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**NATIONAL COMMODITY & DERIVATIVES EXCHANGE LIMITED**

Circular to all Members of the Exchange

Circular No. : NCDEX/TRADING-042/2023

Date : September 20, 2023

Subject : Modification in contract specification of 29MM Cotton (Symbol: COTTON)

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Members are requested to note that the Exchange, as per SEBI circular no. SEBI/HO/CDMRD/DOP/CIR/P/2019/135 dated November 14, 2019 regarding Modifications in the contract specifications of commodity derivatives contracts and SEBI/HO/CDMRD\_DOP/P/CIR/2021/592 dated July 08, 2021 regarding Review of Advance Intimation timelines for modifications in the contract specifications of commodity derivatives contracts has modified the contract specifications of 29MM Cotton (Symbol: COTTON) Futures contract expiring in the month of October 2023 and thereafter with effect from October 03, 2023.

Currently, 29MM Cotton (Symbol: COTTON) Futures Contracts expiring in the months of October 2023, November 2023, December 2023, January 2024, February 2024, March 2024 and April 2024 are available for trading, and would continue to be traded as per existing contract specification till September 29, 2023. The changes will be applicable for 29MM Cotton (Symbol: COTTON) Futures contracts expiring in the month of October 2023 and thereafter with effect from October 03, 2023.

The running futures contracts and contracts to be launched further shall be additionally governed by the Product Note as is notified on the Exchange Website under the Tab — “Products”. Members and Participants are requested to kindly go through the same and get acquainted with the product launched and its trading and related process put in place by the Exchange.

Members are requested to take note of the following:

1. Summary of modifications in contract specifications for 29MM Cotton (Symbol: COTTON) Futures contracts expiring in the month of October 2023 and thereafter with effect from October 03, 2023 is given in **Annexure I**.
  2. Existing contract specifications of 29MM Cotton (Symbol: COTTON) Futures contracts expiring in the month of October 2023, November 2023, December 2023, January 2024, February 2024, March 2024 and April 2024 till September 29, 2023 is given in **Annexure II**.
  3. Modified contract specifications for 29MM Cotton (Symbol: COTTON) Futures contracts expiring in the month of October 2023 and thereafter with effect from October 03, 2023 is given in **Annexure III**.
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The contracts and the transactions therein will be subject to Rules, Bye Laws and Regulations of the Exchange and circulars issued by the Exchange as well as directives, if any, issued from time to time by SEBI.

It is clarified that it is the sole obligation and responsibility of the Members and market participants to ensure that apart from the approved quality standards stipulated by the Exchange, the commodity deposited / traded / delivered through the approved warehouse of the Clearing Corporation either on their own or on behalf of them by any third party acting on behalf of the Market Participants/Constituents is in due compliance with the applicable regulations laid down by authorities like BIS, AGMARK, Warehousing Development and Regulatory Authority (WDRA), Orders under Packaging and Labelling etc., and other State/Central laws and authorities issuing such regulations in this behalf from time to time, including but not limited to compliance of provisions and rates relating to GST, APMC Tax, LBT, Stamp Duty, etc. as applicable from time to time on the underlying commodity of any contract offered for deposit/trading/delivery and the Exchange/Clearing Corporation shall not be responsible or liable on account of any non-compliance thereof.

For and on behalf of  
**National Commodity & Derivatives Exchange Limited**

Arun Yadav  
Senior Vice President – Products

Encl: Annexure's

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For further information / clarifications, please contact

1. Customer Service Group on toll free number: 1800 26 62339
  2. Customer Service Group by e-mail to: [askus@ncdex.com](mailto:askus@ncdex.com)
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**Annexure I: Summary of modifications in contract specifications for 29MM Cotton (Symbol: COTTON) Futures contracts expiring in the month of October 2023 and thereafter with effect from October 03, 2023)**

