GOLD FUTURES CONTRACT SPECIFICATIONS

Description	Gold Kilo Futures
Underlying Asset	GOLD
Product	GOLD 1 KG
Contract Type	Futures
Concurrent Contracts	Monthly contracts listed for 3 consecutive months and all February, April, June, August, October, and December contracts within a 13-month period. At any point of time, there would be 8 contracts running.
Contract Duration	The maximum contract duration for any contract would be 13 months.
Contract Start Day	1st day of the month. If 1st day is a holiday, then the following business day. The new contract will start on the next business day of the expiry of the previous contract.
Contract Expiry Day	Last day of the contract expiry month. If last day is a holiday, then preceding business day.
Settlement Day	Daily Settlement : T+1 (Next Settlement date from date of Trade) Final Settlement : E+1 (Next Settlement date from date of Contract Expiry)
Contract Listing	Contracts are available as per the Contract Launch Calendar. Please refer to the Contract Launch Calendar available on Exchange Website.
Trading Period	Exchange Business Days (Monday to Friday). The Exchange Business Days excludes the Exchange Holidays declared at the beginning of Calendar Year and published on Exchange Website.
Trading Session	Monday to Friday: 09:00 Hrs. to 23:30 Hrs. Indian Standard Time (IST).
Trading Unit	1 Kg
Price Quote	US Dollars per Troy Ounce
Minimum Order Size	1 Kg
Maximum Order Size	10 Kg
Tick Size (Minimum Price Movement)	US $ 0.01
Spot Price	Spot Price refers to the Average of XAU-USD price sourced from Bloomberg during the last 5 minutes from close of Trading Session for the day, rounded to the nearest tradeable tick.
Permitted Daily Price Band / Price Limit	The maximum Daily Price Limit shall be up till 9% of the Previous Close Price, which shall be gradually relaxed in steps of 3%. The initial price limit shall be set at 3% from the Previous Close Price (PCP) of the contract. In case the daily price limit of 3% is breached, the daily price limit will be relaxed up to 6% without any cooling off period. In case the daily price limit of 6% is also breached, then after another cooling off period of 15 minutes, the daily price limit will be relaxed up to 9%. In case the daily price limit of 9% is also breached, the price band would NOT be relaxed automatically. The Exchange shall consider the price movement in the International Market in such cases. If the price movement in International markets is more than the maximum daily price limit of 9%, the same may be further relaxed in steps of 3% and will be informed to the regulator immediately.
Risk Management	
1. Initial Margin	Minimum 6% or based on VaR (MPOR Adjusted), whichever is higher. The Exchange Clearing shall calculate the VaR based margins based on Exponential Weighed Moving Average (EWMA) method. The Crystalized MTM losses shall also be blocked from the Member Collateral on real-time basis. *Please refer **Annexure 1** for details on VaR and Initial Margin calculation method.*
2. Margin Period of Risk	The Margin Period of Risk (MPOR) shall be taken as 3 days. Therefore, the VaR to cover 3 days risk shall be considered i.e., VaR X Sqrt (MPOR Days) where MPOR days would be 3 days.
3. Extreme Loss Margin (ELM)	The Exchange shall impose an Extreme Loss Margin (ELM) of minimum 1% in respect of all outstanding positions.

