
NATIONAL COMMODITY & DERIVATIVES EXCHANGE LIMITED

Circular to all trading and clearing members of the Exchange

Circular No : NCDEX/TRADING-092/2017/251

Date : September 29, 2017

Subject : Modification in Contract Specifications - Pepper (PEPPER) Futures contract

Trading and Clearing Members are requested to note that the Exchange, as per Circular No. NCDEX/TRADING-96/2016/232 dated September 22, 2016, has modified the contract specifications in Pepper (PEPPER) Futures contract expiring in month of February 2018 and thereafter. The contract expiring in the month of February 2018 will be available for trading with effect from **October 03, 2017**. Contracts for further expiries will be launched as per the existing contract launch calendar.

The running Futures contracts and contracts to be launched further shall be 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 launched product, its trading and related process put in place by the Exchange.

Currently, Pepper (PEPPER) Futures contracts expiring in months of October 2017, November 2017, December 2017 and January 2018 are available for trading and would continue to be traded as per existing contract specifications.

Further, w.e.f. October 03, 2017, the position limit parameter in the contract specification of Pepper (PEPPER) Futures contracts expiring in months of October 2017, November 2017, December 2017 and January 2018 will be as per Exchange Circular no. NCDEX/RISK-016/2017/201 dated August 14, 2017.

Summary of modifications in the contract specifications for Pepper (PEPPER) Futures contracts expiring in the month of February 2018 and thereafter is given in Annexure I. Existing contract specifications applicable for Pepper (PEPPER) Futures contracts are given in Annexure II. Modified contract specifications applicable for Pepper (PEPPER) Futures contracts expiring in the month of February 2018 and thereafter are given in Annexure III. Premium / Discount for delivery location and grade difference for contract expiring in the month of February 2018 is given in Annexure IV.

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 the 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/s of the Exchange 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 Food Safety Standard Authority of India (FSSAI), AGMARK, BIS, Warehousing Development and Regulatory Authority (WDRA), Orders under Packaging and Labelling etc., as also 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 Goods and Services Tax, APMC Tax, Mandi 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 shall not be responsible or liable on account of any non-compliance thereof.

For and on behalf of
National Commodity & Derivatives Exchange Limited

Suresh Devnani
Executive Vice President - Business

Encl: Annexures

For further information / clarifications, please contact

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3. Customer Service Group on toll free number: 1800 26 62339
4. Customer Service Group by e-mail to : askus@ncdex.com

Annexure I:
Summary of modifications in contract specifications for Pepper Futures contract

Parameter	Existing Contract Specification	Modified Contract Specification	Rationale
Also Deliverable	Not Applicable	Black pepper meeting the quality standards prescribed for MG1 Pepper shall also be deliverable at Kochi and Calicut	Kochi acts as a processing hub for pepper along with being major Export and Import destination for Pepper. Pepper of all major growing origins are traded in Kochi market. Hence, activities like stocking, processing, trading of all origins is done here. Hence, allowing deposits of all origin on Exchange platform shall help in deepening the market and will allow for larger hedging activities on exchange platform.

Annexure II:
Existing Contract specifications of Pepper (PEPPER)

(Applicable for contracts expiring in months of October 2017, November 2017, December 2017 and January 2018)

Type of Contract	Futures Contract
Name of commodity	Pepper
Ticker symbol	PEPPER
Trading system	NCDEX Trading System
Hours of Trading	As notified by the Exchange from time to time, currently:- Mondays through Fridays : 10:00 AM to 05:00 PM The Exchange may vary the above timing with due notice.
Basis	Malabar Garbled 1 ex warehouse Kochi exclusive of GST
Unit of trading	1000 kgs (=1 MT)
Delivery Unit	1000 kgs (=1 MT)
Maximum order size	50 MT
Quotation/Base Value	Rs per Quintal
Tick size	Rs. 5/-
Price Band	Daily price limit is (+/-) 3%. Once the 3% limit is reached, then after a period of 15 minutes this limit shall be increased further by 1%. The trading shall be permitted during the 15 minutes period within the 3% limit. After the DPL is enhanced, trades shall be permitted throughout the day within the enhanced total DPL of 4%. The DPL on the launch (first) day of new contract shall be as per the circular no. NCDEX/RISK-034/2016/209 dated September 08, 2016.
Quality specification	Light Berries: 2% Max Other matter (including pinheads & Broken berries): 0.5% Max Moisture: 11% Max from November to April 11.5% Max from May to October Bulk Density : 550 gm/liter (Minimum) Non-volatile ether extract on dry basis: Not less than 6.0 percent by weight Volatile oil content on dry basis: Not less than 2.0 percent by v/w Piperine content on dry basis: Not less than 4.0 percent by weight The Product shall be free from mould, living and dead insects, insect fragments and rodent contamination. It shall be free from added colour, mineral oil and any other harmful substance. Pepper deposited shall conform to all the standards prescribed and as applicable under the Foods Safety and Standards Regulations as notified by FSSAI from time to time.
Quantity variation	+/- 2%
No. of active contracts	As per the launch calendar
Delivery center	Kochi (within a radius of 100 km from the municipal limits)

