

e-Series - The New Face for Commodity Market



Commodity Market: In perspective

- ❑ Growth has been phenomenal, but instruments are limited
- ❑ Current structure provides instruments for :
 - Trading
 - Hedging/ Price Risk Management
 - Jobbing
 - Speculation
 - Cash Future Arbitrage
 - No investment product available for retail and long term investors like equity(Free from daily MTM and roll over at the time of maturity)
- ❑ Mass participation of retail investors in commodities is still absent, because of :
 - Futures contracts: High Risk, Leveraged Product
 - Investment in Physical Commodities: Complexity, absence of smooth exit, VAT compliance, Good for commodity traders only
 - ETF: High cost of trade and holding due to AMC charges
- ❑ ***Therefore, investment products in commodities are required, which can address all these issues***

National Spot Exchange: Launched E-Series

- ❑ Realizing its need, NSEL has designed the product for trade and investment in commodity in the electronic form called e-Series.
- ❑ e-Series is available for trading with all features and convenience of equity market scrip and operation.
- ❑ Only non perishable commodities will be made available for trading in demat form.
- ❑ NSDL and CDSL act as the Depository for holding such commodity in the electronic form. While the commodity in physical form is kept in the designated vault/storage/warehouse.
- ❑ Currently NSEL has launched 7 commodities with their trading unit as under:
 - e-Gold : 1 gram
 - e-Platinum : 1 gram
 - e-Silver : 100 grams
 - e-Copper, e-Zinc, e-Lead, e-Nickel : 1 Kg

What are E-series products ?

- E-series is an unique investment products launched by National Spot Exchange for enabling the small and retail investors to park their funds in commodities in smaller denominations.
- The investors hold the commodity units such as Gold, Silver, Platinum, Copper, Zinc, Lead and Nickel in smaller denominations in the demat account.
- Demat of commodity implies storage of commodities in Exchange designated vaults/ warehouses and keeping record of its ownership in electronic form.

E-series Contract Information

- ☐ **Duration of contract** : Single day.
- ☐ **Settlement cycle**: T + 2
- ☐ **Trading timing**: 10:00 AM to 11:30 PM (Mondays through Fridays)
- ☐ **Commodity pay in, commodity pay out, Funds pay in, Funds Pay out** : T + 2
- ✓ Settlement of demat Gold/Platinum/Silver/copper/ Zinc/ Lead/ Nickel ICIN through the CM-Pool account of members as done in stock exchanges.
- ✓ Settlement in demat only, no physical delivery in the contract
- ✓ Clients must open beneficiary account before trading in these instruments
- ✓ Clients can accumulate commodities demat by buying in smaller denominations periodically and exchange it with physical commodity whenever required.
- ✓ No custodial charges for storing commodities in demat form.

Procedure for Physical Delivery

- **Step 1:** The investors have to submit a delivery instruction slip (DIS) to the Depository Participants (DP) along with the Surrender Request form (SRF).
- **Step 2:** The DP, thereafter, transfers the e-Series units to the account of NSEL based on DIS.
- **Step 3:** DP then attest the signature of the investor on the surrender request form (SRF) and handover the same to the investor along with the acknowledgement of DIS Slip.
- **Step 4:** The investor then submit DIS and SRF to the Exchange specifying the center of his choice from where he intends to take delivery.
- **Step 5:** On receipt of the copy of DIS and SRF, the Exchange compute charges relating to making and packaging charges, Delivery charges, VAT/ GST/ CST and other dues, if any.
- **Step 6:** The Exchange then communicate the total amount due to the investor through the Email ID provided in the SRF. The client then required to make such payment through DD/Cheque in favour of “National Spot Exchange Ltd.”

Delivery of physical Commodity on surrender of e-Series units

- Investor can surrender e-Series units to the Exchange and get physical delivery, at any point of time at his discretion.
- Delivery of physical commodities be offered in specified lots/ denominations and at specified locations only.

E-Series	Specific lots	Location
e-Gold	1 grams, 8 grams, 10 grams, 100 grams and 1 Kg and any combination thereof	Mumbai, Delhi, Ahmedabad, Kolkata, Chennai, Hyderabad, Jaipur. Kochi, Bangalore ,Indore, Kanpur, Patna, Ludhiana
e-Platinum	100 grams and any combination thereof	Mumbai, Delhi, Hyderabad, Jaipur
e-Silver	100 grams, 1 Kg, 5 Kg and 30 Kg and any combination thereof	Mumbai, Delhi, Ahmedabad, Kolkata, Chennai, Hyderabad, Jaipur
e-Copper, e-zinc & e-lead	60 Kg , 25 kg and 24 kg respectively	Delhi
e-Nickel	90 kg	Ludhiana

The Exchange will keep on expanding the number of centers in future to offer physical delivery.