4. Additional and / or Special Margin	In case of additional volatility, an additional margin (on both buy & sell position) and/ or special margin (on either buy or sell position) at such percentage, as deemed fit; shall be imposed in respect of all outstanding positions.
5. Concentration Margin	The Concentration Margins shall be imposed on the Clients and Members having the concentrated open positions to cover the risk of longer period required for liquidation of concentrated positions. *Please refer **Annexure 2** for details on Concentration Margin.*
6. Spread Benefit	Spread margin benefit shall be permitted for the clients having the offsetting positions in the different expiry contracts (Calendar Spread) of the same underlying. IIBX shall charge minimum 25% of the initial margin on each of the individual legs of the spread. The Spread benefit shall be available only for the spread positions. For the remaining naked positions, full margin shall be applicable. In case of spread positions, additional margins shall not be levied. No benefit in Extreme Loss Margin (ELM) would be provided for spread positions i.e., ELM shall be charged on both individual legs. IIBX may charge margins higher than the minimum specified depending upon its risk perceptions. Margin benefit on spread positions shall be entirely withdrawn for the positions that get matched during the Delivery Intention matching and are intended to be settled by way of Delivery. For the unmatched positions which shall be Cash settled, the spread benefit shall continue till the expiry of the contract. No cross-margin benefit shall be permitted for the clients having the offsetting positions in the contract with different underlying or for the clients having the offsetting positions in the Spot and Futures contract of the same / different underlying.
Risk Reduction Mode	The Members shall not be allowed to use more than 100% of their available collateral at any point of time. The members shall be mandatorily put in risk-reduction mode when 90% of the member's collateral available for adjustment against margins gets utilized. Such risk reduction mode shall include the following: a. All unexecuted orders shall be cancelled once trading member himself or his clearing member breaches 90% collateral utilization level. b. Only orders with Immediate or Cancel attribute shall be permitted in this mode. c. All new orders shall be checked for sufficiency of margins (up to maximum 100% of collateral) and such potential margins shall be blocked while accepting the orders in the system. The trading member shall be moved back to the normal risk management mode as and when the collateral utilization level of the trading member as well as his clearing member is lower than 85%.
Daily Settlement Price	The Daily Settlement Price shall be the Closing price of the Futures contract on the Trading day. The Daily Settlement Price shall be used for MTM settlement on daily basis. *Please refer **Annexure 3** for details on Close Price Calculation method.*
MTM Settlement	The Mark to Market (MTM) settlement shall be done at the Daily Settlement Price. The Member level and Client Level MTM obligations shall be calculated at the end of the Trading Day (EOD) based on Daily Settlement Price and MTM Obligations would be available for download to the Members.

	The MTM Pay-in shall be collected in US Dollars at 15.00 Hrs. IST on T+1 day, whereas the MTM Pay-out shall be made in US Dollars at 18.00 Hrs. IST on T+1 day. The MTM losses shall remain blocked from the Collaterals provided by the Members till the time of fulfillment of MTM Pay-in obligations by the Member. Any shortages / non-payment of MTM Pay-in calls shall be subject to penalties and repeated defaults would result in the Clearing Member being put into the Square off Mode or temporary suspension of the trading rights or any such other measures as may be deemed fit by IIBX Clearing from time to time. In case where the default continues for more than 3 consecutive days, the Default Handling mechanism shall trigger. *Please refer* ***Annexure 4*** *for details on MTM Default Handling.*
Final Settlement Price on date of Contract Expiry	The Final Settlement Price on the date of contract expiry shall be the Spot Price sourced from Bloomberg The final settlement price shall be used for both Cash and Delivery based settlements as per below formulas : a) Cash Settlement Price = **Final Settlement Price** b) Delivery Settlement Price = **Final Settlement Price + Premium/Discount*** *This amount refers to the Premium/Discount for physical delivery agreed between Supplier and Buyer during Delivery Intention Matching including the Shipping & Insurance charges. **Please refer to the Delivery Section of Contract Specifications for more details on Premium/Discount discovery.*
Position Limit	Eligible market participants are allowed to take positions in IIBX Gold Futures contracts as prescribed below: (i) Position limits for Single Trading Member: Gross open position of any trading member across all futures contracts on Gold shall not exceed 50 Metric Tons or 20% of the total open interest, whichever is higher. (ii) Position limits for Single Client: Gross open position of any client across all futures contracts on Gold shall not exceed 5 Metric Tons or 15% of the total open interest, whichever is higher.
Collaterals	The Exchange Clearing shall accept the following collaterals subject to the minimum ratio of 50:50 between Cash and Non-Cash : a) Cash – US Dollars b) Cash Equivalents - Fixed Deposits and Standby Letter of Credit (SBLC) issued by IBUs in IFSC and c) Non-Cash - Bullion Depository Receipts issued by India International Depository IFSC Ltd. (IIDI), subject to applicable haircuts and daily valuation. (IIBX shall notify separately via circular the date from which BDR shall be acceptable as Collateral.) *Please refer* ***Annexure 5*** *for details on acceptable Collaterals, limits and haircuts.*

