
NATIONAL COMMODITY CLEARING LIMITED

Circular to all Members of the Clearing Corporation

Circular No. : NCCL/CLEARING-027/2020

Date : May 22, 2020

Subject : Daily Settlement Price and Final Settlement Price for Index Futures Contract

This is with reference to NCDEX circular no. NCDEX/TRADING-023/2020 dated May 19, 2020 on Launch of NCDEX AGRIDEX Futures contract (AGRIDEXDDMMYYYY) and circular no. NCDEX/TRADING-018/2019 dated June 21, 2019 on Design of Commodity Indices and Product Design for Futures on Commodity Indices.

The Daily Settlement Price and Final Settlement Price for Index Futures Contract shall be determined in following manner: -

A. Daily Settlement Prices of Index Futures Contract

The daily profits/losses of the Members are settled using the Daily Settlement Price. The Daily Settlement Price shall be determined in the manner described here under or in such other manner as may be prescribed by NCCL from time to time. The Daily Settlement Price notified by NCCL by any method, shall be binding on all its Members and their constituents.

Method 1

The Clearing Corporation shall determine the Daily Settlement Price in the following order provided the liquidity criteria set by the clearing corporation is met.

- Value Weighted Average Price (VWAP) of contracts during the last 30 minutes of trading;
or
- VWAP during the last one hour of trading; or
- VWAP during the last three hours of trading; or
- VWAP during the last five hours of trading; or
- VWAP of the trades during the day; or
- A price arrived through any other method which the clearing corporation, in its absolute discretion, considers to reflect the market price better

However, in case the contract hits the daily price limit and closes at circuit price then the DSP will be the circuit price.

Method 2

In the event of failure of Method 1, the Daily Settlement Price will be determined using any of the following methods which in the opinion of NCCL would be a better indicator of market prices.

a) **Theoretical futures price derived from underlying Index price**

$$F = S * e^{rt}$$

Where F = futures price, S = underlying index, r = 30 day MIBOR rate and T = time remaining till maturity, e is the exponential factor.

b) **Theoretical Futures price arrived from liquid contracts of the Index:**

The spreads that prevail between active contracts (the contracts that qualify method 1 described above) shall be used to determine the theoretical futures price for other contracts that do not meet the criteria for liquid contract as stated above, in the Index. For example, if we assume that the near month and middle month contracts are active, the theoretical futures price for an illiquid far month contract shall be determined as a theoretical futures price using the spread between the near and the middle month contract.

; or

c) Previous day's settlement price or a price arrived through any other method which the Clearing Corporation, in its absolute discretion, considers to reflect the market price better. And any such Daily Settlement Price determined by the Clearing Corporation shall be binding on all its Members and their constituents.

The Daily Settlement Prices will be disseminated to Members through the file NCDEX_CN01_ddmmyyyy.CSV (in Common/Reports directory on Extranet) or any other file format as may be notified.

B. Final Settlement Prices of Index Futures Contract

The Final Settlement Price shall be the underlying index price arrived at based on Volume Weightage Average Price of the constituents of the underlying index between 4:00 pm and 5:00 pm on the expiry day of the Index futures contract. {In absence of trading in any constituent

during last one hour, the Clearing Corporation shall determine appropriate methodology (in line with the methodology for determining daily closing price) to arrive at appropriate price of the constituent to be used for determining index price}.

All open positions at close of market on the expiry date of the relevant contract shall be settled at the Final Settlement Price.

All members and their Constituents are requested to take note of the same

For and on behalf of
National Commodity Clearing Limited

Vidyadar Bangera
Vice President

For further information / clarifications, please contact

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