Charges for Physical delivery

1. Delivery/ Lifting Charges:

Commodity	Charges (Rs.)
Gold	Nil
Silver Platinum	Nil
Copper	Rs. 1000/- per lifting, irrespective of weight of Copper/ Zinc/Lead/Nickel involved in the delivery instruction. The buyer intending to take delivery is liable to pay the loading / unloading/ weighment charges (if any) on actuals at the warehouse.
Lead	
Zinc	
Nickel	

Charges for Physical delivery

Commodity						
Gold	Denominations	1 gm	8 gm	10 gm	100 gm	1 kg
	Conversion Charges (per coin / bar)	Rs 100	Rs 400		Nil	
Silver	Denominations	100 gm	500 g	1 kg	5 Kg	30 kg
	Charges (per coin / bar) for sliced cut bar / silver granules	Nil				
	Charges (per coin / bar) for finished & fine bar	Rs 1000	Rs 2000	Rs 2500	Rs 4000	Nil
Platinum	Denominations	100 gm				
		Nil				
Copper	Denominations	60 Kg to 2.5 MT			Every 2.5 MT lot	
	Unpacking charges (per delivery lot)	Rs 100/- per lot of 60 Kg			Nil	
Zinc	Denominations	25 Kg to 1 MT			Every 1 MT lot	
	Unpacking charges (per delivery lot)	Rs. 50/- per lot of 25 Kg			Nil	
Lead	Denominations	24 Kg to 1 MT			Every 1 MT lot	
	Unpacking charges (per delivery lot)	Rs 50/- per lot of 24 Kg			Nil	
Nickel	Denominations	90 Kg to 1.5 MT			Every 1.5 MT lot	
	Unpacking charges (per delivery lot)	Rs 2000/- per lot of 90 Kg			Nil	

Why should the general mass prefer e-Gold

Parameter	NSEL E-Gold	Gold ETF	Bank (bars / coins)	Jeweller
Purchase & Sale	Dematerialized Form	Dematerialized Form	Physical Form	Physical Form
Pricing	Linked to Indian Gold Prices	Linked to international gold prices	May differ from bank to bank	May differ from jeweller to jeweller
Impurity Risk	Cannot exist	-	May exist	May exist
Annual Recurring Expenses (Storage, Insurance and AMC)	NIL	1.0-2.25 %	High	High
Market Timing	10 AM - 11.30 PM	9 AM - 3.30 PM	10 AM - 5 PM	10 AM - 7 PM
Security of Asset	Taken care of by Exchange	Taken care of by Fund house	Investor Responsible	Investor Responsible
Resale	At Transparent secondary market prices	At Transparent secondary market prices	May not be Possible	At Deep Discount
Convenience of buying, storage and selling	High - Totally Demat	High - Totally Demat	Low-As physical movement & transfer involved	Low-As physical movement & transfer involved

Essentials of E-series Product

- ❑ **Designated vault for Bullion:** Brinks Arya
- ❑ **Registrar and Transfer Agent (RTA):** Karvy
- ❑ **Currently empanelled Depository participants (DP):**
 - 180+ DPs are empanelled
- ❑ Demat Contracts function just like cash segment in equities.
- ❑ Retail investors can trade and invest in the instrument.
- ❑ Intra day trading is allowed, but net position at end of day must result into delivery on T + 2 in demat form
- ❑ For holding beneficiary / pool account or buying / selling demat units, investors/ brokers do not need VAT number;
- ❑ Authorized Dealers appointed by NSEL take care of all such compliance
- ❑ At the time of dematerialization and rematerialization of units, Authorized dealer comply with all legal requirements and give delivery of gold bars/ coins with sale invoice in the case of rematerialization. .

How to open account to invest in E-series?