Delivery	
Delivery Logic	Based on intention matching from buyers as well as sellers.
Settlement Basis	Delivery in the form of Bullion Depository Receipt issued by IIDI subject to differential settlement of funds with respect to variation in weight and purity of bars as per the bar list submitted by the depositor to the exchange.
Delivery Unit	1 Kg
Delivery Centre	Vaults registered with IFSCA and empaneled by India International Depository IFSC Ltd. (IIDI) in GIFT IFSC and others SEZ locations.
Delivery Vaults	List of Vaults are available on the India International Depository IFSC Limited (IIDI) website - www.iidi.co.in.
Quality Specifications	The minimum fineness would be 995 purity. Seller will get proportionate value difference in case of higher fineness. If the quality is less than 995, it would be rejected. The value of Gold for delivery settlement would be calculated (For 1 Kilo contract) as per below formula for considering the purity variation* : 995.0 Purity (1 Kg bar) = Delivery Settlement Price * 31.99 999.0 Purity (100 Gm bar) = Delivery Settlement Price * 32.12 999.9 Purity (1 Kg bar) = Delivery Settlement Price * 32.148 *Conversion Table as per LBMA standards for Gold Example: 1) If the seller delivers 1 Kg of 995 fineness gold and the Delivery Settlement Price is 1900 USD per troy ounce, the total value would be 1900 * 31.99= USD 60781 2) If the seller delivers 1 Kg of 999 fineness gold and the Delivery Settlement Price is 1900 USD per troy ounce, the total value would be 1900 * 32.12 = USD 61028 3) If the seller delivers 1 Kg of 999.9 fineness gold and the Delivery Settlement Price is 1900 USD per troy ounce, the total value would be 1900 * 32.148 = USD 61081.20 Gold bars must be serially numbered by the suppliers as approved by IIBX. Gold bars to be accompanied with supplier's Quality Certificate. The list of approved Refiners whose Gold bars will be accepted, is available on IIBX website (www.iibx.co.in).
Delivery Intention Submission Day	E -2 Trading Day, where E is the Expiry Date of the Contract. For example, if 30th is the Expiry Date of the Contract, the Delivery Intention submission date will be 28th.
Delivery Intention Submission	The Members can submit the intention for total quantity for which they intent to give delivery/take delivery on behalf of their clients using the Member portal. The client wise delivery intention quantity must be submitted before start of the Trading on E-2 Trading day. The delivery intention quantity submitted for the client cannot be more than the Client's Open Position in the expiring contract. The Open position of the respective clients would be blocked to the extent of delivery intention quantity submitted. Note: *Further, in subsequent software update, IIBX shall extend the facility for submission/withdrawal of delivery intention quantity during the trading hours also on E-2 Trading day. IIBX shall notify separately via circular the date from which the above functionality would be made available.*
Delivery Intention Matching	During the day, the Members/Clients can place the orders at various Premium/Discount in various variants based on Physical Gold demand and supply, Purity(fineness), delivery location and the type of Good Delivery Gold Bars. The total quantity of such orders shall not exceed the total delivery intention quantity submitted before start of the Trading. The delivery intention matching would be based on matching of parameters as specified above. The matching of intentions shall be made on Price-Time priority. This means that intentions are matched based on best price (Premium/Discount), and if multiple intentions are at the same price (Premium/Discount), the intention with an earlier time stamp shall be matched first. The delivery intention matching shall take place during the Trading Hours on E-2 Trading day. Any unmatched quantity at the end of the E-2 Trading day shall be unblocked from the Open position of the respective clients that can either be squared off till the expiry date of the contract, otherwise, the same would get cash settled on the date of contract expiry

