e-Series
- The New Face for Commodity Market

National Spot Exchange
Electronic Spot 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
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 product 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.

<table>
<thead>
<tr>
<th>E-Series</th>
<th>Specific lots</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>e-Gold</td>
<td>1 grams, 8 grams, 10 grams, 100 grams and 1 Kg and any combination thereof</td>
<td>Mumbai, Delhi, Ahmedabad, Kolkata, Chennai, Hyderabad, Jaipur, Kochi, Bangalore, Indore, Kanpur, Patna, Ludhiana</td>
</tr>
<tr>
<td>e-Platinum</td>
<td>100 grams and any combination thereof</td>
<td>Mumbai, Delhi, Hyderabad, Jaipur</td>
</tr>
<tr>
<td>e-Silver</td>
<td>100 grams, 1 Kg, 5 Kg and 30 Kg and any combination thereof</td>
<td>Mumbai, Delhi, Ahmedabad, Kolkata, Chennai, Hyderabad, Jaipur</td>
</tr>
<tr>
<td>e-Copper, e-zinc &amp; e-lead</td>
<td>60 Kg, 25 kg and 24 kg respectively</td>
<td>Delhi</td>
</tr>
<tr>
<td>e-Nickel</td>
<td>90 kg</td>
<td>Ludhiana</td>
</tr>
</tbody>
</table>

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

1. Delivery/ Lifting Charges:

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

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Denominations</th>
<th>1 gm</th>
<th>8 gm</th>
<th>10 gm</th>
<th>100 gm</th>
<th>1 kg</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gold</strong></td>
<td>Conversion Charges (per coin / bar)</td>
<td>Rs 100</td>
<td></td>
<td>Rs 400</td>
<td></td>
<td>Nil</td>
</tr>
<tr>
<td><strong>Silver</strong></td>
<td>Denominations</td>
<td>100 gm</td>
<td>500 g</td>
<td></td>
<td>1 kg</td>
<td>5 Kg</td>
</tr>
<tr>
<td></td>
<td>Charges (per coin / bar) for sliced cut bar / silver granules</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Nil</td>
</tr>
<tr>
<td></td>
<td>Charges (per coin / bar) for finished &amp; fine bar</td>
<td>Rs 1000</td>
<td>Rs 2000</td>
<td>Rs 2500</td>
<td>Rs 4000</td>
<td>Nil</td>
</tr>
<tr>
<td><strong>Platinum</strong></td>
<td>Denominations</td>
<td>100 gm</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Nil</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Copper</strong></td>
<td>Denominations</td>
<td>60 Kg to 2.5 MT</td>
<td></td>
<td></td>
<td></td>
<td>Every 2.5 MT lot</td>
</tr>
<tr>
<td></td>
<td>Unpacking charges (per delivery lot)</td>
<td>Rs 100/- per lot of 60 Kg</td>
<td></td>
<td></td>
<td></td>
<td>Nil</td>
</tr>
<tr>
<td><strong>Zinc</strong></td>
<td>Denominations</td>
<td>25 Kg to 1 MT</td>
<td></td>
<td></td>
<td></td>
<td>Every 1 MT lot</td>
</tr>
<tr>
<td></td>
<td>Unpacking charges (per delivery lot)</td>
<td>Rs. 50/- per lot of 25 Kg</td>
<td></td>
<td></td>
<td></td>
<td>Nil</td>
</tr>
<tr>
<td><strong>Lead</strong></td>
<td>Denominations</td>
<td>24 Kg to 1 MT</td>
<td></td>
<td></td>
<td></td>
<td>Every 1 MT lot</td>
</tr>
<tr>
<td></td>
<td>Unpacking charges (per delivery lot)</td>
<td>Rs 50/- per lot of 24 Kg</td>
<td></td>
<td></td>
<td></td>
<td>Nil</td>
</tr>
<tr>
<td><strong>Nickel</strong></td>
<td>Denominations</td>
<td>90 Kg to 1.5 MT</td>
<td></td>
<td></td>
<td></td>
<td>Every 1.5 MT lot</td>
</tr>
<tr>
<td></td>
<td>Unpacking charges (per delivery lot)</td>
<td>Rs 2000/- per lot of 90 Kg</td>
<td></td>
<td></td>
<td></td>
<td>Nil</td>
</tr>
</tbody>
</table>
Why should the general mass prefer e-Gold

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

![Graph showing monthly turnover of e-series from April 2012 to March 2013.](chart.png)
### E-series investment return and ETF comparison

#### Returns since launch E-Gold vs. Gold ETFs

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

![Graph showing price difference between e-Gold and Gold ETFs from June 2010 to March 2013.](www.nationalspotexchange.com)
Difference % Return of e-Gold and Gold ETFs

% return of e-Gold and Gold Etts

Difference in % return of E-Gold and Gold Etfs

- Diff % Return
- E GOLD
- GOLD BEES
Advantages of Investment in commodities through e-series

- Holding commodities in Demat form
- E-Series contract on NSEL
- Retail Investors can diversify their portfolio
- No worry for daily MTM pay in/Payout as in Derivative market
- Hassle free / low cost transaction in physical commodity
- No risk of commodity custody/theft
- Liquidity/Any time buying and selling of commodity
- Retail Investors can diversify their portfolio
- No risk of commodity custody/theft
- Hassle free / low cost transaction in physical commodity
- Liquidity/Any time buying and selling of commodity
E-Series products – e-Gold, e-Silver and e-Copper confirming to the standards of Islamic finance & Shariah Compliance
E-Series products e-Zinc, e-Lead and e-nickel confirming to the standards of Islamic finance & Shariah Compliance

REGARDING SHARIAH COMPLIANCE OF TRADING IN E-ZINC, E-LEAD AND E-NICKEL ON NATIONAL SPOT EXCHANGE LIMITED

Pursuant to agreement dated 30th October, 2010, between National Spot Exchange Limited (henceforth NSEL) and Taqwa Advisory and Shariah Investment Solutions (P) Ltd. (henceforth TAVIS), relating to shariah certification and ongoing monitoring of products, e-zinc, e-lead and e-nickel that NSEL is offering to its potential clients, TAVIS 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/2011/003 dated January 13, 2011,
- NSEL/TRD/2011/032 dated February 17, 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

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

prescribed format of Contract Note issued by Member acting as 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-zinc, E-lead or E-nickel units which they have not already bought earlier;
2. They shall not at any time consciously enter into transactions for purchase of E-zinc, E-lead or E-nickel 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 TAVIS and NSEL, TAVIS 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 Taqwa Advisory and Shariah Investment Solutions Pvt. Ltd

Mufti Khaliq Saifullah Rahma
(Shariah Advisor)
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 commodity exchange segment. On 21\textsuperscript{st} 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