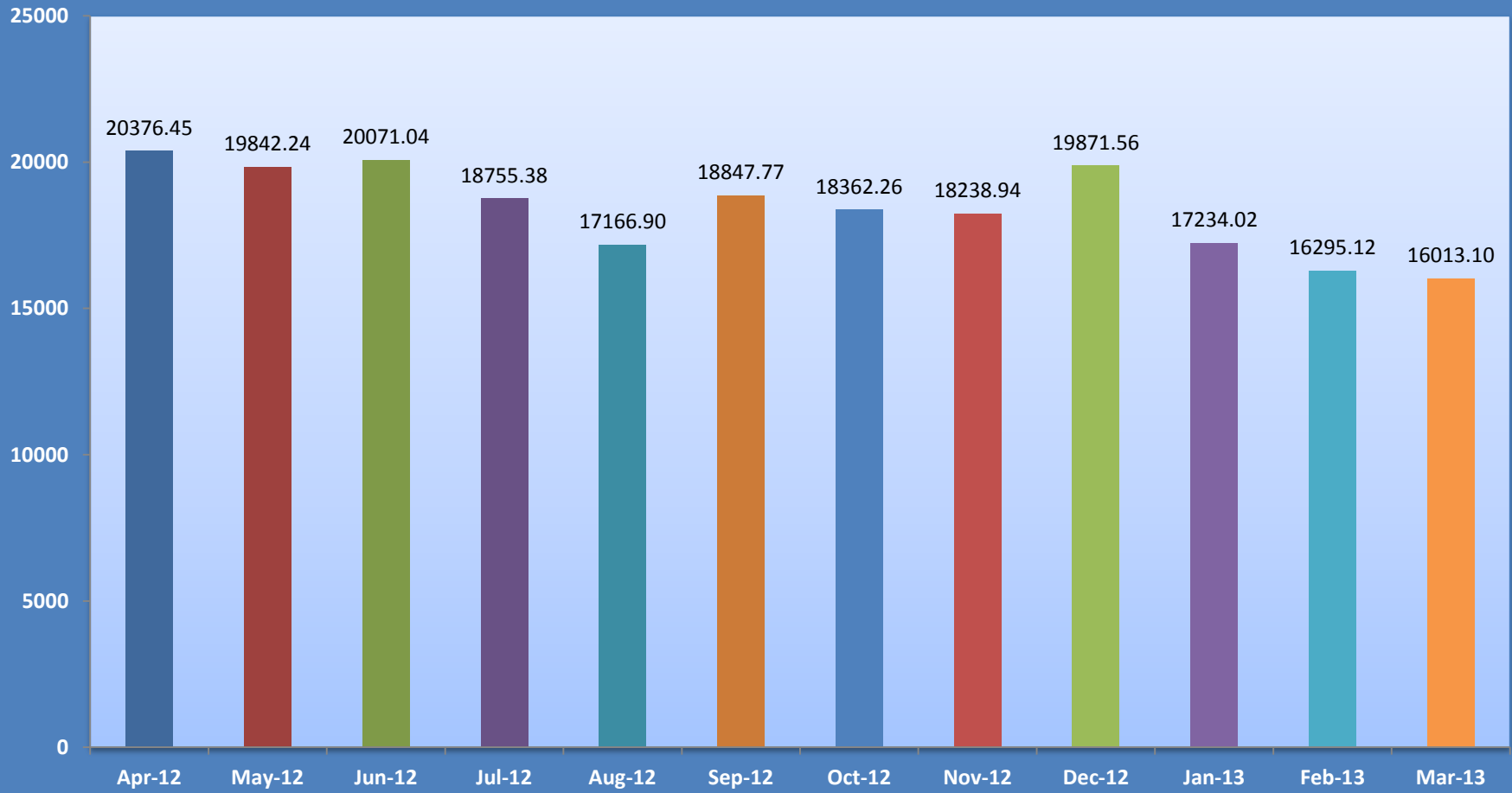
Retail Investors who intend to trade / invest in E Series products have to register with any of the members of NSEL. The process is exactly similar to client registration process for trading in the equity market.

Investment can be initiated in two simple steps:

- 1. Opening trading account** - Retail investors required to register with one of the members of NSEL. Lists of the members who are entitled for e-series trading are available on the Exchange website.
- 2. Opening of demat account-** Retail investors are required to open their beneficiary account with NSEL empanelled DPs to hold the e-Series units.

Monthly Turnover of e-series FY-2012-13 (Rs Cr.)

NSEL Monthly e-Series Turnover (in Rs Cr.)



