National Stock Exchange Of India Limited

Department : Commodity Derivatives Segment	
Download Ref No: NSE/COM/47115	Date : January 25, 2021
Circular Ref. No: 03/2021	

All Members,

Introduction of derivatives contracts on underlying Copper in Commodity Derivatives Segment

Exchange is pleased to inform its members that having received approval from SEBI, Futures and Options contracts on underlying Copper spot price would be available for trading in Commodity Derivatives segment with effect from February 22, 2021.

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

Commodity Name	Annexure No.
Copper Futures	A
Copper Options (Option in Goods)	B

For any queries related to Risk Management, Clearing and Settlement, members are requested to contact NSE Clearing Limited. A separate circular shall 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: Copper Futures (2.5 MT)

Instrument Type	Futures Contract (FUTBAS)
Product	Copper Futures
Underlying	Copper
Symbol	COPPER
Description	COPPERYYMMM
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 (Contract Expiry)	Last Day of Trading shall be the last day of the month. In case the last day is a holiday, then the preceding working day shall be the last trading day for the contract. Details as per the launch calendar
Trading	
Trading Period	Mondays through Fridays
Trading Session	Monday - Friday 9:00 am to 11:30 / 11:55 pm* * based on US daylight saving time period
Trading Unit	2.5 MT
Quotation / Base Value	₹ per 1 Kg
Price Quote	Ex-Warehouse at Bhiwandi (excluding all taxes and levies relating to GST & any other additional tax or surcharge on GST, but inclusive of all taxes and levies relating to import duty, customs & other related duties in case of imports)
Maximum Order Size	175 MT
Tick Size	₹ 0.05
Daily Price Limit	The Daily Price Limit (DPL) shall have three slabs. Once the trade hits the prescribed Initial slab of 4%, the DPL shall be relaxed further by the 1st Enhanced Slab of 2% without any cooling off period in the trading. In case, 1st Enhanced Slab is also breached, then after a cooling off period of 15 minutes, the DPL shall be further relaxed by 2nd Enhanced Slab of 3%. During cooling off periods trading shall continue to be permitted within the previous slab of DPL. In case price movement in referenceable international market is more than the aggregate DPL of 9%, the same may be further relaxed in steps of 3% with immediate intimation to SEBI.
Initial Margin	The Initial Margin requirement shall be so as to cover potential losses for at least 99% VaR subject to minimum percentage floor value as prescribed by SEBI from time to time
Extreme Loss Margin	1%
Additional and / or Special Margin	In case of additional volatility, an additional margin (on both buy & sale position) and/ or special margin (on either buy or sale position) at such percentage, as deemed fit; will be imposed in respect of all outstanding positions
Other Margins	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. 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 margins shall be higher of: a) 3% + 6 day 99% VaR of spot price volatility Or b) 20% 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: 70,000 MT or 20% of the market wide open position, whichever is higher for all Copper Futures contracts combined together. For individual clients: 7,000 MT or 5% of the market wide open position, whichever is higher for all Copper Futures contracts combined together.
Settlement on Expiry	
Settlement Logic	Compulsory Delivery
Settlement of Contract	On expiry, all open positions shall be settled by compulsory delivery
Delivery Unit	2.5 MT
Delivery Period Margin	Delivery period margins shall be higher of: a. 3% + 5 day 99% VaR of spot price volatility Or b. 20%
Delivery Centre	Bhiwandi
Additional Delivery Centre	NIL
Staggered Delivery Period	The staggered delivery period shall be the last five working days including the last trading day (expiry day) of the contract.
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 Final Settlement Price (FSP). Settlement obligation shall be computed at the FSP. During the remaining of the staggered delivery period, the delivery order rate shall be the day's Daily Settlement Price (DSP) of the contract. Settlement obligation shall be computed at the day's DSP.
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><td></td><td>
<table>
<tr><td rowspan="2">Scenario</td><td colspan="4">Polled Spot Price availability on</td><td rowspan="2">FSP shall be simple average of last polled spot prices on:</td></tr>
<tr><td>E0</td><td>E-1</td><td>E-2</td><td>E-3</td></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.
</td></tr>
<tr><td>Quality Specification</td><td>Grade 1 electrolytic copper as per B115 specification. It should be Copper Cathodes of LME approved brands or other suppliers / brands as may be approved by the exchange.
List of refineries conforming to the quality specification as per the good delivery standard shall be updated on the exchange website.

