
NATIONAL COMMODITY CLEARING LIMITED

Circular to all Members of the Clearing Corporation

Circular No. : NCCL/CLEARING-014/2021

Date : April 27, 2021

Subject : Delivery Default Norms

This is in continuation to our circular no. NCCL/CLEARING-010/2021 dated March 24, 2021 on revised norms issued by SEBI on delivery default.

Members are hereby informed that in terms of the Bye-laws, Rules and Regulations of NCCL and in terms of the above mentioned circular, the revised norms applicable in case of delivery default shall be as under:

A. Penalty on seller in case of delivery default (default in delivery against open position at expiry in case of compulsory delivery contracts, default in delivery after giving intention for delivery) shall be as follows:

i) **Futures Contracts on agri-commodities:**

4% of Settlement price + replacement cost (difference between settlement price and average of three highest of the last spot prices of 5 succeeding days[#] after the commodity pay-out date, if the average price so determined is higher than settlement price, else this component will be zero.)

ii) **Futures Contracts on non-agri-commodities:**

3% of settlement price + replacement cost (difference between settlement price and higher of the last spot prices on the commodity pay-out date and the following day[#], if the spot price so arrived is higher than settlement price, else this component will be zero.)

#day/s means Exchange trading days including evening sessions

iii) **Norms for apportionment of penalty**

- At least 1.75% of Settlement Price shall be deposited in the Settlement Guarantee Fund of the Clearing Corporation.
- Up to 0.25% of Settlement Price may be retained by the Clearing Corporation towards administration expenses
- 1% of Settlement Price in case of Non-Agri goods or 2% of Settlement Price in case of Agri Goods + replacement cost shall go to buyer who was entitled to receive delivery

iv) Any intentional / willful delivery default by seller would be viewed seriously and NCCL shall take suitable penal / disciplinary action against such members over and above the prescribed penalty.

- v) A seller who has got requisite stocks in the NCCL approved warehouses and / or has marked an intention during staggered delivery period is not allowed to default and any such delivery default by seller would be viewed seriously and an additional penalty of 3% over and above the penalty prescribed for delivery default shall be levied. In addition to the penalty, the NCCL / may take suitable penal / disciplinary action against such members.
 - vi) Members are advised to ensure that necessary arrangements for pay-in of commodity on scheduled date are in place before marking any delivery intentions on behalf of clients / own account during Staggered period.
- B. In the case of a default by a buyer in both agricultural and non-agricultural commodities i.e. in case a Clearing Member fails to make delivery pay-in of funds, it shall be considered as a member default. NCCL shall review the loss incurred by the non-defaulting Party, i.e. Seller, at its sole discretion, and accordingly, levy penalty on the defaulting buyer. However, such penalty shall be within the overall cap of delivery margins collected by the NCCL, from such defaulting buyer clearing member.

The above norms shall be applicable to all contracts expiring in the month of May 2021 and thereafter.

Members and their constituents are requested to take note of the above.

For and on behalf of
National Commodity Clearing Limited

Vidyadar Bangera
Vice President

For further information / clarifications, please contact

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