**29MM Cotton (Symbol: COTTON) Futures contracts**

Sr. Number	Parameter	Existing Quality Specifications	Modified Quality Specifications	Rationale
<b>Quality Parameter</b>				
1.	Staple Length	Staple 2.5% span length: 29 mm (-1mm) with discount. Below 28 mm = reject, 28.0 to 28.4 = Disc. Of 2 %, 28.5 to 29.0 mm= Disc. of 1% above 29mm no premium	Basis:29 MM, Tenderable Range: Below 28.0 mm = Rejected, 28.0 to 28.4 = Disc. Of 2 %, 28.5 to 29.0 mm= Disc. of 1%, 29.0 to 29.5 = No Premium/ Discount, 29.6 to 30.0%= Prem. Of 0.5%, Above 30.0 mm= No additional Prem.	To align the contract with current market dynamics
2.	Trash	Trash: Basis 3.5% Tenderable Range: Above 3.5% and upto 5% = Discount of 1:1 Below 3.5% and upto 2% = Premium of 1:0.5 Above 5%, goods will be rejected	Trash Basis: 3% Above 3.0% and upto 4.0% Discount of 1:1 Above 4.0% Reject Below 3.0% upto 2% Premium of 1:1 Below 2% No additional premium	As per the feedback received from market participants during product advisory committee meeting.
3.	Micronaire	Micronaire: 3.6 – 4.8 Tenderable Range: Below 3.5 = Rejected Below 3.6 and upto 3.5 = Discount of 0.3% 3.6 to 4.8 = Basis (No Premium/ Discount) Above 4.8 and upto 4.9 = discount of 0.3% Above 4.9%- Reject	MIC Basis: 3.70 to 4.60 3.70 to 4.60 No Premium/discount Below 3.7 and up to 3.5 Discount of 0.50% Above 4.6 and up to 4.9 Discount of 0.75% Below 3.50 and Above 4.9Reject	As per the feedback received from market participants during product advisory committee meeting.

4.	Moisture	Moisture: Basis 8.5% Acceptable up to 9.5% maximum with moisture adjusted weight	Moisture: Basis 9% Acceptable up to 10% maximum with moisture adjusted weight	As per the feedback received from market participants during product advisory committee meeting.
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## Annexure II: Existing contract specifications of 29MM Cotton (Symbol: COTTON) Futures contracts

(Applicable for contracts expiring in the month of October 2023, November 2023, December 2023, January 2024, February 2024, March 2024 and April 2024 till September 29, 2023)

Type of Contract	Futures Contract
Name of Commodity	29 mm Cotton
Ticker symbol	COTTON
Trading System	NCDEX Trading System
Basis	Ex-warehouse Rajkot, exclusive of all taxes
Unit of trading	25 bales (170 kg each)
Delivery unit	25 bales (170 kg each)
Maximum Order Size	50 Trading Lots i.e. 1250 Bales
Quotation/base value	Rs. Per Bale
Tick size	Rs. 10
Quality Specifications and applicable Premium/ Discount for Tenderable Range	<p>1. Staple Length:  Staple 2.5% span length: 29 mm (-1mm) with discount.  Below 28 mm = reject  28.0 to 28.4 = Disc. Of 2 %  28.5 to 29.0 mm = Disc. of 1 %  Above 29mm = no premium</p> <p>2. Micronaire: 3.6 – 4.8  Tenderable Range:  Below 3.5 = Rejected  Below 3.6 and upto 3.5 = Discount of 0.3%  3.6 to 4.8 = Basis (No Premium/ Discount)  Above 4.8 and upto 4.9 = Discount of 0.3%  Above 4.9 = Rejected</p> <p>3. Strength: With HVI mode of assaying  Basis: Min. 28 G/Tex with no premium above 28 G/Tex</p> <p>4. Color Grade:  Basis Grade RD (Reflectance) value and +b (Yellowness):  Basis 75 RD value (-2RD value) with discount  Below 75- upto 74 RD – Discount 1% PRO RATA</p> <p>Below 74 upto 73- Additional Discount of 1.5%  Below 73 RD value reject.  +b upto 10.2 accept,  +b above 10.2 reject.</p>

