

NATIONAL COMMODITY CLEARING LIMITED

Frequently Asked Questions – Early Pay in

Version 2.0

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1. What is early pay-in facility?

'Early pay-in' (EPI) is a facility provided to market participants permitting them to deposit certified goods in the NCCL approved warehouse against relevant futures contracts sold and tender goods towards their settlement obligation before due date to avail benefits of early pay-in.

2. What is the benefit of early pay-in facility?

Short positions against which early pay-in has been made shall be exempt from imposition of all types of margins. However, NCCL shall continue to collect concentration margin and mark to market margins from such market participants against such positions.

3. Which all types of margins shall be exempted against early pay-in of commodities?

All the following types of margin shall be exempted against early pay-in of commodities including:

- Initial Margin
- Extreme Loss Margin (ELM)
- Additional Margin
- Special Margin
- Pre-expiry Margin
- Delivery Margin

4. How much margin exemption shall be available on early pay-in of commodities?

The margins exemption shall be available on the quantity tendered in early pay-in subject to short open position in the contract against which such early pay-in is marked. So the maximum quantity which shall be considered for calculating margin exemption will be lower of EPI quantity or short open position in the contract against which EPI has been marked.

Example: Client has short open position of 100 MT and against this position marks EPI of 150 MT, the margin exemption shall be available only on 100 MT position. Similarly if member gives EPI of 50 MT against its client's short open position of 100 MT, the margins exemption shall be available only on 50 MT position.

5. Whether Concentration margins and Mark to Market (MTM) margins will also be exempted if the members gives early pay-in?

NCCL shall continue to collect concentration margins and mark to market margins against such short open positions for which early pay-in is given.

6. When can a member give early pay-in of commodities for availing the margin exemption?

The member can make 'Early pay-in' of commodity at any time for a short position in the near month contracts after the beginning of the near month period i.e. with start of the applicability of near month limit for that contract. The early pay-in can also be marked after delivery allocation during staggered delivery period or on expiry of contract till a day before delivery pay-in date. The information is processed at the end of day for giving margin exemption.

Example: The Guar Seed contract expires on 20th of every month and near month limits are applicable from 1st of the month in which contract is expiring. So for contract expiring in March, the early pay-in can be marked starting March 1st till March 21st to avail margin benefit.

7. What is procedure of giving early pay-in of commodity?

Members are required to submit early pay-in (EPI) requests using Web NCFE system of the Clearing Corporation. While marking EPI members are required to select specific settlement number (as per settlement calendar issued by the Clearing Corporation) in which its client intends to give delivery. Such EPI quantity shall be considered only against the delivery obligation of the settlement number specified at the time of marking EPI.

Example: In case the client intends to tender delivery during staggered period say on 15th, the member while marking EPI needs to select the settlement number corresponding to date i.e. 15th. Later, if member marks delivery intention on 12th, the EPI marked for 15th shall not be considered towards commodity pay-in for 12th. The member will have to submit request for reversal of EPI for it to be considered towards delivery pay-in in a different settlement number.

8. Whether early pay-in can be automatically considered towards delivery intention during the staggered period or at the expiry of the contract?

No. The members have to mark delivery intentions separately as per the schedule provided in the Settlement calendar issued by the Clearing Corporation. Early pay-in would not in any manner be automatically construed as delivery intention.

9. Can a member square off his position against which the early pay-in has been marked and margin benefit availed?

Yes, there is no restriction on squaring off of the short open position against which early pay-in is marked and margin exemption has been availed.

10. Is there any penalty in case member squares off position after claiming early pay-in benefit?

No. There is no penalty in case the position is squared off before the expiry of contract after claiming early pay-in benefit.

11. When is 5% additional penalty applicable as mentioned in NCCL circular on “Early Pay-in Facility”?

A penalty of 5% is levied only when the member keeps position open at expiry of contract and fails to give delivery even after marking early pay-in.

12. When will the member get goods back in case position against which early pay-in was marked is squared off before expiry of contract?

In case the open position is squared off after marking an early pay-in, such EPI lots will be returned to the member after the completion of delivery allocation process for the particular settlement number for which the early pay-in was made.

Example: The member marks EPI for settlement number 2018015 but later position is squared off. In such case the EPI lots will be returned back to member on the completion of delivery allocation of settlement number 2018015 as the member will not have any delivery obligation due to squaring off of positions.

13. After availing the early pay-in benefit, whether a member can withdraw the tendered quantity?

Yes, member can submit request to withdraw the tendered quantity.

However, the same shall be permitted only after withdrawing the margin exemption extended on early pay-in and after levy of the applicable margins, if any, on the short open position against which the exemption has been claimed. The member should have sufficient deposits to cover the margins applicable on withdrawal of the early pay-in exemption.

Acceptance of such request shall be at the sole discretion of the Clearing corporation

14. What are the reports provided by NCCL for Early pay-in?

Member will get “CT_EPI_<CM Primary Member Code>_<DDMMYYYYhhmmss.csv” file from NCCL in member's Extranet folder at the end of the day:

Go to: Extranet (Login) → Report → Dnld

OR

Member can download the EPI transaction report from NCFE system after marking an 'Early Pay-in':

Go to: NCFE (Login) → Click on Settlement tab → Select EPI transaction details Menu

15. Whether client margin reporting is applicable on the position for which early pay-in has been marked?

The positions against which EPI has been marked, all margins except Concentration margins and MTM margin shall be dropped so to the extent of margin exemption on early pay-in quantity would not form part of the client margin reporting. However, Concentration margins and MTM margins on such short open position would continue to be considered for the client margin reporting.