

Ace DERIVATIVES & COMMODITY EXCHANGE

SETTLEMENT GUIDE

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1. DELIVERY TYPES

The various delivery types available for delivery of commodities on ACE are mentioned below:

1.1 BOTH OPTION

In case of contracts with delivery type as “Both Options”, delivery of the commodity will take place only if both buyer and seller give their intention to give/take delivery before the expiry of the contract. Intention means a request given by both buyer member and seller member to take or give the delivery of the commodity. For effecting Delivery, intention from both the parties (Seller & Buyer) is required. If the Exchange receives intention from only one party then no delivery will take place and open position of the member will be closed out at Final Settlement Price (FSP).

Commodity like Refined Soy Oil is an example of commodity settled using “Both Option” delivery type.

1.2 SELLERS OPTION

In case of seller’s option contract, delivery is based on seller’s intention. Seller member who intends to give delivery has to give its intention to deliver the commodity. Based on seller’s intention, the Exchange matches the delivery to the buyer member at the expiry of the contract. The buyer has to take delivery on compulsory basis that has been allocated to him by the Exchange. However, while allocating the deliveries, preferences would be given to those buyers who have submitted buy intentions.

Commodity like Soy Bean, is an example of “Seller Option” delivery type

1.3 COMPULSORY DELIVERY

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. In case of failure on the seller part to deliver the commodity, penalty shall be levied by the Exchange to the seller member. The Buyer with open position as matched by the Exchange shall be bound to take delivery of commodity.

Illustrative list of commodities covered under Compulsory Delivery contract are:
Chana, Mustard, Guar Seed, Guar gum, Sugar M and Castor Seed

2. DELIVERY AND SETTLEMENT PROCEDURE

2.1 Submission of Delivery Intentions

- Members who wish to give / take delivery have to submit delivery requests to the Exchange.
- Submission of delivery request can be done within the stipulated period as mentioned below:
 - a. For Seller Option contracts the Seller intention needs to be submitted 5 trading days prior to the expiry (including expiry date) of the contract. The intention submission period will be for 3 trading days for Seller Option contract (E-7 to E-5).
 - b. For Both option contracts both the Seller and Buyer member needs to submit the intention 5 trading days prior to expiry of the contract. The intention submission period will be for 3 trading days for Both Option contract (E-7 to E-5).
 - c. For Compulsory delivery contracts the Seller and Buyer intention needs to be submitted during the last 3 trading days (including expiry date) of the contract.

Seller members are not allowed to square off their position once delivery intentions are submitted. A penalty is levied as announced by the Exchange / FMC from time to time on the position squared off, on the members violating this stipulation. Further members are not allowed to create fresh positions in Seller Option & Both Option contracts during the last five days of the contract.

2.1.1 Intention from Seller:

The Seller member has to submit details of contract, quantity in lots, delivery location, and registered client code.

In case of Seller option contract if the seller member does not give any intention and if any of his sell positions remains open at expiry then a penalty is levied as announced by the Exchange / FMC from time to time on the open position of such members.

In case of compulsory delivery contract if the seller member does not give any intention and if any of his sell positions remains open at expiry then the delivery for the seller will be matched at the base delivery center and the seller will compulsory have to give the delivery from the base center.

In case member delivers the commodity from another location a penalty will be levied as announced by the Exchange / FMC from time to time.

2.1.2. Intention from Buyer:

Buyer member who intends to take delivery can submit intention for all type of contracts. The buyer member should mention the details of the contract, quantity in lots, delivery location and registered client code.

Submission of intention by buyer will give it a priority for matching against seller's intention.

2.2 Rejection of Delivery Intention

The rejection of delivery intention will happen due to non availability of open position to the extent of the delivery request. The request will be valid only to the extent of the open position for the member in the respective contract; any additional delivery request will be rejected.

2.3 Mode of giving Intentions

Intention through TWS:

The delivery request is submitted by the clearing member on the Trader workstation by selecting the intention icon.

Intention through Clearing & Settlement Module:

The intentions can also be submitted through Clearing & Settlement system of Ace by following the path Delivery → Intentions → Intentions Submission

2.4 Reports to Members

Members who have been matched delivery during Expiry / Staggered / Early Delivery shall receive the obligations file related to Quantity & Cash obligation. The file names are as follows.