	<p>5. Trash: Basis 3.5% Tenderable Range: Above 3.5% and upto 5% = Discount of 1:1 Below 3.5% and upto 2% = Premium of 1:0.5 Above 5%, goods will be rejected</p> <p>6. Moisture: Basis 8.5% Acceptable up to 9.5% maximum with moisture adjusted weight</p> <p>7. Short Fiber Index (SFI) = Maximum 8.5</p>
Quantity variation	+/- 9% for total weight of each deliverable lot
Additional Delivery Norms	Ginning pattern: Roller ginned cotton will be accepted. Saw ginned cotton will be accepted with 1% discount
Delivery Center	Rajkot, within a radius of 100 Kms from the municipal limits
Additional Delivery Centers	Kadi (Gujarat) and Akola (Maharashtra) (within a radius of 100 Kms from the municipal limits at a premium/discount as announced by the Exchange from time to time)
Delivery Logic	Compulsory Delivery
Delivery specification	<p>Upon expiry of the contracts all the outstanding open positions shall result in compulsory delivery.</p> <p>During the Tender period, if any delivery is tendered by the 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+2 day from the delivery center where the seller has delivered same.</p> <p>The penalty structure for failure to meet delivery obligations will be as per circular no. NCCL/CLEARING-010/2021 dated March 24, 2021 and circular no. NCCL/CLEARING-029/2021 dated August 18, 2021</p>
Trading hours	<p>As notified by the Exchange from time to time, currently: Mondays through Fridays: 10.00 A.M. to 5.00 P.M.</p> <p>The Exchange may vary above timing with due notice.</p>
Due date/ Expiry Date	<p>20<sup>th</sup> day of the delivery month. If 20<sup>th</sup> 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 the 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.</p>

Tender Period	<p><b>Tender Date –T</b></p> <p>Tender Period: The tender period would be the last 5 trading days (including expiry day) of the contracts.</p> <p><b>Pay-in and Pay-out:</b></p> <p>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 Corporation, clearing banks or any of the service providers, pay-in and pay-out would be effected on the next working day</p>
Opening of Contracts	<p>Trading in new contract will open on the 1st day of the month in which near month contract is due to expire.</p> <p>If the 1<sup>st</sup> day happens to be a non-trading day, contracts would open on the next trading day</p>
No. of active contracts	As per the launch calendar
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 + 2 to the corresponding buyer matched by the process put in place by the Exchange.</p> <p>Upon the expiry of the contract all the outstanding open position shall result in compulsory delivery.</p>
Daily Price Limit (DPL)	<p>Daily price limit is (+/-) 4%. Once the 4% limit is reached, then after a period of 15 minutes this limit shall be increased further by 2%. The trading shall be permitted during the 15 minutes period within the 4% limit. After the DPL is enhanced, trades shall be permitted throughout the day within the enhanced total DPL of 6%.</p> <p>The DPL on the launch (first) day of new contract shall be as per the circular no. NCDEX/TRADING-010/2021 dated March 22, 2021.</p>
Position Limits	<p><b>Limits on Open position for aggregate as well as near month will be as under</b></p> <p><b>Member-wise:</b> 2,00,000 Bales or 15% of market wide open interest in the commodity, whichever is higher.</p> <p><b>Client-wise:</b> 20,000 Bales</p> <p>Bona fide hedger clients may seek exemption as per approved Hedge Policy of the Exchange notified vide Circular No. NCDEX/TRADING-026/2021 dated August 30, 2021.</p> <p><b>For near month contracts:</b></p> <p>The following limits would be applicable from 1<sup>st</sup> of every month in which the contract is due to expire. If 1<sup>st</sup> happens to be a non-trading day, the near month limits would start from the next trading day.</p> <p><b>Member-wise:</b> 50,000 Bales or one-fourth of the member's overall</p>

