



Circular No.: MCX/TRD/451/2019

August 20, 2019

Launch of Cotton (29mm) January 2020 Futures Contract with modifications

In terms of the provisions of the Rules, Bye-Laws and Business Rules of the Exchange and in continuation to Exchange circular no. MCX/TRD/437/2019 dated August 14, 2019, the Members of the Exchange are hereby notified as under:

Cotton (29mm) January 2020 Futures contract will be available for trading with effect from Monday, August 26, 2019.

The contract specification of Cotton Futures in January 2020 contract and onwards is revised with regards to Delivery Unit, Staggered Delivery Tender Period, Delivery allocation, Delivery order rate and Due Date Rate (Final Settlement Price). The revised contract specification are specified in Annexure.

The contract specifications and trading parameters of the contract as specified in Annexure herewith, shall be binding on all the Members of the Exchange and constituents trading through them.

The Delivery and Settlement procedure is separately intimated by Multi Commodity Exchange Clearing Corporation Limited (MCXCCL) through MCXCCL Circular No. MCXCCL/C&S/191/2019 dated August 20, 2019.

The procedure for dealing with Cotton Bales at MCXCCL Accredited Warehouses for the contract expiring from October 2019 and onwards will be informed separately by MCXCCL.

Trading will be allowed only upto 5:00 p.m. on the date of expiry of the contract.

Members are requested to take note of the same.

Sanjiv Kapur
Asst. Vice President

Encl.: As above

Kindly contact Customer Support on 6649 4000 or send an email at customersupport@mcxindia.com for any clarification.

Contract Specifications of Cotton (29mm)

Symbol	COTTON
Description	COTTONMMYY
Contract Listing	Contracts are available as per the Contract Launch Calendar
Contract Start Day	1st day of contract launch month. If 1st day is a holiday then the following working day.
Last Trading Day	Last calendar day of the contract month. If last calendar day is a holiday or Saturday then preceding working day
Trading Period	Mondays through Fridays
Trading Session	Monday to Friday: 9.00 a.m. to 9.00 p.m.
Trading Unit	25 bales
Quotation/Base Value	Rs. Per bale (of 170 Kg)
Maximum Order Size	1200 bales
Tick size (minimum price movement)	Rs.10
Price Quote	Ex-Warehouse Rajkot (Within 100 km radius) excluding all taxes, duties, levies, charges as applicable.
Daily Price Limits	DPL shall have two slabs - Initial and Enhanced Slab. Once the initial slab limit of 3% is reached in any contract, then after a period of 15 minutes, this limit shall be increased further by enhanced slab of 1%, only in that contract. The trading shall be permitted during the 15 minutes period within the initial slab limit. After the DPL is enhanced, trades shall be permitted throughout the day within the enhanced total DPL of 4%.
Initial Margin*	Minimum 4% or based on SPAN whichever is higher
Extreme Loss Margin	Minimum 1%
Additional and/ or Special Margin	An additional margin (on both buy & sell side) and/ or special margin (on either buy or sell side) at such percentage, as may be deemed fit, will be imposed by the Exchange/Regulator, as and when is necessary, in respect of all outstanding positions
Maximum Allowable Open Position	For individual clients: 3,60,000 bales For a member collectively for all clients: 36,00,000 bales or 15% of the market wide open position whichever is higher. For Near Month Delivery For individual clients: 90,000 bales Near month member level position limit shall be equivalent to the one fourth of the overall member level position limit.
Delivery Unit	25 bales (42.5 quintals* or 12 candy approx.) *+/- 7%
Basic Delivery Centre	Rajkot (Gujarat)
Additional Delivery Centre	1) Yavatmal / Jalna (Maharashtra) 2) Kadi, Mundra (Gujarat) 3) Adilabad, Warangal (Telangana) The discounts (if any) for each of the additional delivery centres to the basic delivery center (Rajkot) will be announced by exchange before the launch of contract.

<p>Quality Specifications on Physical Inspection and HVI Mode</p>	<p>Goods should lie within the Tenderable Range according to defined quality specifications. Outlying goods will not be accepted for delivery. Ginning Pattern: Roller Ginned Cotton. Saw Ginned Cotton will be accepted with discount.</p> <ol style="list-style-type: none"> 1) Basis Grade: Standardized grade as per HVI Middling 31-3; grades between 11-1 and 42-3 are accepted with premium/ discount 2) Staple 2.5% span length - 29 mm (+2.5mm/-1mm) with premium/discount. Below 28 mm reject and above 31.50 mm no additional premium. 3) Micronaire (MIC): 3.6 – 4.8 +/-0.1 with discount. Below 3.5 and above 4.9 reject. 4) Tensile Strength: 28 GPT Minimum, No premium or discount 5) Trash: 3.5% +/-1.5% with premium and discount. More than 5% reject. 6) Moisture: Up to 8.5%. Acceptable up to 9.5% (average) at discount. <p>The premiums/discounts with respect to quality specifications (in respect to Ginning Pattern, Grade, Staple, Micronaire, Trash and Moisture) will be announced by exchange before the launch of contract.</p>
<p>Physical Condition of Bales</p>	<p>All bales of the lot should be in good condition – should be free from oil/ ink stains penetrating the bale or damaged in any other way. It should have all the proper markings in form the unique PRN for identifying the individual bale as well as a total lot. The label should give details of variety, weight and crop year.</p> <p>The bale must be fully covered with hessian cloth/cotton fabric and no cotton shall be exposed. The bales must be securely strapped with iron bailing hoops / plastic straps.</p>
<p>Crop conditions</p>	<p>Only Current season Indian crop is deliverable</p>
<p>Delivery Period Margin**</p>	<p>Delivery period margins shall be higher of: a. 3% + 5 day 99% VaR of spot price volatility Or b. 25%</p>
<p>Staggered Delivery Tender Period</p>	<p>The staggered delivery tender period would be the last 5 trading days (including expiry day) of the contracts.</p> <p>The seller/buyer having open position shall have an option, of submitting an intention of giving/taking delivery, on any day during the staggered delivery period.</p> <p>On expiry of the contract, all the open positions shall be marked for compulsory delivery.</p>
<p>Delivery allocation</p>	<p>Allocation of intentions received to give delivery during the day to buyers having open long position shall be as per random allocation methodology to ensure that all buyers have an equal opportunity of being selected to receive delivery irrespective of the size or value of the position. However, preference may be given to buyers who have marked an intention of taking delivery.</p>