1. Delivery Obligation Quantity File
2. Delivery Cash Obligation File

On the Settlement date member shall receive files related to the Delivery Allocated by the Exchange. The file names are as follows

1. Delivery Allocation File
2. Premium Discount File
3. Shortage Excess File

2.5 Delivery based Margins

Tender Period Margin

Tender period margins will be imposed for all outstanding positions during last “N” trading days including the contract expiry day as announced by the Exchange from time to time. Tender margins are levied once the instrument reaches the “First Tender date” on all the open positions for which a delivery matching is yet to happen. The tender margins are applicable on both buy and sell side and will be in addition to the initial / daily margin, special and / or other additional margins, if any. The Tender Margin will be increased every day on incremental basis. The tender margin ends for both buyers and sellers, when an unmatched Open Position moves into the “Delivery Matched” status. The members can view the tender margin through the “Margin Watch” window in the trader workstation. The tender period margin is calculated at the rate pre specified by the Exchange in the contract specification. This rate is then multiplied by the open position held by the clients in the expiring contract to arrive at the margin amount.

Delivery Margin

Delivery Margin is levied during the delivery period on the “Delivery Matched” positions of a particular contract. Thus, once the delivery is matched Tender Margin is released and Delivery Margin is levied. For the Buyer, the Delivery margin is levied till the time the member makes pay in of funds. For the Seller, the Delivery margin is released once all the ICIN’s that the Seller member has to transfer to Exchange Demat account has been transferred. The delivery period margin is calculated at the rate pre specified by the Exchange for the particular commodity. This margin continues till the settlement of the delivery by way of payment of funds or delivery.

2.6 Settlement Schedule:

The Exchange on a monthly basis will issue a circular intimating the members about the schedule of various activities that are to be carried out for final delivery settlement of all commodities traded on the Exchange platform. The format is mentioned in Annexure 1.

3. PAY IN AND PAY OUT OF FUNDS AND COMMODITIES:

3.1 Commodity Pay in:

The commodity pay-in should be done on or before the Scheduled pay-in day. The seller member should make available commodities in his demat pool account to enable Exchange to collect the commodities.

3.2 Pay in of Funds:

The Buyer member has to make available the funds in his bank settlement account on scheduled pay in day to enable the Exchange to collect the funds.

3.3 Commodity Pay out:

The pay out of Commodity will be done only on receipt of the funds pay in from the buyer member. The Buyer member demat pool account will be credited with commodity ICIN.

3.4 Pay out of Funds:

Pay out of funds will be credited to Seller member on scheduled pay out date in their bank settlement account.

3.5 Supplementary Settlement:

These are the few variables that the Exchange has to compute at the time of the delivery. Since the actual quantity & quality may differ at the time of the delivery, the Exchange debits or credits such differences as per the settlement schedule announced. The variance has to be within the stipulated limits prescribed by the Exchange in the contract specification.

4. SHORTAGES

Short Delivery

Any shortage, which is above acceptable limit, is treated as short delivery. Acceptable limits are different for each commodity and are specified in the relevant contract specifications. Settlement of short delivered or excess delivered quantity is calculated at the Final Settlement Price plus the location premium or discount applicable for that centre.

5. DELIVERY CENTER:

The Exchange identifies delivery locations for commodities based on various parameters. These locations are known as Delivery Centre or Base Delivery Centre.

Additional Delivery Centers:

In case of the intention received from buyer/seller to give or take delivery in an additional delivery center, the Exchange will try to allocate such delivery against the intended counterparty from whom such intentions has been received.

6. DELIVERY GRADES:

The members tendering delivery will have the option of delivering such grades of goods as permitted by the Exchange under 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 Exchange shall be binding on him.

7. VALIDITY DATE:

The validity date means the date up to which the commodity is valid for delivery on the Exchange platform. After the expiry of validity date, the commodity should be either withdrawn from the warehouse or further revalidated if the expiry date is not reached. The validity date will be assigned at the time of deposit of commodity at the warehouse and it will be reflected on the Quality certificate forming part of the warehouse receipt (physical form) / ICIN information page (electronic form).

8. FINAL EXPIRY DATE:

The Final expiry date indicates normal shelf life of the commodity, i.e. the commodity will be eligible for pay-in up to that particular date. After reaching the expiry date, no further revalidation will be permitted on the same commodity and therefore, the depositor/holder of such commodities have to withdraw the commodity from the warehouse latest by the expiry date.

9. SHORTAGES IN DELIVERY:

In case if the seller member defaults or refuses to give the delivery till the schedule commodity pay in day, the Exchange will levy penalty to the member. Such penalties can differ from commodity to commodity.

