MCX METAL & ENERGY
Trade with Trust



SILVER

Silver has been used for thousands of years for ornaments and utensils, trade, and as the basis for many monetary systems. Its value as a precious metal is considered second only to gold.

Silver is a brilliant grey-white metal that is soft and malleable. Its unique properties include its strength, malleability, ductility, electrical and thermal conductivity, sensitivity, high reflectance of light, and reactivity. The main source of silver is lead ore, although it can also be found associated with copper, zinc and gold and produced as a by-product of base metal mining activities. Secondary silver sources include coin melt, scrap recovery, and dis-hoarding from countries where export is restricted.

APPLICATIONS

Demand for silver is based on three main factors: industrial, photography, jewellery and silverware. Together, the three categories represent around 80% of the annual silver consumption. Silver is used in electrical contacts, conductors, mirrors, as a catalyst in chemical reactions. It is also used to make dental alloys, coins, etc.

Silver and silver alloys are used in the construction of high-quality musical wind instruments of many types. Because silver readily absorbs free neutrons, it is commonly used to make control rods to regulate the fission chain reaction in pressurized water nuclear reactors. Silver is used to make solder and brazing alloys, and as a thin layer on bearing surfaces can provide a significant increase in galling resistance and reduce wear under heavy load, particularly against steel.

Owing to silver's versatility, there are very few metals that can substitute it in most applications, particularly in high-tech uses in which reliability, precision, and safety are paramount.

MARKET CHARACTERISTICS

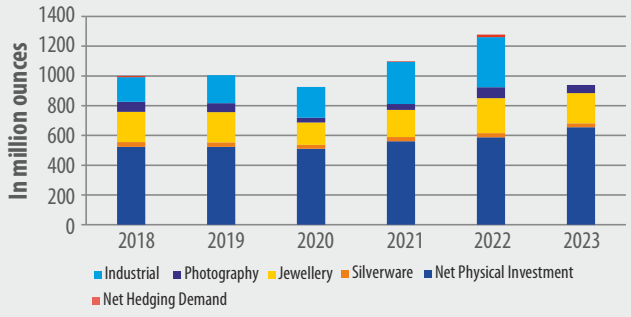
- Silver is unique amongst metals due to the fact that it can be classified as both a precious metal and an industrial metal.
- Today, silver is sought as a valuable and useful industrial commodity and as an investment.
- It is an effective portfolio diversifier.

GLOBAL SILVER SUPPLY
(million ounces)

SUPPLY	2019	2020	2021	2022	2023
Mine Production	837	783	829	837	831
Recycling	148	164	174	177	179
Net Hedging Supply	14	9	-	-	-
Net Official Sector Supply	1	1	2	2	2
Total Supply	**1000**	**957**	**1004**	**1015**	**1011**

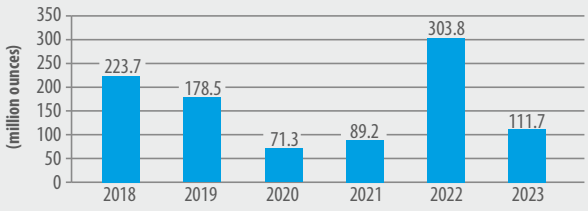
Source: World Silver Survey

WORLD PHYSICAL SILVER DEMAND



Source: World Silver Survey

INDIA SILVER IMPORTS



Source: World Silver Survey

GLOBAL MARKET SCENARIO

- Silver demand in 2023 following a record 2022, total demand saw a fall in 2023 of 7% to 37,169t.
- Industrial silver demand rose by 11% to 20,353t in 2023, posting another record high and Brazing alloys rose by 2%, while other Industrial offtake fell by 5%.
- Electronics & electrical demand grew by 20% in 2023 thanks to green-related applications, steady gains in its core end-uses and limited thrifting.
- Year 2023 saw higher than expected photovoltaic (PV) capacity additions and faster adoption of new-generation solar cells raised global electrical and electronics demand by a substantial 20 percent.
- Jewellery fabrication in 2023 stood at 6,318t, down a steep 13% from 2022's record high. Silverware demand in 2023 fell by a steep 25% to 1,717t last year from 2022's record high.
- *Source – World Gold Council, Metals focus, Silver Institute, World Silver Survey

