NATIONAL
COMMODITY
EXCHANGE
LIMITED

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Circular No: NCEL/Operations/37/2009

All Registered Brokers of
National Commodity Exchange Limited

Subject:- **Introduction of Rice IRRI-6 Deliverable Weekly Futures Contract**

We are pleased to inform all registered brokers that the Securities & Exchange Commission of Pakistan in exercise of its powers conferred under Commodity Exchange and Futures Contract Rules 2005 has allowed National Commodity Exchange Limited, to register NCEL Rice IRRI-6 Weekly deliverable Futures contract at Electronic Trading System ("ETS") of the Exchange.

In this respect, NCEL has decided to list the first Rice IRRI-6 deliverable Weekly futures contract with effect from **Friday, October 2, 2009**. Details are as follows:

Contract Name	Last Trading Day	Last Delivery Day
IRRI6-08Oct09	Thu 08 Oct 2009	Thu, October 15, 2009

The contract specification, trading parameters, delivery and settlement procedures in relation to said product have been specified vide Annexure "A", which will be binding on all brokers and their clients.

NCEL will charge the following trading and settlement fee on the said commodity futures contracts:

Trading Fee – Rs. 50 per contract per side
Settlement Fee – Rs 50 per contract per side

The above trading and settlement fees are inclusive of IPF contribution.

All registered brokers are hereby requested to deposit the requisite margin amount with the Exchange and to participate for trading in the NCEL Rice IRRI-6 Weekly deliverable Futures Contract.

Sincerely Yours

Shehzad Hussain
Senior Manager – Market Operations

Annexure A

Weekly IRRI-6 Rice Futures Contract Specifications

Trading hours	Hours of trading in IRRI-6 Rice contract for future delivery will be on Monday to Friday (excluding Exchange specified holidays): Normal Trading Session: 10:00 am to 5:00 pm On last trading day 10:00 am to 4:00 pm
Unit of Trading	Unit of trading in IRRI-6 Rice contract for future delivery will be 25 Metric Tons
Price Quotation	Price quoted shall be in Rs. per 100 kilograms of Rice, Ex-Karachi.
Delivery Unit	25 Metric Tons $\pm$ 3 Tons
Trading System	NCEL Electronic Trading System
Tick size	Re. 1
Deliverable Grade & Quality Class	Long Grain (average grain length should be minimum 6.0 mm)
Milling Process	Milled White Rice
Varieties included	IRRI-6 and similar varieties meeting the below specifications

1. Moisture	14%	(Max)
2. Damaged Shriveled & Yellow Grains	5%	(Max)
3. Chalky Grains	10%	(Max)
4. Foreign Grains	2%	(Max)
5. Foreign Matter	1.2%	(Max)
6. Paddy Grains	0.8%	(Max)
7. Under milled & Red Stripped	4%	(Max)
8. Broken Grains	up to 20%	(Max)

Rice only from the current crop will be accepted for delivery and it should be free from live weevils and obnoxious smell.

Applicable Discounts

Broken Grains:

- Broken grains are acceptable up to 20% at contract price
- Above 20% up to 30% with 1.0 Paisa/Kg discount on each percent.
- Above 30% up to 35% with 2.0 Paisa/Kg discount on each percent.
- Above 35% will be rejected.

Moisture:

- Moisture up to 14% is acceptable at contract price.
- Above 14% and up to15% acceptable with a 0% discount.
- Above 15% and up to 16% acceptable with a 1% discount
- Above 16% is not acceptable and will be rejected.

Packaging	Rice shall be delivered in new or old, good condition 100 Kg Polypropylene woven sacs. The bags should not be torn from any side and should be machine stitched. No tare allowance will be applicable.
Delivery Center	Karachi or Port Qasim at Exchange approved and designated warehouses.
Weeks traded in	The Exchange will notify in advance the contract weeks available for IRRI-6 Rice futures.
Opening of the Contract	Trading in any contract will open at least one week before the last trading day.
Last Trading Day	Contracts will expire on Thursday every week. If Thursday is an Exchange holiday then the next business day will be the last trading day.
Delivery Logic	Compulsory. All open positions after the close of the contract will only be settled through physical delivery.
Notice of Delivery	The Sellers with open short positions will be required to inform the exchange before the expiration of the contract, the names of three surveyors/analyzer from a panel of NCEL approved surveyors/analyzers. The Buyers with open long positions are also required to inform the exchange before the expiration of the contract about the details of the warehouse, where seller needs to deliver.
Delivery Allocation	On the date of the expiration of the contract (E), exchange will inform the details (including the warehouse) of randomly matched buyer to the corresponding seller and vice versa. Buyer also needs to inform the name of his chosen analyzer form the list of three analyzers provided by the seller. Any failure to deliver by the Seller or taking delivery by the matched Buyer will result in a penalty prescribed by the Exchange.
Delivery Period	Upon expiration of the IRR-6 Rice contract for future delivery, intending Sellers will have 7 business days (including Saturday, Sunday and excluding Public Holidays) to deliver at the Exchange approved and designated warehouse after completing all exchange specified procedures including quality certification.

NCEL Approved Analyzer	NCEL will notify a list of exchange approved analyzers who will certify the quality and quantity of the Rice IRRI-6 delivered under the NCEL futures contract.
Cost of Inspection, Weighing, Storage & Delivery	All charges associated with inspection, weighing, storage, delivery and Exchange required documentation up to the the end of day of delivery will borne by the Seller. Buyers are responsible to pay all charges after delivery. Inspection and Certification will only be carried out by Exchange approved and designated Inspection and Certification agencies/Analyzers, according to the procedures defined by the Exchange in relevant Circulars.
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 hereunder or in such other manner as may be prescribed by the Exchange: - Value Weighted Average Price - Theoretical Futures Price
Final Settlement Price	Final settlement price will be determined by the exchange at the maturity of the contract.
Price Fluctuation	Maximum allowed daily price fluctuation will be +/-5% of the last trading day's settlement price.
Pay-in and pay-out for Final Settlement	The cut off time for full cash payment for all matched positions by the buyer for physical settlement is 11 am on E+1. The payment of cash to the seller will be E+2 onwards subject to the completion of all delivery related requirements of the exchange.
Price Adjustment	The price adjustment of the applicable quality discounts if any would be applied as per prescribed procedures. All buyers will be refunded a discount based on the price adjustment. Accordingly all sellers will be paid the adjusted price.
Position Limit	2000 Contracts per Broker, gross across all clients and across all maturities. 500 Contracts per Client, gross across all maturities.

Margin Requirement	The amount of margin payable by members in respect of their outstanding IRRI-6 Rice 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.
Initial Margin	Initial Margin will be calculated using Value-at-Risk (VaR) methodology intended to cover the largest loss over a **10-day Look Ahead period** that can be encountered on 99% of the days (99% Value at Risk) or otherwise as specified by the exchange.
Further Regulations	This contract shall be subject, where applicable, to the Regulations of the National Commodity Exchange Limited.