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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.

CHAPTER 1 - TRADING PARAMETERS

Authority

Trading of Kapas futures may be conducted under such terms and conditions as specified in the Rules, Byelaws & Regulations as well as directions of the Exchange. A specimen of the Kapas futures contract is indicated in **Exhibit 1**.

Unit of Trading

The unit of trading for Kapas contracts shall be 200 maunds of 20 kg each. Bids and offers may be accepted in lots of 200 maunds of 20 kg each.

Months Traded In

Trading in Kapas future may be conducted in the months as specified by the Exchange from time to time.

Tick Size

The tick size of the price of Kapas futures contract shall be 10 paisa.

Basis Price

The unit for Price quotation for Kapas futures contract would be in rupees per maund (20 kg), basis Surendranagar , exclusive of all taxes.

Hours of Trading

The hours of trading for futures in Kapas futures shall be from 10:00 a.m. to 5.00 p.m Indian Standard Time (IST) on all business days or as determined by the Exchange from time to time. The hours of trading for Kapas futures on all Saturdays shall be from 10:00 a.m. to 2.00 p.m. or as determined by the Exchange from time to time.

Last Day of Trading

Delivery on the expiry of the contract, if any sellers having open position desires to give physical delivery at a particular delivery center, then the buyer with corresponding open position shall be bound to settle by taking physical delivery. NCDEX would thereafter complete the matching process based on the location and then by random, keeping in view the storage capacity of warehouse and Kapas future already deposited / dematerialized for delivery or any other factor(s) that the Exchange deems appropriate for completion of the matching process. The settlement for sellers having open positions

and not providing information for physical delivery of Kapas future shall be completed by cash settlement payable by the sellers in the open position who do not provide delivery information as prescribed above.

Mark to Market

The outstanding positions in futures contract in Kapas future would be marked to market daily based on the Daily Settlement Price as determined by the Exchange.

Position limits

- **Member:** Maximum of 75,000 MT or 15% of the total market Open Position whichever is higher.
- **Client:** Maximum of 25,000 MT for all contracts

The above limits will not apply to bona fide hedgers. For bonafide hedgers, the Exchange will, on a case to case basis decide the hedge limits.

Near month limit (The following limits would be applicable from One Month prior to expiry date of a contract)

Member level: Maximum 15,000 MT or 15% of the total near month open position in the commodity.

Client level: 5,000 MT

Margin Requirements

NCDEX will use Value at Risk (VaR) based margin calculated at 99% confidence interval for one day time horizon. NCDEX reserves the right to change, reduce or levy any additional margins including any mark up margins.

Special Margin

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

Pre-Expiry Additional Margin

There will be an additional margin imposed for the last 5 trading days, including the expiry date of the Kapas 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 cash settlement

The Exchange may impose such penalties as may be decided, on sellers who choose not to deliver the commodity. Currently such penalty for V 797 Kapas is prescribed at 0.5%. This penalty % may be revised by the Exchange from time to time.

Ten percent (10%) of such penalty amount shall be retained by the Exchange and the balance ninety percent (90%) shall be paid to the buyers to whom the deliveries could not be made.

Arbitration

Disputes between NCDEX member's 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 unit of delivery for Kapas future shall be 4 MT (200 Maunds of 20 kg each)

Delivery Size

Delivery is to be offered and accepted in lots of 4 MT with 200 maunds of 20 kg each. Weight variation of +/- 1.25 % for each LOT is acceptable subject to overall acceptable limit of quantity variation or multiples thereof.

Delivery Requests

The procedure for Kapas delivery is based on the contract specifications as per **Exhibit 1**. 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. The Exchange would thereafter complete the matching process based on the location and by random, keeping in view the storage capacity of warehouse and Kapas already deposited / dematerialized for delivery or any other factor(s) that the Exchange deems appropriate for completion of the matching process.

It may be noted that upon expiry of the contract, if any seller having open position desires to give physical delivery at a specified delivery center, then the buyer with corresponding open position as matched by the process put in place by the Exchange, shall be bound to settle by taking physical delivery. All open positions of those sellers who do not provide required information for physical delivery shall be settled in cash with penalties.