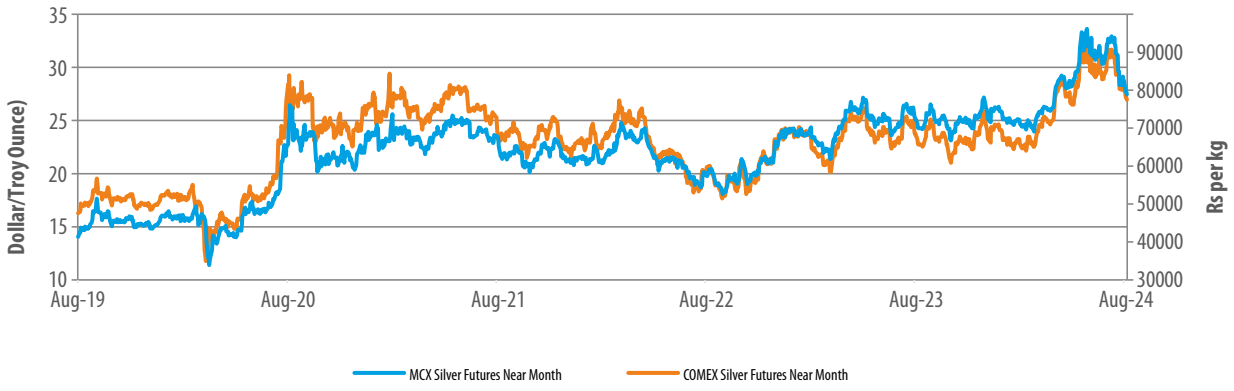
FACTORS AFFECTING MARKET FUNDAMENTALS

- Governments set trade policy (implementation or suspension of taxes, penalties, and quotas) that affect supply by regulating (restricting or encouraging) the material flow.
- Geopolitical events involving governments or economic paradigms and armed conflict can cause major changes.
- A faster growth in demand against supply often leads to a drop in stocks with the government and investors.
- Silver demand is underpinned by the demand from jewellery and silverware, industrial applications, and the overall industrial growth.
- In India, the real industrial demand occupies a small share in the total industrial demand for silver. This is in sharp contrast to most developed economies.
- In India, silver demand is also determined to a large extent by its price level and volatility.



FUTURES CONTRACTS		OPTIONS CONTRACTS
DEFINITION		
An agreement to buy or sell an underlying on a certain date and at a certain price, in the future.		An agreement which gives the buyer the right but not the obligation to buy or sell an underlying at a certain price on or before a certain date.
OBLIGATION		
Buyer and seller are both obligated to honour the contract upon expiry.		Only seller is obligated to honour the contract on expiration.
MARGIN ACCOUNT		
Both parties need to maintain a margin.		Only option writer maintains a margin.
ADVANCE PAYMENT/ CONTRACT PRICING		
No, except the initial margin.		Requires upfront fixed premium from the buyer.
RISKS		
Both buyer and seller have unlimited risk.		Option buyer has limited risk; Option writer has unlimited risk.

SILVER PRICE MOVEMENT



SALIENT SPECIFICATIONS OF MCX SILVER FUTURES CONTRACTS

SYMBOL	SILVER	Silver Mini	Silver Micro
Contract Months	Mar, May, July, Sept & Dec.	Feb, April, June, Aug & Nov	
TRADING			
Last Trading Day	5th of the Contract month	Last day of the contract expiry month	
Trading session	Monday to Friday: 9:00 a.m. to 11:30 p.m. / 11:55 p.m.		
Trading unit	30 kg	5 kg	1 kg
Quotation/Base value	₹ / kg		
Maximum order size	600 kg		
Price Quote	Ex-Ahmedabad*		
Tick size (minimum)	₹ 1/ kg		
Daily price limits	The base price limit will be 4%. 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%. 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%.		
Initial margin	Minimum 16% or based on SPAN whichever is higher		
Extreme Loss Margin	Minimum 1%		
Additional and/or special margin	In case of additional volatility, an additional margin (on both buy and 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**	For individual clients 100 MT or 5% of the market wide open position, whichever is higher for all silver contracts combined together For a member collectively for all clients: 1000 MT or 20% of the market wide open position, whichever is higher for all silver contracts combined together		
DELIVERY			
Delivery Unit	30 kg	5 kg (five nos. of 1Kg Bar)	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%		
Staggered Delivery Tender Period	The staggered delivery tender period would be the last 5 trading days (including expiry day) of the contracts.		
Delivery Center	Ahmedabad & Additional centers: Mumbai, Delhi	Ahmedabad	
Quality Specification	999 fineness (Serially numbered Silver bars supplied by LBMA approved suppliers)		
Due Date Rate:	Due Date Rate is calculated on the expiry day of the contract. This is calculated by way of taking simple average of last 3 days spot market prices of Ahmedabad.		
Delivery Logic	Compulsory		

**Incl. of all taxes and levies relating to import duty, customs but excl. GST, any other additional tax, cess, octroi or surcharge as may be applicable*

*** Genuine hedgers having underlying exposure that exceed the prescribed OI limits given in the contract specifications can be allowed higher limits based on approvals .*

Note: Please refer to the exchange circulars for detailed contract specifications.

