
NATIONAL COMMODITY & DERIVATIVES EXCHANGE LIMITED

Circular to all Trading and Clearing Members of the Exchange

Circular No. : NCDEX/SURVEILLANCE & INVESTIGATION-005/2018/209

Date : August 29, 2018

Subject : Early Pay-in Facility for Farmer Producer Organisation (FPO)

This is in continuation to Exchange circular no. NCDEX/CLEARING-003/2017/043 dated February 23, 2017 on Early Pay-in Facility for Farmer Producer Organisation (FPO).

Currently 'Early pay-in' facility is available to the Farmer Producer Organisation (FPO) permitting them to deposit certified goods to the Exchange approved warehouse against relevant futures contracts sold at any time after the start of trading in respective contract. For such short positions against which early pay-in has been made, the Exchange exempts imposition of all types of margins. However, the Exchange continues to collect mark to market margins against such positions.

SEBI and Exchange, pursuant to discussions in the surveillance meeting, have decided that in order to facilitate greater participation of FPOs, the existing facility of exempting imposition of all types of margins be further extended to exempt the collection of mark to market margins for such short positions against which early pay-in has been made.

Details of the process for availing the said facility are given below:

- a) The Members for their FPO clients can make 'Early pay-in' of commodity at any time for a short position in a contract after the start of trading in such contract on the Exchange platform (the information will be processed at the end of day)
- b) For such short positions against which early pay-in has been made, the Exchange shall exempt imposition of all types of margins.
- c) With respect to Mark to Market margin, the Exchange shall continue to compute obligations at member level as per the existing process. The Exchange shall then transfer an amount equivalent to the MTM pay-in arising out of FPO clients' position to respective clearing members settlement account.
- d) The Exchange shall compute amount to be transferred based on daily settlement price / trade price from the date when EPI is marked in the system for such short positions. Conversely, in case of MTM gains on such positions amount equivalent to MTM pay-in funded by the Exchange shall be debited from the members settlement account.
- e) On daily basis members account will be debited or credited based on the MTM for FPO client for the specific transaction against which early pay-in has been made. The member shall post such credit or debit to the account of FPO client and accordingly, there is no need to make any MTM call for the FPO client.

- f) In case the short position is squared off, the MTM pay-in funded till such date shall be debited from the Members account.
- g) The MTM obligation funded by Exchange shall be considered towards compliance of collection of MTM for margin reporting.
- h) Upon final delivery, the net amount funded by Exchange shall be debited from the Members account.
- i) Members will be required to inform the Exchange details of clients under FPO category to claim the benefit of 'Early pay-in' as above.

The above facility shall be available only to Farmers Producer Organization (FPO) clients. A Farmers Producer Organization (FPO) means any entity registered as a Producer Company under Section 581(C) of Companies Act, 1956, a Company under Section 8 of Companies Act 2013, Society Registration Act, 1860, Public Trusts registered under Indian Trusts Act, 1882, Multi-State Cooperative Society Act, 2002 or Cooperative Societies Act/ Autonomous or Mutually Aided Cooperative Societies Act of the respective State.

This facility shall be available with effect from September 03, 2018.

Members and their respective constituents are requested to take note of the above.

For and on behalf of
National Commodity & Derivatives Exchange Limited

Avinash Mohan
Executive Vice President

- For further information / clarifications, please contact
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