NSE Clearing Limited
(Formerly known as National Securities Clearing Corporation Limited)

DEPARTMENT : COMMODITY DERIVATIVES SEGMENT	
Download Ref No: NCL/COM/44281	Date : April 30, 2020
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Sub: Framework of determining final settlement price (FSP) in case of unavailability of spot prices.

To All members,

This has reference to NCL consolidated circular for Commodity derivatives NCL/COM/43089 dated 01 January 2020.

NCL has revised methodology for determination of Final settlement price (FSP) of commodity derivative contracts in case of unavailability of spot prices as below:

1. **Mechanism to determine FSP based on traded price of expiring contract:**

   a. In respect of liquid contracts (with total of at least 100 executed trades in last 3 days prior to expiry), the FSP may be computed as under:

   - All trades in the contract on a given date shall be considered.
   - Arithmetic Mean (Simple Average) of the distinct prices at which the trades have been executed during the day shall be calculated.
   - The Standard Deviation of each Trade Price from the Arithmetic Mean shall be computed.
   - All the Trade Prices having Sigma more than 2 Sigma (two-tailed Normal Distribution) shall be discarded.
   - The remaining Trade Prices (with less than or equal to 2 Sigma from the Mean) shall be arranged in the ascending order, along with the corresponding total quantities.
   - The Weighted Average of the above Price – Quantity shall be taken as the Average Price for that respective Day.
   - A simple average of the 3 days of such prices arrived at shall be considered as the average price of the Contract for the purpose of computing FSP

   b. In case the liquidity criteria as specified in 1 (a) above is not met and in case the contract has traded for the last 5 days preceding the expiry, irrespective of the number of trade during such 5 days, then for each of such trade dates, the trades in such contract shall follow the computation process specified in 1 (a) above.

2. **In case the commodity has contracts with different variants and the contract expire on the same date:**
If one of the contract variants of the commodity is liquid (e.g. one of Gold or Gold Mini is liquid) and other variant is illiquid, the FSP of liquid contract of commodity may be considered as FSP for final settlement of such illiquid contract.

3. **In case commodity is illiquid on NSE commodity derivatives segment but liquid on other Exchanges**
In case of contracts that are illiquid on NSE commodity derivatives segment but liquid on other Exchanges and the contract specification are exactly similar, then FSP of the similar contract on the other Exchange may be considered as FSP for final settlement.

4. **In case commodity is not liquid on other exchange/ available at other exchange with different contract specification**
If the commodity is not liquid or is available at other Exchange with a different contract specification, then the spot prices may be determined by extrapolating the trend from the available spot prices for past 7 days from the date when spot price was last available.

5. **In case of unavailability of polled spot since the start of the staggered period**
In case the polled prices are not available since the start of the staggered period of the contract and there are no trades in the expiring contract, then the close price of the immediate next contract on the day of contract expiry may be used as FSP.

Members are requested to take note of the above.

For and on behalf of
NSE Clearing Limited

Prashant Shinde
Senior Manager

Telephone No	Fax No	Email id
18002660050	+91-22-26598242	fao_clearing_ops@nsccl.co.in