Circular No.: PMEX/Operations/21-2011 **22 June, 2011**

Listing of PMEX Sugar 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 Sugar Futures Contract** at Electronic Trading System ("ETS") of the Exchange.

In this respect, the Exchange has decided to list the following **PMEX Sugar Futures Contract** with effect from **Monday, June 27, 2011**. Details are as follows:

Contract Name	Last Trading Day
SUGAR - SE11	21 September 2011

Market Timings:

Normal Trading Session: 10 am to 7pm PST

On last trading day contract will be closed at 05:00pm PST

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 Karachi. However delivery can be made at other locations as specified in **Annexure B**. The delivery other than Karachi shall be subject to applicable allowances as specified in **Annexure B**.

The applicable allowance as specified in **Annexure B** shall be applicable on September 2011 Sugar Futures Contract only. The Exchange will announce the location allowance for other contract months as and when they will be made available for trading.

Initially all members of Pakistan Sugar Mills Association (PSMA) located in regions as specified in **Annexure B** are included in the **Exchange Approved List of Sugar Mills** for acceptance of delivery orders (DO). The Exchange reserves the right to modify the said list.

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.

PMEX trading and settlement fee on the said commodity futures contracts will be **Rs.50 per contract per side**.

Brokers are requested to take note of the above.

Shehzad Hussain Makhani
Head of Operations

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formerly National Commodity Exchange Limited
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PAKISTAN MERCANTILE EXCHANGE

Annexure A

PMEX Sugar Futures Contract Specifications

Trading Hours	Hours of Trading in the PMEX Sugar 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 7pm PST On last trading day contract will be closed at 05:00pm
Unit of Trading	10 Metric Tons
Price Quotation	Price quoted shall be in Rupees per kilogram, Ex- Karachi exclusive of all taxes.
Trading System	PMEX Trading System
Tick Size	Rs 0.01
Delivery Unit	10 MT
Quantity Variation	+/- 5%
Quality Specifications	Refined and white sugar of medium grain size as per industry norms. 1. Polarization 99.8 % (Min) 2. Moisture 0.08 % (Max) (loss on drying 3 hours at 105° C) 3. ICUMSA 100 (Max)
Quality Premium	No premium is allowed on higher grades and lower grades are not allowed.
Packaging	Sugar shall be delivered in new 50 Kg Polypropylene woven sacs.

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Delivery Centers	At Exchange approved and designated warehouses. The premium, discount or no allowance for each delivery center other than the main delivery centre (i.e, Karachi), will be announced by the Exchange prior to launch of contract and may be subject to change depending on market conditions. Any change will be notified by the Exchange in advance.
Contract Months	Contract months will be notified in advance by the Exchange.
Opening of Contract	Each contract will be open at least one month before its last trading day.
Last Trading Day	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.
Daily Settlement Price	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 here under or in such other manner as may be prescribed by the Exchange: - Last Traded Price - Value Weighted Average Price - Theoretical Futures Price based on the spot price* obtained from the market sources. *(average of collected prices from the market will formulate the spot price)* All open positions will be marked to market at least once a day.
Final Settlement Price	Final settlement price will be the daily settlement price of the last trading day of the contract or as determined by the Exchange.
Price Fluctuation	+/- 5% 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 sugar at the Exchange approved warehouse and in such quality and quantity as specified in the Contract Specifications.

Delivery through tendering Ex-Sugar Mill Delivery Order from an Exchange approved list of sugar mills.

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

Failure to fulfill delivery obligations shall 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.

Delivery Mode & Delivery Period	Upon Expiration of the contract the seller with open position will have three business days (E+3) to deliver the Sugar at the Exchange approved and designated warehouse after completing all Exchange specified procedures for delivery including the quality and quantity certification. The Delivery can also be made through an Ex-Sugar Mill Delivery Order (DO) of any sugar Mill from a panel of sugar Mills approved by the Exchange. The Seller needs to submit the DO in the name of matched buyer to the Exchange latest by E+3.The DO should be valid for at least seven (E+7) working days from the expiry of the contract. The DO should be unconditional and should meet the quality, quantity and packaging specifications as per contract specifications and the loading of the bags to the truck arranged by the buyer. The DO should be in the name of the matched buyer as communicated by the Exchange to the seller or his broker. The DO should also indicate that this DO is for the fulfillment of Delivery obligation of PMEX Sugar futures contract. PMEX will stamp it and two officers will sign the DO before handing it over to the buyer for authentication purpose. Exchange has no responsibility whatsoever in case of loss or misuse of DO once delivered to the buyer. If DO is not honored by the Mill it would be considered as a default by the seller and would be subject to penal charges determined by the Exchange. The buyer has to report for any such event latest by E+8 till 1pm.
Settlement of Delivery Outside the Exchange	Matched Buyers and Seller can mutually agree on 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 should pay funds in full to the Exchange by E+2, after which the Buyer will be eligible to receive the documents to get the delivery from the Exchange approved warehouse or through the ex-mill DO. The seller will be eligible to receive the funds on E+3, once he has delivered the sugar at the Exchange approved warehouse after completing all delivery obligations.

If the delivery is made through a DO, the funds will be paid to the Seller after E+7. However if any problem is reported to the Exchange in getting the delivery from the Mill through DO the funds would be withheld till the settlement of the dispute.

Quality Certification

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

In case of delivery through an Ex Mill DO the seller has to provide a certification from the Mill that the sugar delivered under the DO would meet the quality certification as per contract specification.

The buyer has a right to raise objection on the quality of sugar before lifting from the Mill within the delivery period. In such a case, buyer has to arrange a quality certification from the Exchange approved analyzer. The seller shall fully assist in the certification process. In case the test report is not in accordance with the contract specifications the seller needs to tender the sugar again and also pay the certification charges. At this stage, the buyer may opt for cash settlement at a price higher of the final settlement price or spot price at the time of cash settlement.

Cost of certification, weighing, storage and delivery etc.	If Sugar is 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 borne by the Seller. Buyers shall pay all charges including storage charges after the business day following the day of the delivery.
Endorsement of Delivery Order	Buyer can endorse the DO to a third party with full disclosure to the Exchange. However in such a case if any dispute arises Exchange will not take any responsibility.
Position Limit	Greater of 10% of Open Interest or 2000 Contracts per Broker, gross across all clients and across all maturities. Greater of 5% of Open Interest or 300 Contracts per Client, gross across all maturities
Margin Requirement	The amount of margin payable by members in respect of their outstanding Sugar futures contracts shall be determined by the Exchange. 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 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 deems appropriate.

Further Regulation This contract shall be subject, where applicable, to the PMEX General Regulations and all applicable Federal/Provincial laws.

Annexure B

PMEX Approved Delivery Centers and Applicable Premium/ Discount

Location	Premium
Karachi	Contract price with no premium
All Sindh Province	Contract price with no premium
Bahawalpur Division	Contract price with no premium
DG Khan Division	Contract price with no premium
Multan Division	Contract price with no premium
All Other Divisions of Punjab	Contract price plus Rs 0.75 per Kg
All KP Province	Contract price plus Rs 0.75 per Kg

Note:

*Please note that the above mentioned allowance shall only be applicable on **September 2011 Sugar Futures Contract**. The Exchange will announce the location allowance for other contract months as and when they will be made available for trading.*

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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. SeaWays Services (Pvt) Ltd
   Head Office
   Suite# F-22 Saima Shopping Mall
   Block F, North Nazimabad
   Karachi