



PAKISTAN
MERCANTILE
EXCHANGE

Circular No.: PMEX/MKT, BD&CSS/2015/29

August 20, 2015

PMEX Red Chilli Weekly Futures Contract

We are pleased to inform you that Pakistan Mercantile Exchange (PMEX) will soon list the following three Red Chilli Weekly Futures Contracts (Physical Deliverable). The tentative date of listing is September 01, 2015.

1. PMEX Red Chilli Weekly (Grade A+) Futures Contract
2. PMEX Red Chilli Weekly (Grade A) Futures Contract
3. PMEX Red Chilli Weekly (Grade B) Futures Contract

The contract specifications, trading parameters and settlement procedures of the contracts have been specified vide Annexure "A", which will be binding on all the brokers.

The fee schedule for the above contracts is as follows:

Exchange Fee	SECP Fee	IPF Fee	Total Fee
PKR 1,045 per contract per side (1 ton)	PKR 104.5 per contract per side	PKR 1.25 per contract per side	PKR 1,150.75 per contract per side

Please note that the official date of the launch of the aforementioned contracts and other related details will be communicated via a separate circular.

Brokers who are interested to participate in these physical deliverable futures contracts and want to learn about this product and its related modalities can register themselves for training via the following email addresses mentioning the participants' details:

1. derek.lobo@pmex.com.pk
2. adnan.akhtar@pmex.com.pk

For further information and assistance, please free to contact our Customer Support Services by phone on: 021-111-623-623, 0300-8213-324 and 0321-8756-623 or by email at support@pmex.com.pk.

Best regards,

Nauman Lakhani
Head of Marketing, Business Development
& Customer Support Services

Annexure A

PMEX Red Chilli Weekly (Grade A+) Futures Contract Specifications	
	Specifications
Trading Hours	<p>Hours of Trading in the PMEX Red Chilli Weekly (Grade A+) Futures Contract shall be Monday to Friday (excluding Exchange specified holidays) as given below or as Specified by the Exchange through a circular from time to time :</p> <p>Normal Trading Session: 10 am to 6 pm PST</p> <p>On last trading day contract will be closed at 05:00pm or as communicated by the Exchange through a circular from time to time.</p>
Unit of Trading	1 Metric Ton
Price Quotation	Price quoted shall be in rupees per Maund (Where 1 Maund =40 Kg), Ex Kunri excluding all taxes.
Trading System	PMEX ETS
Tick Size	Rs. 10 per Maund or as specified by the exchange from time to time through a circular
Delivery Unit	1 MT
Delivery Logic	Compulsory
Quantity Variation	+/- 2% or as specified by the exchange through a circular
Quality Specifications	<p>Following are the quality specifications of Red Chilli (A+) to be delivered under this contract or as communicated by the Exchange from time to time through a circular:</p> <ol style="list-style-type: none"> 1. Variety: Maxi – Commonly known as Dandi Cut 2. Shape Round, tipped 3. Colour Bright Red 4. Moisture 5-8 % Max 5. Aflatoxin 10 (B1, 5 ppb) MAX (parts per billion) 6. Extraneous Matter 1% Max 7. Damage /Discolor 2% Max 8. Visual Mold 3% Max <p>Specs 6-8 may differ individually but the sum should not exceed 6%.</p>
Packaging	<p>As per current industry practice Red Chilli shall be delivered in good conditioned Jute bags of 25-28 Kgs. If any change occurs in the industry practice, it will be communicated by the Exchange through a circular.</p> <p>Tare allowance will be applicable as per industry practice as communicated by the</p>

