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**NATIONAL COMMODITY & DERIVATIVES EXCHANGE LIMITED**

Circular to all Members of the Exchange

Circular No. : NCDEX/TRADING-013/2022

Date : March 15, 2022

Subject : Modification in contract specifications – Guar Seed Options Contracts

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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 and further approval received from the Regulator, has modified the contract specifications of Guar Seed Options contracts expiring in the month of May 2022 and thereafter with effect from March 26, 2022.

Currently, Guar Seed Options contracts expiring in the months of March 2022, April 2022, May 2022, June 2022, July 2022, August 2022 and September 2022 are available for trading.

The changes will be applicable for Guar Seed Options contracts expiring in the month of May 2022 and thereafter from the beginning of day March 26, 2022. In addition, it shall also be noted that if there is any Open Interest (OI) or trade in any of the running contract till March 25, 2022, then the modifications shall be applicable from next available running contract where there is no OI and trade with effect from March 26, 2022.

The running options 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 – “Options -> 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 Guar Seed Options contracts expiring in the month of May 2022 and thereafter (or next available running contract and thereafter where there is no OI and trade) with effect from March 26, 2022 is given in Annexure I.

2. Existing contract specifications applicable for Guar Seed Options contracts expiring in the month of March 2022, April 2022, May 2022, June 2022, July 2022, August 2022 and September 2022 till March 25, 2022 is given in Annexure II.

3. Modified contract specifications for Guar Seed Options contracts applicable for contracts expiring in the month of May 2022 expiry and thereafter (or next available running contract and thereafter where there is no OI and trade) with effect from March 26, 2022, is given in Annexure III.

The contracts and the transactions therein will be subject to Bye Laws, Rules 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 warehouses 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 Food Safety and Standards Authority of India, AGMARK, 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 GST, 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 / Clearing Corporation shall not be responsible or liable on account of any noncompliance thereof.

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

Arun Yadav  
Senior Vice President – Products

Encl: Annexures

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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)

**Annexure I: Summary of modifications in contract specifications of Guar Seed Options Contracts**

| <b>Parameters</b>      | <b>Existing contract specifications</b> | <b>Modified contract specifications</b> | <b>Rationale</b>  |
|------------------------|---|---|---|
| <b>Strike Interval</b> | 50                                      | 100                                     | On the basis of market feedback and in order to better align with the market dynamics . |

**Annexure II: Existing Contract Specifications for Guar Seed Options Contracts**

(Applicable for contracts expiring in the month of March 2022, April 2022, May 2022, June 2022, July 2022, August 2022 and September 2022 applicable till March 25, 2022)

|  |  |
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| <b>Type of Contract</b>                      | Options in Goods   |
| <b>Underlying</b>                            | GUARSEED10   |
| <b>Symbol</b>                                | <UNDERLYING SYMBOL><OPTIONS EXPIRY DATE-DDMMYY><CE/PE><STRIKE PRICE><UNDERLYINGTYPE-F/S><br>Example: GUARSEED1020MAY20CE4100S  |
| <b>Unit of trading</b>                       | 5 MT   |
| <b>Delivery Unit</b>                         | 5 MT   |
| <b>Maximum Order Size</b>                    | 500 MT   |
| <b>Settlement Type</b>                       | Compulsory Delivery  |
| <b>Opening of Contracts</b>                  | Options contract shall be launched on the trading day following the day on which the Futures contract with the same underlying is launched   |
| <b>Closing of Contract</b>                   | Upon the expiry of the contract all the outstanding open position shall result in compulsory delivery.<br><br>The penalty structure for failure to meet delivery obligations will be as per circular no. NCCL/CLEARING-010/2021 dated March 24, 2021 and NCCL/CLEARING-029/2021 dated August 18, 2021. |
| <b>Final Settlement Price</b>                | Same as Corresponding Futures Contract   |
| <b>Options Type</b>                          | European   |
| <b>Premium Quotation/base value</b>          | Rs. Per Quintal  |
| <b>Tick Size</b>                             | Rs.0.50 per Quintal  |
| <b>Expiry Date</b>                           | Same as Corresponding Futures contract   |
| <b>Strike Interval</b>                       | 50   |
| <b>Number of Strikes</b>                     | 7-1-7  |
| <b>Quality Parameters</b>                    | Same as Corresponding Futures contract   |
| <b>Quality Premium/ Discount</b>             | Same as corresponding Futures Contract.  |
| <b>Tolerance limit for Outbound delivery</b> | Same as corresponding Futures Contract.  |
| <b>Quantity Variation</b>                    | +/- 2%   |
| <b>Quality Allowance</b>                     | Same as corresponding Futures Contract.  |