<table>
<tr><td>Delivery Period Margin</td><td>Delivery period margins shall be higher of:
a. 3% + 5 day 99% VaR of Spot Price volatility
Or
b. 20%

The Delivery Period Margin shall get blocked from the Member's free collateral at the time of submission of Delivery Intention, even before they are matched. The Members should ensure that they have sufficient free Collateral available while submission of Delivery Intentions else the Member would not be able to submit the Delivery intentions.

The Delivery Period Margin blocked on Matched Intentions shall remain blocked till the early pay-in / final pay-in of BDRs (for sellers) and Funds (for Buyers).</td></tr>
<tr><td>BDR Pay-in for Delivery</td><td>The Members (Sellers) whose delivery intentions have been matched must do the 100% BDR pay-in till 13.00 Hrs. IST of Final Settlement day.

It is to be noted that Delivery of Physical Gold Bars in the Vaults and creation of BDRs thereof is only permitted for Qualified Suppliers. The BDRs thus created and backed by Physical Gold Bars in the Vaults registered with IFSCA and empaneled by India International Depository IFSC Ltd. (IIDI) can be used for Delivery of contract by the Members, Non-Resident Clients & Qualified Suppliers (QS).

Resident Entities cannot settle their Short positions by giving physical delivery.

The initial margin and ELM would not be applied on the matched positions for which the Early pay-in of BDRs is made by the Members (Sellers). The system will keep applying MTM until the expiry of the Contract.</td></tr>
<tr><td>Funds Pay-in for Delivery</td><td>The Members (Buyers) whose intentions have been matched must do the 100% Funds pay-in on or before 15.00 Hrs. IST of Final Settlement Day. The Funds Pay-in shall be arrived basis the Final Settlement Price plus Premium/Discount agreed between the buyer and seller during Delivery intention matching.

It is to be noted that Funds Pay-in from entities in Domestic Tariff Area (DTA) for Physical delivery of Gold Bars can only be accepted from the Qualified Jewelers (QJs) and Special Category Client Banks. Settlement of long positions by taking physical delivery (by eligible resident entities) must result in import into DTA.

Resident Entities (Entities in DTA of India) that are not notified Qualified Jewellers or Special Category Client Banks, are not allowed to settle their long positions by taking Physical delivery of Gold.

However, the funds can also be accepted from Members, Non-Residents Clients and Qualified Suppliers for taking delivery of contract.</td></tr>
<tr><td>BDR & Funds Pay-out for Delivery</td><td>On Final Settlement day between 18.00 Hrs. to 21.00 Hrs.</td></tr>
<tr><td>Delivery Settlement Rate</td><td>The delivery settlement rate (the rate at which delivery will be allocated) shall be the Final Settlement price on the Expiry date of the Contract + Premium/Discount agreed between the buyer and seller during delivery intention matching.</td></tr>
<tr><td>Settlement of Remaining Open Positions</td><td>All Open Positions where the Delivery Intentions are not submitted by the Members (buyers and sellers), and/or the Open Positions, which do not result into intention matching, will be Cash Settled at the Final Settlement price on the Expiry date of the Contract.</td></tr>
<tr><td>Handling of Delivery Shortage</td><td>Any shortage in BDR or Funds Pay-in shall be handled only with the corresponding buyers /sellers of defaulting seller / buyer using FIFO method.
Consider below example :