	Exchange from time to time through a circular.
Delivery Centers	At exchange approved and designated warehouse in Kunri or as communicated by the Exchange through circular.
No. of active Contracts	A maximum of 5 contracts may be made available for trading.
Opening Date	Trading in any contract will open at least one week before the last trading day subject to holiday convention.
Last Trading Day (Contract Expiry Day)	Contracts will expire on fifth day subsequent to its opening day. If the fifth day falls on Exchange holiday then the next business day will be the last trading day.
Holiday Convention	<p>In case the first trading day of a contract falls on an Exchange holiday, the contract will start trading from the following Exchange trading day with a shorter maturity.</p> <p>In case the final settlement day of a contract falls on a holiday, the contract will be settled on the following Exchange trading day.</p>
Daily Settlement Price	<p>All open positions will be marked to market using daily settlement price. Exchange can determine the daily settlement price using one of the methods described here under or in such other manner as may be prescribed by the Exchange through a circular from time to time:</p> <ul style="list-style-type: none"> - Average of best bid and offer at the closing time - 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>
Final Settlement Price	Final settlement price will be the daily settlement price of the last trading day of the contract or as specified by the Exchange through a circular.
Daily Price Fluctuation	+/- 5% or as specified by the Exchange through a circular.
Settlement Mode	<p>All open positions after the close of contract shall be settled by either of the following modes:</p> <p>Delivery of Red Chilli at the Exchange approved warehouse/delivery center as per Contract Specifications.</p> <p>The contract can be settled before expiry through "Exchange for Physical (EFP)".</p> <p>Mutual settlement of the matched buyer and the seller off the exchange platform.</p> <p>Failure to fulfill delivery obligations will be liable to closing at the final settlement price fixed together with a fine as specified by the Exchange through a circular.</p>

<p>Notice Period</p>	<p>Sellers with open short positions and intending to deliver will be required to inform the exchange before closing of the contract of their intention to deliver along with the quantity which will be delivered.</p> <p>The corresponding Buyers and Sellers with open long positions matched randomly by the Exchange after the expiration of the contract will be bound to settle by taking physical delivery.</p> <p>Any failure to deliver by the Seller or taking delivery by the matched Buyers will result in a penalty determined by the Exchange.</p> <p>Exchange may enforce a pre-trade check in which Sellers will be asked to deliver chilli before making it available on the ETS for sale.</p>
<p>Delivery Mode & Delivery Period</p>	<p>If the Seller has already not delivered chilli at the Exchange designated warehouse, then upon Expiration of the contract the seller with open position will have to deliver the Red Chilli at the Exchange approved and designated warehouse/delivery center after completing all Exchange specified procedures (communicated through a circular) for delivery including the quality and quantity certification. Upon successful completion of delivery by the seller, the Red Chilli delivered will come in the ownership of the buyer and the warehouse operator will be holding it on behalf of the buyer. The buyer has to lift the delivery from the Exchange designated warehouse through its own arrangements.</p>
<p>Settlement of Delivery Outside the Exchange</p>	<p>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 upon expiry of the contract. The Exchange will then settle their accounts as per final settlement price.</p>
<p>Pay-in and Pay-out of Funds for Final Settlement</p>	<p>Final payments will include Final Settlement price plus all applicable taxes as per spot market practices applicable at the time of delivery.</p> <p>The buyer shall pay funds in full to the Exchange in advance or at the expiry of the contract, 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 funds on E+1, once he has delivered the Red Chilli at the Exchange approved warehouse after completing all delivery related requirements.</p>
<p>Quality Certification</p>	<p>The seller has to provide a quality certification from the exchange approved assayer at the warehouse that the Red Chilli delivered meet the quality specifications as per contract specifications.</p> <p>The certified Red Chilli would only be eligible to be delivered at the exchange approved warehouse. The Exchange will not be responsible for quality or quantity after lifting of delivery by the buyer from the exchange designated warehouse.</p>
<p>Cost of certification, weighing, storage and delivery etc.</p>	<p>All charges associated with quality certification, weighing, storage, etc, or other charges related to delivery at the exchange approved warehouse/ delivery center will be borne by the buyer and/ or seller in the manner as communicated by the exchange from time to time through circular.</p>

Position Limit	<p>Greater of 10% of open Interest and 1000 Contracts per Broker, gross across all clients and across all maturities.</p> <p>Greater of 5% of open Interest and 250 Contracts per Client, gross across all maturities.</p>
Margin Requirement	<p>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. Exchange can give spread discount on margins.</p>
Margins	<p>Margin will be calculated, using Value-at-Risk (VaR) methodology at a 99% confidence interval over a 1-day time horizon or as specified by the Exchange from time to time through a circular.</p>
Additional Margin	<p>Exchange reserves the right to impose additional margin due to increased or excessive volatility or due to any other reason Exchange deems appropriate.</p>
Further Regulation	<p>This contract shall be subject to the PMEX General Regulations and all applicable Federal/Provincial laws.</p>

