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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 30kg. Bids and offers may be accepted in lots of 30kg or multiples thereof.

Months Traded In

Trading in Silver 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 shall be Re. 1

Basis Price

The basis price of Silver 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 shall be in Rupees per kg of Silver with 999 fineness.

Hours of Trading

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

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

All timings are as per Indian Standard Timings (IST)

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.

Last Day of Trading

Last day of trading shall be the 3rd of the expiry month, if 3rd of an expiry month happens to be a Saturday or a holiday, then the contract shall expire on the succeeding working day.

Mark to Market

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

Position limits

Member-wise position limit: Maximum of 150 MT or 15% of market-wide open position whichever is higher. – For all silver contracts combined together.

The Client-wise position limit - 50 MT – For all Silver contracts combined together.

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.

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

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

In case of additional volatility, a special margin at such other percentage, as deemed fit by the Regulator/Exchange, may be imposed on either the buy or the sell side in respect of all outstanding positions. Removal of such Margins will be at the discretion of the Regulator/ Exchange.

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.

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).

Additional Margin

In addition to the above margins the Regulator/Exchange may impose additional margins on both long and short side at such other percentage, as deemed fit. Removal of such margins will be at the discretion of the Regulator/ Exchange.

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 Silver shall be 30 Kg NET.

Delivery Size

Delivery is to be offered and accepted in lots of 30 kgs Net only or multiples thereof. A quantity variation of +/- 10% 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**. All the open positions shall have to be compulsorily delivered either by giving delivery or taking delivery as the case may be. 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 to give delivery such defaulting seller will be liable to penalty as may be prescribed by the Exchange from time to time"**. Upon expiry of the contracts all the outstanding open positions should result in compulsory delivery.

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 delivery request for Silver contracts will be on staggered basis where tender period would start from one working day other than Saturday prior to last working day of the calendar month prior to expiry date of the contract. During the Tender period, if any delivery is tendered by seller, the corresponding buyer having open position and matched as per process put in place by the Exchange, shall be bound to settle by taking delivery from the delivery centre where the seller has delivered same.

The Buyers and the Sellers need to give their location preference through the front end of the trading terminal. On expiry, 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.

Delivery Allocation

The Exchange would then compile delivery requests received from members during the Tender period as specified in Exhibit 1. The buyers / sellers who have to receive / give delivery would be notified on the same day after the close of trading hours. **Delivery of Silver is to be accepted by buyers at the accredited warehouse/ vault where the seller effects delivery in accordance with the contract specifications.** On expiry all outstanding position would be settled by giving / taking physical delivery.

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 approved 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

Accredited Warehouse/ vault

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

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 30 kg bar net basis only, subject to allowable variation as per Exhibit I.

Standard Allowances

No allowance will be allowed on account of sample testing.

Weight

The quantity of Silver received and or delivered at the NCDEX accredited warehouse/ 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 warehouse/ 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 warehouse/ Vault must be accompanied with the certificate from the approved refinery.

Testing Procedure

The silver bars to be accepted at the accredited warehouse/ vault shall be directly imported and hallmarked from the approved list of refiners, through the approved logistic agency i.e. Brinks Arya India (Pvt.) Ltd. or their affiliates / associates. The silver bars delivered at the Exchange accredited warehouse/ vault, indicated in Exhibit 2, should bear the refinery serial no. and accompanied with the Refinery certificate. Silver held at the NCDEX approved 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 for Silver is till its withdrawal from the accredited 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 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 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.

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 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.

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

The Final Settlement Price shall be the last spot price of the day as polled by the Exchange on the last trading day of the contract

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 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 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

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.

Time (T+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

Here T = Trading day.

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".

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Tender Date -T

Tender period:

Tender period would start from one working day other than Saturday prior to the last working day of the calendar month prior to expiry date of the contract.

Pay-in and Pay-out: on a T+1 basis. If the tender date is T then, pay-in and pay-out would happen on T + 1 day. If such a T + 1 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.

Expiry Date

The contract expires on the 3rd of the expiry month, If 3rd happens to be a Saturday or a holiday then the contract will expire on the succeeding working day.

The settlement of contract would be by a staggered system of Pay-in and Pay-out including the Last Pay- in and Pay-out which would be the Final Settlement of the contract.