Delivery Allocation

The Exchange would compile delivery information received from the selling members on the last trading day. The buyers who have to receive delivery would be notified on the same day after the close of trading hours. Delivery of Kapas is to be accepted by buyers at the accredited warehouse where the seller affects delivery in accordance with the contract specifications.

Actual Delivery

Where Kapas is sold for delivery in a specified month, the seller must have requisite electronic credit of such in his Clearing Members 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 on pay out. The clearing member is expected to transfer the same to the buyers depository account. However, the buyer must take actual physical delivery of Kapas before expiry of the validity date as indicated in the quality test report/Assayer's Certificate of the Assayer.

The goods delivered at the Exchange platform have to be picked up by the buyer after the delivery. The said goods cannot be tendered again for delivery at the Exchange platform.

Any seller willing to give delivery can bring in goods from the first working day of the expiry month. The corresponding buyer whom the delivery has been marked has to withdraw the goods within tenth of the month in which delivery has been allotted to him. If buyer comes after this designated date then the entire responsibility of the good's quality lies with the buyer.

Accredited Warehouse

NCDEX has accredited warehouse for receipt and delivery of Kapas future.

Receipt and delivery of Kapas future will be undertaken only from the accredited warehouse as per **Exhibit 2**.

Quality Standards

The contract grade for delivery of Kapas futures contracts made under NCDEX Regulations shall be Kapas future conforming to the quality specification indicated in **Exhibit 1**. No lower grade /quality shall be accepted in satisfaction of contracts for future delivery except as provided in the contract specifications. Delivery of higher grade would be accepted with premium. Further all deliveries for V- 797 Kapas made on the Exchange should be free of contaminants.

Packaging

Kapas delivered should be well compressed and packed with white twill cloth (woven cloth) without any stains. All sides of the packaging material should be stitched manually. The Kapas delivered should not bear any stains or be contaminated with any other foreign matter. The Kapas should be packed in bags of 50 kg each. For each lot a total of 80 bags are to be delivered.

Standard Allowances

Sample weight per validation of quality	80 Kg on account of sample testing
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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 bags of Kapas 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 or such other weighbridge / weigh scale recognized by the designated warehouse and would be binding on all parties.

Good / Bad delivery Norms

Kapas future 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 as per the trade / industry practices.

Kapas Sampling

Sample of 80 Kg. will be drawn from every delivery lot of 4 MT received at the designated warehouse. Each bag would be opened and 1 kg of sample will be drawn randomly. The Kapas delivered should be free of contaminants and would be inspected by assayers while bags are opened for sampling. Sampling would be as per assayers procedure. The samples drawn will be packed in clean and dry plastic bag or any other standard material & marked to recognize NCDEX member/client identity, quantity, date, time etc. The Kapas samples drawn will be dispatched to the testing laboratory.

Accredited Assayer

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

Quality Testing Report

Samples will be drawn by assayer and sent for testing. Moisture testing will be done at the time of deposit for each bag. The assayer will arrange for sending the Kapas samples to the testing laboratory, packed in sealed plastic bags for quality testing only if lot passes in Moisture.

Testing Procedure

In view of the time taken for sampling, dispatch and receipt of the test report from testing laboratory, delivering members are advised to effect delivery of Kapas bags at the earliest. An illustration of the minimum expected time taken for receipt of Kapas bags at the designated warehouse, sampling, testing and receipt of test report is indicated below:

Sr. No.	Activity day	Activity
1	Day 1	a) Delivery of Kapas b) Sampling and dispatch to testing laboratory.
2	Day 3	Receipt of Kapas at testing laboratory
3	Day 4	Conditioning of Kapas at laboratory premises
4	Day 5 to 7	Testing of Kapas
5	Day 8	Availability of Report

Assayer Certificate

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

Validity period

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

Electronic transfer

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

Charges

All charges and costs payable at the designated warehouse towards delivery of Kapas including sampling, testing, weighing, handling charges, storage etc. from the date of receipt into designated warehouse up to 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 Kapas 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. The rate of stamp duty payable depends on place of issuance of contract note by the member.

