



NATIONAL COMMODITY EXCHANGE LIMITED

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To All Registered Brokers

Circular ref: NCEL/Mem/446-2007

Dear Registered Broker,

NCEL Gold Delivery & Settlement Procedures

The Exchange has received a number of queries regarding the delivery procedure under the NCEL Gold Futures Contract. Please see below for a clarification of the most frequent queries we have received.

Delivery against open positions at the expiration of the NCEL Gold Futures Contract will only be affected provided:

1. The Exchange would match all the open positions on the last trading day, i.e. 3rd Wednesday of the month in multiples of deliverable lots. The Buyers / Sellers of deliverable lots who have to receive / give delivery would be notified on the same day after the close of trading hours.
2. Any matched Buyer and Seller who fails to fulfill their delivery obligations will be fined 5% of the value of their unfulfilled obligation and 90% of the fine collected will be paid to the non-defaulting party.
3. However, if a Buyer has open positions in multiple of deliverable lots but Sellers are holding open positions in odd lots **or vice versa**, then actual delivery is not permissible and positions of both Buyers and Sellers will be cash settled or delivery price settled at the final settlement price. For example:

Seller A:	Short 10 Lots
Buyer B:	Long 8 Lots
Buyer C:	Long 2 Lots

The above positions will be cash settled or delivery price settled.

4. **The Exchange will not levy any fine on the parties responsible for Odd Lots settlement.**
5. Gold 'Delivery Acceptance' norms in the NCEL's Gold Product Note states:

"Gold bars to be accepted from Sellers by the Exchange against deliverable open positions at expiration of Gold futures contract shall be directly imported and hallmarked from Exchange approved Refiner's only, and delivered to the Exchange approved Logistic Agency at the Delivery Point against the issuance of a Vault Receipt [Emphasis Supplied]".



Further, in the '**Validation Process**' section of the NCEL Gold Product Note, it is stated:

"Upon receipt of physical Gold, the Exchange designated Logistic Agency will perform the following validations:

1. whether Gold, immediately upon importation, has been delivered directly to the Exchange approved logistic agency [Emphasis Supplied]"

In light of the above, the Exchange will only accept delivery of physical Gold provided:

- a. It is imported directly into Pakistan
- b. It is delivered to the Exchange designated Logistics Agency at the Customs ICG (Immediate Clearance Group) Strong Room, Quaid-e-Azam International Airport, immediately upon importation.

Please note that the Exchange will not accept delivery against its Gold Futures Contract if the above procedure is not strictly followed.

6. Buyers of Gold, under the NCEL Gold Futures Contract, would only be allowed to tender delivery of Gold which they had taken delivery of under an earlier NCEL Gold Futures Contract provided only if;
 - a. Physical Gold remains in the custody of the Exchange designated Vault; and
 - b. NCEL retains the original Vault Receipt, issued by the Exchange designated Vault, in its possession; and
 - c. The Buyer has paid all Vault Charges till the date of tendering delivery.

The Exchange will not accept delivery of physical Gold if it is removed from the Exchange designated Vault.

We hope that this provides clarification on the delivery process and please do not hesitate to contact us should you require any further information regarding this.

Sincerely,

A handwritten signature in blue ink, appearing to read "Arsheen Saulat", is written over a faint blue circular stamp.

Arsheen Saulat
Head of Compliance