Additional centers	Delivery Calicut and Hassan* (within a radius of 100 km from the municipal limits). Location Premium/Discount as notified by the Exchange from time to time *Deliveries made from Hassan may not be grown in Malabar regions but will meet the quality specifications of Malabar Garbled 1 Black Pepper.
Delivery Logic	Compulsory delivery
Opening of contracts	Trading in any contract month will open on the 1st of the month. If the 1st day happens to be a non-trading day, contracts would open on the next trading day.
Tender Period	Tender Date –T Tender Period: The tender period shall start on 11 th of every month in which the contract is due to expire. In case 11 th happens to be a Saturday, a Sunday or a holiday at the Exchange, the tender period would start from the next working day. Pay-in and Pay-out: On a T+2 basis. If the tender date is T, then pay-in and pay-out would happen on T+2 day. If such a T+2 day happens to be a Saturday, a Sunday or a holiday at the Exchange, clearing banks or any of the service providers, pay-in and pay-out would be effected on the next working day.
Closing of contracts	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. Upon the expiry of the contract all the outstanding open position shall result in compulsory delivery.
Due date/Expiry date	Expiry date of the contract: 20th day of the delivery month. If 20 th happens to be a holiday, a Saturday or a Sunday then the due date shall be the immediately preceding trading day of the Exchange. 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.
Delivery Specification	Upon expiry of the contracts all the outstanding open positions shall result in compulsory delivery. 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 + 2 day from the delivery centre where the seller has delivered same. The penalty structure for failure to meet delivery obligations will be as per circular no. NCDEX/CLEARING-020/2016/247 dated September 28, 2016.

Position limits	<p>Member-wise: 9000 MT or 15% of market wide open interest in the commodity, whichever is higher. Client-wise: 900 MT.</p> <p>Bona fide hedger clients may seek exemption as per approved Hedge Policy of the Exchange notified vide Circular No. NCDEX/CLEARING-019/2016/246 dated September 28, 2016</p> <p>For near month contracts: The following limits would be applicable from the 1st of every month in which the contract is due to expire. If 1st happens to be a non-trading day at the Exchange, the near month limits would start from the next trading day.</p> <p>Member-wise: 2250 MT or one-fourth of the member's overall position limit in that commodity, whichever is higher. Client-wise: 225 MT</p>																																																				
Quality Premium/Discount	None																																																				
Special Margin	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.																																																				
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 border="1"> <thead> <tr> <th rowspan="2">Scenario</th> <th colspan="4">Polled spot price availability</th> <th rowspan="2">FSP shall be simple average of last polled spot prices on:</th> </tr> <tr> <th>E0</th> <th>E-1</th> <th>E-2</th> <th>E-3</th> </tr> </thead> <tbody> <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> </tbody> </table>	Scenario	Polled spot price availability				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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Minimum Initial margin	4%																																																				

Tolerance Limits for Outbound Deliveries of Pepper

Specification	Basis	Acceptable quality range	Permissible Tolerance
Light Berries	2% Max	-	+/- 0.2%
Other matter (including pinheads & Broken berries)	0.5% Max	-	-
Moisture	11% Max with a tolerance of 0.5% from May to October	-	+/- 0.5% (for delivery out during May to January - 12%, February to April - 11.5%)
Non-volatile ether extract on dry basis	Not less than 6.0 percent by weight	-	-
Volatile oil content on dry basis	Not less than 2.0 percent by v/w	-	-
Piperine content on dry basis	Not less than 4.0 percent by weight	-	-
Bulk Density	550 Gram/Litre (Minimum)	-	-
Max Loss for all the characteristics			+/-1.00%

Contract Launch Calendar

Contract Launch Month	Contract Expiry Month
July 24, 2017	September 2017, October 2017, November 2017
August 2017	December 2017
September 2017	January 2018