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PMEX Red Chilli Weekly (Grade A) Futures Contract Specifications

	Specifications
Trading Hours	<p>Hours of Trading in the PMEX Red Chilli Weekly (Grade A) Futures Contract shall be Monday to Friday (excluding Exchange specified holidays) as given below or as Specified by the Exchange through a circular from time to time :</p> <p>Normal Trading Session: 10 am to 6 pm PST</p> <p>On last trading day contract will be closed at 05:00pm or as communicated by the Exchange through a circular from time to time.</p>
Unit of Trading	1 Metric Ton
Price Quotation	Price quoted shall be in rupees per Maund (Where 1 Maund =40 Kg), Ex Kunri excluding all taxes.
Trading System	PMEX ETS
Tick Size	Rs. 10 per Maund or as specified by the exchange from time to time through a circular.
Delivery Unit	1 MT
Delivery Logic	Compulsory
Quantity Variation	+/- 2% or as specified by the exchange
Quality Specifications	<p>Following are the quality specifications of Red Chilli (A) to be delivered under this contract or as communicated by the Exchange from time to time through a circular:</p> <ol style="list-style-type: none"> 1. Variety: Maxi – Commonly known as Dandi Cut 2. Shape Round, tipped 3. Colour Bright Red 4. Moisture 5-10 % Max 5. Aflatoxin 30 ppb (parts per billion)Max 6. Extraneous Matter 2% Max 7. Damage /Discolor 3% Max 8. Visual Mold 5% Max <p>Specs 6-8 may differ individually but the sum should not exceed 10%.</p>
Packaging	<p>As per current industry practice Red Chilli shall be delivered in good conditioned Jute bags of 25-28 Kgs. If any change occurs in the industry practice, it will be communicated by the Exchange through a circular.</p> <p>Tare allowance will be applicable as per industry practice as communicated by the Exchange from time to time through a circular.</p>
Delivery Centers	At exchange approved and designated warehouse in Kunri or as communicated by

	the Exchange through circular.
No. of active Contracts	A maximum of 5 contracts may be made available for trading.
Opening Date	Trading in any contract will open at least one week before the last trading day subject to holiday convention.
Last Trading Day (Contract Expiry Day)	Contracts will expire on fifth day subsequent to its opening day. If the fifth day falls on Exchange holiday then the next business day will be the last trading day.
Holiday Convention	In case the first trading day of a contract falls on an Exchange holiday, the contract will start trading from the following Exchange trading day with a shorter maturity. In case the final settlement day of a contract falls on a holiday, the contract will be settled on the following Exchange trading day.
Daily Settlement Price	All open positions will be marked to market using daily settlement price. Exchange can determine the daily settlement price using one of the methods described here under or in such other manner as may be prescribed by the Exchange through a circular from time to time: <ul style="list-style-type: none"> - Average of best bid and offer at the closing time - 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)
Final Settlement Price	Final settlement price will be the daily settlement price of the last trading day of the contract or as specified by the Exchange through a circular.
Daily Price Fluctuation	+/- 5% or as specified by the Exchange through a circular.
Settlement Mode	All open positions after the close of contract shall be settled by either of the following modes: Delivery of Red Chilli at the Exchange approved warehouse/delivery center as per Contract Specifications. The contract can be settled before expiry through "Exchange for Physical (EFP)". 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 specified by the Exchange through a circular.
Notice Period	Sellers with open short positions and intending to deliver will be required to inform the exchange before closing of the contract of their intention to deliver along with the quantity which will be delivered.