SALIENT FEATURES OF MCX SILVER OPTIONS CONTRACT WITH SILVER (30KG) FUTURES AS UNDERLYING AND MCX SILVER MINI OPTIONS CONTRACT WITH SILVER (5KG) FUTURES AS UNDERLYING

Symbol	SILVER OPTIONS	SILVER MINI OPTIONS
Underlying	(30 KG) Underlying shall be Silver Futures contract traded on MCX	(5 KG) Underlying shall be Silver Mini Futures contract traded on MCX
Expiry Day (Last Trading Day)	Three business days prior to the first business day of Tender Period of the underlying futures contract.	
Trading Session	Monday to Friday: 9.00 a.m. to 11.30 / 11.55 p.m. (based on US daylight saving time period)	
Trading Unit	One MCX Silver futures contract	One MCX Silver Mini futures contract
Underlying 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 or GST as applicable)	
Strikes	40 In-the-money, 40 Out-of-the-money and 1 Near-the-money. (41 CE and 41 PE).The Exchange, at its discretion, may enable additional strikes intraday, if required.	
Strike Price Intervals	₹250	
Tick Size (Minimum Price Movement)	₹0.50	
Daily Price Limit	The upper and lower price band shall be determined based on statistical method using Black76 option pricing model and relaxed considering the movement in the underlying futures contract. In the event of freezing of price ranges even without a corresponding price relaxation in underlying futures, if deemed necessary, considering the volatility and other factors in the option contract, the Daily Price Limit shall be relaxed by the Exchange.	
Margins	The Initial Margin shall be computed using SPAN (Standard Portfolio Analysis of Risk) software, which is a portfolio based margining system. To begin with, the various risk parameters shall be as under: A. Price Scan Range – 3.5 Standard Deviation (3.5 sigma) B. Volatility Scan Range – Minimum 3.5% or as decided by MCXCCL from time to time. For applicable VSR refer latest circulars issued by MCXCCL. C. The Short Option Minimum Margin (SOMM) and Margin Period of Risk (MPOR) shall be in accordance with SEBI Circular no. SEBI/HO/CDMRD/DRMP/CIR/P/2020/15 dated January 27, 2020. For applicable SOMM and MPOR refer latest circulars issued by MCXCCL from time to time. D. Extreme Loss Margin – Minimum 1% E. Premium of buyer shall be blocked upfront on real time basis.	
Premium	Premium of buyer shall be blocked upfront on real time basis.	
Margining at client level Real time computation	Initial Margins shall be computed at the level of portfolio of individual clients comprising of the positions in futures and options contracts on each commodity The margins shall be recomputed using SPAN at Begin of Day, 9.30 am, 11.00 am, 1.00 pm, 3.00 pm, 5.00 pm, 7.00 pm, 8.30 pm, 10.30 pm and End of Day.	
Mark to Market	The option positions shall be marked to market by deducting / adding the current market value of options positions (positive for long options and negative for short options) times the number of long / short options in the portfolio from / to the margin requirement. Mark to Market gains and losses would not be settled in Cash for Options Positions.	
Maximum Allowable Open Position	Position limits for options would be separate from the position limits applicable on futures contracts. For individual client: 200 MT for all Silver Options contracts combined together or 5% of the market wide open position whichever is higher, for all Silver Options contracts combined together. For a member collectively for all clients: 2000 MT for all Silver Options contracts combined together or 20% of the market wide open position whichever is higher, for all Silver Options contracts combined together. Upon expiry of the options contract, after devolvement of options position into corresponding futures positions, open positions may exceed their permissible position limits applicable for future contracts. Such excess positions shall have to be reduced to the permissible position limits of futures contracts within two trading days.	
Exercise Mechanism at expiry	All In the money (ITM)# option contracts shall be exercised automatically, unless 'contrary instruction' has been given by long position holders of such contracts for not doing so. The ITM option contract holders, who have not submitted contrary instructions, shall receive the difference between the Settlement Price and Strike Price in Cash as per the settlement schedule. In the event contrary instruction are given by ITM option position holders, the positions shall expire worthless. All Out of the money (OTM) option contracts shall expire worthless. All devolved futures positions shall be considered to be opened at the strike price of the exercised options. All exercised contracts within an option series shall be assigned to short positions in that series in a fair and non-preferential manner # ITM for call option = Strike Price < Settlement Price; ITM for put option = Strike Price > Settlement Price.	
Due Date Rate (Final Settlement Price)	Daily settlement price of underlying futures contract on the expiry day of options contract.	

Note: Please refer to the exchange circulars for detailed contract specifications. | #based on US daylight saving time period

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