NORMS, PROCEDURE AND PROCESS TO BE FOLLOWED FOR PRODUCT “DSILVER”

-DSILVER1KG and DSILVER20KG

1. To Trade in DSILVER [Physical delivery]

- For DSILVER1KG- Any Individual or Institution is allowed to trade.
- For DSILVER20KG- Only ‘Institutional’ and ‘Individual with PAN Card’ are allowed to trade.
- Customer needs to get approval from Bank to trade in these products. It shall be under the discretion of the bank to approve or reject the customer for trading in these products.
- Customer needs to have their own operational account in Century Commercial Bank Ltd. [CCBL], compulsorily.

2. General Rules

- Physical delivery is compulsory.
- Contract validity is T + 15 days. [T stands for trade day; 15 days will be calculated on continuous basis]
- Equity hit level is ‘4 % of Used Margin+ Half Commission’
- Contract Expiry Liquidation will be followed as 3 PM from Monday to Thursday and 1 PM on Fridays. Expiry falling on Saturdays and Sundays shall be liquidated at Friday Market Close [Just prior market close] and expiry falling on market holiday shall be liquidated at previous day market close.
- Customer is not allowed to take partial delivery of its placed orders. For example, if customer bought 2 lots at one time then customer needs to settle both at same time. Customer cannot partially take delivery for only 1 lot.

- In trading console of Customers,
  - ✓ Floating Profit shown against the open orders will not have any effect in Customer's Equity.
  - ✓ Floating Loss will have effect in Customer's Equity as normal/usual.
- Storage cost is applicable after T + 15 days, only under the below condition:
  If physical delivery is not taken after full payment; till the customer takes the delivery. Charges will be as prescribed by Bank.

3. Delivery & Settlement Procedure

Descriptive Procedure:

- Customer can place its order with '15% of contract value as Initial Margin + Commission'.
- Customer needs to deposit remaining 85% of contract value within T + 15 days of trade execution by 12 PM. After the full payment, its open position will be liquidated and customer can take the delivery.
- After full payment also if customer doesn't take the delivery of the product then storage will be applicable till it takes the delivery.
- During above normal condition, customers open orders will be liquidated with Open Price.
- Please note that customer have to present the delivery receipt [available in the trading console] while taking the delivery of the product and have to take the delivery at the date, time and delivery centre as prescribed by the Bank.
- At the time of taking the delivery, buyer would be provided with the quality certification by the seller i.e. CCBL. Also, Buyer will be provided with appropriate tax invoice as per the law of the land.

Or,

Described in a Flow chart:

Opens account in Century Bank and becomes a customer of MEX

Deposit's 'Initial Margin [15% of Contract value] +Commission' in Clearing Member's Segregate Account and inform the CM

Amount will be updated in the Trading Console of the Customer

Customer can initiate Buy position

Customer needs to deposit remaining amount [i.e. 85% of Contract Value] in its own operational account in CCBL within T+15 days and before Equity Hit

If Customer deposits remaining amount within T+15 days

Exchange will liquidate the open position with Open Price

Finally, Customer can present the delivery receipt [available in the trading console] to the bank and take the delivery of the product at the date, time and delivery centre as prescribed by the Bank.

4. Default Cases

- There are 2 conditions of default case;

  1st Condition: If the remaining amount is not deposited within T+15 days before contract expiry, then;

  - ✓ Customer's open position will be liquidated at market price of contract expiry liquidation time, if in Loss.
  - ✓ Customer's open position will be liquidated with open price, if in Profit.

  2nd Condition: If Customers account gets equity hit [if 'Equity' falls to '4 % of Used Margin+ Half Commission'] during contract validity, then; customer's open position will be liquidated in the market.

- Consequences on liquidation during above 2 conditions:
  - ✓ The customer cannot claim for physical delivery of the bought product.
  - ✓ The customer will have to bear the actual loss [if open position is in loss during the liquidation of the product in the trading console].
  - ✓ The customer will have to bear the price difference loss [price difference loss is the amount when there is difference between the liquidated price of existing customer and the new buyer].
  - ✓ After the deduction of price difference loss, 2% penalty will also be imposed on customer. This 2% penalty shall be calculated on the balance amount of the customer after deduction of actual loss and price difference loss.
  - ✓ After all the necessary deduction as mentioned above , the remaining amount will only be refunded to the customer.
- Before Equity hit, Bank will try its best to inform the customers about the condition, however it's not the responsibility of the bank. Customer should be self alerted during such cases and deposit funds prior equity hit to avoid liquidations of position/s.

5. Banking Transaction Rules

- Customer needs to deposit the Initial Margin & Commission in Clearing Member's Segregate account of Century Commercial Bank Ltd.
- Customer needs to deposit the remaining contract value i.e. 85% of the contract value in its own operational account in Century Commercial Bank Ltd, within specified time.

6. An Example, with calculation

Suppose, the customer had bought DSILVER20KG @ 660 per 10 gram; then

Total Contract Value	=	Rs 660*2000
	=	Rs 1320,000
Applicable Commission	**=**	850+ VAT
	=	Rs 960.50
Initial Margin	=	15% of 1320,000
	=	Rs 198,000
Equity Hit Level	=	4 % of Used Margin [198,000] + Half Commission
	=	Rs. 7920 + 480.25
	=	Rs. 8400.25
Balance required to initiate Buy position	**=**	Initial Margin + Applicable commission
	=	Rs 199,356 [198,000 + 960.50]

If the customer doesn't deposit the remaining amount [i.e. 11,22,000] within contract validity, then Exchange will liquidate the open position/s in the current market price at contract expiry and bank will search for a new buyer.

Customer had bought @ Price Rs 660/10 gm

Current Market Price is Rs 640 per 10 gm

Actual Loss in Trading Console	=	(660-640)*2000
	=	Rs 40000

If a new buyer is willing to pay 630 per 10 gram for the customer's product, then customer will be liable to pay the difference too.

Price Difference loss = (640-630)*2000

= Rs 20,000

Again, 2% of Penalty will be charged on the remaining amount i.e.,

Penalty = 2% of [IM – (Actual Loss+ Price Difference loss)]

= 2% of [198000- (40000 +20000)]

= 2% of 138000

= Rs 2760

Hence, if client doesn't deposit the remaining amount within contract validity and clients account has not reached equity hit then; amount that will be released and refunded to the customer will be as below:

198000 – 40000 – 20000 – 2760 = Rs 135,240

Important Notes:

- The above example is for DSILVER20KG and same shall be applicable for DSILVER1KG as well.
- This example is applicable when the customer is in Loss condition and the same calculation will be applied in **'Equity Hit'** case too.
- During profitable condition of customer, the open position will be liquidated with the Open Price and Customer will have to bear only price difference loss [if any] and 2 % penalty. Customer cannot claim for the profit amount.

7. Disclaimer

- Customer can only initiate BUY for this product. Customer will not have option to liquidate the product.

- As contract validity is continuous days after trade execution; public holidays and international holidays may fall within this time period. So customer needs to be self alerted on this.