Taxes

Service tax

Service tax will be payable by the members of Commodity Exchanges on the brokerage charges 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 Kapas 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 Kapas delivered will be provided by the Exchange on the basis of quality specifications:

Ready Reckoner For Grades					
Cotton Basis			Trash Content		
36.00	=	01	1.25	=	01
36.50	=	02	1.50	=	02
37.00	=	03	1.75	=	03
37.50	=	04	2.00	=	04
38-42	=	05	2.25	=	05
42.50	=	06	2.50	=	06
43.00	=	07	2.75	=	07
43.50	=	08	3.00	=	08
44.00	=	09	3.25	=	09
44.50	=	10	3.50	=	10
45.00	=	11	3.75	=	11
45.50	=	12	4.00	=	12
46.00	=	13	4.25	=	13
			4.50	=	14
			4.75	=	15
			5.00	=	16
			5.25	=	17
			5.50	=	18
			5.75	=	19
			6.00	=	20

Below 36 is rejected

KAPAS MATRIX					
Kapas Basis	Premium / Disc %	Trash Content	Prem/ Disc%	Final Prem/Disc%	GRADE
01	-2.00	01	0.00	-2.00	KAP0101
01	-2.00	02	-0.25	-2.25	KAP0102
01	-2.00	03	-0.50	-2.50	KAP0103
01	-2.00	04	-0.75	-2.75	KAP0104
01	-2.00	05	-1.00	-3.00	KAP0105
01	-2.00	06	-1.25	-3.25	KAP0106
01	-2.00	07	-1.50	-3.50	KAP0107
01	-2.00	08	-1.75	-3.75	KAP0108
01	-2.00	09	-2.00	-4.00	KAP0109
01	-2.00	10	-2.25	-4.25	KAP0110
01	-2.00	11	-2.50	-4.50	KAP0111
01	-2.00	12	-2.75	-4.75	KAP0112
01	-2.00	13	-3.00	-5.00	KAP0113
01	-2.00	14	-3.25	-5.25	KAP0114
01	-2.00	15	-3.50	-5.50	KAP0115
01	-2.00	16	-3.75	-5.75	KAP0116
01	-2.00	17	-4.00	-6.00	KAP0117
01	-2.00	18	-4.25	-6.25	KAP0118
01	-2.00	19	-4.50	-6.50	KAP0119
01	-2.00	20	-4.75	-6.75	KAP0120
02	-1.50	01	0.00	-1.50	KAP0201
02	-1.50	02	-0.25	-1.75	KAP0202
02	-1.50	03	-0.50	-2.00	KAP0203
02	-1.50	04	-0.75	-2.25	KAP0204
02	-1.50	05	-1.00	-2.50	KAP0205
02	-1.50	06	-1.25	-2.75	KAP0206
02	-1.50	07	-1.50	-3.00	KAP0207
02	-1.50	08	-1.75	-3.25	KAP0208
02	-1.50	09	-2.00	-3.50	KAP0209
02	-1.50	10	-2.25	-3.75	KAP0210
02	-1.50	11	-2.50	-4.00	KAP0211
02	-1.50	12	-2.75	-4.25	KAP0212

