by 5% everyday for the last 2 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).

#### **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 Silver shall be 5 Kg NET.

### **Delivery Size**

Delivery is to be offered and accepted in lots of 5 kgs Net only or multiples thereof. A quantity variation of +/- 6% at the bar level is permitted as per contract specification.

### **Delivery Requests**

The procedure for Silver 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 5 days before the expiry of the contract. Accordingly, the window for acceptance of delivery requests will be open for 3 working days. The window will close 5 days prior to the expiry date of the contract. Members giving delivery requests for the commodities are not permitted to square off their open positions. 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/ vault and Silver already deposited / dematerialized 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.

### **Actual Delivery**

Where Silver is sold for delivery in a specified month, the seller must have requisite electronic credit of such Silver 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.

**Silver certified from any refiners specified by the Exchange on the Settlement day is accepted as good delivery on the Exchange.**

The list of approved refiners by NCDEX is available on [www.ncdex.com/downloads/refiners\\_silver.pdf](http://www.ncdex.com/downloads/refiners_silver.pdf)

### **Accredited Warehouse/ vault**

NCDEX has accredited warehouses/ vaults for receipt and delivery of Silver. Silver will only be received at and delivered from the NCDEX accredited warehouse/ vault. The details of the NCDEX accredited warehouses/ vaults are as per **Exhibit 2**.

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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.

## Silver 5 Kgs. Product Note



### Quality Standards

The contract quality for delivery of Silver futures contracts made under NCDEX Regulations shall be silver 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 premium.

### Packaging

Silver should be delivered in 5 kg bar net basis only, subject to allowable variation as per **Exhibit I**.

### Standard Allowances

There is no deduction on account of standard allowance.

### Weight

The quantity of Silver received and or delivered at the NCDEX accredited vault would be determined/ calculated by the weight together with serial number as indicated in the enclosed Refinery certificate submitted at the time of delivery into the accredited vault and would be binding on all parties.

### Good/ Bad delivery Norms

Silver delivery into NCDEX accredited Warehouse/ vault 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

Silver delivered into the NCDEX accredited Vault must be accompanied with the certificate from NCDEX approved refinery.

### Testing Procedure

The silver bars to be accepted at the accredited vault shall be directly imported and hallmarked from the approved list of refiners, indicated in **Exhibit 3**, through the approved logistic agency i.e. Brinks Arya India (Pvt.) Ltd. or their affiliates/ associates. The silver bars delivered at the Exchange accredited vault, indicated in **Exhibit 2**, should bear the refinery serial no. and accompanied with the Refinery certificate. Silver held at the NCDEX accredited vaults will be on un-allocated basis i.e. it will be co -mingled with those silver bars pertaining to the participants of NCDEX.

### Validity period

The validity period of the approved Refiner's Certificate for Silver is till the withdrawal from the warehouse/ vault.

### Electronic transfer

Any buyer or seller receiving and or effecting Silver would have to open a depository account with an NCDEX empanelled Depository Participant (DP) to hold the Silver in electronic form. On settlement, the buyer's account with the DP would be credited with the quantity of Silver received and the corresponding seller's account would be debited. The Buyer wanting to take physical delivery of the Silver holding has to make a request in prescribed form to his DP with whom depository account has been opened. The DP

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## Silver 5 Kgs. Product Note



would route the request to the warehouse/ vault for issue of the physical commodity i.e. Silver to the buyer and debit his account, thus reducing the electronic balance to the extent of Silver holding so rematerialized.

### **Charges**

All charges and costs payable at the accredited warehouse/ vault towards delivery of Silver including sampling, grading, weighing, handling charges, storage etc. from the date of receipt into accredited warehouse/ vault upto date of pay in & settlement shall be paid by the seller.

No refund for warehouse/ vault 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/ vault storage charges will be charged to the member/ client by the respective Depository Participant.

### **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 Silver into the NCDEX accredited warehouse/ vault.

### **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 Silver 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 Silver delivered will be provided by the Exchange on the basis of quality specifications:

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 for Silver.

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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.

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 Silver 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 Silver. 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 Silver 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.

<b>Time (T/E+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

**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 / Silver with their respective Clearing member before "pay in".

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

Additionally the supplemental settlement for Silver 5 kgs. futures contracts for premium / discount adjustments relating to quality of Silver 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 (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.

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**Exhibit 1 – Contract Specifications of Silver 5 Kgs applicable for November 2009 expiry onwards (updated on August 14, 2009)**

<b>Type of contract</b>	Silver Futures Contract Specifications
<b>Name of commodity</b>	Silver
<b>Ticker symbol</b>	SILVER5AHM
<b>Trading system</b>	NCDEX Trading System
<b>Basis</b>	Ex-Ahmedabad inclusive of Customs Duty, exclusive of local sales tax/VAT.
<b>Unit of trading</b>	5 Kg
<b>Delivery unit</b>	5 kg
<b>Quotation/Base Value</b>	Rs per Kg of Silver with 999 fineness
<b>Tick size</b>	Re. 1
<b>Quality specification</b>	Not less than 999 fineness bearing a serial number and identifying stamp of a refiner approved by the Exchange.  List of approved refiners: <a href="http://www.ncdex.com/downloads/refiners_silver.pdf">www.ncdex.com/downloads/refiners_silver.pdf</a>
<b>Quantity Variation</b>	+/- 6 per cent
<b>Delivery center</b>	Ahmedabad
<b>Additional delivery centers</b>	New Delhi  Location Premium/Discount as notified by the Exchange from time to time.
<b>Hours of trading</b>	As per directions of the Forward Markets Commission from time to time, currently) -  <b>Mondays through Fridays :</b>  10:00 AM to 11:30 PM  <b>Saturdays :</b>  10:00 AM to 02:00 PM  On the expiry date, contracts expiring on that day will not be available for trading after 5 PM.  The Exchange may vary the above timing with due notice.