10. SHORTAGES IN FUNDS:

The Buyer member has to compulsory take the delivery. Refusal for taking the delivery is not permitted for the Buyer.

11. INVOICE & TAX IMPLICATION

11.1 Intimation of Client detail:

The buyer member will have to give client details such as name of the client, address of the client, quantity received to enable the seller member to raise the invoice. The Exchange will intimate the buyer client details to selling member as per the schedule announced by the Exchange.

11.2 Issue of Invoice:

On the basis of client details of the buyer, the selling member will issue an Invoice in the name of the buyer client. This invoice should be directly dispatched to buyer client.

12. PROCESS OF DELIVERY AT THE DEPOSITORY

12.1 Quality and delivery lots

- It is necessary for the market participants to deliver only one quality for each delivery lot at the time of payin.
- If the market participant is not able to deliver as per the delivery lots then it would be treated as Short Delivery
- Members and their constituents should therefore ensure that the delivery of commodities at the time of payin is only in deliverable lots under each ICIN to ensure smooth settlement process.

12.2 Delivery process

- The client who wants to deliver the commodity should transfer the credit balances from his account to the clearing member pool account before the payin date specified by the Exchange by filling up the Delivery Instruction Slip. This slip will be provided by the DP.

- While filling up the Delivery Instruction Slip the client should take care that all the details as mentioned below have been correctly entered and all the holders have signed the form.
- ✓ ICIN: This will be available from the Demat Holding / transaction statement.
- ✓ Quantity: This is the quantity mentioned against the ICIN in the Demat statement and should be equal to the quantity sold.
- ✓ Execution date: It is the date of execution of instruction.
- ✓ Market Type and Settlement Number: This is made available in the circular issued by the Exchange and / or from your member.
- The DP will enter the instruction on the execution date the balances will be transferred from the clients account to the member pool account.
- The member also has to ensure that it has received all the deliveries from the clients before the payin to the Exchange.
- On the payin day the balances will be delivered to the Exchange and after payout the same will be given to the buying members pool account.

13. EARLY PAY-IN PROCESS

13.1 Time of early pay-in

Early Pay-In (EPI) is accepted once the contract enters into tender period till delivery settlement.

13.2 Salient features of Early Payin

1. Early pay-in allows the member to get exemption from tender or delivery margins that would otherwise be collected / blocked from the margin deposits available with the Exchange in the normal course.
2. In case of CSDL the clearing member who wants to make an Early Payin has to open an Early Payin account with Ace. The format for opening the Early payin account is mentioned in Annexure 2
3. The clearing member who wants to make an Early Payin in CDSL has to give instruction slip for Early Pay-in to his DP.
4. The instruction slip shall mention the Early Payin account number of the member as specified by Ace.
 - Based on the instruction slip received by the DP, the DP shall enter the same in the CDSL DP front end through Early Payin screen in the settlement menu.
5. Immediately on entry of the said instruction, the balances would be transferred from the concerned account to the members Early Payin account mentioned in the said instruction. In case of insufficient balance the said transfer will fail.
6. The member has to also submit the Early Payin request through the Clearing and Settlement module of Ace as and when the commodity balances are transferred to his early payin Demat Account.
7. Member has to submit the Early Payin request per ICIN wise. Member has to enter the ICIN, Quantity in lots, Settlement No and Depository.

8. The Early Payin ICIN request should contain the No. of Lot as per the qty transferred per ICIN in Early Payin account
9. Only valid ICINs are considered for Early Payin benefit. Invalid or Expired ICINs are not considered for Early Payin benefits.
10. Exemption from Tender or Delivery margin shall be considered only when the commodity has been transferred to the member's Early Payin account before the scheduled time.
11. The Exchange will approve the Early Payin Request for the member, after confirming the Commodity received from the relevant member Demat account to the Early Payin account.
12. If the Partial Early Payin request is approved by the Exchange then only subsequent partial Tender or Delivery Margin will be released for that member.
13. Once the Early Payin request is approved by the Exchange then the Tender or Delivery Margin will be instantly released for that relevant member. In case early pay-in is not utilized towards the pay-in obligation of the member, then the same shall be returned to the concerned members pool account on the pay-out declaration date.
14. Once the Early pay-in is affected, the member is sure that he has completed his pay-in as per the scheduled pay in date and time.

14. VAT SETTLEMENT PROCESS

The Buyers and Sellers who wish to take or give delivery on Exchange needs to have the VAT Registration no. for the particular state wherein the delivery is taking place.

14.1 Buyer VAT Information

The Buyer Member has to inform the Exchange about the buyer client's details in whose name the quantity is allocated. The Buyer client details will contain the Name of the client, VAT registration no. of the client, Address of the client, Qty, Commodity Name, Contract Name, ICIN / WR No. The Buyer member has to provide the details through fax to the Exchange by E+3 3.00 p.m. The details are to be provided on the member letter head signed by the authorized signatory of the member. The format of providing the details is as mentioned in Annexure 3.

14.2 Information to the Seller Member

The Exchange will send the Buyer members / client details to the Seller on E+3 by 6.00 p.m. through the FTP. The Exchange shall collate all the details of the Buyer member and send the details to the Seller member. The said file will contain details such as Name of the client, VAT registration no. of the client, Address of the client, Qty, Commodity Name, Contract Name, ICIN / WR No. The format for providing the details is mentioned in Annexure 4.

14.3 Seller VAT Information

The Seller member will have to submit the VAT information based on the file received from the Exchange. The Seller Member along with the client details will provide the VAT amount to the Exchange. The Seller member has to provide the VAT amount and client details by E+4 3.00 p.m. The Seller member has to provide the file containing the details such as Name of the client, VAT registration no. of the client, Address of the client, Qty, Commodity Name, Contract Name, ICIN / WR No and VAT amount details. The format of providing details of the client and VAT amount is as per Annexure 5.

14.4 Information to the Buyer Member

The Exchange will send the Seller members / client details along with the VAT amount to be charged to the Buyer on E+4 by 6.00 p.m. through the FTP. The Exchange shall collate all the details of the Seller member and send the details to the Buyer member. The said file will contain details such as Name of the Seller client, VAT registration no. of the Seller client, Address of the Seller client, Qty, Commodity Name, Contract Name, ICIN / WR No. and counter Buyer details. The format for providing the details is as per Annexure 6.

14.5 Vat Settlement

The Exchange will debit & credit the Buyer & Seller members Settlement account respectively on E+5 working days after 4.00 p.m. If E+5 happens to be a Settlement holiday or Saturday, the settlement will take place on the next Settlement day.

14.6 Invoice

The invoice is to be given directly by the Seller member to the Buyer member within 5 days of the completion of the VAT settlement. The settlement schedule for VAT adjustment will be as per settlement schedule issued by the Exchange on monthly basis.

15. ANNEXURES

Annexure-1	Settlement Schedule
Annexure-2	Letter from Member for Opening Early Payin Account
Annexure-3	Information to Exchange from Buyer Member for VAT
Annexure-4	Intimation by Exchange to the Seller Member for VAT
Annexure-5	Information to Exchange from Seller Member for VAT
Annexure-6	Information from Exchange to Buyer Member for VAT
Annexure-7	Format for intimation of buyer client details

FORMAT OF SETTLEMENT SCHEDULE

SETTLEMENT CALENDER FORMAT

Name of Commodities	SYMBOL	Delivery Type	Tender / Expiry Date	Mark et Type	Settleme nt Number	Start date for Intention to give / take Delivery	End date Intention to give / take Delivery		Delivery Matching Date
						Date	Date	Time	
CASTOR SEED	CASTOR	COMPULSORY	15-Dec-10	T+2	2010001	13-Dec-10	15-Dec-10	06.30 PM	15-Dec-10
CHANA	CHANA	COMPULSORY	20-Dec-10	T+2	2010002	17-Dec-10	20-Dec-10	06.30 PM	20-Dec-10
MUSTARD SEED	MUSTARD	COMPULSORY	20-Dec-10	T+2	2010002	17-Dec-10	20-Dec-10	06.30 PM	20-Dec-10
SOYBEAN	SOYBEAN	SELLER OPTION	20-Dec-10	T+2	2010002	11-Dec-10	14-Dec-10	06.30 PM	20-Dec-10
REFINED SOY OIL	REFSOYOIL	BOTH OPTION	20-Dec-10	T+2	2010002	11-Dec-10	14-Dec-10	06.30 PM	20-Dec-10

Pay-in of commodities		Pay-in of funds		Pay out of Funds		Pay out of Commodities		Supplementary Payin & Payout of Funds	Settlement for Taxes
20-Dec-10	E+2	20-Dec-10	E+2	20-Dec-10	E+2	20-Dec-10	E+2	20-Dec-10	23-Dec-10
22-Dec-10	E+2	22-Dec-10	E+2	22-Dec-10	E+2	22-Dec-10	E+2	22-Dec-10	27-Dec-10
22-Dec-10	E+2	22-Dec-10	E+2	22-Dec-10	E+2	22-Dec-10	E+2	22-Dec-10	27-Dec-10
22-Dec-10	E+2	22-Dec-10	E+2	22-Dec-10	E+2	22-Dec-10	E+2	22-Dec-10	27-Dec-10
22-Dec-10	E+2	22-Dec-10	E+2	22-Dec-10	E+2	22-Dec-10	E+2	22-Dec-10	27-Dec-10

Annexure 2

Format of Letter from Clearing Members for Opening of Early Pay-in A/c
(On the Letter head of the member)

Date:

To
Ace Derivatives and Commodity Exchange Limited,
Infinity IT Park, 4th Floor,
Building No 4, B-Wing,
Gen. A. K. Vaidya Marg,
Dindoshi, Malad (East)
Mumbai 400 097

Dear Sir / Madam,

Sub: Account for Early Pay-in of commodities through CDSL

We are interested in making early pay-in of commodities through CDSL. We therefore request you to open an early pay-in account based on the details given hereunder:

Name of the Member	
Trading Member Code	
Clearing Member ID	
Communication Address	
City	
State	
Country	
Pin Code	
PAN Number	
CDSL Pool A/c No.	

We hereby authorize Exchange to operate the above stated account on our behalf and execute transactions as may be deemed necessary. Further, we hereby authorize Exchange to debit our account towards any charges that may be levied by CDSL on account of transactions in this account.

We would request you to advise us the account number allotted to us for this purpose

Yours Sincerely

Authorized Signatory

Name:

Designation:

Annexure -3

**Information to Exchange from Buyer Member for VAT
(On the letterhead of the Member)**

Date
To,
Ace Derivatives and Commodity Exchange Limited,
Infinity IT Park, 4th Floor,
Building No 4, B-Wing,
Gen. A. K. Vaidya Marg,
Dindoshi, Malad (East)
Mumbai 400 097

Dear Sir/Madam,

Ref: Member Name - _____
Member Code - _____

Sub: Client Information for VAT & Invoice

I/ We hereby submit our client details for the VAT and invoice calculation against our delivery matched position.

The details of the clients as mentioned below:

Commodity	Name of Contract	Name of Client/agent	Address of Client	VAT Registration No	Exemption form No.	ICIN / WR No.	Qty

Please advise the seller to raise the invoice as per the above mentioned details

Thanking You,

Yours faithfully,

For _____
(Authorised Signature & Stamp of Member)

Annexure - 4

Intimation by Exchange to the Seller Member for VAT

Commodity	Name of Contract	Name of Buyer Client/agent	Address of Buyer Client	Counter VAT Registration No	Exemption form No.	ICIN / WR No.	Qty
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Annexure - 5

Information to Exchange from Seller Member for VAT

Commodity	Name of Contract	Name of Seller Client/agent	Address of Seller Client/agent	Seller VAT Registration No	ICIN / WR No.	Qty	VAT Amount	Name of Counter Buyer Client	Address of Counter Buyer Client/agent	Counter Buyer VAT Registration No	Exemption form No.	ICIN / WR No.	Qty
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Annexure - 6

Information from Exchange to Buyer Member for VAT

Commodity	Name of Contract	Name of Seller Client	Address of Seller Client	Seller VAT Registration No	ICIN / WR No.	Qty	VAT Amount	Name of Buyer Client	Address of Buyer Client	Buyer VAT Registration No	Exemption form No.	ICIN / WR No.	Qty
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Annexure – 7

FORMAT FOR INTIMATION OF BUYER CLIENT DETAILS FOR PHYSICAL DELIVERY
(On Member's letter head)

To,
Ace Derivatives and Commodity Exchange Limited,
Infinity IT Park, 4th Floor,
Building No 4, B-Wing,
Gen. A. K. Vaidya Marg,
Dindoshi, Malad (East)
Mumbai 400 097

Member ID: _____

Dear Sir / Madam,

Please note the details of our clients for the delivery purchased in _____ (Name of the Contract) contract. The details are as below

Sr. No.	Client Code	Name of Client	WR No.	Lot No.	Qty
1					
2					

Please update the client records in your system and charge the warehouse billing.

Thanking You,

For _____

(Authorised Signature & Stamp of the Member)