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02	-1.50	13	-3.00	-4.50	KAP0213
02	-1.50	14	-3.25	-4.75	KAP0214
02	-1.50	15	-3.50	-5.00	KAP0215
02	-1.50	16	-3.75	-5.25	KAP0216
02	-1.50	17	-4.00	-5.50	KAP0217
02	-1.50	18	-4.25	-5.75	KAP0218
02	-1.50	19	-4.50	-6.00	KAP0219
02	-1.50	20	-4.75	-6.25	KAP0220
03	-1.00	01	0.00	-1.00	KAP0301
03	-1.00	02	-0.25	-1.25	KAP0302
03	-1.00	03	-0.50	-1.50	KAP0303
03	-1.00	04	-0.75	-1.75	KAP0304
03	-1.00	05	-1.00	-2.00	KAP0305
03	-1.00	06	-1.25	-2.25	KAP0306
03	-1.00	07	-1.50	-2.50	KAP0307
03	-1.00	08	-1.75	-2.75	KAP0308
03	-1.00	09	-2.00	-3.00	KAP0309
03	-1.00	10	-2.25	-3.25	KAP0310
03	-1.00	11	-2.50	-3.50	KAP0311
03	-1.00	12	-2.75	-3.75	KAP0312
03	-1.00	13	-3.00	-4.00	KAP0313
03	-1.00	14	-3.25	-4.25	KAP0314
03	-1.00	15	-3.50	-4.50	KAP0315
03	-1.00	16	-3.75	-4.75	KAP0316
03	-1.00	17	-4.00	-5.00	KAP0317
03	-1.00	18	-4.25	-5.25	KAP0318
03	-1.00	19	-4.50	-5.50	KAP0319
03	-1.00	20	-4.75	-5.75	KAP0320
04	-0.50	01	0.00	-0.50	KAP0401
04	-0.50	02	-0.25	-0.75	KAP0402
04	-0.50	03	-0.50	-1.00	KAP0403
04	-0.50	04	-0.75	-1.25	KAP0404
04	-0.50	05	-1.00	-1.50	KAP0405
04	-0.50	06	-1.25	-1.75	KAP0406
04	-0.50	07	-1.50	-2.00	KAP0407

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04	-0.50	08	-1.75	-2.25	KAP0408
04	-0.50	09	-2.00	-2.50	KAP0409
04	-0.50	10	-2.25	-2.75	KAP0410
04	-0.50	11	-2.50	-3.00	KAP0411
04	-0.50	12	-2.75	-3.25	KAP0412
04	-0.50	13	-3.00	-3.50	KAP0413
04	-0.50	14	-3.25	-3.75	KAP0414
04	-0.50	15	-3.50	-4.00	KAP0415
04	-0.50	16	-3.75	-4.25	KAP0416
04	-0.50	17	-4.00	-4.50	KAP0417
04	-0.50	18	-4.25	-4.75	KAP0418
04	-0.50	19	-4.50	-5.00	KAP0419
04	-0.50	20	-4.75	-5.25	KAP0420
05	0.00	01	0.00	0.00	KAP0501
05	0.00	02	-0.25	-0.25	KAP0502
05	0.00	03	-0.50	-0.50	KAP0503
05	0.00	04	-0.75	-0.75	KAP0504
05	0.00	05	-1.00	-1.00	KAP0505
05	0.00	06	-1.25	-1.25	KAP0506
05	0.00	07	-1.50	-1.50	KAP0507
05	0.00	08	-1.75	-1.75	KAP0508
05	0.00	09	-2.00	-2.00	KAP0509
05	0.00	10	-2.25	-2.25	KAP0510
05	0.00	11	-2.50	-2.50	KAP0511
05	0.00	12	-2.75	-2.75	KAP0512
05	0.00	13	-3.00	-3.00	KAP0513
05	0.00	14	-3.25	-3.25	KAP0514
05	0.00	15	-3.50	-3.50	KAP0515
05	0.00	16	-3.75	-3.75	KAP0516
05	0.00	17	-4.00	-4.00	KAP0517
05	0.00	18	-4.25	-4.25	KAP0518
05	0.00	19	-4.50	-4.50	KAP0519
05	0.00	20	-4.75	-4.75	KAP0520
06	0.50	01	0.00	0.50	KAP0601
06	0.50	02	-0.25	0.25	KAP0602