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	<p>The corresponding Buyers and Sellers with open long positions matched randomly by the Exchange after the expiration of the contract will be bound to settle by taking physical delivery.</p> <p>Any failure to deliver by the Seller or taking delivery by the matched Buyers will result in a penalty determined by the Exchange.</p> <p>Exchange may enforce a pre-trade check in which Sellers will be asked to deliver chilli before making it available on the ETS for sale.</p>
Delivery Mode & Delivery Period	<p>If the Seller has already not delivered chilli at the Exchange designated warehouse, then upon Expiration of the contract the seller with open position will have to deliver the Red Chilli at the Exchange approved and designated warehouse/delivery center after completing all Exchange specified procedures (communicated through a circular) for delivery including the quality and quantity certification. Upon successful completion of delivery by the seller, the Red Chilli delivered will come in the ownership of the buyer and the warehouse operator will be holding it on behalf of the buyer. The buyer has to lift the delivery from the Exchange designated warehouse through its own arrangements.</p>
Settlement of Delivery Outside the Exchange	<p>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 upon expiry of the contract. The Exchange will then settle their accounts as per final settlement price.</p>
Pay-in and Pay-out of Funds for Final Settlement	<p>Final payments will include Final Settlement price plus all applicable taxes as per spot market practices applicable at the time of delivery.</p> <p>The buyer shall pay funds in full to the Exchange in advance or at the expiry of the contract, 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 funds on E+1, once he has delivered the Red Chilli at the Exchange approved warehouse after completing all delivery related requirements.</p>
Quality Certification	<p>The seller has to provide a quality certification from the exchange approved assayer at the warehouse that the Red Chilli delivered meet the quality specifications as per contract specifications.</p> <p>The certified Red Chilli would only be eligible to be delivered at the exchange approved warehouse. The Exchange will not be responsible for quality or quantity after lifting of delivery by the buyer from the exchange designated warehouse.</p>
Cost of certification, weighing, storage and delivery etc.	<p>All charges associated with quality certification, weighing, storage, etc, or other charges related to delivery at the exchange approved warehouse/ delivery center will be borne by the buyer and/ or seller in the manner as communicated by the exchange from time to time through circular.</p>

Position Limit	<p>Greater of 10% of Open Interest and 1000 Contracts per Broker, gross across all clients and across all maturities.</p> <p>Greater of 5% of Open Interest and 250 Contracts per Client, gross across all maturities.</p>
Margin Requirement	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. Exchange can give spread discount on margins.
Margins	Margin will be calculated, using Value-at-Risk (VaR) methodology at a 99% confidence interval over a 1-day time horizon or as specified by the Exchange from time to time through a circular.
Additional 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 to the PMEX General Regulations and all applicable Federal/Provincial laws.

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PMEX Red Chilli Weekly (Grade B) Futures Contract Specifications

	Specifications
Trading Hours	<p>Hours of Trading in the PMEX Red Chilli Weekly (Grade B) Futures Contract shall be Monday to Friday (excluding Exchange specified holidays) as given below or as Specified by the Exchange through a circular from time to time :</p> <p>Normal Trading Session: 10 am to 6 pm PST</p> <p>On last trading day contract will be closed at 05:00pm or as communicated by the Exchange through a circular from time to time.</p>
Unit of Trading	1 Metric Ton
Price Quotation	Price quoted shall be in rupees per Maund (Where 1 Maund =40 Kg), Ex Kurri excluding all taxes.
Trading System	PMEX Trading System
Tick Size	Rs. 10 per Maund or as specified by the exchange from time to time through a circular.
Delivery Unit	1 MT
Delivery Logic	Compulsory
Quantity Variation	+/- 2% or as specified by the exchange through a circular.
Quality Specifications	<p>Following are the quality specifications of Red Chilli (B)to be delivered under this contract or as communicated by the Exchange from time to time through a circular:</p> <ul style="list-style-type: none"> 9. Variety: Maxi – Commonly known as Dandi Cut 10. Shape Round, tipped 11. Colour Bright Red 12. Moisture 5-12 % Max 13. Aflatoxin 30 ppb (parts per billion)Max 14. Extraneous Matter 2.5% Max 15. Damage /Discolor 5% Max 16. Visual Mold 8% Max <p>Specs 6-8 may differ individually but the sum should not exceed 15.5%.</p>
Packaging	<p>As per current industry practice Red Chilli shall be delivered in good conditioned Jute bags of 25-28 Kgs. If any change occurs in the industry practice, it will be communicated by the Exchange through a circular.</p> <p>Tare allowance will be applicable as per industry practice as communicated by the Exchange from time to time through a circular.</p>



