



PAKISTAN
MERCANTILE
EXCHANGE

Circular No.: PMEX/Operations/07-2012

24 February, 2012

Listing of PMEX Wheat Futures Contract

We are pleased to inform that the Securities & Exchange Commission of Pakistan in exercise of its powers conferred under Commodity Exchange and Futures Contract Rules 2005 has allowed Pakistan Mercantile Exchange (PMEX), to list **PMEX Wheat Futures Contract** at Electronic Trading System (“ETS”) of the Exchange.

In this respect, the Exchange has decided to list the following **PMEX Wheat Futures Contract** with effect from **Monday, Feb 27, 2012**. Details are as follows:

Contract Name	Last Trading Day
WHEAT – MA12	21 March 2012
WHEAT – AP12	18 April 2012
WHEAT – MY12	16 May 2012

The contract specification, trading parameters and settlement procedures in relation to the said product have been specified vide **Annexure A**, which will be binding on all the brokers of the Exchange and constituents trading through them.

As per contract specifications the main delivery center is Faisalabad. However delivery can be made at other locations as specified in **Annexure B**. The delivery other than Faisalabad shall be subject to applicable allowances as specified in **Annexure B**. The addition and deletion of delivery centers and applicable allowances for location will be communicated from time to time by the Exchange.

The Wheat delivered in New PP bags of 100 Kg will also be allowed. The current applicable tare allowance is given in the **Annexure B**. Any change in the applicable tare allowance will be communicated from time to time.

The details of the Exchange approved quality certification organizations /approved assayers are specified in **Annexure C**. The Exchange reserves the right to include or exclude any name from the said list.

Pakistan Mercantile Exchange Ltd.,

formerly National Commodity Exchange Limited

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PMEX trading and settlement fee on the said commodity futures contracts will be **Rs.50 per contract per side**. IPF will also be charged @ Rs 1.25 or 1 % of PMEX fee whichever is lower i.e. 0.50 per contract per side.

Total Fee inclusive of IPF is Rs. 50.50 per contract per side.

Brokers are requested to take note of the above.

Shehzad Hussain Makhani
Head of Operations



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Annexure A

PMEX Wheat Futures Contract Specifications

Trading Hours	Hours of Trading in the PMEX Wheat Futures Contract shall be Monday to Friday (excluding Exchange specified holidays) as given below or as Specified by the Exchange from time to time: Normal Trading Session : 10 am to 6pm PST												
Unit of Trading	10 Metric Tons												
Price Quotation	Price quoted shall be in Rupees per 100 kilogram, Ex-Faisalabad excluding all taxes.												
Trading System	PMEX Trading System												
Tick Size	Rs 1.0												
Delivery Unit	10 MT												
Quantity Variation	+/- 5%												
Quality Specifications	<table><tr><td>1. Moisture</td><td>10% max</td></tr><tr><td>2. Test Weight</td><td>76 Kg/hl min</td></tr><tr><td>3. Foreign Matter</td><td>1% max</td></tr><tr><td>4. Broken & Shriveled</td><td>3% max</td></tr><tr><td>5. Other Food Grains</td><td>3% max</td></tr><tr><td>6. Damaged Grains</td><td>1% max</td></tr></table> Should be free from live weevils and obnoxious smell.	1. Moisture	10% max	2. Test Weight	76 Kg/hl min	3. Foreign Matter	1% max	4. Broken & Shriveled	3% max	5. Other Food Grains	3% max	6. Damaged Grains	1% max
1. Moisture	10% max												
2. Test Weight	76 Kg/hl min												
3. Foreign Matter	1% max												
4. Broken & Shriveled	3% max												
5. Other Food Grains	3% max												
6. Damaged Grains	1% max												
Quality Premium/Discount	As communicated by the Exchange from time to time.												
Packaging	Wheat shall be delivered in new or once used Jute bags of 100 Kg. Tare allowance will be applicable as per applicable industry practice and as communicated by the Exchange.												

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Delivery Center	<p>At Exchange approved and designated warehouses in Faisalabad.</p> <p>Other delivery centers will be announced by the Exchange from time to time. The premium, discount or no allowance for each delivery center other than the main delivery centre (i.e. Faisalabad) will be announced by the Exchange from time to time and will be binding on both buyer and seller.</p>
Contract Months	<p>Contract months would be made available depending on the needs of the market and will be notified in advance by the Exchange.</p>
Opening of Contract	<p>Each contract will be open at least one month before its Last Trading Day.</p>
Last Trading Day (Contract Expiry Day)	<p>Third Wednesday of the contract month or any day specified by the Exchange as a Last Trading Day. If third Wednesday is an Exchange holiday the next working day will be the Last Trading Day.</p>
Daily Settlement Price	<p>The Daily Settlement Price shall be the consensus price determined during the pre-close session. Exchange can also determine the daily settlement price in the manner described hereunder or in such other manner as may be prescribed by the Exchange:</p> <ul style="list-style-type: none">- Last Traded Price- Value Weighted Average Price- Theoretical Futures Price based on the spot price obtained from the market sources. <p>(average of collected prices from the market will formulate the spot price)</p> <p>All open positions will be marked to market at least once a day.</p>
Final Settlement Price	<p>Final Settlement Price will be the daily settlement price of the Last Trading Day of the contract or as determined by the Exchange.</p>

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Price Fluctuation +/- 5% of previous day's settlement price or as specified by the Exchange.

