



Circular no.: MCX/T&S/039/2017

February 15, 2017

Commencement of Futures Trading in Gold February 2018 Contract

In terms of the provisions of the Rules, Bye-Laws and Business Rules of the Exchange, the Members of the Exchange are notified as under:

Gold February 2018 contract will be available for futures trading with effect from Thursday, February 16, 2017.

The contracts specifications, trading parameters, delivery and settlement procedure of the contracts as specified in Annexures 1 and 2 attached herewith, shall be binding on all the Members of the Exchange and constituents trading through them.

Members are requested to take note of the same.

Sanjiv Kapur
Asst. Vice President

Encl.: As above

Kindly contact Mr. Allan Pinto on 022- 6649 4000 or send an email at customersupport@mcxindia.com for further clarification.

----- Corporate office -----
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Contract Specifications of Gold

Symbol	GOLD
Description	GOLDMMYY
Contract Listing	Contracts are available as per the Contract Launch Calendar.
Contract Start Day	16 th day of contract launch month. If 16 th day is a holiday then the following working day.
Last Trading Day	5 th day of contract expiry month. If 5 th day is a holiday then preceding working day.
Trading	
Trading Period	Mondays through Friday
Trading Session	Monday to Friday: 10.00 a.m. to 11.30 / 11.55 p.m.
Trading Unit	1 kg
Quotation/ Base Value	10 grams
Price Quote	Ex-Ahmedabad (inclusive of all taxes and levies relating to import duty, customs but excluding sales tax and VAT, any other additional tax or surcharge on sales tax, local taxes and octroi)
Maximum Order Size	10 kg
Tick Size (Minimum Price Movement)	Re. 1 per 10 grams
Daily Price Limit	<p>The base price limit will be 3%. Whenever the base daily price limit is breached, the relaxation will be allowed upto 6% without any cooling off period in the trade. In case the daily price limit of 6% is also breached, then after a cooling off period of 15 minutes, the daily price limit will be relaxed upto 9%</p> <p><i>In case price movement in international markets is more than the maximum daily price limit (currently 9%), the same may be further relaxed in steps of 3% beyond the maximum permitted limit, and informed to the Regulator immediately.</i></p>
Initial Margin*	Minimum 4% or based on SPAN whichever is higher
Extreme Loss Margin**	1%
Additional and/ or Special Margin	In case of additional volatility, an additional margin (on both buy & sell side) and/ or special margin (on either buy or sell side) at such percentage, as deemed fit; will be imposed in respect of all outstanding positions.
Maximum Allowable Open Position	<p>For individual client: 5 MT for all Gold contracts combined together or 5% of the market wide open position whichever is higher, for all Gold contracts combined together.</p> <p>For a member collectively for all clients: 50 MT or 20% of the market wide open position whichever is higher, for all Gold contracts combined together.</p>

Delivery						
Delivery Unit	1 kg					
Delivery Period Margin***	Delivery period margins shall be higher of: a. 3% + 5 day 99% VaR of spot price volatility Or b. 25%					
Delivery Centre(s)	Designated clearinghouse facilities at Ahmedabad					
Additional Delivery Centre(s)	Mumbai and New Delhi (for procedure please refer circular no. MCX/198/2005).					
Quality Specifications	995 purity It should be serially numbered Gold bars supplied by LBMA approved suppliers or other suppliers as may be approved by MCX to be submitted alongwith supplier's quality certificate.					
If the Seller offers delivery of 999 purity	Seller will get a proportionate premium and sale proceeds will be calculated in the manner of Rate of delivery* 999/ 995 If the quality is less than 995, it is rejected.					
Due Date Rate (Final Settlement Price) ****	For contracts where Final Settlement Price (FSP) is determined by polling, unless specifically approved otherwise, the 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 asunder:					
	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
In case of non-availability of polled spot price on expiry day (E0) due to sudden closure of physical market under any emergency situations noticed at the basis centre, Exchanges shall decide further course of action for determining FSP in consultation with SEBI.						
Delivery Logic	Compulsory					

*The Margin Period of Risk (MPOR) shall be 2 days in accordance with SEBI Circular no. SEBI/HO/CDMRD//DRMP/CIR/P/2016/77 dated September 01, 2016 accordingly, the initial margin shall be scaled up by root 2.

** As per SEBI Circular no CIR/CDMRD/DRMP/01/2015 dated October 1, 2015.

***As per SEBI Circular no SEBI/HO/CDMRD//DRMP/CIR/P/2016/77 dated September 01, 2016

****As per SEBI Circular no SEBI/HO/CDMRD/DRMP/CIR/P/2016/90 dated Sep 21, 2016.

Contract Launch Calendar for Gold contracts

Contract Launch Months	Contract Expiry Months
February 2017	February 2018
April 2017	April 2018
June 2017	June 2018
August 2017	August 2018
October 2017	October 2018
December 2017	December 2018