Delivery Centers	At exchange approved and designated warehouse in Kunri or as communicated by the Exchange through circular.
No. of active Contracts	A maximum of 5 contracts may be made available for trading.
Opening Date	Trading in any contract will open at least one week before the last trading day subject to holiday convention.
Last Trading Day (Contract Expiry Day)	Contracts will expire on fifth day subsequent to its opening day. If the fifth day falls on Exchange holiday then the next business day will be the last trading day.
Holiday Convention	In case the first trading day of a contract falls on an Exchange holiday, the contract will start trading from the following Exchange trading day with a shorter maturity. In case the final settlement day of a contract falls on a holiday, the contract will be settled on the following Exchange trading day.
Daily Settlement Price	All open positions will be marked to market using daily settlement price. Exchange can determine the daily settlement price using one of the methods described here under or in such other manner as may be prescribed by the Exchange through a circular from time to time: <ul style="list-style-type: none"> - Average of best bid and offer at the closing time - 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)
Final Settlement Price	Final settlement price will be the daily settlement price of the last trading day of the contract or as specified by the Exchange through a circular.
Daily Price Fluctuation	+/- 5% or as specified by the Exchange through a circular.
Settlement Mode	All open positions after the close of contract shall be settled by either of the following modes: Delivery of Red Chilli at the Exchange approved warehouse/delivery center as per Contract Specifications. The contract can be settled before expiry through "Exchange for Physical (EFP)". 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

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	price fixed together with a fine as specified by the Exchange through a circular.
Notice Period	<p>Sellers with open short positions and intending to deliver will be required to inform the exchange before closing of the contract of their intention to deliver along with the quantity which will be delivered.</p> <p>The corresponding Buyers and Sellers with open long positions matched randomly by the Exchange after the expiration of the contract will be bound to settle by taking physical delivery.</p> <p>Any failure to deliver by the Seller or taking delivery by the matched Buyers will result in a penalty determined by the Exchange.</p> <p>Exchange may enforce a pre-trade check in which Sellers will be asked to deliver chilli before making it available on the ETS for sale.</p>
Delivery Mode & Delivery Period	<p>If the Seller has already not delivered chilli at the Exchange designated warehouse, then upon Expiration of the contract the seller with open position will have to deliver the Red Chilli at the Exchange approved and designated warehouse/delivery center after completing all Exchange specified procedures (communicated through a circular) for delivery including the quality and quantity certification. Upon successful completion of delivery by the seller, the Red Chilli delivered will come in the ownership of the buyer and the warehouse operator will be holding it on behalf of the buyer. The buyer has to lift the delivery from the Exchange designated warehouse through its own arrangements.</p>
Settlement of Delivery Outside the Exchange	<p>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 upon expiry of the contract. The Exchange will then settle their accounts as per final settlement price.</p>
Pay-in and Pay-out of Funds for Final Settlement	<p>Final payments will include Final Settlement price plus all applicable taxes as per spot market practices applicable at the time of delivery.</p> <p>The buyer shall pay funds in full to the Exchange in advance or at the expiry of the contract, 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 funds on E+1, once he has delivered the Red Chilli at the Exchange approved warehouse after completing all delivery related requirements.</p>
Quality Certification	<p>The seller has to provide a quality certification from the exchange approved assayer at the warehouse that the Red Chilli delivered meet the quality specifications as per contract specifications.</p> <p>The certified Red Chilli would only be eligible to be delivered at the exchange approved warehouse. The Exchange will not be responsible for quality or quantity</p>



	after lifting of delivery by the buyer from the exchange designated warehouse.
Cost of certification, weighing, storage and delivery etc.	All charges associated with quality certification, weighing, storage, etc, or other charges related to delivery at the exchange approved warehouse/ delivery center will be borne by the buyer and/ or seller in the manner as communicated by the exchange from time to time through circular.
Position Limit	Greater of 10% of Open Interest and 1000 Contracts per Broker, gross across all clients and across all maturities. Greater of 5% of Open Interest and 250 Contracts per Client, gross across all maturities.
Margin Requirement	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. Exchange can give spread discount on margins.
Margins	Margin will be calculated, using Value-at-Risk (VaR) methodology at a 99% confidence interval over a 1-day time horizon or as specified by the Exchange from time to time through a circular.
Additional 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 to the PMEX General Regulations and all applicable Federal/Provincial laws.

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