

National Stock Exchange Of India Limited**Department : Commodity Derivatives Segment**

Download Ref No: NSE/COM/44441

Date : May 21, 2020

Circular Ref. No: 15/2020

All Members,

Introduction of Options in Goods contracts on underlying Gold in Commodity Derivatives Segment

This is in continuation with the Exchange circular no. 39033 dated October 03, 2018 for Contract Specifications in Commodity Derivatives segment.

Exchange is pleased to inform its members that having received approval received from SEBI, Options in Goods contracts on underlying Gold spot price would be available for trading in Commodity Derivatives segment with effect from June 8, 2020.

In this reference, Exchange notifies details of contract specifications which are as follows:

Annexure	Commodity Name
A	Gold Mini Options

For any queries related to Risk Management, Clearing and Settlement, members are requested to contact NSE Clearing Limited. A separate circular shall also be issued by NSE Clearing Limited in this regard.

**For and on behalf of
National Stock Exchange of India Limited**

**Khushal Shah
Associate Vice President**

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Annexure – A
Contract Specifications: Options in Goods – Gold Mini (100 grams)

Instrument Type	Options Contract with Spot as Underlying (OPTBLN)
Product	Gold Mini Options
Underlying	Gold
Options Type	The Options Contracts shall be European styled which can be exercised only on the expiration date
Symbol	GOLDM
Description	GOLDMMYYMMM<strike price><CE/PE>
Contract Listing	Monthly contracts. Details as per the launch calendar.
Contract Commencement Day	Business day immediately following the last trading day. (Expiry Day+1)
Last Trading Day	Last Day of Trading shall be the business day preceding the start of tender period in the corresponding expiry Futures with the same underlying. In case the last business day is a holiday, then the preceding business day shall be the last trading day for the contract. Details as per the attached launch calendar (refer table below) On the day of expiry, the trading shall be allowed up to 11:30 pm/11:55 pm based on US daylight saving time period
Trading	
Trading Period	Mondays through Fridays
Trading Session	Monday – Friday 9:00 am to 11:30 pm/11:55 pm* *based on US daylight saving time period
Trading Unit	100 grams
Underlying Quotation / Base Value	₹ per 10 grams
Underlying Price Quote	Ex-Ahmedabad (inclusive of all taxes and levies relating to import duty, customs but excluding all taxes and levies relating to GST, any other additional tax or surcharge on GST)
Maximum Order Size	10 Kg
Tick Size (Minimum Price Movement)	₹ 0.50
Strike Interval	250
Minimum Number of Strikes	10 - 1 - 10
Daily Price Limit	A contract specific price range based on multiple factors including its delta value, DPR of Futures contract of the same commodity and volatility, is computed and updated on a daily basis.

Initial Margin	Clearing Corporation shall adopt SPAN® (Standard Portfolio Analysis of Risk) system or any other system for the purpose of real time margin computation. The Initial Margin requirement shall be so as to cover potential losses for at least a 99% VaR subject to minimum percentage floor value as prescribed by SEBI from time to time. The MPOR for options in goods shall be based on the categorization of the underlying as prescribed by SEBI The Price Scan Range shall be taken be 3.5 sigma or such other percentage as may be specified by the Clearing Corporation from time to time. The price scan range shall be scaled up by the MPOR. Volatility Scan Range for stock products shall be taken at 3.5% or such other percentage as may be specified by the Clearing Corporation from time to time. Short option minimum charge shall be set as given below: <table border="1" data-bbox="416 913 1177 1059"> <thead> <tr> <th>Volatility Category of Commodity</th><th>Minimum SOMC</th></tr> </thead> <tbody> <tr> <td>Low</td><td>6%</td></tr> <tr> <td>Medium</td><td>8%</td></tr> <tr> <td>High</td><td>10%</td></tr> </tbody> </table> Clearing Corporation shall mark to market the options positions by deducting/adding the current market value of options (positive for long options and negative for short options) times the number of long/short options in the portfolio from/to the margin requirement. Spread margin benefit shall be permitted in following cases: 1) Different expiry date contracts of the same underlying 2) Two contracts variants having the same underlying commodity Clearing Corporation shall levy a minimum 25% of the initial margin on each of the individual legs of the spread. Maximum benefit in initial margin on spread positions shall be restricted to 75%. Initial margin benefit shall be provided only when each individual contract in the spread is from amongst the first three expiring contracts. Clearing Corporation may charge spread margins higher than the minimum specified depending upon its risk perceptions. In case of such spread positions, additional margins, if any shall not be levied. Further margin benefit on spread positions shall be entirely withdrawn latest by the start of tender period or Expiry day, whichever is earlier. No benefit in Extreme Loss Margins (ELM) shall be provided for spread positions. To be eligible for initial margin benefit, each individual contract in the spread shall be from amongst the first three expiring contracts.	Volatility Category of Commodity	Minimum SOMC	Low	6%	Medium	8%	High	10%
Volatility Category of Commodity	Minimum SOMC								
Low	6%								
Medium	8%								
High	10%								