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| <b>Basis</b>                       | Ex- warehouse Jodhpur, exclusive of GST   |
| <b>Delivery Center</b>             | Jodhpur (up to the radius of 50Km radius from the municipal limits)   |
| <b>Additional Delivery Centers</b> | Bikaner, Nokha, Sriganganagar, Deesa and Hanumangarh (up to the radius of 50 Km from the municipal limits) with location wise premium/discount as announced by the Exchange from time to time.  |
| <b>Options Launch Calendar</b>     | Same as corresponding Futures Contract Launch calendar  |
| <b>Trading Hours</b>               | Same as corresponding Futures Contract.   |
| <b>Daily Price Range</b>           | Based on the factors of Daily Price Range (DPR) of Futures contract and volatility.   |
| <b>Position Limits</b>             | <p>Position limits for 'option in goods' shall be clubbed with position limits of 'options on commodity futures' on the same underlying goods but shall remain separate from position limits of futures contracts on the same underlying.</p> <p>Numerical value for client level/member level limits in Options shall be twice of corresponding numbers applicable for Futures contracts.</p> <p>Guar Seed: 3,14,000 MT and 31,400 MT for member and client respectively.</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>Member-wise: 39,250 MT or One-eighth of the member's overall position limit in that commodity, whichever is higher.</p> <p>Client-wise: 3,925 MT</p> |
| <b>Exercise of Options</b>         | European Options to be exercised only on the day of Expiration of the Options contracts   |
| <b>Mechanism of Exercise</b>       | <p>a) All option contracts belonging to 'CTM' option series shall be exercised only on 'explicit instruction' for exercise by the long position holders of such contracts.</p> <p>b) All In the money (ITM) option contracts, except those belonging to 'CTM' option series, shall be exercised</p>   |

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|                                | <p>automatically, unless 'contrary instruction' has been given by long position holders of such contracts for not doing so.</p> <p>c) All Out of the money (OTM) option contracts, except those belonging to 'CTM' option series, shall expire worthless.</p> <p>d) All exercised contracts within an option series shall be assigned to short positions in that series in a fair and non-preferential manner.</p>  |
| <b>Final Settlement Method</b> | <p>On exercise, Option position shall result in physical Delivery of underlying commodity:</p> <ul style="list-style-type: none"> <li>• long call position shall result into a buy (commodity receivable) position</li> <li>• long put position shall result into a sell (commodity deliverable) position</li> <li>• short call position shall result into a sell (commodity deliverable) position</li> <li>• short put position shall result into a buy (commodity receivable) Position</li> </ul>   |
| <b>Initial Margin</b>          | <p>NCCL shall adopt appropriate initial margin model and parameters that are risk-based and generate margin requirements sufficient to cover potential future exposure to participants/clients.</p> <p>The initial margin shall be imposed at the level of portfolio of individual client comprising of his positions in futures and options contracts on each commodity.</p> <p>Margins shall be adequate to cover atleast 99% VaR (Value at Risk) and Margin Period of Risk (MPOR) shall be at least three days.</p> <p>For buyer of the option, buy premium shall be charged as margins and blocked from the collaterals.</p> <p>On computation of settlement obligation at the end of day, the premium blocked shall be released and collected as pay-in as per process notified.</p> |

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|                      | <p>NCCL shall fix prudent price scan range and volatility scan range based on the volatility in the price of the underlying commodity.</p> <p>Appropriate Short Option Minimum Margin (SOMM) shall be fixed.</p>  |
| <b>Other Margins</b> | <ul style="list-style-type: none"> <li>• <b>Extreme loss margin:</b> NCCL shall levy appropriate Extreme loss margin as applicable.</li> <li>• <b>Calendar spread charge:</b> The calendar spread charge shall be calculated on the basis of delta of the portfolio of futures and options. A calendar spread charge of 25% on each leg of the positions shall be charged.</li> <li>• <b>Mark to Market:</b> NCCL shall mark to market the options positions by deducting/adding the current market value of options (positive for long options and negative for short options) times the number of long/short options in the portfolio from/to the margin requirement. Thus, mark to market gains and losses would not be settled in cash for options positions.</li> <li>• <b>Pre expiry margin:</b> Pre expiry margin will be charged on potential in the money long and short option positions. The pre expiry margin will be increased gradually every day beginning from the pre-determined number of days before the expiry of the contract as applicable.</li> <li>• <b>Delivery Margin</b><br/><br/>Appropriate Delivery Margin will be charged on the long and short positions resulting into physical delivery.</li> <li>• <b>Margining at client level:</b> NCCL shall impose initial margins at the level of portfolio of individual client comprising of his positions in futures and options contracts on each commodity.</li> </ul> |