E-series investment return and ETF comparison

Returns since launch E-Gold vs. Gold ETFs

	NSEL E-GOLD*	GOLDBEES ETF	SBIGETS ETF
Mar 17, 2010 (Launch Date*) (Rs /Unit)	1700.8	1648.4	1680
May 28, 2013 (Previous Close) (Rs /Unit)	2727.9	2495.3	2555.25
Profit in Rs /Unit	1027.1	846.9	875.25
Return %	60.39	51.38	52.10

Taxation liability on e-Series investors

Short Term Asset

e-series units is held for less than 36 months

Capital Gain Tax will be applicable as per the slab rates.

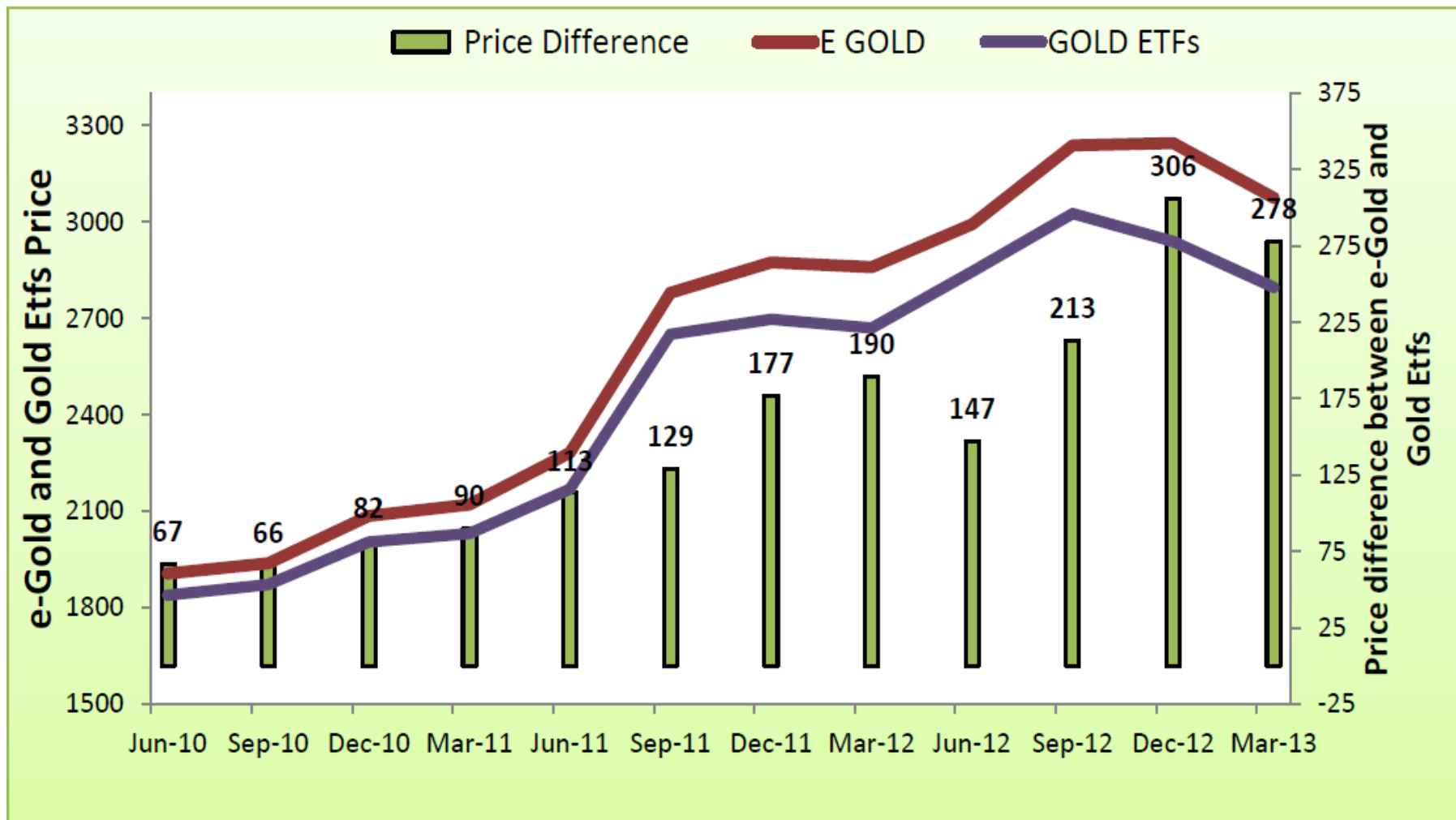
Long Term Asset

e-series units is held for more than 36 months

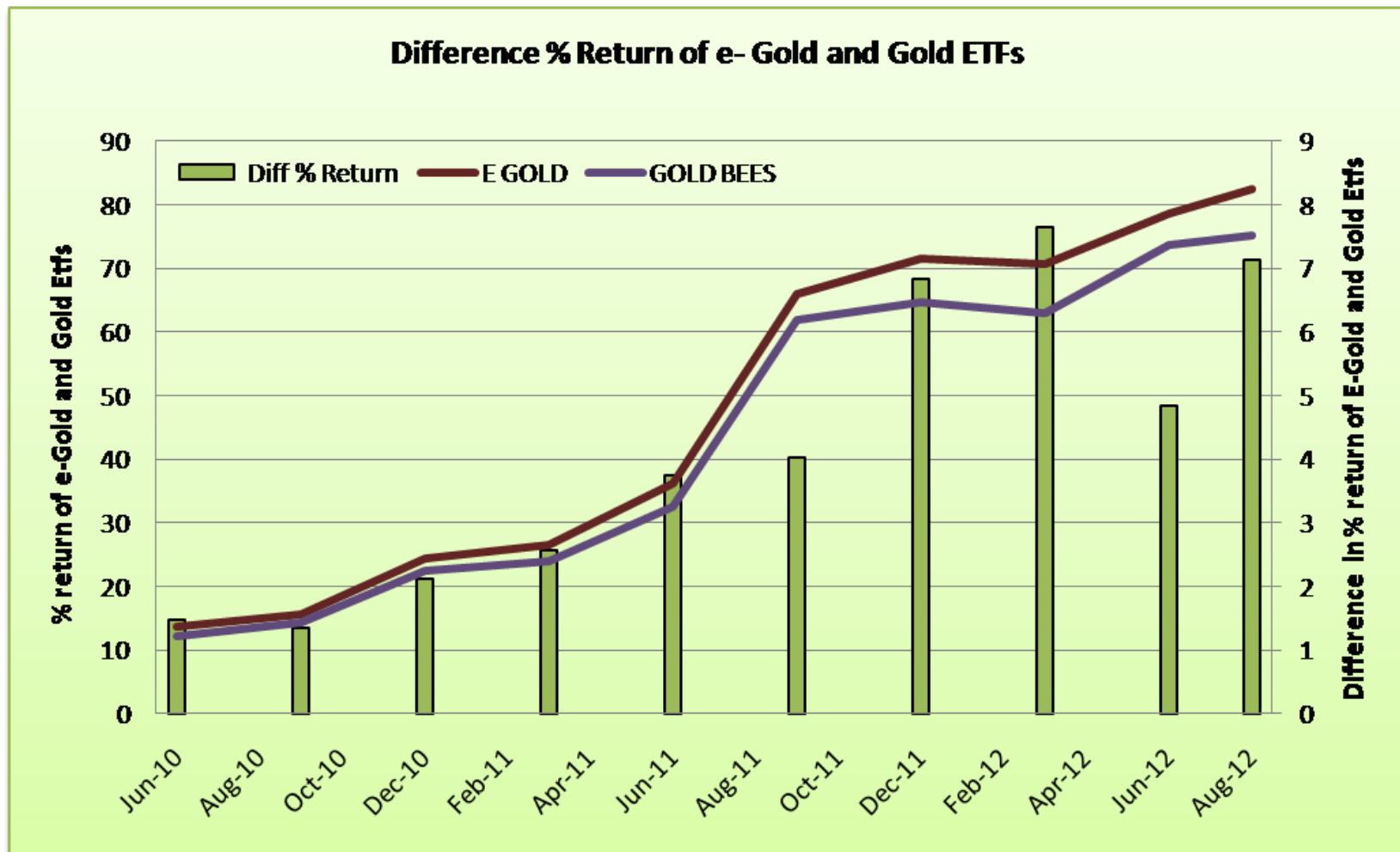
Capital Gain Tax will be applicable i.e. taxed @ 20%

WEALTH TAX: Under Section 3 of the Wealth-tax Act, it is applicable @ 1% of the amount by which the net wealth exceeds Rs.30.00 lakhs.