*List of ineligible countries for imported cathodes if any shall also be known to the market participants in advance.</td></tr>
</table>

Contract Launch Calendar: Copper Futures (2.5 MT)

Contract Launch Month	Contract Expiry Month
22-February-2021	31 March 2021
	30 April 2021
	31 May 2021
	30 June 2021
March 2021	July 2021
April 2021	August 2021
May 2021	September 2021
June 2021	October 2021
July 2021	November 2021
August 2021	December 2021

Kindly refer latest circular issued by Exchange / Clearing Corporation for updated Margins, Position Limits and Expiry Dates etc.

Annexure B

Contract Specification: Options in Goods – Copper (2.5 MT)

Instrument Type	Options Contract with Goods as Underlying (OPTBAS)
Product	Copper Options
Underlying	Copper
Options Type	The Options Contract shall be European styled which can be exercised only on the expiration day
Symbol	COPPER
Description	COPPERYYMMM<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 (Contract Expiry)	Last Day of Trading shall be the day preceding the start of tender period in the corresponding expiry Futures with the same underlying. In case such day is a holiday, then the preceding working day shall be the last trading day for the contract. Details as per the launch calendar
Trading	
Trading Period	Mondays through Fridays
Trading Session	Monday - Friday 9:00 am to 11:30 / 11:55 pm* * based on US daylight saving time period
Trading Unit	2.5 MT
Underlying Quotation / Base Value	₹ per 1 Kg
Underlying Price Quote	Ex-Warehouse at Bhiwandi (excluding all taxes and levies relating to GST & any other additional tax or surcharge on GST, but inclusive of all taxes and levies relating to import duty, customs & other related duties in case of imports)
Maximum Order Size	175 MT
Tick Size	₹ 0.05
Strike Price Intervals	₹ 2.50
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	Computation of SPAN 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 99% VaR subject to minimum percentage floor value as prescribed by SEBI from time to time. Margin Period of Risk (MPOR) The MPOR for options in goods shall be based on the categorization of the underlying as prescribed by SEBI

<table>
<tr><td></td><td>Price Scan Range
The Price Scan Range shall be taken as 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
The Volatility Scan Range shall be taken as 3.5% or such other percentage as may be specified by the Clearing Corporation from time to time.

Short Option Minimum Charge (SOMC)
The Short Option Minimum Charge shall be set as given below:
<table><tr><td>Volatility Category of Commodity</td><td>Minimum SOMC</td></tr><tr><td>Low</td><td>6%</td></tr><tr><td>Medium</td><td>8%</td></tr><tr><td>High</td><td>10%</td></tr></table>
Net Option Value
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
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 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.</td></tr>
<tr><td>Extreme Loss Margin</td><td>Clearing members shall be subject to ELM in addition to initial margins. ELM of 1% on short open position shall be levied and shall be deducted from the liquid assets of the clearing member on an online, real time basis.</td></tr>
<tr><td>Additional and / or Special Margin</td><td>Clearing Corporation may require clearing members to make payment of additional margins as may be decided from time to time.</td></tr>
<tr><td>Other Margins</td><td>Premium Margin: Premium margin shall mean and include premium amount due to be paid to the Clearing Corporation towards premium</td></tr>
</table>

	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 Options contract. Pre-expiry margins shall be levied on both long and short side. Delivery period margin: Delivery period margin shall be levied by the Clearing Corporation on the long and short positions marked for delivery till the pay-in is completed by the clearing member. Once the delivery period margin is levied, all other applicable margins may be released. Delivery period margin shall include VaR Margin and MTM margin. *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 margin. 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: 140,000 MT or 20% of the market wide open position, whichever is higher for all Copper Options contracts combined together. For individual clients: 14,000 MT or 5% of the market wide open position, whichever is higher for all Copper Options contracts combined together.
Mechanism of Exercise	Option series have 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 options 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' options 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	2.5 MT
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 Margin. *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 MTM margin.
Delivery Centre	Bhiwandi
Additional Delivery Centre	NIL
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

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Contract Launch Calendar: Options in Goods – Copper (2.5 MT)

Contract Launch Month	Contract Expiry Month
22-February-2021	23 March 2021
	23 April 2021
	24 May 2021
	23 June 2021
March 2021	July 2021
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