Pay in and Pay out for Staggered Settlement in case of physical deliveries	
Time (T+1)	Activity
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 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	
Time (T + 1)	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 hrs on T+2 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 T + 3 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 (T + 4)	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 SILVER 30 Kg

(Applicable for Contracts expiring in December 2010 and thereafter)

(updated on December 28, 2010)

Type of Contract	Futures Contract
Name of Commodity	Silver
Ticker symbol	SILVER
Trading System	NCDEX Trading System
Basis	Ex-Ahmedabad inclusive of Custom Duty, exclusive of local sales tax/VAT
Unit of trading	30 Kg
Delivery unit	30 kg
Quotation/base value	Rs per Kg of Silver with 999 fineness
Tick size	Re. 1
Quality specification	Not less than 999 fineness bearing a serial number and identifying stamp of a refiner approved by the Exchange. List of approved refiners: www.ncdex.com/downloads/refiners_silver.pdf
Quantity variation	+/- 10 per cent at bar level.
Delivery center	Ahmedabad (Within a radius of 50 km from the municipal limits)
Additional delivery centres	None
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 Saturdays : 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.
Tender Period	Tender Date – T Tender Period: Tender period would start from one working day, other than Saturdays, prior to the last working day of the calendar month prior to the expiry date of the contract. Pay-in and Pay-out: on a T+1 basis. If the tender date is T then, pay-in and pay-out would happen on T + 1 day. If such a T + 1 day

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	<p>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>
Due Date/ Expiry Date	<p>Expiry date of the contract:</p> <p>The contract expires on the 3rd of the expiry month. If the 3rd happens to be a Saturday or a holiday then the contract will expire on the succeeding working day.</p>
Delivery Specification	<p>Upon expiry 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>During the Tender period, if any delivery is tendered by seller, the corresponding buyer having open position and matched as per process put in place by the Exchange, shall be bound to settle by taking delivery on T + 1 day from the delivery centre where the seller has delivered same.</p>
Closing of contract	<p>Clearing and settlement of contracts will commence with the commencement of Tender Period by compulsory delivery of each open position tendered by the seller on T +1 to the corresponding buyer matched by the process put in place by the Exchange. Upon the expiry of the contract all the outstanding open position should result in compulsory delivery.</p>
Opening of contracts	<p>Trading in a new contract will open on the 1st day of the month in which any contract is due to expire. If the 1st happens to be a holiday, contracts would open on the succeeding working day.</p>
No. of active contracts	<p>As per launch calendar</p>
Price band	<p>Base daily Price fluctuation limit is (+/-)4%. If the trade hits the prescribed base daily price limit, the price limits will be relaxed up to (+/-) 6% without any break/ cooling off period in the trade. In case the daily price limit of (+/-) 6% is breached, then after a cooling off period of 15 minutes, the daily price limit will be further relaxed up to (+/-) 9%. Trade will be allowed during the cooling off period within the price band of (+/-) 6%.</p>

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.

	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	<p>Member-wise position limit - Maximum of 150 MT or 15% of market-wide open position whichever is higher for all silver contracts combined together</p> <p>Client-wise position limit - 50 MT – For all Silver contracts combined together.</p> <p>The above limits will not apply to bonafide hedgers. For bonafide hedgers the Exchange will decide the limits on a case-to-case basis. Please refer to Circular No. NCDEX/TRADING-100/2005/219 dated October 20, 2005.</p>
Quality Allowance (for Delivery)	Silver bars of 999 fineness. No premium/ discount for other fineness.
Special Margin	In case of additional volatility, a special margin at such other percentage, as deemed fit by the Regulator/Exchange, may be imposed on either the buy or the sell side in respect of all outstanding positions. Removal of such Margins will be at the discretion of the Regulator/Exchange.
Additional Margin	In addition to the above margins the Regulator/Exchange may impose additional margins on both long and short side at such other percentage, as deemed fit. Removal of such Margins will be at the discretion of the Regulator/Exchange.
Final Settlement Price	The Final Settlement Price shall be the last spot price of the day as polled by the Exchange on the last trading day of the contract.

Contract Launch Calendar

Contract Launch Month	Contract Expiry Month
November 05, 2010	December 2010 March 2011 May 2011 July 2011
December 2010	September 2011
March 2011	December 2011

Exhibit 2 – Warehouse/ Vault Details

Warehouse/ vault Address & contact details

Brinks 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
Phone: 079-26605179

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

Exhibit 3 - Good/ Bad delivery norms for acceptance at the warehouse/ vault

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 sampling & testing / 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 refiner and not specified by the Exchange.	Bad delivery
10.	Silver bars of weight other than 30 Kg. (Subject to allowable variation)	Bad delivery