	position limit in that commodity, whichever is higher. <b>Client-wise:</b> 5,000 Bales.																																																						
Final Settlement Price	<p>FSP shall be arrived at by taking the simple average of the last polled spot prices of the last three trading days viz., E0 (expiry day), E-1 and E-2. In the event the spot price for any one or both of E- 1 and E-2 is not available; the simple average of the last polled spot price of E0, E-1, E-2 and E-3, whichever available, shall be taken as FSP. Thus, the FSP under various scenarios of non-availability of polled spot prices shall be as under:</p> <table><tr><th>Scenario</th><th colspan="4">Polled spot price availability on</th><th>FSP shall be simple average of last polled spot prices on:</th></tr><tr><th></th><th>E0</th><th>E-1</th><th>E-2</th><th>E-3</th><th></th></tr><tr><td>1</td><td>Yes</td><td>Yes</td><td>Yes</td><td>Yes/No</td><td>E0, E-1, E-2</td></tr><tr><td>2</td><td>Yes</td><td>Yes</td><td>No</td><td>Yes</td><td>E0, E-1, E-3</td></tr><tr><td>3</td><td>Yes</td><td>No</td><td>Yes</td><td>Yes</td><td>E0, E-2, E-3</td></tr><tr><td>4</td><td>Yes</td><td>No</td><td>No</td><td>Yes</td><td>E0, E-3</td></tr><tr><td>5</td><td>Yes</td><td>Yes</td><td>No</td><td>No</td><td>E0, E-1</td></tr><tr><td>6</td><td>Yes</td><td>No</td><td>Yes</td><td>No</td><td>E0, E-2</td></tr><tr><td>7</td><td>Yes</td><td>No</td><td>No</td><td>No</td><td>E0</td></tr></table>	Scenario	Polled spot price availability on				FSP shall be simple average of last polled spot prices on:		E0	E-1	E-2	E-3		1	Yes	Yes	Yes	Yes/No	E0, E-1, E-2	2	Yes	Yes	No	Yes	E0, E-1, E-3	3	Yes	No	Yes	Yes	E0, E-2, E-3	4	Yes	No	No	Yes	E0, E-3	5	Yes	Yes	No	No	E0, E-1	6	Yes	No	Yes	No	E0, E-2	7	Yes	No	No	No	E0
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5	Yes	Yes	No	No	E0, E-1																																																		
6	Yes	No	Yes	No	E0, E-2																																																		
7	Yes	No	No	No	E0																																																		
Special margins	In case of unidirectional price movement/ increased volatility, an additional/ special margin at such other percentage, as deemed fit by the Regulator/Exchange, may be imposed on the buy and the sell side or on either of the buy or sell sides in respect of all outstanding positions. Reduction/removal of such additional/ special margins shall be at the discretion of the Regulator/Exchange.																																																						
Minimum Initial Margin	10%																																																						



**Tolerance limit for outbound deliveries for 29 mm Cotton Futures contracts:**

Commodity Specifications	Basis	Acceptable quality range as per contract specification	Permissible Tolerance
Staple Length	29 mm	Accepted upto minimum staple length of 28.0 mm with discount and upto maximum staple length of 31 without premium as mentioned in the contract specifications	+/- 0.50
Micronaire	3.6-4.8	Accepted upto minimum 3.5 and maximum 4.9 with discount as mentioned in the contract specifications	+/- 0.10
Trash	3.5%	Accepted upto +/- 1.5%, with Premium/Discount as mentioned in contract specifications	+/- 0.50%

**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 NCCL empanelled assayer.

**Contract Launch Calendar**

<b>Contract Launch month</b>	<b>Contract Expiry month</b>
November 2022	November 2023
February 2023	February 2024
April 2023	October 2023 April 2024
June 2023	December 2023
July-2023	January-2024
August-2023	-
September-2023	March-2024