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|  | <ul style="list-style-type: none"><li>• <b>Other margins:</b> Other margins like additional margins and special margins shall be applicable as and when they are levied by the Exchange/CC/Regulator.</li></ul> |
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**Contract Launch Calendar:**

| Contract Launch Month | Contract Expiry Month |
|-----------------------|-----------------------|
| September 2021        | March 2022            |
| October 2021          | April 2022            |
| November 2021         | May 2022              |
| December 2021         | June 2022             |
| January 2022          | July 2022             |
| February 2022         | August 2022           |
| March 2022            | September 2022        |

**Annexure III: Modified Contract Specifications for Guar Seed Options Contracts**

(Applicable for contracts expiring in the month of May 2022 and thereafter (or next available running contract and thereafter where there is no OI and trade) applicable from March 26, 2022)

|                                     |  |
|-------------------------------------|--|
| <b>Type of Contract</b>             | Options in Goods   |
| <b>Underlying</b>                   | GUARSEED10   |
| <b>Symbol</b>                       | <UNDERLYING SYMBOL><OPTIONS EXPIRY DATE-DDMMYY><CE/PE><STRIKE PRICE><UNDERLYINGTYPE-F/S><br>Example: GUARSEED1020MAY20CE4100S  |
| <b>Unit of trading</b>              | 5 MT   |
| <b>Delivery Unit</b>                | 5 MT   |
| <b>Maximum Order Size</b>           | 500 MT   |
| <b>Settlement Type</b>              | Compulsory Delivery  |
| <b>Opening of Contracts</b>         | Options contract shall be launched on the trading day following the day on which the Futures contract with the same underlying is launched   |
| <b>Closing of Contract</b>          | Upon the expiry of the contract all the outstanding open position shall result in compulsory delivery.<br><br>The penalty structure for failure to meet delivery obligations will be as per circular no. NCCL/CLEARING-010/2021 dated March 24, 2021 and NCCL/CLEARING-029/2021 dated August 18, 2021. |
| <b>Final Settlement Price</b>       | Same as Corresponding Futures Contract   |
| <b>Options Type</b>                 | European   |
| <b>Premium Quotation/base value</b> | Rs. Per Quintal  |
| <b>Tick Size</b>                    | Rs.0.50 per Quintal  |
| <b>Expiry Date</b>                  | Same as Corresponding Futures contract   |
| <b>Strike Interval</b>              | <b>100</b>   |
| <b>Number of Strikes</b>            | 7-1-7  |
| <b>Quality Parameters</b>           | Same as Corresponding Futures contract   |
| <b>Quality Premium/Discount</b>     | Same as corresponding Futures Contract.  |
| <b>Tolerance limit</b>              | Same as corresponding Futures Contract.  |

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| <b>for Outbound delivery</b>       |   |
| <b>Quantity Variation</b>          | +/- 2%  |
| <b>Quality Allowance</b>           | Same as corresponding Futures Contract.   |
| <b>Basis</b>                       | Ex- warehouse Jodhpur, exclusive of GST   |
| <b>Delivery Center</b>             | Jodhpur (up to the radius of 50Km radius from the municipal limits)   |
| <b>Additional Delivery Centers</b> | Bikaner, Nokha, Sriganganagar, Deesa and Hanumangarh (up to the radius of 50 Km from the municipal limits) with location wise premium/discount as announced by the Exchange from time to time.  |
| <b>Options Launch Calendar</b>     | Same as corresponding Futures Contract Launch calendar  |
| <b>Trading Hours</b>               | Same as corresponding Futures Contract.   |
| <b>Daily Price Range</b>           | Based on the factors of Daily Price Range (DPR) of Futures contract and volatility.   |
| <b>Position Limits</b>             | <p>Position limits for 'option in goods' shall be clubbed with position limits of 'options on commodity futures' on the same underlying goods but shall remain separate from position limits of futures contracts on the same underlying.</p> <p>Numerical value for client level/member level limits in Options shall be twice of corresponding numbers applicable for Futures contracts.</p> <p>Guar Seed: 3,14,000 MT and 31,400 MT for member and client respectively.</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>Member-wise: 39,250 MT or One-eighth of the member's overall position limit in that commodity, whichever is higher.</p> <p>Client-wise: 3,925 MT</p> |
| <b>Exercise of Options</b>         | European Options to be exercised only on the day of Expiration of the Options contracts   |