Delivery and Settlement Procedure of Gold Contracts

Delivery Logic	Compulsory Delivery
Last Day of Trading	5 th Day of contract expiry month. If 5 th day is a holiday then preceding working day.
Tender Period	1 st to 6 th day of the contract expiry month except Saturdays, Sundays and Trading Holidays.
Delivery Period	1 st to 6 th day of the contract expiry month except Saturdays, Sundays and Trading Holidays.
Buyer's Intention	On 1 st to 5 th of the contract expiry month except Saturdays, Sundays and Trading Holidays.
Tender Notice by Seller	The seller will issue tender notice/ delivery intention/ delivery order along with evidence of delivery (Vault Receipt, Packing List, Certificate etc) to the Exchange in a specified format by 7:30 p.m. on 1st to 5th of the contract expiry month except Saturdays, Sundays and Trading Holidays.
Dissemination of Information on Tendered Delivery and Buyers Interest	The Exchange will inform members through TWS regarding tender notice and delivery intentions of the seller's members and the buyers respectively by 8:30 p.m. on the respective tender days.
Tender Period Margin	5% incremental margin for last 5 days on all outstanding positions. Such margin will be addition to initial, additional and special margin as applicable.
Delivery Period Margin	Delivery period margins shall be higher of: a. 3% + 5 day 99% VaR of spot price volatility Or b. 25%
Exemption from Tender and Delivery Period Margin	Tender & Delivery Period margin is exempted if goods tendered on designated tender days of the contract month and seller submits all the documentary evidence.
Delivery Pay-in	<u>On Tender Days:</u> On any tender days by 7.30 p.m. except Saturdays, Sundays and Trading Holidays. Marking of delivery will be done on the tender days based on the intentions received from the sellers after the trading hours. <u>On Expiry:</u> On expiry all the open positions shall be marked for delivery. Delivery pay-in will be on E + 1 basis by 11.00 a.m. except Saturdays, Sundays and Trading Holidays.
Funds Pay-in	T+1 working day by 11.00 a.m. ("T" stands for tender day)
Funds Pay-out	T+1 working day by 05.00 p.m.
Delivery Pay-out	T+1 working day after completion of Funds Pay-in
Mode of Communication	MCX eXchange
Penal Provision	Seller Default:

	<p>3% of Settlement Price + replacement cost (difference between settlement price and higher of the last spot prices on the commodity pay-out date and the following day, if the spot price so arrived is higher than Settlement Price, else this component will be zero.)</p> <p>Norms for apportionment of penalty –</p> <ul style="list-style-type: none"> • At least 1.75% of Settlement Price shall be deposited in the Settlement Guarantee Fund (SGF) of the exchange. • Up to 0.25% of Settlement Price may be retained by the Exchange towards administration expenses. • 1% of Settlement Price + replacement cost shall go to buyer who was entitled to receive delivery. <p>Over and above the prescribed penalty, Exchange shall take suitable penal/ disciplinary action against any intentional / wilful delivery default by seller</p> <p>Buyer default shall not be permitted</p>
Allocation of Delivery	On the respective tender days after the end of the day
Delivery Order Rate (DOR)	Settlement/closing price on the respective tender days except on expiry date. On expiry date the delivery order rate shall be the Due Date Rate (DDR) and not the closing price.
Buyer's Obligation	Buyer default shall not be permitted
Close Out of Outstanding Positions	All outstanding positions on the expiry of contract, not settled by way of delivery in the aforesaid manner, will be settled as per the due date rate with penalty as per penal provisions.
Verification by the Buyer at the Time of Release of Delivery	At the time of taking delivery, the buyer can check his delivery in front of the designated vault personnel. If he is satisfied with the quantity, weight and quality of material, then he will issue receipt of the metals instantly. If he is not satisfied with the metal, he can insist for assaying by any of the approved assayers available at that centre. If the buyer chooses for assaying, designated vault person will carry the goods to the assayers facilities, get it assayed and bring it back to the designated vault along with assayer's certificate. If the assayer's certificate differs from the certificate submitted by the seller in respect of quality or weight materially, then the buyer and seller have to mutually negotiate the final settlement proceeds within 1 day from receipt of assayer's report, however if they do not agree on any mutually acceptable amount within 1 day, then the Exchange will send the goods to a second assayer and in that case, the report received from such assayer will be final and binding on both buyer and seller. The cost of first assaying as well as cost of transportation from designated vault to assayer's facilities to and fro will be borne by the buyer, while the cost of second assaying, if any, will be equally divided between the buyer and seller. The vault charges during such period of first and second assaying, if any, will be borne by both the buyers and sellers equally. If the buyer does not opt for assaying at the time of lifting delivery, then he will not have any further recourse to challenge the quantity or quality subsequently and it will be assumed that he has received the quantity and quality as per the bill made by the seller.