### Annexure III: Modified contract specifications of 29MM Cotton Futures contract

(Applicable for contracts expiring in the month of October 2023 and thereafter with effect from October 03, 2023)

Type of Contract	Futures Contract
Name of Commodity	29 mm Cotton
Ticker symbol	COTTON
Trading System	NCDEX Trading System
Basis	Ex-warehouse Rajkot, exclusive of all taxes
Unit of trading	25 bales (170 kg each)
Delivery unit	25 bales (170 kg each)
Maximum Order Size	50 Trading Lots i.e. 1250 Bales
Quotation/base value	Rs. Per Bale
Tick size	Rs. 10
Quality Specifications and applicable Premium/ Discount for Tenderable Range	<p>1. Basis: 29 MM, Tenderable Range: Below 28.0 mm = Rejected, 28.0 to 28.4 = Disc. Of 2%, 28.5 to 29.0 mm= Disc. of 1%, 29.0 to 29.5 = No Premium/ Discount, 29.6 to 30.0% = Prem. Of 0.5%, Above 30.0 mm= No additional Prem.</p> <p>2. MIC Basis: 3.70 to 4.60 3.70 to 4.60 No Premium/discount Below 3.7 and up to 3.5 Discount of 0.50% Above 4.6 and up to 4.9 Discount of 0.75% Below 3.50 and Above 4.9 Reject</p> <p>3. Strength: With HVI mode of assaying Basis: Min. 28 G/Tex with no premium above 28 G/Tex</p> <p>4. Color Grade: Basis Grade RD (Reflectance) value and +b (Yellowness): Basis 75 RD value (-2RD value) with discount Below 75- upto 74 RD – Discount 1% PRO RATA</p> <p>Below 74 upto 73- Additional Discount of 1.5% Below 73 RD value reject. +b upto 10.2 accept, +b above 10.2 reject.</p>

	<p>5. Trash: Basis 3% Above 3.0% and upto 4.0% Discount of 1:1 Above 4.0% Reject Below 3.0% upto 2% Premium of 1:1 Below 2% No additional premium.</p> <p>6. Moisture: Basis 9% Acceptable up to 10% maximum with moisture adjusted weight</p> <p>7. Short Fiber Index (SFI) = Maximum 8.5</p>
Quantity variation	+/- 9% for total weight of each deliverable lot
Additional Delivery Norms	Ginning pattern: Roller ginned cotton will be accepted. Saw ginned cotton will be accepted with 1% discount
Delivery Center	Rajkot, within a radius of 100 Kms from the municipal limits
Additional Delivery Centers	Kadi (Gujarat) and Akola (Maharashtra) (within a radius of 100 Kms from the municipal limits at a premium/discount as announced by the Exchange from time to time)
Delivery Logic	Compulsory Delivery
Delivery specification	<p>Upon expiry of the contracts all the outstanding open positions shall result in compulsory delivery.</p> <p>During the Tender period, if any delivery is tendered by the 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+2 day from the delivery center where the seller has delivered same.</p> <p>The penalty structure for failure to meet delivery obligations will be as per circular no. NCCL/CLEARING-010/2021 dated March 24, 2021 and circular no. NCCL/CLEARING-029/2021 dated August 18, 2021</p>
Trading hours	<p>As notified by the Exchange from time to time, currently: Mondays through Fridays: 10.00 A.M. to 5.00 P.M. The Exchange may vary above timing with due notice.</p>
Due date/ Expiry Date	<p>20<sup>th</sup> day of the delivery month. If 20<sup>th</sup> happens to be a holiday, a Saturday or a Sunday, then the or due date shall be the immediately preceding trading day of the Exchange, which is other than a Saturday.</p> <p>The settlement of the 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.</p>