<table>
<tr><th>Seller Code</th><th>Quantity Matched</th><th>Intention Matching Time</th><th>Premium /Discount (USD)</th><th>Buyer Code</th></tr>
<tr><td>S1</td><td>20</td><td>13.12</td><td>1.55</td><td>B1</td></tr>
<tr><td>S1</td><td>30</td><td>13.15</td><td>1.45</td><td>B2</td></tr>
<tr><td>S1</td><td>10</td><td>14.05</td><td>1.60</td><td>B3</td></tr>
</table></td></tr>
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<td></td>
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<table>
<tr><th>Seller Code</th><th>Quantity Matched</th><th>Intention Matching Time</th><th>Premium /Discount (USD)</th><th>Buyer Code</th></tr>
<tr><td>S2</td><td>15</td><td>13.20</td><td>1.40</td><td>B4</td></tr>
<tr><td>S3</td><td>10</td><td>13.30</td><td>1.55</td><td>B4</td></tr>
<tr><td>S4</td><td>25</td><td>14.15</td><td>1.75</td><td>B5</td></tr>
</table>
<u>BDR Shortage (Seller Default)</u> : Total Delivery obligation of S1 is 60, against which he delivers only 40 BDRs. There is BDR shortage by S1 of 20 quantity. The BDR allocation would be made in FIFO manner based on intention matching time i.e., B1 shall be allocated 20 BDRs, B2 shall be allocated 20 BDRs, and partial shortfall of 10 BDRs shall be compensated to B2 through Penalty whereas B3 shall not be allocated any BDRs but shall be compensated through Penalty.
<u>Funds Shortage (Buyer Default)</u> : Total Delivery obligation of B4 is 25, against which he provides funds only for 10 BDRs. There is Funds shortage by B4 of 15 quantity. The Funds allocation would be made in FIFO manner based on intention matching time i.e., S2 shall be allocated funds for 10 BDRs and shortfall of funds for 5 BDRs shall be compensated to S2 through Penalty. Similarly, S3 shall not be allocated any Funds, and shortfall of funds for 10 BDRs shall be compensated to S3 through Penalty.
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<tr>
<td>Penalty for Delivery Default / Non Payment or Short Payment of BDRs or Funds</td>
<td>
After matching of the Delivery Intentions by the Exchange, if the Seller or the Buyer fails to give the BDRs / Funds Pay-in on Final Settlement Day, the following delivery default penalty shall be applicable:
Default Penalty: 3% of Final Settlement Price + Replacement cost
Replacement cost for seller default: Difference between settlement price and higher of the last spot price on the pay-out date and the following day, if the spot price so arrived is higher than Settlement Price, else this component will be zero.
Replacement cost for buyer default: Difference between settlement price and lower of the last spot price on the pay-out date and the following day, if the spot price so arrived is lower than Settlement Price, else this component will be zero.
Norms for apportionment of penalty:

✓ 1% of Settlement Price shall be deposited in the Settlement Guarantee Fund (SGF)
✓ 0.75% of Settlement Price shall be earmarked for Awareness Programs.
✓ 0.25% of Settlement Price may be retained by IIBX towards administration expenses.
✓ 1% of Settlement Price + replacement cost shall go to buyer/seller who was entitled to receive/give delivery.

If there is default by both the buyer and seller, a penalty of 3% of settlement price shall be imposed on both such buyer and seller. Out of the penalty of 3% of settlement price, 2% shall be deposited in SGF, 0.75% of Settlement Price shall be earmarked for Awareness Programs and balance 0.25% of Settlement Price may be retained by IIBX towards administration expenses.
</td>
</tr>
<tr>
<td>Vault, Insurance and Transportation Charges</td>
<td>Borne by the seller up to funds pay-out date.
Borne by the buyer after funds pay-out date.
These charges will be as specified by IIDI and the Vault Managers.</td>
</tr>
</table>

Annexure 1

Method for calculating the VaR (EWMA) based Margin

The method used to derive the VaR Margin requirements for Futues contracts is based on the Initial Margin methodology suggested in the "*Varma Committee Report for Risk Containment in Derivatives Market*".

Computation:

1. The standard deviation (Volatility estimate) of prices is computed using the Exponentially Weighted Moving Average method ("EWMA").
2. The Standard Deviation (Volatility estimate) at the end of time period t (σt) is estimated using the Standard Deviation (Volatility estimate) at the end of the previous time period. i.e. as at the end of t-1 time period (σt-1), and the return (rt) observed during the time period t (price difference in previous two days).

