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Registered Office: 1st Floor, Akruti Corporate Park, Near G.E. Garden, LBS Road, Kanjurmarg West, Mumbai 400 078, India. CIN No. U51909MH2003PLC140116 Phone: +91-22-6640 6789, Fax +91-22-6640 6899, Website: www.ncdex.com

1. What does regaining matched book refers?

In terms of Exchange circular no. NCDEX/RISK-033/2016/207 dated September 02, 2016, in the event of a member/client failing to honour pay-in/margin obligations, Exchange may employ the below given alternative tools to liquidate the positions and regain a matched book based on the conditions of market liquidity, volatility, size of position to be liquidated etc. Any tool lower in the list prescribed hereunder may be resorted to only in extremely rare occasions when the exchange reasonably expects that it may not be able to restore a matched book by choosing the alternatives above it:

i) **Alternative 1**: Liquidation in normal market in orderly manner (with relaxed price limits, if required);

ii) **Alternative 2:** Auction of the positions within a specified price band;

iii) **Alternative 3:** Voluntary tear-up at last mark-to-market price along with compensation (%age of last mark-to-market price equal to twice the daily price limit) and penalty (5%, to be credited to SGF);

iv) **Alternative 4:** Partial tear-up (pro-rata against members/clients having opposite positions) at last mark-to-market price along with compensation (%age of last mark-to-market price equal to thrice the daily price limit) and penalty (5%, to be credited to SGF).

2. What does Auction of the positions refers?

The Exchange may offer outstanding position of the defaulting member to non-defaulting members with a minimum floor price.

3. What are the salient features of Auction session?

- All the clearing members/clients can bid in the auction market (except the defaulting member / clients)
- A circular informing market participants about Auction session to liquidate positions of the defaulting member shall be issued giving details of quantity offered under auction along with a floor price.
- Auction session shall be available for around 45 minutes or such duration as announced by the Exchange, during which members can submit their orders.
- Members shall submit orders through such mode as announced in the circular e.g. E-Mail / Fax/ NCFE.
- The orders submitted should have details of Price, Quantity and Client id.
- The orders shall be matched based on price and time priority and positions will be allocated to eligible participating member/ client by placing trades in their account.

4. What is 'Tear up'?

Tear up (or 'termination') refers to the cash settlement and cancellation of contracts. Tear up may be voluntary or partial, where the smallest subset of contracts that will return the Exchange to a matched book is selected for termination.

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5. What is Voluntary tear up and when will the Exchange initiate Voluntary tear up?

Voluntary tear up is a rules-based process where the clearing members/clients voluntarily give their consent for tear up of their contracts. The Exchange with/without exercising alternative 1 and 2 as mentioned above, shall invite non-defaulting clearing members to nominate their contracts for tear up to assist restoration of a matched book.

6. What are the salient features of Voluntary tear up?

- The members having positions that are opposite to the positions of the defaulting clearing member /clients can only participate.
- A circular informing market participants about voluntary tear up to liquidate positions of the defaulting member shall be issued giving details of quantity offered under voluntary tear-up.
- The session shall be available for around 45 minutes or such duration as announced by the Exchange, during which member can submit their requests for voluntary tear up.
- Members shall submit request through such mode as announced in the circular e.g. Email/Fax/NCFE.
- The requests shall have details of Quantity and Client id.
- In case the Exchange receives more nominations from the non-defaulting members for tear up then the allocation shall be done on pro-rata basis or as decided by the Exchange.
- Compensation will be paid to the non-defaulting members whose contracts have been selected for tear up. The compensation shall be percentage of last mark-to-market price equal to twice the daily price limit. The positions shall be allocated to eligible participating member/client by placing trades in their account after which their existing open positions shall get squared off to that extent due to tear up.

7. What is Partial tear up and when will the Exchange initiate Partial tear-up?

In Partial tear up, the Exchange will on its own select the contracts of non-defaulting member having opposite position to that of defaulting member and on a pro-rata basis allocate the positions for tear up.

8. What are the salient features of Partial tear-up?

- The partial tear up of defaulting member's positions will be done on pro-rata basis against members/clients having opposite positions at last mark-to-market price.
- A circular informing market participants about partial tear up to liquidate positions of the defaulting member shall be issued giving details of quantity for tear-up.
- Member will not be required to submit any request.
- The pro-rata allocation shall be carried out at proprietary/client code level having opposite position at contract level.
- The compensation will be paid to the non-defaulting members whose contracts have been selected for tear up. The compensation shall be percentage of last mark-to-market price equal to thrice the daily price limit. The partial tear up shall be carried out through trades in the defaulting and non-defaulting member / clients account.

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9. What will happen to spread positions in case of tear-up?

The alternatives for regaining match book as mentioned above will be resorted to in extremely rare occasions when the exchange reasonably expects that it may not be able to restore a matched book by choosing the alternatives above it. So in tear-up process there may be a situation wherein client having long position in one expiry month and short position in another expiry month of same commodity, may have breakup of netting arrangement of the contacts selected for tear up. The Exchange shall not be responsible in case of breakup of netting arrangement of the contacts selected for tear up.

10. What does 'last mark-to-market price used for computing compensation under tear-up' refers?

The last mark-to-market price used for deciding compensation under tear-up means the last daily settlement price of the respective contract as announced by the Exchange. The trade will be entered at last mark to market price and compensation shall be settled separately.

For example, CONTRACT20DEC2017
Last mark to market price - Rs 20,000

Particulars	Auction	Voluntary tear-up	Partial tear-up
Compensation to counter party	Difference between the auction price and last mark to market price	20,000*4%*2 = 1600	20,000*4%*3 = 2400

11. What is format for submitting orders through NCFE?

In case the Exchange announces submission of orders for 'Auction session' or submission of requests for 'Voluntary Tear-up' through NCFE, the members can submit the same through offline order entry facility of NCFE. Please refer to refer circular no. NCDEX/TRADING-014/2007/042 dated February 28, 2007 on procedure to submit offline order entry.

12. What is format for submitting orders through Fax/Email?

In case the Exchange announces submission of orders for 'Auction session' or submission of requests for 'Voluntary Tear-up' through e-mail / fax, the members can submit the same on their letterhead in the below format.. All such requests through e-mail shall be accepted only at "rmb@ncdex.com" and on fax at fax number - 022-6640 6896/94.

Annexure

Format for submission of request by the Member (To be printed on letter head of member)

Date:

From:
Name of the Member:

Code of the Member:

To
Market Watch
National Commodity Derivative Exchange Limited

Dear Sir,

With respect to the Auction / Voluntary tear up session announced by NCDEX vide circular no ___________ dated _________, please accept the following orders.

Sr. No.	Client Id	Contract Symbol	Maturity Date	Quantity	Buy/Sell	Price **(Only for Auction Session)**

Name of the authorized signatory:

Signature of the authorized signatory: