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CHAPTER 1 - TRADING PARAMETERS

Authority

Trading of **Cotton** futures may be conducted under such terms and conditions as specified in the Rules, Byelaws & Business Rules and directions of the Exchange issued from time to time. **Cotton** futures contract specification is indicated in **Annexure 1**.

Unit of Trading

The unit of trading shall be **12 Candy**. Bids and offers may be accepted in lots of 12 Candy or multiples thereof.

Months Traded In

Trading in Cotton futures may be conducted as specified in **Annexure 1** and may be changed by the Exchange from time to time.

Tick Size

The tick size of the price of **Cotton** shall be Rs. 10.

Basis Price

Ex-Warehouse Rajkot (exclusive of all taxes)

Unit for Price Quotation

The unit of price quotation for **Cotton** shall be in Rupees per Candy. The basis for **Cotton** is **exclusive of all taxes**

Trading Hours

The hours of trading for futures in Cotton shall be as follows:

Mondays to Fridays – 10.00 a.m. to 11.30 / 11.55 p.m (During US daylight saving period) or as determined by the Exchange from time to time. All timings are as per Indian Standard Timings (IST).

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Contract Expiry Date

Last day of trading shall be 20th day of the delivery month, If 20th happens to be a holiday, a Saturday or a Sunday then the Expiry date shall be the immediately preceding trading day of the Exchange, which is not a Saturday.

Mark to Market

The outstanding positions in futures contract in Cotton would be marked to market daily based on the Daily Settlement Price (DSP) as determined by the Exchange.

Positions matched for delivery from additional delivery centre on E-5 would be marked to market till expiry

Position limits

Member level: 312 000 Candy or 20 % of market open interest, whichever is higher.

Client Level: 31,200 Candy Or 5 % of total market wide open interest, whichever is higher

The above limits will not apply to *bonafide* hedgers.

For *bonafide* hedgers the Exchange will decide the limits on a case-to-case basis.

Member level: 156,000 Candy or 20% of total near month market wide open interest, whichever is higher.

Client Level: 15,600 Candy Or 5 % of total near month market wide open interest, whichever is higher

Near month limits (Applicable from 28 days prior to expiry date of the contract).

Margin Requirements

The Exchange will use Value at Risk (VaR) based margin calculated at 99.95% confidence interval for one day time horizon. The Exchange reserves the right to change, reduce or levy any additional/special margins including any mark up margin.

Special / Additional Margin

When there is excess volatility, the Exchange may impose special/additional margin of appropriate percentage, as deemed fit on buy and/or sell side in respect of all outstanding positions. Removal of such margins will be at the discretion of the Exchange.

Tender Margin

The Exchange will impose Tender Margin for all outstanding positions in Cotton contract during last 3 trading days including the contract expiry day. Such margin will be imposed on both buy & sell open positions and will be in addition to the initial/daily margin, special and/ or any other additional margins, if any. The Tender Margin will be increased every day on incremental basis. The Tender Margin as currently applicable for Cotton Contract is 3% per day.

Delivery Margins

Open positions materializing into physical delivery, delivery margins as may be determined by the Exchange from time to time will be charged. The Delivery Margin currently applicable for Cotton Contract is 15%.

Delivery Default Penalty

The penalty structure for delivery defaults will be as announced by the Exchange from time to time.

Odd Lot Penalty

Outstanding position in the near month for valid delivery for both the buyer as well as the seller on the exchange platform has to be minimum 48 Candy or in multiples of 48 candy thereof. The Cotton contract shall be matched for delivery at the expiry of contract on Delivery lot basis only. The Exchange shall match the positions of all seller members who are in Deliverable lots on the expiry date against the buyer members. Members with an open position not in deliverable lots shall be required to square up such outstanding odd lot before expiry of the contract so as to make the total deliverable quantity in a deliverable lot. In case any member fails to square up outstanding odd lot till the contract expiry date which result into odd lot position at the end of the contract expiry, the delivery up to the nearest deliverable lot will be matched in the usual manner, while the outstanding odd lot will be settled as per the Exchange circular for Penal Provision for Odd Lot Settlement for Cotton.

Arbitration / Adjudication

Disputes between the members of the Exchange inter-se and between members and constituents, arising out of or pertaining to trades done on the Exchange shall be settled through arbitration / adjudication. The proceedings and appointment of arbitrators / adjudicators shall be as governed by the Bye-laws and Regulations of the Exchange.

CHAPTER 2 - DELIVERY PROCEDURES

Unit of Delivery

48 Candy (100 Bales with average bale weight between 155 kgs to 175 kgs will be delivery equivalent for 48 candy). Outstanding position for valid delivery for both the buyer as well as the seller on the exchange platform has to be minimum 48 Candy or in multiples thereof.

Delivery Size

Delivery to be offered in multiples of 48 Candy or thereof, wherein per lot of 48 candy would be equivalent to 100 bales such that average weight of 100 bales will be between 155 kgs to 175 kgs per bale and the total deliverable lot weight for 100 bales will be between 15.5 MT to 17.5 MT. No quantity variation allowed for number of bales.

Delivery Request

All the open positions on the date of expiry of the contract shall result in delivery. The commodities will be compulsorily delivered either by giving delivery or taking delivery as the case may be. That is, upon expiry of the contracts, any seller with open position shall give delivery of the commodity. The corresponding buyer with open position as matched by the process put in place by the Exchange shall be bound to settle by taking physical delivery. In the event of default by seller to give delivery, such defaulting seller will be liable to penalty as may be prescribed by the Exchange from time to time.

Mode of Delivery

For the delivery centers in the state of Gujarat the tendering and receipt of deliveries on the exchange platform would be done in the electronic mode from the exchange accredited warehouses as well as in the Physical mode from the Sellers' location

For delivery centers in states other than Gujarat i.e Maharashtra, AP, Punjab and Haryana the tendering and receipt of deliveries on the exchange platform would be done only in the electronic mode from the exchange accredited warehouses

Sampling process of cotton bales for delivery centers located in the state of Gujarat

Delivery in Electronic Mode

Exchange would carry out sampling for 10 bales out of the lot of 100 bales tendered by the depositors. Samples will be drawn from one bale out of every running 10 bales. A sample of approximately 1 kgs will be drawn from each bale. This sampling shall take place at Exchange accredited warehouses only.

The samples drawn from each bale shall be sealed and tested separately.

Each sample so drawn will be further divided into 4 parts and distributed as under:

- One sample to Depositor
- One sample to Warehouse owner
- One sample for Analysis by assayer
- One sample for record with assayer

The Sellers will be required to deposit the goods at Exchange accredited warehouse well before the expiry of the contract to enable completion of sampling process

Delivery in Physical mode (Direct Delivery model)

The process of drawing samples in such cases will be as under

- After the matching of delivery is conveyed by Exchange to the buyer and the seller, the buyer will be required to contact the seller to commence the sampling process which will be done at the location specified by the Seller. Buyer will be required to go to seller's location within 2 days of intimation from the Exchange for selection of bales.
- Exchange shall maintain a panel of Assayers and the Buyer can choose any Assayer from that panel. The process of sampling i.e. random selection of 5 bales, preparation of samples and sealing of the stack will be conducted by the Assayer in presence of the Buyer and the Seller
- The seller shall ensure that running samples can be drawn from the bales for which compulsory restacking of the identified delivery lot would be required at the ginner location.

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- The seller shall ensure compliance with all the conditions of delivery process with regards to packaging to avoid rejection of the lot at the Exchange accredited warehouse.
- After the samples have been drawn from the lot the identified delivery lot shall be sealed by the Exchange accredited service provider. The Exchange may adopt any other mechanism to tag the identified lot as deemed suitable and depositor will accept the same.
- The sealed and accepted delivery lot stored at ginning unit location after sampling shall not be tampered with and in case WSP or any exchange representative notices such tampering, the entire lot shall be liable to be rejected for acceptance.
- As only 5 samples are being drawn out of the entire lot of 100 Bales and test results arrived based on these samples, the depositor will be responsible for ensuring that the entire lot of cotton bales is of homogenous quality and more specifically the rest of 95 bales are of the same quality as that of the sampled 5 bales.

Delivery Process

For delivery in Electronic mode the delivery process will be as follows

- The Exchange has accredited warehouses for receipt and delivery of Cotton. **Cotton** will be received at and delivered from the Exchange accredited warehouses only. The details of the Exchange accredited warehouses will be updated on the exchange website from time to time
- The **Cotton** received at the Exchange accredited warehouse will be tested and certified by the Exchange accredited Assayer before the same is accepted as good delivery in the warehouse. Once the goods have been assayed, quality approved and deposited in the exchange accredited warehouses the balances will be reflected in the electronic form in the beneficiary account of the depositors
- When Cotton is sold for delivery in a specified month, the seller must deliver requisite credit of such Cotton holding in his Clearing Member's Pool Account before the scheduled date of pay in. On the settlement day, the seller's members' Pool account will be debited and buyer's Clearing Member's Pool Account would be credited with the said delivery quantity. The Clearing Member is expected to transfer the same to the buyer's account. However, the buyer must take actual physical delivery of Cotton before expiry of the validity date as mentioned in the ICIN

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- The Buyer intending to take physical delivery of his Cotton holdings has to make a request (Withdrawal request) in prescribed form to his Commodity Participant (CP) with whom he maintains the Electronic account. The CP would route the request to the warehouse for issue of the physical commodity i.e. **Cotton** to the buyer and debit his account, thus reducing the electronic balance to the extent of **Cotton** so requested for withdrawal.

For Delivery from sellers location (physical mode) (Applicable only for delivery centers in state of Gujarat)

- The Direct Delivery model would run parallel to the existing model of deliveries by transfer of electronic balances. The existing procedure of delivery through Exchange accredited warehouse would continue to exist and can be availed by the participants.
- The depositors / sellers intending to deliver cotton from their own locations will be approved by the Exchange . The seller needs to apply for approval of location within prescribed timeline before Expiry of contract in the specified format. The direct delivery timelines and format is available at <http://www.aceindia.com/market-operations/delivery/delivery1>
- Minimum of 500 bales (5 Lots) and maximum of 2500 bales (25 Lots) in a settlement can be tendered from a single location/warehouse of the depositor / seller. Exchange has the discretion to relax these norms in specific circumstances. Exchange decision will be final and binding on all parties in this regard
- Depositor / Seller's warehouse should be located within 50 km radius of municipal limits of delivery center which may be extended by the Exchange up to 100 km radius of municipal limits depending on the feasibility and requirements.
- The seller will be responsible for providing adequate infrastructure facilities and labor at the Gin / warehouse and has to facilitate the smooth lifting of the goods by the buyer so as to ensure that the entire delivered lots are lifted by the buyer as per the settlement process of the exchange.
- If at the time of sampling/assaying, the warehouse /storage space at the seller's location is found to be inappropriate i.e. not as per Exchange accreditation norms, the deliveries would be out right rejected. The decision of the Exchange will be final and binding on all the parties.
- The operational process shall be as follows:
 - a) The direct delivery period shall start from the Expiry of contract and continue till end of the month in which contract is expiring.

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- b) Buyers will have to make delivery funds pay- in on E+2 on a gross basis.
 - c) After the matching of delivery is conveyed by Exchange to the buyer and the seller, the buyer will be required to contact the seller to commence the sampling process which will be done at the location specified by Seller.
 - d) Buyer will be required to go to seller's location within 2 days of intimation from the Exchange for selection of bales.
 - e) Exchange shall maintain a panel of Assayers and the Buyer can choose any Assayer from that panel. The process of sampling i.e. random selection of 5 bales, preparation of samples and sealing of the stack will be conducted by the Assayer in presence of the Buyer and the Seller
 - f) The test results of the Assayer would be binding on both parties.
 - g) Once the test results meet the quality parameters as per the contract specifications, the Buyer will be required to pick up the delivery within three days after the results have been conveyed. In case buyer fails to pick up delivery within the stipulated time, it would be treated as buyer's default and penalty as specified in point 10 below would be applicable.
 - h) In case test results do not meet the quality parameters as per the contract specifications, Seller will be given another chance to tender a fresh lot. If the seller fails to provide the fresh lot for sampling within 6 days from the date of the expiry or the result of the samples drawn from that fresh lot do not meet the quality parameters, it would be treated as delivery default by the Seller.
 - i) Once the goods are lifted by the Buyer, both the Buyer and Seller would be required to send a confirmation to the Exchange and based on that the payment would be released by Exchange to the Seller. The payment of funds will be after adjustment of quantity and quality premium /discount.
 - j) Default would attract a penalty of 3% on Final Settlement price (FSP) payable by the defaulter along with the price differential between the FSP and the average of three highest spot prices of succeeding days after the expiry of contract till the last day of the month, if the average spot price so determined is detrimental to the interest of aggrieved party; else this component will be zero.
 - k) The entire process shall be completed by the last day of the month in which contract is expired.
- All risks and costs associated with the storage of goods in the sellers' location, for the entire duration of settlement i.e. from the date of drawing of samples till the goods are lifted by the buyer, would be borne

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by the seller.

- If the buyer who has been allotted physical delivery from seller's warehouse wishes to shift/move the commodities to the accredited warehouse, then it would be the buyer's responsibility to shift/move the commodities/goods to the Exchange accredited warehouse. This would be treated as any fresh deposit in the exchange accredited and weighbridge of warehouse location will be considered. In this regards, Depositor will to go through the process of deposit in exchange accredited warehouse.
- Since in the Direct Delivery mode there is substantial reduction in delivery cost for the seller, a Direct Delivery discount of 0.5% on FSP will be applicable to the seller and all the buyers receiving deliveries from sellers' location would be given a Direct Delivery premium of 0.5%.

For Delivery from Maharashtra, Punjab, Haryana Rajasthan and Andhra Pradesh centers

The delivery from Jalna, Wani, Bhatinda, Sirsa, Sriganaganagar and Warangal centers shall be allowed only in electronic mode and will take place only if there are willing Buyer and Sellers' to take / give delivery at these centers. The Delivery process from these centers will be as follows:-

- E-7 to E-5 - The sellers and buyers intending to give and take delivery from these additional delivery centers will have to give delivery intentions to the Exchange stating the quantity and the preferred location of delivery. All the delivery intentions received will be disseminated on the trading terminals and the Exchange website. On the same day (E-5) the Exchange would undertake the delivery matching process and intimate the matched deliveries to both sellers and buyers. Any unmatched delivery requests will lapse and in that case the sellers and buyers would have to give and take delivery from the delivery centers in the State of Gujarat if the positions are open on expiry.
- E-5 to E+1 - The seller will have to get the goods assayed as per the Exchange assaying process and ensure that by E+1 the goods are deposited in the Exchange accredited warehouse, accepted as per quality specification of the contract and the proportionate electronic credit equivalent to the sell position is available in the in the beneficiary account of the seller.
- The buyer/seller shall complete the settlement as per the settlement schedule as may be prescribed by the Exchange.
- The Exchange shall announce the premium / discount, if any applicable for these additional delivery centers 2 days before the start of the delivery intention period.

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Delivery Matching

Matching of deliveries against the intentions received will be done after expiry of the contract. The Exchange will send the delivery details to members. The direct delivery timelines and format is available at <http://www.aceindia.com/market-operations/delivery/delivery1>

Quality Standards

The **Cotton** bales delivered under the **Cotton** futures contracts of the Exchange shall conform to the quality specification indicated in the contract in **Annexure 1**. No lower grade/quality shall be accepted in satisfaction of the delivery obligation under the contracts as and to the extent provided in the contract specifications. Delivery of higher / lower grades within the provision of the contract specification shall however be accepted with appropriate premium or discount as specified by the Exchange from time to time.

Weight of the Lot

The weight of Cotton bales received / or delivered at the Exchange designated warehouse would be determined / calculated by the weighbridge / weigh scale of the designated warehouse and the weight so determined would be binding on all parties.

Total weight of the delivery lot of 100 bales should be between 15.5 MT (15500 kgs) – 17.5 MT (17500 kgs) net of packing material and sample weight.

Negative tolerance on weight range of 15.5 MT (15500 kgs) – 17.5 MT (17500 kgs) to the extent of standard deduction as specified below shall be permitted.

Packaging

All bales delivered in a lot should be in good condition; free from any oil/ink stains penetrating the bale or damaged in any other way. All bales delivered in a lot must be appropriately/securely strapped with spiral bands with minimum 9 wraps of iron bailing hoops or plastic straps. All bales delivered in a lot must be fully covered with hessian cloth / cotton fabric and no cotton shall be exposed.

All bales delivered in a lot should be marked with printed labels. All bales delivered in a lot should have a label with proper markings for Party name, PRN (Press running number, lot no and bale no, crop year for identifying the individual bale as well as a total lot and current season reference). All bales delivered in

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a lot should be from a single ginning unit and should be continuous running bales from the same ginner.

Weight deduction for packing material and sample weight will be as under:

- Plastic strapping – 55 kgs for 100 bales
- Iron strapping – 225 kgs for 100 bales

Standard Allowance

Standard Allowance, deducted every month on account of sampling, moisture loss shall be as given in the table.

Delivery/ Lifting Contract Months	Deposit / Contract Months									
	October	November	December	January	February	March	April	May	June	July
October	0.3	-	-	-	-	-	-	-	-	-
November	0.6	0.3	-	-	-	-	-	-	-	-
December	0.8	0.6	0.3	-	-	-	-	-	-	-
January	1.0	0.8	0.6	0.3	-	-	-	-	-	-
February	1.2	1.0	0.8	0.6	0.3	-	-	-	-	-
March	1.4	1.2	1.0	0.8	0.6	0.3	-	-	-	-
April	1.6	1.4	1.2	1.0	0.8	0.6	0.3	-	-	-
May	1.8	1.6	1.4	1.2	1.0	0.8	0.6	0.3	-	-
June	2.0	1.8	1.6	1.4	1.2	1.0	0.8	0.6	0.3	-
July	0	0	0	1.6	1.4	1.2	1.0	0.8	0.6	0.3

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Good / Bad delivery Norms

Cotton delivered into the Exchange designated Warehouse would constitute good / bad delivery based on the good / bad delivery norms as per **Annexure 3**. The list contained in **Annexure 3** is only illustrative and not exhaustive. The Exchange would from time to time review and update the good / bad delivery norms in line with the trade / industry practices.

Accredited Assayer

The Exchange has approved the Assayer/s for quality testing and certification of **Cotton** received at the Exchange platform. The quality testing and certification of **Cotton** will be undertaken only by the approved Assayer/s. The assayer details are given in the **Annexure 2** alongside the warehouses.

Quality Testing Report

Each delivery of **Cotton** at the Exchange warehouse must be accompanied by the quality testing report issued by the Exchange approved Assayer. The test report issued by Exchange accredited Assayer based on the samples drawn as per above stated methodology shall be acceptable and binding on all parties..

Testing Procedure

Testing for **Cotton** will be done both physically and chemically and will be as per the process defined by the Exchange.

Validity period

The validity period for **Cotton** delivered in Exchange warehouse shall be as shown in the table below.

Deposit Months	Validity Period
October-November and December	Validity till 10th of July i.e. goods can be delivered till June Expiry
January to July	Validity till 10th of August i.e. goods can be delivered till July Expiry

There will be no revalidation of Cotton once deposited in the warehouse.

The validity matrix applicable for all Cotton received in the Exchange warehouse shall be as under

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Month in which Cotton is deposited in the Exchange	Maximum/Final validity period allowed from the date of fresh deposit (no. of months)
October	9
November	8
December	7
January	7
February	6
March	5
April	4
May	3
June	2
July	1
August	No deposit accepted
September	No deposit accepted

Charges

As the Exchange has been putting in place delivery infrastructure, various checks and balances and incurring substantial cost towards the same, it would levy a nominal delivery charge of Rs. 50 per bale to the Initial Depositor of goods at the Exchange platform including deliveries at ginner’s location.

All charges and costs associated with the delivery of **Cotton** including sampling, grading, weighing, handling charges, storage etc. from the date of receipt of the delivery into designated warehouse upto date of pay in settlement shall be paid by the depositor when he delivers the Cotton on Exchange platform.

After the pay-out settlement, all charges and costs associated with the delivery including storage, handling etc. shall be borne by the buyer from the date of pay-out till the cotton remains in the exchange accredited warehouse. Warehouse storage charges will be charged to the member / client by the respective Commodity Participant.

The Assayer charges for testing and quality certification should be paid to the Assayer by the depositor directly at the delivery location either by cash/ cheques/ demand draft.

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Duties & levies

All duties, levies etc. up to the point of sale will have to be fully borne by the seller and shall be paid to the concerned authorities. All related documentation should be completed before delivery of **Cotton** into the Exchange accredited warehouse.

Stamp Duty

Stamp duty is payable on all contract notes issued as may be applicable in the State from where the contract note is issued or State in which such contract note is received by the client. The members / client shall be responsible to ensure compliance with the applicable Stamp Duty laws in this respect

Taxes

Service tax

Service tax will be payable by the members of Commodity Exchanges on the gross amount charged by them from their clients on account of dealing in commodities.

Sales Tax / VAT

The Cotton traded on the Exchange platform will be quoted exclusive of all taxes. Local taxes / VAT wherever applicable is to be paid by the seller to the sales tax / VAT authorities on all contracts resulting in delivery. Accordingly the buyer will have to pay the taxes / VAT to the seller at the time of settlement. Members and / or their constituents requiring to receive or deliver **Cotton** should register with the relevant tax /VAT authorities of the place where the delivery is proposed to be received / given. In the event of sales tax exemption, such exemption certificate should be submitted before settlement of the obligation. There will be no exemptions on account of resale or second sale in VAT regime. The members / client shall be solely responsible to ensure compliance with the relevant laws in this respect.

Premium / Discount

The 5 samples will be tested separately and test results shall be declared for these 5 samples bales individually in the test report. An average of the test results of the 5 sample bales shall be arrived at and the said average are taken as the final quality specifications of the delivery lot. For the delivery lot to be accepted as good delivery not only the average test results of the 5 sample bales should meet the quality specifications of the contract but also the test results of each individual sample bale shall meet the quality criteria on each

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parameter.

The premium/discounts applicable to the delivery lot shall be applied on the basis of the average test results of the 5 sample bales and are as given below:

Staple Length	Applicable Discount
Above 28.5 mm	No Premium
Below 28.5mm and upto 28 mm	Discount of 1% on 1:1
Below 28mm #	Goods will not be considered for delivery (Reject)

Micronaire	Applicable Discount
3.7 – 4.5	No discount
For MIC between 3.7 to 3.6	discount of 0.1% in the price.
For MIC between 3.6 to 3.5	discount of 0.7% in the price.
For MIC between 4.5 to 4.9	discount of 0.8% in the price.
Less than 3.5 ## or More than 4.9	Goods will not be considered for delivery (Reject)

Strength	Applicable Discount
28 GPT or more	No discount
Less than 28 GPT ##	Goods will not be considered for delivery (Reject)

Tolerance is permitted for acceptance of delivery lot where the average strength of the 5 sample bales is 28 and above, the but the strength of not more than 2 individual samples is less than 28 but is not below 27.5 GPT

Grades	Applicable Discount
Grade Middling 31-3	No discount
Grade Middling upto 41-3	Discount will be of 5% in the price
Grade Middling lower than 41-3	Goods will not be considered for delivery (Reject)

Trash	Applicable Discount
Up to 3.5%	No discount
Above 3.5% ##	Goods will not be considered for delivery (Reject)

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Moisture	Applicable Discount
Up to 8.5%	No discount
Up to 9%	Discount will be of 0.5% in the price
Above 9% and upto 9.5%	Accepted with a discount of 0.5:1 % on 1:1 basis
Above 9.5% ^{##}	Goods will not be considered for delivery (Reject)

Cotton 118 Contract. The current grade parameters are as per Annexure 5.

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CHAPTER 3 - CLEARING AND SETTLEMENT

Daily Settlement

All open positions of a futures contract would be settled daily based on the Daily Settlement Price (DSP).

Daily Settlement Prices

The Daily Settlement Price (DSP) will be as disseminated by the Exchange at the end of every trading day. The DSP will be reckoned for marking to market all open positions.

Final Settlement Prices

The Exchange shall adopt the following methodology for arriving at the Final Settlement Price.

- ☐ The Final Settlement Price (FSP) shall be arrived at by taking the simple average of the last three trading days polled spot price, viz. E-0 (expiry day), E-1, E-2.
- ☐ In the event of the spot prices of any of the E-1 and E-2 is not available; the spot prices of E-3 would be used for arriving at the average.
- ☐ In case the spot prices are not available for both E-1, and E-2, then the average of E-0 and E-3 (two days) would be taken.
- ☐ If all the three days' prices, viz., E-1, E-2 and E-3 are not available, then only one day's price, viz., E-0, will be taken as the FSP.

Spot Price Polling Mechanism

- ☐ The Exchange will poll spot price of specified quality (Ex Warehouse) from Rajkot, Kadi, Amreli, Anjar and Surendranagar.
- ☐ Daily spot price of basis centre i.e. Ex Warehouse, Rajkot will be calculated by taking the spot prices of these 5 centers as mentioned in Step 1

Dissemination of Spot Prices

Spot prices for **Cotton** will be disseminated on daily basis.

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Pay in and Pay out for Daily Settlement

The table below illustrates timings for pay in and pay out in case of daily settlement. The buyer clients would have to deposit requisite funds with their respective Clearing Member before “pay in”.

All fund debits and credits for the Member would be done in the Member’s Settlement Account with the Clearing bank.

Time (Next settlement day)	Activity
Before 11.00 hrs	PAYIN - Debit paying member a/c for funds
12.30 hrs	PAYOUT – Credit receiving member a/c for funds

Pay in and Pay out for final Delivery Settlement in Electronic mode

The table below illustrates timings for pay in and pay out of Funds and Commodities in case of positions marked for delivery from additional as well as base delivery centers. The buyer clients would have to deposit requisite funds with their respective Clearing Member and the seller client will have to ensure credit of the requisite quantity of Cotton in the Clearing Member pool account before “pay in”

The settlement for deliveries will happen on E+2 day basis (E means Expiry) and the schedule is as under

Time (E+2)	Activity
12.00 hrs.	Pay in – Debit Seller Member’s CM pool a/c. for Commodity
12.30 hrs.	Pay in – Debit Buyer Member’s Settlement a/c for funds
15.30 hrs.	Pay out – Credit Seller Member’s Settlement a/c for funds
16.00 hrs.	Pay out – Credit Buyer Member’s CM pool a/c. for Commodity

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Pay in and Pay out for final Delivery Settlement for Direct Delivery mode

The table below illustrates timings for pay in and pay out of Funds and Commodities in case of positions marked for delivery under Direct Delivery model. It is mandatory for both Seller and Buyer to intimate Exchange about weight confirmation in the prescribed format to complete the below settlement.

The settlement for deliveries will happen as per the schedule specified below

Day	Time	Activity
E+2	12.30 hrs	Pay in – Debit Buyer Member’s Settlement a/c for funds
E+3 to last settlement day of the month	12.30 hrs	Sampling, Testing, lifting of delivery and confirmation of the Quantity lifted by Seller as well as Buyer Member
E+4 to last settlement day of the month+1	15.30 hrs	Pay out – Credit Seller Member’s Settlement a/c for funds on the next working day of the Quantity confirmation by the Buyer member

Pay in and Pay out for supplementary settlement

Additionally the supplemental settlement for **Cotton** futures contracts for premium / discount adjustments relating to quality of **Cotton** delivered, actual quantity delivered and close out for shortages, will be conducted on the same day (date of pay-out) . Clearing Members are required to maintain adequate fund balances in their respective accounts.

Time (on date of settlement)	Activity
15.00 hrs	Pay in – Debit Buyer Member’s Settlement a/c for funds
15.30 hrs	Pay out – Credit Seller Member’s Settlement a/c for funds (The payout is done along with the delivery funds payout)

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Supplementary Settlement for Taxes.

The Exchange will conduct a separate supplementary settlement, as illustrated below,

Time (on date of settlement)	Activity
On or after 16.00 hrs	Pay in – Debit Buyer member a/c for funds.
On or after 16.30 hrs	Pay out – Credit Seller member a/c. for funds.

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Annexure 1

Contract specifications of Cotton applicable for all contracts expiring in October 2014 and thereafter

Name of Commodity	Cotton
Ticker symbol	COTTON118
Basis centre	Ex-Warehouse Rajkot (exclusive of all taxes)
Unit of trading	12 Candy
Delivery Type	Compulsory
Delivery unit	48 Candy (100 Bales with average bale weight between 155 kgs to 175 kgs will be delivery equivalent for 48 candy).* * Outstanding position for valid delivery for both the buyer as well as the seller on the Exchange platform has to be minimum 48 Candy or in multiples thereof
Price quotation	Rs/Candy
Tick size	Rs 10
Quality specification	<p>Indian Roller Ginned Cotton traded as Shankar 6 or equivalent to Shankar 6 with</p> <p>1. Staple Length: As per HVI mode of assaying, Basis : - 28.5 mm ; no premium above 28.5 mm Below 28.5mm and upto 28 mm – discount of Rs 500/- per candy on 1:1 basis Below 28mm Reject</p> <p>2. Micronaire Basis : 3.6 – 4.8 For MIC between 3.6 to 3.5 discount of Rs 300/- per candy MIC below 3.5 and above 4.8 Reject</p> <p>3. Strength : Minimum 28 GPT with no premium/discount</p>

The contents of this product document are subject to Rules, Byelaws and Businessies of Ace Derivatives & Commodity Exchange Ltd. & as in force from time to time and be read therewith.

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	<p>4. Grades : Standardized grade as per HVI Middling 31-3 accepted upto 41-3 with discount of 3%</p> <p>5. Trash : Basis : 3.5% Above 3.5% and up to 4% accepted with a discount of 0.5 : 1% on 1:1 basis Above 4% Reject</p> <p>6. Moisture : Basis : 9% Above 9% and upto 10% accepted with a discount of 1% on 1:1 basis Above 10% reject</p>
Quantity Variation	Average weight of 100 bales to be between 155 kgs to 175 kgs per bale such that the total deliverable lot weight for 100 bales is between 15.5 MT to 17.5 MT. No quantity variation allowed for number of bales.
Delivery Method	<p><u>Electronic Delivery</u> Seller shall deliver the goods through Exchange <u>Accredited</u> Warehouse. Goods will have to pass through the Quality Certification process during inbound delivery. Quality certification of Goods will be done by Exchange authorized assayer. Buyer will receive the goods from the Exchange Accredited Warehouse.</p> <hr/> <p><u>*Direct/Physical Delivery (Applicable only for the delivery centers in the State of Gujarat)</u> Delivery from Seller’s location will be in physical form. Goods will have to pass through the Quality Certification process during inbound delivery. Quality certification of Goods will be done by Exchange authorized assayer.</p>
Delivery Centre	<p>Rajkot (Delivery will be accepted in Exchange accredited warehouse located within 50 km radius from the municipal limits of the center but within Gujarat state only. This limit can be extended by the Exchange up to 100 km from the municipal limits depending on the feasibility and requirements)</p>

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Additional delivery centre in Gujarat	Sellers can also tender delivery from Kadi, Amreli, Surendranagar ,Anjar and Bodeli (Delivery will be accepted in Exchange accredited warehouse located within 50 km radius from the municipal limits of the center but within Gujarat state only. This limit can be extended by the Exchange up to 100 km from the municipal limits depending on the feasibility and requirements)
Additional delivery centers in other states	Wani and Jalna (Maharashtra), Bhatinda (Punjab), Sirsa (Haryana), Warangal (Andhra Pradesh) and Sriganganagar (Rajasthan) The deliveries from these locations can be tendered only if the intention, for giving/taking deliveries from sellers/buyers respectively, matches as per the Exchange prescribed criteria. In case of no matching, deliveries cannot be tendered. Deliveries from these locations will happen only in electronic form
Location Premium/Discount for centers in Gujarat	Premium and discount for different locations shall be announced by the Exchange before launching of contract.
Location Premium/Discount for centers in other states	Premium discount for centers in other states would be announced 2 days before the start of intention period as prescribed by the Exchange.
Trading Hours	Monday to Friday: 10.00 a.m. to 11.30/11:55 p.m.* *During US day light saving period.
Contract Expiry Date	20th day of the delivery month. If 20 th happens to be a holiday, a Saturday or a Sunday then the Expiry date shall be the immediately preceding trading day of the Exchange.
Opening of Contract	New contracts will be available for trading from 11 th day of the month as per the launch calendar. If the 11 th day happens to be a non-trading day, new contracts would open on next trading day.
Daily Price Limit	Daily price fluctuation limit is (+/-) 3%. If the trade hits the prescribed daily price limit there will be a cooling off period for 15 minutes. Trade will be allowed during this cooling off period within the price band. Thereafter the price band would be raised by (+/-) 1%. If the price hits the revised price band (4%) again during the day, trade will only be allowed within the revised price band. No trade / order shall be permitted during the day beyond the revised limit of (+ / -) 4%.

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Position Limits	<p>Member level: 312, 000 Candy or 20 % of total market wide open interest, whichever is higher</p> <p>Client level31,200 Candy Or 5 % of total market wide open interest, whichever is higher</p> <p>The above limits will not apply to bonafide hedgers. For bonafide hedgers the Exchange will decide the limits on a case-to-case basis.</p> <p>Near month limits (Applicable from 28 days prior to expiry date of the contract).</p> <p>Member level: 156,000 Candy or 20% of total near month market wide open interest, whichever is higher.</p> <p>Client level: 15,600 Candy Or 5 % of total near month market wide open interest, whichever is higher</p>
Maximum Order Size	576 Candy
Final Settlement Price (FSP)	<p>The Exchange shall adopt the following methodology for arriving at the Final Settlement Price.</p> <ul style="list-style-type: none"> • The Final Settlement Price (FSP) shall be arrived at by taking the simple average of the last three trading days polled spot prices, viz. E-0 (expiry day), E-1, E-2. • In the event of the spot prices of any of the E-1 and E-2 is not available, the spot prices of E-3 would be used for arriving at the average. • In case the spot prices are not available for both E-1, and E-2, then the average of E-0 and E-3 (two days) would be taken. • If all the three days' prices, viz., E-1, E-2 and E-3 are not available, then only one day's price, viz., E-0, will be taken as the FSP.
Minimum Initial Margin	5%
Special Margin	When there is excess volatility, Exchange may impose special margin of appropriate percentage, as deemed fit and proper on either long or short side in respect of all outstanding positions. This margin will remain till such excess volatility persists, after which the same will be relaxed.
Additional Margin	The Exchange may impose additional margins on both long and short side at such other percentage, as deemed fit. Removal of such Margins will be at the discretion of the Exchange
Regulatory Margin	In addition to the above margins, the Regulator may impose additional margins on long and/or short side at such other percentage as deemed fit. Removal of such Margins will

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	be at the discretion of the Regulator.
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Contract Launch Calendar for Cotton:

Contract Launch Month	Contract Expiry Month
May	January
June	February
July	March
August	April
September	May
October	June
November	July
January	October
February	November
March	December

Outbound Tolerance Limit

Tolerance limit is applicable only for outbound deliveries to the extent of permissible variations based on the repeatability norms as per assaying norms for Cotton. This outbound tolerance limits will be applicable on the initial declared results and variations till the permissible tolerance limits will be considered as good delivery.

Out bound tolerance allowed at the time of delivery	
Trash	+/- 0.5%
Fiber Length	+/- 0.5 mm
Micronaire	+/- 0.1
Strength	+/- 0.5 GPT

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Annexure 2 - Warehouse & Assayer Address Details

Sr. No.	Commodity	Warehouse Address	Assayer Address
1.	Cotton	Origo Commodities C/o BF-1, Bhoomi Packing Pvt Ltd., 307/2, Rajkot, Jamnagar Road, Targhadi, Taluka Paddhari, Rajkot - 360110 Gujarat Contact Person : Mr. Rupesh Kumar - 9989979614	CU Inspections India Pvt. Ltd. Plot No. C-113 TTC Ind. Area, Pawane MIDC, Navi Mumbai – 400709 Contact Person: Mr. Dilip Ghadigaonkar Contact No. 9833832407
2.	Cotton	Origo Commodities C/o Gee Pee Electropark Pvt. Ltd. Chamber A,B,C. Kadi – Plot No. 50/2, Bileswarpura (Chattral), Dist. Mahesana, Kadi – 382715, Gujarat Contact Person : Mr. Rupesh	SGS India Pvt. Ltd. 201, Sumel – II, Second Floor, Near Gurudwara, Sarkhej-Gandhinagar Highway, Ahmedabad - 380054 Contact Person: Mr. Santosh Singh Contact No. 079-26854380

For the updated list of Warehouse service provider & Assayers details kindly refer to the Exchange website www.aceindia.com

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Annexure 3 - Good / Bad delivery norms

Sr. No.	Particulars	Good / Bad Delivery
1	Deposited Lot having a current year reference	Good Delivery
2	Lot either having a year reference other than current year or no year reference	Bad Delivery
3	The Old crop (2013 – 2014) of Cotton bales lying in the electronic form, after July 2014 expiry contract, in the Exchange accredited warehouse will also be tenderable as good delivery in the months of October 2014, November 2014 and December 2014 expiry contract with a discount	Good Delivery
4	Goods delivered prior to contract expiry.	Good Delivery
5	One lot is having 100 Bales	Good Delivery
6	Lot having less than or more than 100 Bales	Bad Delivery
7	Net weight of the lot is between 15.5.0 MT to 17.5 MT (100 Bales)	Good Delivery
8	Net weight of the lot is below or above 15.5 MT to 17.5 MT (100 Bales)	Bad Delivery
9	Single lot of 100 bales having both types of plastic and iron hoops/bailing/straps.	Bad Delivery
10	Bales opened for the purpose of drawing the sample.	Good Delivery
11	Delivery of Cotton found contaminated on visual inspection.	Bad Delivery
12	Quality standard not as per the contract specification.	Bad Delivery
13	Goods delivered at other than the Exchange accredited warehouses excluding physical delivery from Sellers location .	Bad Delivery
14	Non-abidance of weighbridge certificate.	Bad Delivery
15	Delivery size not as per the contract specification.	Bad Delivery
16	Delivery with improper documentation.	Bad Delivery
17	Goods weighed at other than Exchange accredited warehouse weighs bridge / weigh scale.	Bad Delivery
18	Average of all 10 /5 test results meet the quality parameters and test result of all individual samples meet the quality parameters as defined in the contract specifications	Good Delivery

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19	Delivery given without undertaking from depositors	Bad Delivery
20	Sampling in absence of either WSP or Sampler or Exchange representative.	Bad delivery
21	Lot sampled without de-stacking at ginner/Sellers's location	Bad delivery
22	Lot untagged/ unsealed after sampling.	Bad delivery

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Annexure 4 – Cotton grade matrix

PREMIUM / DISCOUNT MATRIX FOR COTTON

To provide for the testing error and variations in test results between 2 different equipment, rounding off will be done for Staple length, Micronaire and Trash and same will be reflected in the premium/discount matrix as mentioned below.

THE READY RECKONER IS AS GIVEN BELOW:

Staple Length		Premium / Discount (Rs)	Micronaire		Premium / Discount (Rs)	Grades		Premium / Discount (%)	Trash		Premium / Discount (%)	Moisture		Premium / Discount (%)
28.50 & Above	1	0	Bet 3.5 to 3.6	1	-300	11-1 to 11-3	1	0	Upto 3.5%	1	0	Upto 9%	1	0
28.49 to 28.40	2	-100	Bet 3.61 to 4.8	2	0	21-1 to 21-3	2	0	3.51 to 3.60	2	-0.2	9.01 to 9.10	2	-0.1
28.39 to 28.30	3	-200				31-1 to 31-3	3	0	3.61 to 3.70	3	-0.4	9.11 to 9.20	3	-0.2
28.29 to 28.20	4	-300				31-31 to 41-3	4	-3	3.71 to 3.80	4	-0.6	9.21 to 9.30	4	-0.3
28.19 to 28.10	5	-400							3.81 to 3.90	5	-0.8	9.31 to 9.40	5	-0.4
28.09 to 28.00	6	-500							3.91 to 4	6	-1	9.41 to 9.50	6	-0.5
												9.51 to 9.60	7	-0.6
												9.61 to 9.70	8	-0.7
												9.71 to 9.80	9	-0.8
												9.81 to 9.90	10	-0.9
												9.91 to 10	11	-1

For detail grades kindly refer website <http://www.aceindia.com/market-operations/delivery/delivery1>

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Annexure 5 – Standard Testing Procedure

Parameters tested:

Parameters	Test Method
Moisture Testing	Probe Method
Staple Length	High Volume Instrument (HVI)
Micronaire	High Volume Instrument (HVI)
Grades	High Volume Instrument (HVI)
Strength	High Volume Instrument (HVI)
Trash	Trash Analyser

Definitions:

Parameters	Test result
Moisture	Percentage (%)
Staple Length	Millimeter (mm)
Micronaire	Micrograms/ inch (ug/in)
Grades	Coding
Strength	Grams per Tex (GPT)
Trash	Percentage (%)