

## **Delivery and Settlement Procedure**

### **Cotton Bales Futures Contract**

<b>Delivery Logic</b>	<b>Compulsory Delivery</b>
<b>Tender notice / Delivery Pay-in</b>	<p>The seller will have to do the delivery pay-in through Repository Account with CDSL Commodity Repository Ltd. (CCRL) by earmarking his existing valid commodity balance in the CCRL Repository Account towards the pay-in obligation.</p> <p>All outstanding long and short positions will be marked for delivery at the expiry of the contract</p>
<b>Tender Period</b>	Last 5 working days of the contract expiry and 1st working day after expiry of the contract
<b>Delivery Period (including delivery pay-out of commodities)</b>	Two working days after expiry of the contract
<b>Tender Period Margin</b>	3% incremental margin for last 5 working days of the contract on all outstanding positions. In case of holidays during the period, the tender period margin shall be scaled up by a factor of the number of holidays immediately after that day. Such margin will be addition to initial, additional and special and/ or any other additional margin, if any
<b>Delivery Period Margin</b>	<p>Delivery period margins shall be higher of:</p> <p>a. 3% + 5 day 99% VaR of spot price volatility            Or            b. 25%</p>
<b>Exemption from Tender and Delivery Period Margin</b>	Tender & Delivery Period margin will be released on receipt of Commodity pay-in by Seller through CCRL towards the pay-in obligation. However, ICCL shall continue to collect mark to market margins from Sellers.

<b>Delivery Pay-in of Commodities</b>	<p>The seller will have to do the delivery pay-in through CCRL by earmarking his existing valid commodity balance towards the pay-in obligation.</p> <p>On expiry all the open positions shall be marked for delivery. Delivery pay-in will be on E + 1 basis by 05:00 p.m. except Saturdays, Sundays and Trading Holidays.</p>
<b>Funds Pay-in</b>	Expiry Day +2 working day by 11:00 a.m.
<b>Funds Pay-out</b>	Expiry Day +2 working day after 2.00 p.m.
<b>Delivery Pay-out of Commodities</b>	Expiry Day +2 working day by 05.00 p.m.
<b>Penal Provision</b>	<p><b>Seller Default:</b></p> <p>3% of Settlement Price + replacement cost (difference between settlement price and average of three highest of the last spot prices of 5 succeeding days after the commodity pay-out date, if the average price so determined is higher than Settlement Price, else this component will be zero.)</p> <p>Norms for apportionment of penalty –</p> <ul style="list-style-type: none"> <li>▪ At least 1.75% of Settlement Price shall be deposited in the Settlement Guarantee Fund (SGF) of the ICCL.</li> <li>▪ Up to 0.25% of Settlement Price may be retained by the ICCL towards administration expenses.</li> <li>▪ 1% of Settlement Price + replacement cost shall go to buyer who was entitled to receive delivery.</li> </ul> <p>Over and above the prescribed penalty, ICCL shall take suitable penal/ disciplinary action against any intentional / willful delivery default by seller.</p> <p><b>Buyer default shall not be permitted.</b></p>
<b>Delivery Order Rate (DOR)</b>	On expiry date the delivery order rate shall be Final Settlement Price. (FSP)
<b>Taxes, Duties, Cess and Levies</b>	Ex-warehouse Rajkot exclusive of Goods and Services Tax (GST). Any other additional tax, Cess, or surcharge as may become due & payable under any law, rules or regulations, applicable from time to time, to be borne by the buyer.

**Odd Lot Treatment**

All Members shall square up their outstanding odd lots open positions before contract expiry. All outstanding long and short positions shall be marked for delivery at the expiry of the contract. In case any member fails to square-up outstanding odd lot till the contract expires on the final day resulting into odd lot position at the end of the contract expiry day, the delivery up to the nearest deliverable lot will be considered, while the residual odd lot will be settled in the following manner: -

- A. If the buyer has an odd lot position, while the total sell position of the seller is in deliverable lot, the buyer shall be obliged to take delivery for the odd lot position from the place notified by the ICCL at the designated delivery centre. The buyer shall bear all the related consequential charges. The buyer shall have to compulsorily lift the physical delivery from the designated delivery centre.
  - Provisions for retesting of the odd lot delivery by buyer: The buyer can request for retesting within 2 working days from the settlement day (E+4). In case any buyer has submitted a retesting request, then the lifting of the stock by the other buyers in the odd lot shall be allowed only after collection of composite samples for retesting. The sampling and retesting shall be in accordance with the norms applicable for deliverable lot. However, the timelines for sampling and retesting shall be 3 days (E+7). The cost of retesting shall be borne by the odd lot buyer who has requested for retesting and other provisions shall be in accordance with the deliverable lot mechanism.
- B. If the seller has an odd lot position and buyer does not have odd lot position, the penalty provisions as applicable to the seller default shall apply.
- C. If both the buyer and seller have odd lot position, then the outstanding position shall be closed out at settlement price and a penalty of 3% of settlement price shall be imposed on both such buyer and seller. Out of the penalty of 3% of settlement price, 2.75% shall be deposited in SGF and balance 0.25% shall be retained by the Exchange towards administrative expenses.