Extreme Loss Margin	Clearing members shall be subject to ELM in addition to initial margins. ELM of 1% on short open positions shall be levied and shall be deducted from the liquid assets of the clearing member on an online, real time basis.
Additional and / or Special Margin	Clearing corporation may require clearing members to make payment of additional margins as may be decided from time to time.
Other Margins	Premium Margin: Premium margin shall mean and include premium amount due to be paid to the Clearing Corporation towards premium settlement, at the client level. Premium margin shall be levied till the completion of pay-in towards the premium settlement. Pre-Expiry Margins: Clearing Corporation shall levy pre-expiry margin which shall be increased gradually from five trading days till the expiry of the contract as applicable. 4% incremental margins shall be levied during the pre-expiry period. These margins will be applicable on all ITM and CTM call/put option contracts. Pre-Expiry margins shall be levied on both long and short side. Delivery period margin shall be levied by Clearing Corporation on the long and short positions marked for delivery till the pay-in is completed by the clearing member. Once delivery period margin is levied, all other applicable margins may be released. Delivery period margin shall include VaR Margin and MTM Margins: VaR Margin: Delivery period margins shall be higher of: a) 3% + 6 day 99% VaR of spot price volatility Or b) 20% MTM Margin: End of day mark to market margins shall be computed on expiry day and till final settlement -1 day as difference between settlement obligation and value of positions at closing price. Mark to market loss in one underlying shall be netted against profit of other underlying for same client. Net loss at client level shall be grossed to arrive at clearing member level mark to market margins. Concentration Margin: Clearing Corporation may impose adequate concentration margins (only on concentrated positions) to cover the risk of longer period required for liquidation of concentrated positions in any commodity.
Maximum Allowable Open Position	For a member collectively for all clients: 100 MT or 20% of the market wide open position whichever is higher, for all Gold Options contracts combined together. For individual client: 10 MT or 5% of the market wide open position whichever is higher, for all Gold Options contracts combined together.

Mechanism of Exercise	Option series having strike price closest to the Final Settlement Price (FSP) shall be termed as At-the-Money (ATM) option series. This ATM option series and three option series having strike prices immediately above this ATM strike and three option series having strike prices immediately below this ATM strike shall be referred as 'Close to the money' (CTM) option series. In case the FSP is exactly midway between two strike prices, then immediate three option series having strike prices just above FSP and immediate three option series having strike prices just below FSP shall be referred as 'Close to the money' (CTM) option series. All option contracts belonging to 'CTM' option series shall be exercised only on 'explicit instruction' for exercise by the long position holders of such contracts. All In-the-money (ITM) option contracts, except those belonging to 'CTM' option series, shall be exercised automatically, unless 'contrary instruction' has been given by long position holders of such contracts for not doing so. All Out of the money (OTM) option contracts, except those belonging to 'CTM' option series, shall expire worthless.
Settlement on Exercise	
Settlement Logic	Compulsory Delivery
Settlement of Contract	On exercise, all such positions shall be settled by compulsory delivery.
Delivery Unit	100 grams
Delivery Period Margin	Delivery period margin shall be levied by Clearing Corporation on the long and short positions marked for delivery till the pay-in is completed by the clearing member. Once delivery period margin is levied, all other applicable margins may be released. Delivery period margin shall include Var Margin and MTM Margins: Var Margin: Delivery period margins shall be higher of: a) 3% + 6 day 99% VaR of spot price volatility Or b) 20% MTM Margin: End of day mark to market margins shall be computed on expiry day and till final settlement -1 day as difference between settlement obligation and value of positions at closing price. Mark to market loss in one underlying shall be netted against profit of other underlying for same client. Net loss at client level shall be grossed to arrive at clearing member level mark to market margins.
Delivery Centre	Ahmedabad
Additional Delivery Centres	Delhi, Mumbai and Chennai

Delivery Allocation	Delivery allocation will be done by the mechanism put in place by the Exchange/Clearing Corporation. The buyer to whom the delivery is allocated will not be allowed to refuse taking delivery and any default in delivery taking will entertain penalty and be subject to the penal provisions. If the seller fails to deliver, the penal provisions as specified for seller default shall be applicable.																																																									
Delivery Order Rate	On expiry date, the delivery order rate shall be the Strike price. Settlement obligation shall be computed at respective strike prices of the Options contracts.																																																									
Final Settlement Price	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 as under: <table><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><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></table> 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 in consultation with SEBI.						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
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																																																					
Quality Specifications	995 purity. It should be serially numbered Gold bars supplied by LBMA approved suppliers or other suppliers as may be approved by the Exchange to be submitted along with supplier's quality certificate.																																																									
If the Seller offers delivery of 999 purity	Seller will get a proportionate premium and sale proceeds will be calculated as under: Delivery Order Rate* 999/ 995 If the quality is less than 995, it is rejected.																																																									

Contract Launch Calendar of Gold Mini Options (100 grams)

Contract Launch Month	Contract Expiry Month
On day of launch	26-June 2020 29-July 2020 28-August 2020
June 2020	September 2020
July 2020	October 2020
August 2020	November 2020
September 2020	December 2020
October 2020	January 2021
November 2020	February 2021
December 2020	March 2021
January 2021	April 2021
February 2021	May 2021
March 2021	June 2021
April 2021	July 2021
May 2021	August 2021
June 2021	September 2021
July 2021	October 2021
August 2021	November 2021
September 2021	December 2021
October 2021	January 2022
November 2021	February 2022
December 2021	March 2022
January 2022	April 2022
February 2022	May 2022
March 2022	June 2022
April 2022	July 2022
May 2022	August 2022
June 2022	September 2022
July 2022	October 2022
August 2022	November 2022
September 2022	December 2022