06	0.50	03	-0.50	0.00	KAP0603
06	0.50	04	-0.75	-0.25	KAP0604
06	0.50	05	-1.00	-0.50	KAP0605
06	0.50	06	-1.25	-0.75	KAP0606
06	0.50	07	-1.50	-1.00	KAP0607
06	0.50	08	-1.75	-1.25	KAP0608
06	0.50	09	-2.00	-1.50	KAP0609
06	0.50	10	-2.25	-1.75	KAP0610
06	0.50	11	-2.50	-2.00	KAP0611
06	0.50	12	-2.75	-2.25	KAP0612
06	0.50	13	-3.00	-2.50	KAP0613
06	0.50	14	-3.25	-2.75	KAP0614
06	0.50	15	-3.50	-3.00	KAP0615
06	0.50	16	-3.75	-3.25	KAP0616
06	0.50	17	-4.00	-3.50	KAP0617
06	0.50	18	-4.25	-3.75	KAP0618
06	0.50	19	-4.50	-4.00	KAP0619
06	0.50	20	-4.75	-4.25	KAP0620
07	1.00	01	0.00	1.00	KAP0701
07	1.00	02	-0.25	0.75	KAP0702
07	1.00	03	-0.50	0.50	KAP0703
07	1.00	04	-0.75	0.25	KAP0704
07	1.00	05	-1.00	0.00	KAP0705
07	1.00	06	-1.25	-0.25	KAP0706
07	1.00	07	-1.50	-0.50	KAP0707
07	1.00	08	-1.75	-0.75	KAP0708
07	1.00	09	-2.00	-1.00	KAP0709
07	1.00	10	-2.25	-1.25	KAP0710
07	1.00	11	-2.50	-1.50	KAP0711
07	1.00	12	-2.75	-1.75	KAP0712
07	1.00	13	-3.00	-2.00	KAP0713
07	1.00	14	-3.25	-2.25	KAP0714
07	1.00	15	-3.50	-2.50	KAP0715
07	1.00	16	-3.75	-2.75	KAP0716
07	1.00	17	-4.00	-3.00	KAP0717

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07	1.00	18	-4.25	-3.25	KAP0718
07	1.00	19	-4.50	-3.50	KAP0719
07	1.00	20	-4.75	-3.75	KAP0720
08	1.50	01	0.00	1.50	KAP0801
08	1.50	02	-0.25	1.25	KAP0802
08	1.50	03	-0.50	1.00	KAP0803
08	1.50	04	-0.75	0.75	KAP0804
08	1.50	05	-1.00	0.50	KAP0805
08	1.50	06	-1.25	0.25	KAP0806
08	1.50	07	-1.50	0.00	KAP0807
08	1.50	08	-1.75	-0.25	KAP0808
08	1.50	09	-2.00	-0.50	KAP0809
08	1.50	10	-2.25	-0.75	KAP0810
08	1.50	11	-2.50	-1.00	KAP0811
08	1.50	12	-2.75	-1.25	KAP0812
08	1.50	13	-3.00	-1.50	KAP0813
08	1.50	14	-3.25	-1.75	KAP0814
08	1.50	15	-3.50	-2.00	KAP0815
08	1.50	16	-3.75	-2.25	KAP0816
08	1.50	17	-4.00	-2.50	KAP0817
08	1.50	18	-4.25	-2.75	KAP0818
08	1.50	19	-4.50	-3.00	KAP0819
08	1.50	20	-4.75	-3.25	KAP0820
09	2.00	01	0.00	2.00	KAP0901
09	2.00	02	-0.25	1.75	KAP0902
09	2.00	03	-0.50	1.50	KAP0903
09	2.00	04	-0.75	1.25	KAP0904
09	2.00	05	-1.00	1.00	KAP0905
09	2.00	06	-1.25	0.75	KAP0906
09	2.00	07	-1.50	0.50	KAP0907
09	2.00	08	-1.75	0.25	KAP0908
09	2.00	09	-2.00	0.00	KAP0909
09	2.00	10	-2.25	-0.25	KAP0910
09	2.00	11	-2.50	-0.50	KAP0911
09	2.00	12	-2.75	-0.75	KAP0912