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| <b>Mechanism of Exercise</b>   | <p>a) All option contracts belonging to 'CTM' option series shall be exercised only on 'explicit instruction' for exercise by the long position holders of such contracts.</p> <p>b) All In the money (ITM) option contracts, except those belonging to 'CTM' option series, shall be exercised automatically, unless 'contrary instruction' has been given by long position holders of such contracts for not doing so.</p> <p>c) All Out of the money (OTM) option contracts, except those belonging to 'CTM' option series, shall expire worthless.</p> <p>d) All exercised contracts within an option series shall be assigned to short positions in that series in a fair and non-preferential manner.</p>  |
| <b>Final Settlement Method</b> | <p>On exercise, Option position shall result in physical Delivery of underlying commodity:</p> <ul style="list-style-type: none"> <li>• long call position shall result into a buy (commodity receivable) position</li> <li>• long put position shall result into a sell (commodity deliverable) position</li> <li>• short call position shall result into a sell (commodity deliverable) position</li> <li>• short put position shall result into a buy (commodity receivable) Position</li> </ul>  |
| <b>Initial Margin</b>          | <p>NCCL shall adopt appropriate initial margin model and parameters that are risk-based and generate margin requirements sufficient to cover potential future exposure to participants/clients.</p> <p>The initial margin shall be imposed at the level of portfolio of individual client comprising of his positions in futures and options contracts on each commodity.</p> <p>Margins shall be adequate to cover atleast 99% VaR (Value at Risk) and Margin Period of Risk (MPOR) shall be at least three days.</p> <p>For buyer of the option, buy premium shall be charged as margins and blocked from the collaterals.</p> <p>On computation of settlement obligation at the end of day, the premium blocked shall be released and collected as pay-in as per process notified.</p> <p>NCCL shall fix prudent price scan range and volatility scan range based on the volatility in the price of the underlying commodity.</p> <p>Appropriate Short Option Minimum Margin (SOMM) shall be fixed.</p> |

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|----------------------|--|
| <b>Other Margins</b> | <ul style="list-style-type: none"> <li>• <b>Extreme loss margin:</b> NCCL shall levy appropriate Extreme loss margin as applicable.</li> <li>• <b>Calendar spread charge:</b> The calendar spread charge shall be calculated on the basis of delta of the portfolio of futures and options. A calendar spread charge of 25% on each leg of the positions shall be charged.</li> <li>• <b>Mark to Market:</b> NCCL shall mark to market the options positions by deducting/adding the current market value of options (positive for long options and negative for short options) times the number of long/short options in the portfolio from/to the margin requirement. Thus, mark to market gains and losses would not be settled in cash for options positions.</li> <li>• <b>Pre expiry margin:</b> Pre expiry margin will be charged on potential in the money long and short option positions. The pre expiry margin will be increased gradually every day beginning from the pre-determined number of days before the expiry of the contract as applicable.</li> <li>• <b>Delivery Margin</b><br/><br/>Appropriate Delivery Margin will be charged on the long and short positions resulting into physical delivery.</li> <li>• <b>Margining at client level:</b> NCCL shall impose initial margins at the level of portfolio of individual client comprising of his positions in futures and options contracts on each commodity.</li> <li>• <b>Other margins:</b> Other margins like additional margins and special margins shall be applicable as and when they are levied by the Exchange/CC/Regulator.</li> </ul> |
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**Contract Launch Calendar**

| Contract Launch Month | Contract Expiry Month |
|-----------------------|-----------------------|
|                       |                       |
| November 2021         | May 2022              |
| December 2021         | June 2022             |
| January 2022          | July 2022             |
| February 2022         | August 2022           |
| March 2022            | September 2022        |
| April 2022            | October 2022          |
| May 2022              | November 2022         |
| June 2022             | December 2022         |