Formula for Standard Deviation (Volatility Estimate) :

$$\sigma_t^2 = \lambda(\sigma_{t-1})^2 + (1-\lambda)(r_t)^2$$

Where,

- σ (sigma) means the standard deviation
- λ (Lambda) determines how rapidly volatility estimates changes. The value is taken as 0.99 currently.
- r (return) is defined as the logarithmic return: rt = ln (St/St-1) where St is the price of the Gold at time t.

Based on the Standard Deviation, the VaR Margin for a particular day is calculated using the below formula.

VaR% = 100 * (EXP(3.5 σ)-1)

Initial Margin = Square Root (MPoR Days) * VaR Margin, where MPoR Days = **3**

Notes :

1) *The value of Lambda is taken as 0.99.*
2) *As per L.C. Gupta committee recommendations, Margins for VaR should be based on 3.5 sigma limits.* ***3.5 sigma provides more than 99.7% confidence level****.*
3) *The VaR margin is multiplied by √3 to cover 3 days of Margin Period of Risk (MPOR)*

Annexure 2

Method for calculating the Concentration Margin

Concentration margins may be imposed by the Exchange Clearing to cover the risk of longer period required for liquidation of concentrated position. The threshold value for imposing concentration margin may be determined taking into account factors including open interest, concentration and estimated time to liquidation based on prevailing liquidity and possible reduction in liquidity in times of market stress etc.

The quantum of concentration margins imposed may vary based on the level of concentration. Unlike other margins, concentration margin will be applicable to designated Members and Clients on their position in designated contracts only.

Concentration Margins shall be levied as under:

a. Client Level:

Client OI vs. Exchange OI (In Value)	**Concentration Margin**
Up to 5%	Nil
5% to 10%	1.00%
10% to 15%	1.50%
15% to 20%	2.50%
20% to 25%	3.50%
Above 25%	4.00%

b. Member Level:

Member OI vs. Exchange OI (In Value)	**Concentration Margin**
0% to 20%	Nil
20% to 25%	1.00 %
25% to 30%	2.00 %
Above 30%	3.00 %

Notes:

1. The concentration margins shall be calculated at the end of each day and shall be applicable for the next trading day till the End of Day and shall remain blocked from the available collateral deposits of the Member.
2. Concentration margin shall be over and above all other margins as may be applicable.
3. Client level open interest shall be computed as netted position across contracts.
4. In addition to client level concentration margins, Member level concentration margins shall also be applicable based on the defined slabs.
5. Member level open interest shall be computed as higher of summation of Long or Short positions of its clients across different expiry contracts.

Annexure 3

Daily Settlement Price for Futures Contracts

The Daily Settlement Price for the Futures Contracts shall be derived using the following method:

Tier 1	Volume weighted average price (VWAP) of the trades executed during last 30 minutes subject to minimum of 10 trades, rounded to the nearest tradeable tick
Tier 2	In case of less than 10 trades in the last 30 minutes, volume weighted average price (VWAP) of the last 10 trades, rounded to the nearest tradeable tick.
Tier 3	In case of less than 10 trades during whole day, volume weighted average price (VWAP) of all trades during the day, subject to minimum 5 trades.
Tier 4	In case of less than 5 trades during entire day, the price shall be interpolated/extrapolated based on the Spot Price and/or the price of other Futures Contracts, provided that the price for at least one Futures Contract is derived using Tier 1 to Tier 3 above.
Tier 5	In case the price for none of the contracts can be derived using Tier 1 to Tier 4 above, the percentage change in the Spot Price from the previous day's Spot Price, shall be applied to all the Futures Contracts. To clarify this percentage change shall be applied over the previous trading day's Settlement Price to arrive at the day's Settlement Price across all the Futures Contracts.
Tier 6	In the event that there is insufficient activity to make the above calculations, staff may rely on earlier data or other available market information and reference price to determine an appropriate settlement price.