Any gains arising in point B & C above on account of Mark To Market settlement (MTM) of such odd lot positions, due to

	difference between the Previous Close Price/ Trade Price (if traded on expiry day) and Due Date Rate (DDR), in excess of the applicable odd lot penal provisions, will be impounded from the Members holding odd lot positions at the expiry of the contract. The entire amount impounded will be deposited in Settlement Guarantee Fund (SGF).	
<b>Adjustment of Transportation Cost</b>	Not Applicable	
<b>Warehouse, Fumigation Insurance etc.</b>	<ul style="list-style-type: none"> <li>To be borne by the seller up to commodity pay-out date.</li> <li>To be borne by the buyer after commodity pay-out date.</li> </ul>	
<b>Buyer's option for lifting of Deliver</b>	Buyer will not have any option about choosing the place of delivery and will have to accept the delivery as per allocation made by the ICCL.	
<b>Delivery Centre</b>	Rajkot (Within 100 Kms radius from the municipal limits)	
<b>Additional delivery Centres</b>	Kadi, Mundra (Gujarat), Aurangabad, Jalgaon, Yavatmal(Maharashtra) (Within 100 Kms radius from the municipal limits)	
<b>Quality Premium/ Discount</b>	<b>Grades</b>	
	Standardized grade as per HVI Middling 41-4	Discount of 3%
	Standardized grade as per HVI Middling 41-3	Discount of 2%
	Standardized grade as per HVI Middling 31-4	Discount of 1%
	<b>Staple Length</b>	
	28.00 to 28.49	Discount of 2 %
	28.50 to 28.99	Discount of 1 %
	29.00 and Above	No premium/No Discount
	<b>MIC</b>	
	Below 3.6 and up to 3.5	Discount of 0.3%
	Above 4.8 and up to 4.9	Discount of 0.3%
<b>Trash</b>		
Above 3.5 % and up to 5.0%	Discount of 1:1	

	<p><b>Moisture</b></p> <p>Above 9% and upto 10% (average)</p>	<p>Discount of 1:1</p>
<p><b>Delivery of Goods</b></p>	<p>The above premium/ discount will be calculated on a proportionate basis and rounded off in accordance with the grade matrix as communicated by ICCL from time to time.</p> <p>Each delivery shall be in multiples of delivery lots and shall be designated for only one delivery center and one location in such center.</p> <p>The goods delivered through CCRL Repository Account should be valid as per contract specifications up to one month after the expiry of the contract from the ICCL approved quality certifying agency/s.</p> <p>Delivery once submitted cannot be withdrawn or cancelled or changed, unless so agreed by the ICCL. Goods tendered under delivery shall be in conformity with the contract specifications.</p>	
<p><b>Deliverable Grade of Underlying Commodity</b></p>	<p>The selling members tendering delivery will have the option of delivering such grades as per the contract specifications. The buyer will not have any option to select a particular grade and the delivery offered by the seller and allocated by the ICCL shall be binding on him.</p>	
<p><b>Legal Obligation</b></p>	<p>Every member delivering and receiving goods through CCRL Repository Account by way of delivery shall provide appropriate tax forms wherever required as per law and as customary.</p>	
<p><b>Extension of Delivery Period</b></p>	<p>As per ICCL decision due to a force majeure or otherwise.</p>	
<p><b>Applicability of Regulations</b></p>	<p>The general provisions of Byelaws, Rules and Regulations of the ICCL and decisions taken by SEBI/ the Board of Directors/ Relevant Authority of the ICCL in respect of matters specified in this document shall form an integral part of this contract. The ICCL or SEBI, as the case may be, may further prescribe additional measures relating to delivery procedures, warehousing, quality certification, margining, and risk management from time to time.</p>	

Members and market participants who enter into buy and sell transactions on BSE, need to be aware of all the factors that go into the mechanism of trading, clearing & settlement, as well as all provisions of the ICCL's Bye Laws, Rules, Regulations, circulars, directives, notifications of the ICCL as well as of the Regulators, Government and other authorities.

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 BSE/ICCL, the commodity deposited / traded / delivered through the Approved warehouses of ICCL is in due compliance with the applicable regulations laid down by authorities like Food Safety Standard Authority of India, AGMARK, BIS, Warehousing Development and Regulatory Authority (WDRA), 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 Sales Tax/GST, APMC Tax, Mandi Tax, LBT, octroi, stamp duty, etc. as may become due & payable under any law, rules or regulations, applicable from time to time on the underlying commodity of any contract offered for deposit / trading / delivery and that BSE/ ICCL shall not be responsible or liable on account of any non-compliance thereof.

All the Sellers giving delivery of goods and all the buyers taking delivery of goods shall have the necessary GST Registration as required under the Goods & Service Tax (GST) Act applicable to the jurisdiction of the delivery centers and obtain other necessary licenses, if any.

In respect of all contracts executed by the Members on BSE, it shall be the responsibility of the respective members to pay all applicable statutory fee, stamp duty, taxes and levies in respect of all deliveries as well as futures contracts directly to the concerned Central/State/Local Government Departments and the BSE/ICCL shall not be held liable or accountable or responsible on account of any non-compliance thereof.

The ICCL is not responsible and shall not be held liable or accountable or responsible for value of the goods/stock of the commodities stored/lying in ICCL designated warehouse/s, and which is fully/partially confiscated / seized by any local or statutory or any other authority for any reason whatsoever

	<p>or for any deterioration in quality of the goods stored due to above reason or which have passed the Final Expiry date and continue to remain in the ICCL accredited warehouse. The decision of the ICCL shall be final and binding to all Members and their constituents in this regard. (The interpretation or clarification given by the ICCL on any terms of this delivery and settlement procedure shall be final and binding on the members and other market participants).</p>
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