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**V797 Kapas
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09	2.00	13	-3.00	-1.00	KAP0913
09	2.00	14	-3.25	-1.25	KAP0914
09	2.00	15	-3.50	-1.50	KAP0915
09	2.00	16	-3.75	-1.75	KAP0916
09	2.00	17	-4.00	-2.00	KAP0917
09	2.00	18	-4.25	-2.25	KAP0918
09	2.00	19	-4.50	-2.50	KAP0919
09	2.00	20	-4.75	-2.75	KAP0920
10	2.50	01	0.00	2.50	KAP1001
10	2.50	02	-0.25	2.25	KAP1002
10	2.50	03	-0.50	2.00	KAP1003
10	2.50	04	-0.75	1.75	KAP1004
10	2.50	05	-1.00	1.50	KAP1005
10	2.50	06	-1.25	1.25	KAP1006
10	2.50	07	-1.50	1.00	KAP1007
10	2.50	08	-1.75	0.75	KAP1008
10	2.50	09	-2.00	0.50	KAP1009
10	2.50	10	-2.25	0.25	KAP1010
10	2.50	11	-2.50	0.00	KAP1011
10	2.50	12	-2.75	-0.25	KAP1012
10	2.50	13	-3.00	-0.50	KAP1013
10	2.50	14	-3.25	-0.75	KAP1014
10	2.50	15	-3.50	-1.00	KAP1015
10	2.50	16	-3.75	-1.25	KAP1016
10	2.50	17	-4.00	-1.50	KAP1017
10	2.50	18	-4.25	-1.75	KAP1018
10	2.50	19	-4.50	-2.00	KAP1019
10	2.50	20	-4.75	-2.25	KAP1020
11	3.00	01	0.00	3.00	KAP1101
11	3.00	02	-0.25	2.75	KAP1102
11	3.00	03	-0.50	2.50	KAP1103
11	3.00	04	-0.75	2.25	KAP1104
11	3.00	05	-1.00	2.00	KAP1105
11	3.00	06	-1.25	1.75	KAP1106
11	3.00	07	-1.50	1.50	KAP1107

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**V797 Kapas
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11	3.00	08	-1.75	1.25	KAP1108
11	3.00	09	-2.00	1.00	KAP1109
11	3.00	10	-2.25	0.75	KAP1110
11	3.00	11	-2.50	0.50	KAP1111
11	3.00	12	-2.75	0.25	KAP1112
11	3.00	13	-3.00	0.00	KAP1113
11	3.00	14	-3.25	-0.25	KAP1114
11	3.00	15	-3.50	-0.50	KAP1115
11	3.00	16	-3.75	-0.75	KAP1116
11	3.00	17	-4.00	-1.00	KAP1117
11	3.00	18	-4.25	-1.25	KAP1118
11	3.00	19	-4.50	-1.50	KAP1119
11	3.00	20	-4.75	-1.75	KAP1120
12	3.50	01	0.00	3.50	KAP1201
12	3.50	02	-0.25	3.25	KAP1202
12	3.50	03	-0.50	3.00	KAP1203
12	3.50	04	-0.75	2.75	KAP1204
12	3.50	05	-1.00	2.50	KAP1205
12	3.50	06	-1.25	2.25	KAP1206
12	3.50	07	-1.50	2.00	KAP1207
12	3.50	08	-1.75	1.75	KAP1208
12	3.50	09	-2.00	1.50	KAP1209
12	3.50	10	-2.25	1.25	KAP1210
12	3.50	11	-2.50	1.00	KAP1211
12	3.50	12	-2.75	0.75	KAP1212
12	3.50	13	-3.00	0.50	KAP1213
12	3.50	14	-3.25	0.25	KAP1214
12	3.50	15	-3.50	0.00	KAP1215
12	3.50	16	-3.75	-0.25	KAP1216
12	3.50	17	-4.00	-0.50	KAP1217
12	3.50	18	-4.25	-0.75	KAP1218
12	3.50	19	-4.50	-1.00	KAP1219
12	3.50	20	-4.75	-1.25	KAP1220
13	4.00	01	0.00	4.00	KAP1301
13	4.00	02	-0.25	3.75	KAP1302

