NATIONAL COMMODITY & DERIVATIVES EXCHANGE LIMITED

Circular to all members of the Exchange
Circular No. : NCDEX/TRADING-025/2024
Date : June 20, 2024
Subject : Launch of Options on Guar Seed Futures Contracts

The Exchange is pleased to inform the members of the Exchange that as per its Bye-laws, Rules and Regulations, and with the approval received from Securities and Exchange Board of India (SEBI), Options on Guar Seed Futures Contracts expiring in the months of July 2024, August 2024, September 2024, October 2024 and November 2024 would be available for trading w.e.f. **June 27, 2024**. Contracts for further expiries shall be launched as per the enclosed contract launch calendar.

Members and participants are hereby requested to note that Options on Guar Seed Futures Contracts will be available for trading as per the contract specifications given in Annexure I.

The Options on Guar Seed Futures contracts to be launched shall be additionally governed by the Product Note as will be notified on the Exchange website under the tab - "Products". Members and Participants are requested to kindly go through the same and get acquainted with the launched product, its trading and related process put in place by the Exchange.

The contracts and the transactions therein will be subject to Bye Laws, Rules, and Regulations of the Exchange and circulars issued by the Exchange as well as directives, if any, issued from time to time by the Regulator. It is clarified that it is the sole obligation and responsibility of the Members and market participants to ensure that apart from the approved quality standards stipulated by the Exchange, the commodity deposited / traded / delivered through the approved warehouse of the Clearing Corporation either on their own or on their behalf by any third party is in due compliance with the applicable regulations laid down by authorities like Orders under Packaging and Labelling etc., as also other State/Central laws and authorities issuing such regulations in this behalf from time to time, including but not limited to compliance of provisions and rates relating to GST, APMC Tax, Mandi Tax, LBT, stamp duty, etc. as applicable from time to time on the underlying commodity of any contract offered for deposit /trading / delivery and the Exchange shall not be responsible or liable on account of any non-compliance thereof.

For and on behalf of
National Commodity & Derivatives Exchange Limited

Arun Yadav
Senior Vice President – Products
Encl: Annexure

For further information / clarifications, please contact

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Annexure I: Contract Specifications for Options on Futures on Guar Seed (GUARSEED10)

Type of Contract	Options on Futures
Underlying	GUARSEED10 The underlying commodity specifications on devolvement into Futures will be the same as that mentioned in the contract specifications of underlying Futures.
Symbol	<UNDERLYING SYMBOL><OPTIONS EXPIRY DATE-DDMMMYY><CE/PE><STRIKE PRICE><UNDERLYINGTYPE-F/S><UNDERLYINGEXPIRY-MMMYY> Example: GUARSEED1026JUL17CE3200FAUG17
Unit of trading	5 MT
Delivery Unit	5 MT
Maximum Order Size	500 MT
Settlement Type	Devolvement into Corresponding Futures
Opening of Contracts	Options contract shall be launched on the trading day following the day on which the Futures contract with the same underlying is launched
Closing of Contract	Upon the expiry of the contract all the outstanding open position shall result in devolvement into Futures.
Final Settlement Price	Daily Settlement Price (DSP) of the underlying Futures contract on the Options Expiration day.
Options Type	European
Premium Quotation/base value	Rs. Per Quintal
Tick Size	Rs.0.50 per Quintal
Expiry Date	Last Friday of the month preceding the expiration month of the underlying futures contract. If the last Friday is a holiday, then the preceding working day will be the expiry day for options.
Strike Interval	100
Number of Strikes	7-1-7
Quality Parameters	Same as Corresponding Futures contract
Quality Premium/ Discount	Same as corresponding Futures Contract.
Tolerance limit for Outbound delivery	Same as corresponding Futures Contract.
Quantity Variation	Same as corresponding Futures Contract.
Quality Allowance	Same as corresponding Futures Contract.
Trading Hours	Same as corresponding Futures Contract.
Daily Price Range	Based on the factors of Daily Price Range (DPR) of Futures contract and volatility.
Position Limits	Position limits for 'option on Futures' shall be clubbed with position limits of 'options in Goods' on the same underlying goods but shall remain separate from position limits of futures contracts on the same underlying.

	Numerical value for client level/member level limits in Options shall be twice of corresponding numbers applicable for Futures contracts. Guar Seed: 3,58,000 MT and 35,800 MT for member and client respectively.
Exercise of Options	European Options to be exercised only on the day of Expiration of the Options contracts
Mechanism of Exercise	a. All In the money (ITM) option contracts shall be exercised automatically, unless 'contrary instruction has been given by long position holders of such contracts for not doing so. b. All Out of the money (OTM) option contracts shall expire worthless. c. All exercised contracts within an option series shall be assigned to short positions in that series in a fair and non-preferential manner. In the event contrary instruction are given by ITM option position holders, the positions shall expire worthless.
Final Settlement Method	On exercise, Option position shall devolve into underlying Futures position as follows: • long call position shall devolve into long position in the underlying Futures contract • long put position shall devolve into short position in the underlying Futures contract • short call position shall devolve into short position in the underlying Futures contract • short put position shall devolve into long position in the underlying Futures contract All such devolved futures positions shall be opened at the strike price of the exercised options.
Initial Margin	NCCL shall adopt appropriate initial margin model and parameters that are risk-based and generate margin requirements sufficient to cover potential future exposure to participants/clients. The initial margin shall be imposed at the level of portfolio of individual client comprising of his positions in futures and options contracts on each commodity. Margins shall be adequate to cover atleast 99% VaR (Value at Risk) and Margin Period of Risk (MPOR) shall be at least four days. For buyer of the option, buy premium shall be charged as margins and blocked from the collaterals. On computation of settlement obligation at the end of day, the premium blocked shall be released and collected as pay-in as per process notified.

	NCCL shall fix prudent price scan range and volatility scan range based on the volatility in the price of the underlying commodity. Appropriate Short Option Minimum Margin (SOMM) shall be fixed.
Other Margins	• **Extreme loss margin:** NCCL shall levy appropriate Extreme loss margin as applicable. • **Calendar spread charge:** The calendar spread charge shall be calculated on the basis of delta of the portfolio of futures and options. A calendar spread charge of 25% on each leg of the positions shall be charged. • **Mark to Market:** NCCL shall mark to market the options positions by deducting/adding the current market value of options (positive for long options and negative for short options) times the number of long/short options in the portfolio from/to the margin requirement. Thus, mark to market gains and losses would not be settled in cash for options positions. • **Pre expiry margin:** Pre expiry margin will be charged on potential in the money long and short option positions. The pre expiry margin will be increased gradually every day beginning from the pre-determined number of days before the expiry of the contract as applicable. • **Margining at client level:** NCCL shall impose initial margins at the level of portfolio of individual client comprising of his positions in futures and options contracts on each commodity. • **Other margins**: Other margins like additional margins and special margins shall be applicable as and when they are levied by the Exchange/CC/Regulator.

Contract Launch Calendar

Contract Launch Month	Options Expiry Month	Underlying Contract Expiry Month
June 27, 2024	July 2024 August 2024 September 2024 October 2024 November 2024	August 2024 September 2024 October 2024 November 2024 December 2024
July 2024	December 2024	January 2025
August 2024	January 2025	February 2025
September 2024	February 2025	March 2025
October 2024	March 2025	April 2025
November 2024	April 2025	May 2025
December 2024	May 2025	June 2025
January 2025	June 2025	July 2025
February 2025	July 2025	August 2025
March 2025	August 2025	September 2025
April 2025	September 2025	October 2025
May 2025	October 2025	November 2025
June 2025	November 2025	December 2025