	<p>Funds pay-in of the delivery allocated to the buyer will be on T+2 working days i.e. excluding Saturday, Sunday & Public Holiday.</p> <p>The buyer to whom the delivery is allocated will not be allowed to refuse taking delivery. If the seller fails to deliver, the penal provisions as specified for seller default shall be applicable.</p>																																																				
Delivery order rate	<p>On Tender Days: The delivery order rate (the rate at which delivery will be allocated) shall be the closing price (weighted average price of last half an hour) on the respective tender day except on the expiry date.</p> <p>On Expiry: On expiry date, the delivery order rate or final settlement price shall be the Due Date Rate (DDR) and not the closing prices.</p>																																																				
Due Date Rate (Final Settlement Price)	<p>For contracts where Final Settlement Price (FSP) is determined by polling, unless specifically approved otherwise, the FSP shall be arrived at by taking the simple average of the last polled spot prices of the last three trading days viz., E0 (expiry day), E-1 and E-2. In the event the spot price for any one or both of E-1 and E-2 is not available; the simple average of the last polled spot price of E0, E-1, E-2 and E-3, whichever available, shall be taken as FSP. Thus, the FSP under various scenarios of non-availability of polled spot prices shall be asunder:</p> <table border="1"> <thead> <tr> <th rowspan="2">Scenario</th> <th colspan="4">Polled spot price availability on</th> <th rowspan="2">FSP shall be simple average of last polled spot prices on:</th> </tr> <tr> <th>E0</th> <th>E-1</th> <th>E-2</th> <th>E-3</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Yes</td> <td>Yes</td> <td>Yes</td> <td>Yes/No</td> <td>E0, E-1, E-2</td> </tr> <tr> <td>2</td> <td>Yes</td> <td>Yes</td> <td>No</td> <td>Yes</td> <td>E0, E-1, E-3</td> </tr> <tr> <td>3</td> <td>Yes</td> <td>No</td> <td>Yes</td> <td>Yes</td> <td>E0, E-2, E-3</td> </tr> <tr> <td>4</td> <td>Yes</td> <td>No</td> <td>No</td> <td>Yes</td> <td>E0, E-3</td> </tr> <tr> <td>5</td> <td>Yes</td> <td>Yes</td> <td>No</td> <td>No</td> <td>E0, E-1</td> </tr> <tr> <td>6</td> <td>Yes</td> <td>No</td> <td>Yes</td> <td>No</td> <td>E0, E-2</td> </tr> <tr> <td>7</td> <td>Yes</td> <td>No</td> <td>No</td> <td>No</td> <td>E0</td> </tr> </tbody> </table> <p>In case of non-availability of polled spot price on expiry day (E0) due to sudden closure of physical market under any emergency situations noticed at the basis centre, Exchange shall decide further course of action for determining FSP and which shall be in accordance with MCXCCL circular no. MCXCCL/SPOT/187/2019 dated August 16, 2019.</p>	Scenario	Polled spot price availability on				FSP shall be simple average of last polled spot prices on:	E0	E-1	E-2	E-3	1	Yes	Yes	Yes	Yes/No	E0, E-1, E-2	2	Yes	Yes	No	Yes	E0, E-1, E-3	3	Yes	No	Yes	Yes	E0, E-2, E-3	4	Yes	No	No	Yes	E0, E-3	5	Yes	Yes	No	No	E0, E-1	6	Yes	No	Yes	No	E0, E-2	7	Yes	No	No	No	E0
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7	Yes	No	No	No	E0																																																
Delivery Logic	Compulsory																																																				

* The Margin Period of Risk (MPOR) shall be 2 days in accordance with SEBI Circular no. SEBI/HO/CDMRD//DRMP/CIR/P/2016/77 dated September 01, 2016 accordingly, the initial margin shall be scaled up by root 2.

** As per SEBI directive SEBI/HO/CDMRD/DRMP/CIR/P/2016/77 dated Sep. 01, 2016.

Contract Launch Calendar of Cotton (29mm)

Contract Launch Months	Contract Expiry Months
August 2019	January 2020
September 2019	February 2020
October 2019	March 2020
November 2019	April 2020
December 2019	May 2020
January 2020	June 2020
February 2020	July 2020
March 2020	August 2020
May 2020	October 2020
May 2020	November 2020
May 2020	December 2020