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**V797 Kapas
Product Note**



13	4.00	03	-0.50	3.50	KAP1303
13	4.00	04	-0.75	3.25	KAP1304
13	4.00	05	-1.00	3.00	KAP1305
13	4.00	06	-1.25	2.75	KAP1306
13	4.00	07	-1.50	2.50	KAP1307
13	4.00	08	-1.75	2.25	KAP1308
13	4.00	09	-2.00	2.00	KAP1309
13	4.00	10	-2.25	1.75	KAP1310
13	4.00	11	-2.50	1.50	KAP1311
13	4.00	12	-2.75	1.25	KAP1312
13	4.00	13	-3.00	1.00	KAP1313
13	4.00	14	-3.25	0.75	KAP1314
13	4.00	15	-3.50	0.50	KAP1315
13	4.00	16	-3.75	0.25	KAP1316
13	4.00	17	-4.00	0.00	KAP1317
13	4.00	18	-4.25	-0.25	KAP1318
13	4.00	19	-4.50	-0.50	KAP1319
13	4.00	20	-4.75	-0.75	KAP1320

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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.

Daily Settlement Prices

The Daily Settlement Price (DSP) is 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 Prices

The Final Settlement Price (FSP) will be determined by the Exchange upon maturity of the contract.

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

- Delivery information not provided.
- Unmatched delivery information.

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

Spot Prices

NCDEX will announce / disseminate spot prices for Kapas 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 Kapas. 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. The Exchange will arrive at the rate of Kapas as calculated from V797 Bales and seed prices of V797.

Dissemination of Spot Prices

Spot prices for Kapas will be collected and disseminated on daily basis once when arrival starts in the market.

Pay in and Pay out for Daily Settlement / Final Settlement

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

All fund debits and credits for the Member would be done in the Member’s Settlement Account with the Clearing bank.

Time (T / E+1)	Activity
On or before 11.00 hrs	PAYIN: Debit paying member a/c
After 13.00 hrs	PAYOUT: Credit receiving member a/c

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 / Kapas future with their respective Clearing member before “pay in”.

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

Additionally the supplemental settlements for Kapas futures contracts for premium / discount adjustments relating to quality of Kapas delivered, actual quantity delivered and close out for shortages, will also be conducted on the same day. Clearing Members are required to maintain adequate fund balances in their respective accounts.

Pay in and Pay out for supplemental settlement	
Time (E + 2)	Activity
On or before 15.00 hours	PAY IN: Debit Member Settlement a/c for funds
After 15.00 hours	PAY OUT: Credit Member Settlement a/c for funds

Supplementary Settlement for Taxes

The Exchange will conduct a separate supplementary settlement, as illustrated below, three days after normal pay out for completion of tax transactions.

In order to facilitate issue of invoice to right parties, the buyer Clearing Members are required to give the buyer client details to the Exchange latest by 15.00 on E+3 day failing which the buying member is considered as the end buyer and accordingly invoice is issued in his/their name.

The Seller Clearing Members are required to give the seller client details to the exchange latest by 15.00 hrs on E + 4 day.

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

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

For further clarification and detailed procedure on sales tax settlement, participants can refer to circular number NCDEX/CLEARING-001/2008/002 issued on January 04, 2008.

Exhibit 1 – V-797 Kapas Future Contract Specification

(Updated as on April 16, 2009)
(Applicable for contracts expiring March, 2008 and thereafter)

Type of Contract	Futures Contract Specifications						
Name of Commodity	V 797 Kapas						
Ticker symbol	NCDEX Trading System						
Trading System	KAPASSRNR						
Basis	Ex-warehouse Surendernagar (Exclusive of all taxes)						
Unit of trading	1 lot (200 maunds of 20 kg each i.e. 4 MT)						
Delivery unit	1 lot (200 maunds of 20 kg each i.e. 4 MT)						
Quotation/base value	Rs. Per 20 kg						
Tick size	10 paisa						
Quality specification	<p>Raw Cotton (Cotton traded as V – 797)</p> <p>1. Turnout</p> <table border="1"> <tr> <td>Turnout %</td> <td></td> </tr> <tr> <td>Cotton Basis</td> <td>40% (+/- 2%)</td> </tr> <tr> <td>Cotton seed</td> <td>60% (-/+2%)</td> </tr> </table> <p>2. Trash content: Allowable up to 1.25 % max., beyond which discount in the ratio of 1:1 will be applicable</p> <p>3. Moisture: Max.8.5%</p>	Turnout %		Cotton Basis	40% (+/- 2%)	Cotton seed	60% (-/+2%)
Turnout %							
Cotton Basis	40% (+/- 2%)						
Cotton seed	60% (-/+2%)						
Quantity variation	+/- 1.25% for total weight of each deliverable lot						
Premium/Discount	The seller will get a proportionate premium over every incremental percentage over 42% and similarly a proportionate discount below 38%.The seller can make delivery of goods upto 36% turnout of cotton below which the goods would be rejected.						
Trading month	Contract for February, March and April expiry next year will open for trading after approval by the Commission						
Delivery center	Surendranagar (Gujarat)						
Trading hours	<p>As per directions of the Forward Markets Commission from time to time, currently</p> <p>Mondays through Fridays : 10:00 AM to 05:00 PM Saturdays : 10.00 AM to 2.00 PM</p> <p>The Exchange may vary the above timing with due</p>						

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	notice
Delivery Specification	Upon expiry of the contracts, if any seller with open position desires to give delivery at a particular delivery center, then 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
No. of active contracts	As per launch calendar
Opening of Contracts	Contract for February, March and April expiry next year will open for trading after approval by the Commission
Closing of contract	All open positions will be settled as per general rules and product specific regulations
Price band	Daily price fluctuation limit is (+/-) 3%. If the trade hits the prescribed daily price 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% and trade will be resumed. If the price hits the revised price band again during the day, no trade trade/order shall be permitted during the day beyond the revised limit of (+/-) 4%.
Position limits	<p>Member: Maximum of 75,000 MT or 15% of the total market Open Position whichever is higher.</p> <p>Client: Maximum of 25,000 MT for all contracts</p> <p>The above limits will not apply to bona fide hedgers. For bonafide hedgers, the Exchange will, on a case to case basis decide the hedge limits.</p> <p>Near month limit (The following limits would be applicable from One Month prior to expiry date of a contract)</p> <p>Member level: Maximum 15,000 MT or 15% of the total near month open position in the commodity.</p> <p>Client level: 5,000 MT</p>
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.
Accreditation of Warehouse	The warehouse should be accredited up to a radius of 50 K.m. from the city / municipal limits of basis and additional delivery centres.

Contract Launch Calendar

Date of Launch	Contract expiring in
May 10 2008	April 30, 2009
April 2009	February 2010
	March 2010

Exhibit 2- Warehouses for the delivery of Kapas

The address of the accredited warehouses where Kapas can be delivered will be:

Warehouse Details	Assayer Details
NCMSL-SURENDRANAGAR	NATIONAL COLLATERAL MANAGEMENT SERVICES LIMITED
The warehouse address will be available on the NCDEX website.	(TESTING & CERTIFYING DIVISION)
	4-7-18/6B, NACHARAM,
	RAGHAVENDRA NAGAR
	HYDERABAD- 500 076, ANDHRA PRADESH

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 norm

No.	Particulars	Good / Bad delivery
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

The above list is only indicative and not exhaustive,

Exhibit 4 – Specimen of Kapas testing report

Report Ref:

Date:

ANALYSIS:

The above sample was analyzed by us and the average results are as under

Moisture, HVI & Trash Test Report			
Institute Sample No.			
Marked as			
1:Turnout %			
2. Moisture Test			
Moisture Content			
3. Trash Test			
Trash (%)			

The material delivered by the above NCDEX member is in accordance with the specification provided by NCDEX and valid up to _____ subject to appropriate storage.

The goods delivered may be accepted.

Verified by

Checked by

Page ____ of ____ (signature)

(Technical officer In Charge)