Delivery Centre(s)	Designated clearinghouse facilities at Ahmedabad
Additional Delivery Centre(s)	Mumbai and New Delhi
Legal Obligation	The members will provide appropriate tax forms wherever required as per law and as customary and neither of the parties will unreasonably refuse to do so.
Taxes, Duties, Cess and Levies	Ex-Ahmedabad. Inclusive of all taxes / levies relating to import duty, customs but excluding Sales Tax / VAT, any other additional tax or surcharge on sales tax, local taxes and Octroi.
Vault, Insurance and Transportation Charges	Borne by the seller up to commodity pay-out date Borne by the buyer after commodity pay-out date
Evidence of Stocks in Possession	At the time of issuing delivery order/ Delivery Intention / Tender Notice, the Member must satisfy the Exchange that he holds stocks of the quantity and quality specified in the Delivery Order/ Delivery Intention / Tender Notice at the declared delivery center by producing vault receipt.
Validation Process	On receipt of delivery, the designated vault personnel will do the following validations: a. Whether the person carrying Gold is the designated clearing agent of the member. b. Whether the selling member is the bonafide member of the Exchange. c. Whether the quantity being delivered is from Exchange approved refinery. d. Whether the serial numbers of all the bars is mentioned in the packing list provided. e. Whether the individual original assay certificates are accompanied with the Gold Bars Any other validation checks, as they may desire.
Delivery Process	In case any of the above validation fails, the designated vault will contact the Exchange office and take any further action only as per instructions received from the Exchange in writing. If all validations are through, then the designated vault personnel will put the Gold in the vault. Then the custodian of designated vault will issue appropriate receipt for having received the goods. Designated vault in front of the selling member's clearing agent, will deposit the said metal into their vault.
Quality Adjustment	The price of gold is on the basis of 995 purity. In case a seller delivers 999 purity, he would get a premium. In such case, the sale proceeds will be calculated by way of delivery order rate * 999/ 995.
Procedure of Taking Delivery from the Vault	For the purpose of taking delivery of goods fully or partially, the Member shall send to the Exchange an Authority letter on his letter head, authorising a representative on his behalf to take the delivery. The Authority letter sent by the Member shall consist of the following details: a. Name of the authorised representative. b. Name of the Commodity along with quantity. c. Name of the Vault along with the location. d. Signature of the authorised representative. e. Proof of Identity viz. PAN card, driving license, Election ID. f. Photo identity proof duly attested by the Member.

	<p>The above-mentioned details are required to be sent to the Exchange. Once the Exchange receives the above-mentioned details, the Exchange will send it to the Vault authorities directly.</p> <p>Based on the said details, the Vault will issue the requested quantity to the authorised representative who has to present himself personally at the Vault along with the requisite photo identity proof in original, the copy of which was sent / communicated to the Exchange by its Member.</p> <p>The Vault officials will, upon final scrutiny/checking of the identity, deliver goods to the representative of the Member. The Vault officials in case of any discrepancy or doubt or any other reason may refuse to issue the goods to the representative under the intimation to the Exchange.</p> <p>The delivery given to the representative shall be final & binding to the Member and their constituents at all times.</p>
Deliverable Grade of Underlying Commodity	The selling members tendering delivery will have the option of delivering such grades as per the contract specifications. The buyer has no option to select a particular grade and the delivery offered by the seller and allocation by the Exchange shall be binding on him.
Endorsement of Delivery Order/delivery	The buyer member can endorse delivery order/delivery to a client or any third party with full disclosure given to the Exchange. Responsibility for contractual liability would be with the original assignee.
Extension of Delivery Period	As per Exchange decision due to a force majeure or otherwise.
Applicability of Business Rules	<p>The general provisions of Byelaws, Rules and Business Rules of the Exchange and decisions taken by Regulator of Commodity Exchanges, Board of Directors/ Relevant Authority of the Exchange in respect of matters specified above will form an integral part of this contract. The Exchange or Regulator of Commodity Exchanges as the case may be further prescribe additional measures relating to delivery procedures, vaulting, quality certification, margining, and risk management from time to time.</p> <p>Members and market participants who enter into buy and sell transactions need to be aware of all the factors that go into the mechanism of trading and clearing, as well as all provisions of the Exchange's Bye Laws, Rules, Business Rules, circulars, directives, notifications of the Exchange as well as of the Regulators, Government and other authorities.</p> <p>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 warehouses/Vaults of Exchange is in due compliance with the applicable regulations laid down by authorities like Food Safety Standard Authority of India, AGMARK BIS, 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 Sales Tax, Value Added Tax, APMC Tax, Mandi Tax, LBT, Octroi, Excise duty, stamp duty, etc. as applicable from time to time on the underlying commodity of any</p>

contract offered for deposit / trading / delivery and the Exchange shall not be responsible or liable on account of any non-compliance thereof.

The buyer shall have to lodge their claim against quality and/or quantity of goods/ delivery allocated to them while retaining disputed goods in the designated vault itself (without lifting them out of the vault), if any, within 48 hours from the date of scheduled pay out of the Exchange and failing which, no claim shall be entertained by the Exchange thereafter.

The Exchange is not responsible and shall not be held liable or accountable or responsible for value of the goods/stock of the commodities stored/lying in Exchange designated warehouse/s,vault agency/ Clearing House and which is fully/partially confiscated / seized by any local or statutory or any other authority for any reason whatsoever or for any deterioration in quality of the goods stored due to above reason or which have passed the Final Expiry date and continue to remain in the Exchange accredited warehouse. The decision of the Exchange shall be final and binding to all Members and their constituents in this regard. (The interpretation or clarification given by the Exchange on any terms of this contract shall be final and binding on the members and others.)