Calculation of Settlement Price using Tier 4 considering 8 Futures Contracts:

Sr. No.	**Scenario (Price Derived using Tier 1 to Tier 3)**	**Calculation of Settlement Price of other contracts**
1	Price derived only in one contract – 1st Month Contract (Near Month)	The price for remaining Contracts shall be derived using linear extrapolation of the Spot price and the 1st Month price.
2	Price derived only in one contract – 3rd Month Contract	The Price for 1st and 2nd Month Contracts shall be derived using linear interpolation of the Spot price and the 3rd Month price. The price for 4th Month to 8th Month Contracts shall be derived using linear extrapolation of the Spot price and the 3rd Month price.
3	Price derived in two contracts – 1st Month and 4th Month contracts	The Price for 2nd and 3rd Month Contracts shall be derived using linear interpolation of the 1st Month price and the 4th Month price. The price for 5th Month to 8th Month Contracts shall be derived using linear extrapolation of the 1st Month Price and the 4th Month price.
4	Price derived in two contracts – 2nd Month and 4th Month contracts	The Price for 1st Month Contract shall be derived using linear extrapolation of the 2nd Month Price and 4th Month price. The Price for 3rd Month Contract shall be derived using linear interpolation of the 2nd Month Price and the 4th Month price. The price for 5th Month to 8th Month Contracts shall be derived using linear extrapolation of the 2nd Month Price and the 4th Month price.
5	Price derived in more than two contracts – 1st, 2nd and 4th Month contracts	The Price for 3rd Month Contract shall be derived using linear interpolation of the 2nd Month Price and the 4th Month price. The price for 5th Month to 8th Month Contracts shall be derived using linear extrapolation of the 2nd Month Price and the 4th Month price.

Annexure 4

Handing of MTM Defaults (Regaining Matched Book)

In the event of a member/client failing to honour pay-in/margin obligations, Exchange can employ the below given alternative tools to liquidate the positions and regain a matched book based on the conditions of market liquidity, volatility, size of position to be liquidated etc.

Any tool lower in the list prescribed hereunder will be resorted to only in extremely rare occasions when the Exchange reasonably expects that it may not be able to restore a matched book by choosing the alternatives above it and also record the reasons for the same in writing:

a. Alternative 1: Liquidation in normal market in orderly manner (with relaxed price limits, if required);

b. Alternative 2: Auction of the positions within a specified price band;

c. Alternative 3: Voluntary tear-up at last mark-to-market price along with compensation (%age of last mark-to-market price equal to twice the daily price limit) and penalty (5%, to be credited to SGF);

d. Alternative 4: Partial tear-up (pro-rata against members/clients having opposite positions) at last mark-to-market price along with compensation (%age of last mark-to-market price equal to thrice the daily price limit) and penalty (5%, to be credited to SGF).

Annexure 5

Collaterals

IIBX Clearing would accept the following type of Collaterals:

Item	Minimum Haircut	Limits
Cash Equivalents		
Cash	0	No limit
Bank fixed deposits of IBUs in IFSC	0	No limit
Standby Letter of Credit (SBLC) of IBUs in IFSC	0	Limit on exchange's exposure to a single bank (see Note 'a')
Other Liquid Assets		
Bullion Depository Receipts issued by IIDI	20%	

a. While taking the Bank Deposits and SBLC, the Exchange shall prescribe the single entity exposure limits so as to avoid any concentration of exposure towards any single entity.

b. The valuation of the Bullion Depository Receipts shall be done on a daily basis based on the T+0 price of IIBX after applying applicable haircuts.

c. Cash equivalents shall be at least 50% of liquid assets. This would imply that Other Liquid Assets in excess of the total Cash Equivalents would not be regarded as part of member's liquid assets as well as total liquid assets.

d. IIBX shall make necessary arrangements to enable timely liquidations of the Collaterals accepted by it.