Tender Period	<p><b>Tender Date –T</b></p> <p>Tender Period: The tender period would be the last 5 trading days (including expiry day) of the contracts.</p> <p><b>Pay-in and Pay-out:</b></p> <p>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 Corporation, clearing banks or any of the service providers, pay-in and pay-out would be effected on the next working day</p>
Opening of Contracts	<p>Trading in new contract will open on the 1st day of the month in which near month contract is due to expire.</p> <p>If the 1<sup>st</sup> day happens to be a non-trading day, contracts would open on the next trading day</p>
No. of active contracts	As per the launch calendar
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 + 2 to the corresponding buyer matched by the process put in place by the Exchange.</p> <p>Upon the expiry of the contract all the outstanding open position shall result in compulsory delivery.</p>
Daily Price Limit (DPL)	<p>Daily price limit is (+/-) 4%. Once the 4% limit is reached, then after a period of 15 minutes this limit shall be increased further by 2%.</p> <p>The trading shall be permitted during the 15 minutes period within the 4% limit. After the DPL is enhanced, trades shall be permitted throughout the day within the enhanced total DPL of 6%.</p> <p>The DPL on the launch (first) day of new contract shall be as per the circular no. NCDEX/TRADING-010/2021 dated March 22, 2021.</p>
Position Limits	<p><b>Limits on Open position for aggregate as well as near month will be as under</b></p> <p><b>Member-wise:</b> 2,00,000 Bales or 15% of market wide open interest in the commodity, whichever is higher.</p> <p><b>Client-wise:</b> 20,000 Bales</p> <p>Bona fide hedger clients may seek exemption as per approved Hedge Policy of the Exchange notified vide Circular No. NCDEX/TRADING-026/2021 dated August 30, 2021.</p> <p><b>For near month contracts:</b></p> <p>The following limits would be applicable from 1<sup>st</sup> of every month in which the contract is due to expire. If 1<sup>st</sup> happens to be a non-trading day, the near month limits would start from the next trading day.</p> <p><b>Member-wise:</b> 50,000 Bales or one-fourth of the member's overall</p>

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Scenario	Polled spot price availability on				FSP shall be simple average of last polled spot prices on:																																																			
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2	Yes	Yes	No	Yes	E0, E-1, E-3																																																			
3	Yes	No	Yes	Yes	E0, E-2, E-3																																																			
4	Yes	No	No	Yes	E0, E-3																																																			
5	Yes	Yes	No	No	E0, E-1																																																			
6	Yes	No	Yes	No	E0, E-2																																																			
7	Yes	No	No	No	E0																																																			
	Special margins	In case of unidirectional price movement/ increased volatility, an additional/ special margin at such other percentage, as deemed fit by the Regulator/Exchange, may be imposed on the buy and the sell side or on either of the buy or sell sides in respect of all outstanding positions. Reduction/removal of such additional/ special margins shall be at the discretion of the Regulator/Exchange.																																																						
	Minimum Initial Margin	8%																																																						

**Tolerance limit of Commodity:**

Commodity Specifications	Basis	Acceptable quality range as per contract specification	Permissible Tolerance
Staple Length	29 mm	Accepted upto minimum staple length of 28.0 mm with discount and upto maximum staple length of 31 without additional premium as mentioned in the contract specifications	+/- 0.50
Micronaire	3.7 – 4.6	Accepted upto minimum 3.5 and maximum 4.9 with discount as mentioned in the contract specifications	+/- 0.10
Trash	3%	Accepted upto +/- 1%, with Premium/Discount as mentioned in contract specifications	+/- 0.50%

**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 NCCL empanelled assayer.

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### Contract Launch Calendar

Contract Launch month	Contract Expiry month
November 2022	November 2023
February 2023	February 2024
April 2023	October 2023 April 2024
June 2023	December 2023
July-2023	January-2024
August-2023	-
September-2023	March-2024
October-2023	-
November-2023	May-2024 November 2024
December-2023	June-2024
January-2024	July-2024
February-2024	February-2025
March-2024	-
April-2024	October-2024 April-2025
May-2024	-
June-2024	December-2024