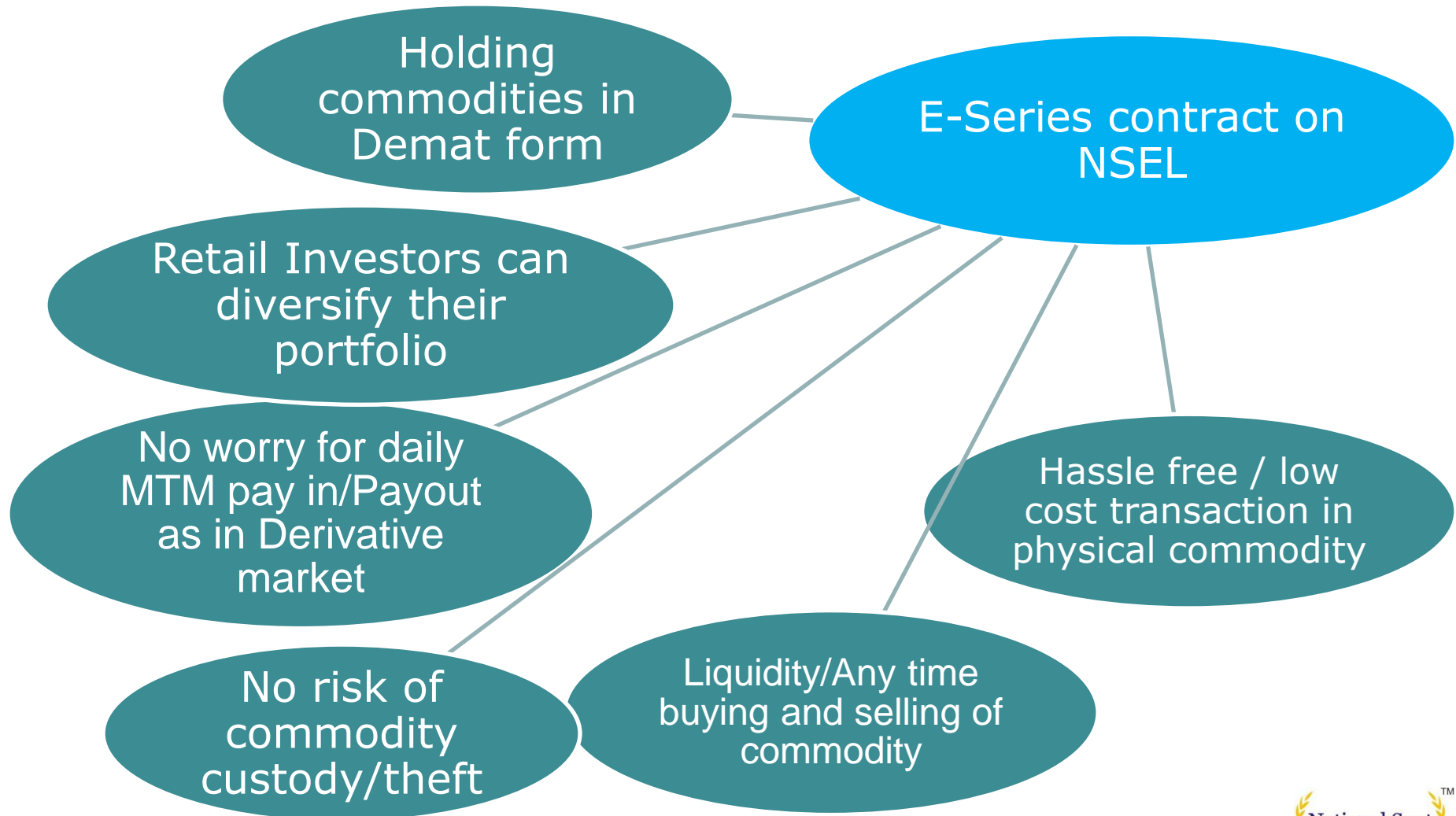
Price diversion of Benchmark e-Gold Price vs. Gold ETFs price:



Difference % Return of e- Gold and Gold ETFs



Advantages of Investment in commodities through e series



E-Series products – e-Gold, e-Silver and e-Copper confirming to the standards of Islamic finance & Shariah Compliance



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Shariah Certificate

REGARDING SHARIAH COMPLIANCE OF TRADING IN E-GOLD, E-SILVER AND E-COPPER ON NATIONAL SPOT EXCHANGE LIMITED

Pursuant to agreement dated 30th OCTOBER, 2010, between National Spot Exchange Limited (henceforth NSEL) and Taqwaa Advisory and Shariah investment Solutions (P) Ltd. (henceforth TASIS), relating to shariah certification and ongoing monitoring of products, E-gold, E-silver and E-copper that NSEL is offering its potential clients, TASIS has studied NSEL's system of operation and regulation of its relationship with its members as well as that between its members and their clients and has scrutinized the relevant documents relating to the same, and specifically NSEL's circulars Nos.