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<b>Due date/Expiry date</b>	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 other than a Saturday of the Exchange.
<b>Delivery Specification</b>	Upon expiry of the contracts, the delivery position would be arrived at by the Exchange as per the process put in place by the Exchange for effecting physical delivery based on the information to give/take delivery furnished by the sellers and buyers.
<b>Closing of contract</b>	On 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
<b>Opening of contracts</b>	Trading in any contract month may open on the 10 <sup>th</sup> day of the month in which the near month contract is due to expire. If the 10 <sup>th</sup> day happens to be a non-trading day, contracts would open on the next trading day.
<b>No. of active contracts</b>	As per launch calendar
<b>Price band</b>	Daily Price fluctuation limit is (+/-)4%. If the trade hits the prescribed daily price limit, the 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. On the first day of any new contract, the limit on daily price fluctuation will be reckoned with reference to the opening price. On the second and subsequent days, the daily price fluctuation limit will be reckoned with reference to the mark-to-market rate of the previous closing rate.
<b>Position limits</b>	Member-wise – As per Annexure or 15% of market wide open position whichever is higher.  Client-wise – As per Annexure  The above limits will not apply to bonafide hedgers. For bonafide hedgers the Exchange will decide the

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**Silver 5 Kgs.  
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	limits on a case-to-case basis.
<b>Quality Allowance (for Delivery)</b>	Silver bars of 999 fineness. No premium/discount.
<b>Special Margin</b>	In case of additional volatility, a special margin of at such other percentage, as deemed fit, will be imposed immediately on both buy and sell side in respect of all outstanding positions, which will remain in force for next 2 days, after which the special margin will be relaxed.

**Annexure - Position Limits at Commodity Level (in MT)**

Date	SILVER5DEL (applicable for contracts expiring up to Oct 2009)		SILVER5AHM (applicable for contracts expiring Nov- 2009 onward)	
	MEMBER	CLIENT	MEMBER	CLIENT
From August 10, 2009 to August 20, 2009	112.5	37.5	37.5	12.5
From August 21, 2009 to September 09, 2009	100.0	33.0	50.0	17.0
From September 10, 2009 to September 18, 2009	75.0	25.0	75.0	25.0
From September 19, 2009 to October 9, 2009	50.0	17.0	100.0	33.0
From October 10, 2009 to October 20, 2009	37.5	12.5	112.5	37.5
October 21, 2009 onwards	0	0	150.0	50.0

The limits mentioned above cover all expiry months of **SILVER5DEL** and **SILVER5AHM** respectively.

Please note that as per the contract specifications, for individual symbols **SILVER5DEL** and **SILVER5AHM**, the upper limit at Member level would be either the maximum absolute limit mentioned in the table above or 15% of Market Open Interest, whichever is higher.

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**Contract Launch Calendar**

<b>Contract Launch Month</b>	<b>Contract Expiry Month</b>
August 2009	November 2009
September 2009	December 2009
October 2009	January 2010
November 2009	February 2010
December 2009	March 2010
January 2010	April 2010
February 2010	May 2010
March 2010	June 2010
April 2010	July 2010
May 2010	August 2010
June 2010	September 2010
July 2010	October 2010
August 2010	November 2010
September 2010	December 2010

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**Exhibit 2 – Warehouse/ vault & Assayer Address Details**

**Warehouse/ vault Address**

BRINK'S ARYA (INDIA) PVT. LTD.  
Kailash Society, Bhagwan Nagar No. Tekro, Mahalaxmi Panch Rasta Paldi,  
Ahmedabad 380 006, Gujarat.  
**Contact Person:** Mr. S K Menon  
Mobile : 09327016360; 09327016670

BRINK'S ARYA (INDIA) PVT. LTD.  
C-18 (Basement), Community Centre, C-Block Janakpuri, New Delhi - 110 058  
Contact Person: Mr. Omender Sharma  
Mobile: 09313888909

**Exhibit 3 - Good/ Bad delivery norms**

No.	Particulars	Good / Bad delivery
1.	Delivery before contract expiration.	Good delivery
2.	Silver quality not meeting futures contract specification.	Bad delivery
3.	Delivery at non accredited warehouse/ vault.	Bad delivery
4.	Delivery completed but without certification/ expired validity.	Bad delivery
5.	Delivery without weight certificate.	Bad delivery
6.	Delivery not compatible to delivery size as mentioned in contract specification.	Bad delivery
7.	Delivery beyond specified working hours.	Bad delivery
8.	Delivery without proper documentation.	Bad delivery
9.	Deposit of Silver from any non approved LBMA refiner and not specified by the Exchange.	Bad delivery
10.	Silver bars of weight other than 5 Kg. (Subject to allowable variation)	Bad delivery