Annexure III
Modified Contract Specifications of Pepper

(Applicable for contracts expiring in the months of February 2018 and thereafter)

Type of Contract	Futures Contract
Name of commodity	Pepper
Ticker symbol	PEPPER
Trading system	NCDEX Trading System
Hours of Trading	As notified by the Exchange from time to time, currently:- Mondays through Fridays : 10:00 AM to 05:00 PM The Exchange may vary the above timing with due notice.
Basis	Malabar Garbled 1 ex warehouse Kochi exclusive of GST
Unit of trading	1000 kgs (=1 MT)
Delivery Unit	1000 kgs (=1 MT)
Maximum order size	50 MT
Quotation/Base Value	Rs per Quintal
Tick size	Rs. 5/-
Price Band	Daily price limit is (+/-) 3%. Once the 3% limit is reached, then after a period of 15 minutes this limit shall be increased further by 1%. The trading shall be permitted during the 15 minutes period within the 3% limit. After the DPL is enhanced, trades shall be permitted throughout the day within the enhanced total DPL of 4%. The DPL on the launch (first) day of new contract shall be as per the circular no. NCDEX/RISK-034/2016/209 dated September 08, 2016.
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Also Deliverable	Black pepper meeting the quality standards prescribed for MG1 Pepper shall also be deliverable at Kochi and Calicut
Quantity variation	+/- 2%
No. of active contracts	As per the launch calendar

Delivery center	Kochi (within a radius of 100 km from the municipal limits)
Additional centers	Calicut and Hassan* (within a radius of 100 km from the municipal limits). Location Premium/Discount as notified by the Exchange from time to time *Deliveries made from Hassan may not be grown in Malabar regions but will meet the quality specifications of Malabar Garbled 1 Black Pepper.
Delivery Logic	Compulsory delivery
Opening of contracts	Trading in any contract month will open on the 1st of the month. If the 1st day happens to be a non-trading day, contracts would open on the next trading day.
Tender Period	Tender Date –T Tender Period: The tender period shall start on 11 th of every month in which the contract is due to expire. In case 11 th happens to be a Saturday, a Sunday or a holiday at the Exchange, the tender period would start from the next working day. Pay-in and Pay-out: On a T+2 basis. If the tender date is T, then pay-in and pay-out would happen on T+2 day. If such a T+2 day happens to be a Saturday, a Sunday or a holiday at the Exchange, clearing banks or any of the service providers, pay-in and pay-out would be effected on the next working day.
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Position limits	<p>Member-wise: 3600 MT or 15% of market wide open interest in the commodity, whichever is higher. Client-wise: 360 MT</p> <p>Bona fide hedger clients may seek exemption as per approved Hedge Policy of the Exchange notified vide Circular No. NCDEX/CLEARING-019/2016/246 dated September 28, 2016</p> <p>For near month contracts: The following limits would be applicable from the 1st of every month in which the contract is due to expire. If 1st happens to be a non-trading day at the Exchange, the near month limits would start from the next trading day.</p> <p>Member-wise: 900 MT or one-fourth of the member's overall position limit in that commodity, whichever is higher. Client-wise: 90 MT</p>																																																				
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Non-volatile ether extract on dry basis	Not less than 6.0 percent by weight	-	-
Volatile oil content on dry basis	Not less than 2.0 percent by v/w	-	-
Piperine content on dry basis	Not less than 4.0 percent by weight	-	-
Bulk Density	550 Gram/Litre (Minimum)	-	-
Max Loss for all the characteristics			+/-1.00%

Contract Launch Calendar

Contract Launch Month	Contract Expiry Month
October 2017	February 2018
November 2017	March 2018
December 2017	April 2018
January 2018	May 2018
February 2018	June 2018
March 2018	July 2018
April 2018	August 2018
May 2018	September 2018
June 2018	October 2018
July 2018	November 2018
August 2018	December 2018
September 2018	January 2019
October 2018	February 2019
November 2018	March 2019

Annexure IV:

Premium/Discount for Delivery Location Difference for contract expiring in the month of February 2018:

Commodity Centre)	(Base	Additional Delivery Centre	(+) Premium/(-) Discount
Pepper (Kochi)	Calicut	No Premium/Discount	
	Hassan	No Premium/Discount	

Premium/Discount for Grade Difference

Base Grade	Additional Grade	(+) Premium/(-) Discount
Malabar Garbled 1	Black Pepper	No Premium/Discount