- NSEL/TRD/2010/041 dated March 11, 2010,
- NSEL/TRD/2010/067 dated April 19, 2010,
- NSEL/TRD/2010/177 dated November 9, 2010

pertaining to the commencement of Spot Trading in units of E-gold, E-silver and E-copper respectively,

its circular No. NSEL/MEM/2008/016 October 14, 2008 pertaining to "Know Your Client" procedure for dealing with clients, including Annexures I, II and III thereto relating to formats for

- Registration Form for Individual Client,
- Registration Form for Non-Individual Client, and
- Member-Client Agreement,

Page 1 of 2

MUFTI KHALID SAIFULLAH REHMANI
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HYDERABAD - INDIA



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prescribed format of Contract Note issued by Member acting for Client as Agent (including therein Terms and Conditions relating to the Transactions executed on the Trading System of National Spot Exchange Limited and forming part of the Contract Note), and prescribed format of Membership Application Form for seeking Trading-cum-Clearing Membership of NSEL (including therein Terms and Conditions governing the relations of Members with the Exchange).

On the basis of the said study and scrutiny, we certify that as of date of this Certificate, persons trading on NSEL whether on their own account as Clients/Members or as Members acting on behalf of Clients, shall be Shariah compliant so long as they adhere to the following:

- 1 They shall not enter into sale transactions for E-gold, E-silver or E-copper units which they have not already bought earlier;
- 2 They shall not at any time consciously enter into transactions for purchase of E-gold, E-silver or E-copper units for which at the point of entering into the transaction they do not have the means and intention to pay; and
- 3 They shall endeavour to ensure that they do not default in payment of storage charges for demat units purchased by them, thereby avoiding the need to pay interest on their defaulted amounts.

In accordance with the above referred agreement between TASIS and NSEL, TASIS shall monitor the operational methodology of NSEL on a quarterly basis and shall advise NSEL in further updates of this Certificate from time to time about the Shariah non-compliance impact, if any, of future changes in NSEL's operational methodology.

For Taqwaa Advisory and Shariah Investments Solutions Pvt. Ltd

Mufti Khalid Saifullah Rahmani
(Shariah Advisor)

MUFTI KHALID SAIFULLAH REHMANI
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E-Series products e-Zinc, e- Lead and e-nickel confirming to the standards of Islamic finance & Shariah Compliance



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- NSEL/TRD/2011/003 dated January 13, 2011,
- NSEL/TRD/2011/032 dated February 17, 2011,
- NSEL/TRD/2011/192 dated November 24, 2011.

pertaining to the commencement of Spot Trading in units of E-zinc, E-lead and E-nickel respectively, its circular No. NSEL/MEM/2008/016 October 14, 2008 pertaining to "Know Your Client" procedure for dealing with clients, including Annexures I, II and III thereto relating to formats for

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For Taqwa Advisory and Shariah Investments Solutions Pvt. Ltd


Mufti Khalid Saifullah Rehmani
(Shariah Advisor) 4/2/12
(MUFTI) KHALID SAIFULLAH REHMANI
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FOW Awards for Product Innovation 2011: Exchanges



NSEL is the 1st Indian Exchange to receive 'FOW Awards for Innovation' for two consecutive years

The FOW Awards for Innovation 2011 was won by National Spot Exchange (NSEL) for its e-Series product 'e-Silver'. Instituted by the London-based publication Futures and Options World (FOW), this award is a global recognition for NSEL's product design and Financial Technologies Group's unique 'Ecosystem Development Model'.

NSEL is the first Indian exchange to get an award for 'Best Innovation by an Exchange' in product design in South East Asia for two consecutive years.

Golden Peacock Innovative Product/Services Award -2012 in

Golden Peacock

Innovative Product/Service Award
(GPIPSA)



National Spot Exchange has received Golden Peacock Innovative Product/Services Award in commodity exchange segment. On 21st January 2012 Justice P N Bhagwati, Former chief justice of India gave away the award in a ceremony at Bangalore. E series product was declared the most innovative product from commodity exchange determined by the satisfaction of investors for long term

unexpressed and unarticulated needs.

Thank You



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