Settlement Mode All open positions after the close of contract shall be settled by either of the following modes:

Delivery of Wheat at the Exchange approved warehouse/delivery center and in such quality and quantity as specified in the Contract Specifications.

Mutual settlement of the matched buyer and the seller off the exchange platform.

Failure to fulfill delivery obligations will be liable to closing at the final settlement price fixed together with a fine as determined by the Exchange.

Notice Period Sellers with open short positions and intending to deliver will be required to inform the exchange two trading days prior to the Last Trading Day (E-2, where E refers to the expiration day) or latest by the closing time of the contract of their intention to deliver along with the quantity which will be delivered and the expected delivery center from the Exchange approved list.

The corresponding Buyers with open long positions matched randomly by the Exchange after the expiration of the contract with the Sellers will be bound to settle by taking physical delivery. Exchange may seek buyers' preference of delivery centre while matching the buyer and seller for delivery.

The names of the matched buyers and sellers would be communicated to respective members on E+1.

Any failure to deliver by the Seller or taking delivery by the matched Buyers will result in a penalty determined by the Exchange.

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**Delivery Mode &
Delivery Period**

Upon Expiration of the contract the seller with open position will have three business days (E+3) to deliver the Wheat at the Exchange approved and designated warehouse/delivery center after completing all Exchange specified procedures for delivery including the quality and quantity certification.

**Settlement of
Delivery Outside
the Exchange**

The matched buyer and seller can mutually agree on the off Exchange settlement of the delivery. In such a case they need to inform the Exchange within the delivery period. The Exchange will then settle their accounts as per final settlement price.

**Pay-in and Pay-out
of Funds for Final
Settlement**

Final payments will include Final Settlement price plus all applicable taxes as per spot market practices applicable at the time of delivery.

The buyer shall pay funds in full to the Exchange by E+2, and after that the buyer will be eligible to receive the documents to get the delivery from the Exchange approved warehouse. The seller will be eligible to receive the funds on E+3, once he has delivered the Wheat at the Exchange approved warehouse after completing all delivery related requirements.

**Quality
Certification**

For the Wheat delivered at an Exchange approved and designated warehouse, the seller needs to obtain a quality certificate from an Exchange approved analyzer.

**Cost of
certification,
weighing, storage
and delivery etc.**

For the Wheat tendered at an Exchange approved and designated warehouse all charges associated with quality certification, weighing, storage, and Exchange required documentation up to the end of day of delivery will be borne by the Seller.

Buyers shall pay all charges including storage charges after the business day following the day of the delivery.

Position Limit

Greater of 15% of Open Interest and 5000 Contracts per Broker, gross across all clients and across all maturities.
Greater of 5% of Open Interest and 500 Contracts per Client, gross across all maturities

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Margin Requirement

The amount of margin payable by members in respect of their outstanding Wheat futures contracts shall be determined by the Exchange. The Exchange will adjust margin requirements as and when volatility in the underlying changes.

Margin shall be calculated on a gross basis on all open positions held in different maturity contracts in the same commodity up to the Client level. The Exchange may give calendar spread discounts.

Initial Margin

Minimum Initial Margin will be calculated using Value-at-Risk (VaR) methodology intended to cover the largest loss over a 1-day Look Ahead period that can be encountered on 99% of the days (99% Value at Risk) or as specified by the Exchange.

Delivery Margin

Delivery Margin will be imposed in increments of 2% per day (or as specified by the Exchange) on all open positions starting at five days prior to expiration (E-5), such that delivery margin payable on Last Trading Day will be 10% (or as specified by the Exchange). Delivery margin shall be in addition to the initial margin.

Special Margin

Exchange reserves the right to impose additional margin due to increased or excessive volatility or due to any other reason Exchange feels appropriate to impose such margin.

Further Regulation

This contract shall be subject, where applicable, to the Regulations of the Pakistan Mercantile Exchange Limited and all applicable Federal/Provincial laws.

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Annexure “B”

Packaging

Wheat delivered in new PP bags of 100 Kg would also be acceptable along with new or once used jute bags. The applicable tare allowance will be as follows:

Jute Bags 2 Kg cut per 100 kg bag
PP Bags 1 Kg cut per 100 Kg bag

Delivery Centre:

Current PMEX Approved Delivery Centers and Applicable Premium/ Discount are specified as below:

Location	Premium
Faisalabad	Contract price with no premium
Jhang	Contract price with no premium
Okara	Contract price with no premium
Multan	Contract price with no premium
Rahim yar Khan	Contract price with no premium
Bahawalpur	Contract price with no premium

The addition and deletion of delivery locations along with applicable allowances will be communicated from time to time by the Exchange. The specific delivery center locations at above stated divisions will be communicated at the time of delivery.

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Annexure C

List of Exchange Approved Assayers

1. **SGS Pakistan**
H-3/3, Sector 5, Korangi Industrial Area,
74900 Karachi
Pakistan
2. **Intertek Pakistan**
Shams Center
172-S, PECHS Block 2,
Tariq Road, Karachi,
Pakistan
3. **United Inspectors**
M.C.F, 1-5
Khayaban-e-Iran, Clifton
Karachi
4. **SeaWays Services (Pvt) Ltd**
Head Office
Suite# F-22 Saima Shopping Mall
Block F, North Nazimabad
Karachi

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