

Investment Product in Commodities: A new Paradigm



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, we have launched an investment product in commodities, which can address all these issues***

National Spot Exchange: Taking the lead

- ❑ Realizing its need, NSEL has designed the investment product for trade in commodity in the electronic form (e-Series).
- ❑ e-Series is available for trading with all features and convenience of equity market script and operation.
- ❑ Only non perishable commodities are made available for trading in e-Series products in demat form.
- ❑ NSDL and CDSL act as the Depository for holding demat commodity in the electronic form. While the commodity in physical form is kept in the designated vault/storage/warehouse of the Exchange.
- ❑ NSEL has launched Gold and Silver demat contracts which the investors can buy in the multiples of 1gm and 100 gm respectively and also launched - Copper, Zinc, Lead and Nickel demat contracts which can bought in the multiples of 1 Kg.



Introduction to e-Series

What is e-Series ?

- 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 and accumulate** the commodity units such as Gold, Silver, 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.

Key features

- Promotes Systemic investment and savings in Bullions and Metals.
- Invest in smaller denomination (1 gm gold, 100 gm Silver or 1 Kg copper, Zinc, Lead & Nickel)
- Transparent and uniform pan India pricing
- Convenient and secure online buying and selling
- No storage or holding costs
- Physical delivery of accumulated demat units at multiple centres
- Extended trading hours from 10.00 am to 11.30 pm.
- Intra day trading and netting is permitted, but short sale is not allowed. In case of short sale, the position will be settled by buying in auction of undelivered position.

Essentials of e-Series Product

- ❑ Designated vault for Bullion: Brinks Arya
- ❑ Registrar and Transfer Agent (RTA): Karvy consultants Ltd.
- ❑ Currently empanelled Depository participants (DP):
 - [172 DPs are empanelled](#): Religare Securities, Globe Capital, Goldmine, Karvy, SHCIL, SMC and IL&FS.
 - A number of other DPs are in process
- ❑ 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 without any charge
- ❑ At the time of dematerialization and rematerialization of units, Authorized dealer comply with all legal requirements and give delivery of gold bars/ coins with his sale invoice in the case of rematerialization. .

e-Series: Product Details

- Duration of contract : Single day.
- Settlement cycle: T + 2
- Trading session : Mondays through Fridays
- Trading timing: 10:00 AM to 11:30 PM.
- Commodity pay in, commodity pay out, Funds pay in, Funds Pay out :
T + 2 basis
- Settlement of demat Gold/Silver/Copper ICIN through the CM-Pool account of members as done in stock exchanges.
- Settlement in demat only
- Arrangement with NSDL & CDSL as the depository for holding commodity units in the electronic form.

Why should the general mass prefer demat holding instead of physical holding ?

- ❑ It's like comparing keeping cash at home Vs. maintaining a savings bank account.
- ❑ Invest in e-Series gives the comfort of easy liquidity, reach, safety, and low cost.
- ❑ Provides transparent pricing and seamless entry and exit to investors during the trading hours i.e. 10 am to 11.30 pm.
- ❑ There is no purity issue and storage risk, if invested through E-series.
- ❑ E-series products have standardized selling and buying prices across the country.
- ❑ No storage charge for investors for accumulating gold, silver and copper in the demat account.

Product offering for at NSEL and investment advantage

e-Series (e-Gold, e-Silver, e-Copper, e-Zinc, e-Lead & e-Nickel) is an innovative product for those who look at commodity from investment perspective. Going forward: Platinum and other commodities.

Agricultural	Non Agricultural	e-Series
Cereals: Paddy, Wheat, Bajra	Bullion: Gold & Silver (Bars & Coins)	e- Gold
Pulses: Bengal Gram, Green Gram, Black Gram, Pigeon Peas, Yellow Peas etc.		e-Silver
		e -Copper
Edible Oils & Oilseeds: Soybean, Castor Seed, Mustard Seed etc.	Steel: Ingots and Billets	e-Lead
Cotton, Sugar and Black Pepper		e-Zinc,
Raw Wool, Wool Top		e-Nickel

How to Invest ?

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. (Home > E-Series > [Members list for account opening](#))
- 2. Opening of demat account-** Retail investors are required to open their beneficiary account with NSEL empanelled DPs to hold the e-Series units. Lists of the Empanelled DPs are available on the Exchange website. (Home > E-Series > [Empanelled DP's](#))

Types of Demat accounts

- 1. Beneficiary Accounts:** A beneficiary account is a Demat account in the name of an Individual (single or joint holding). Such an account could also be in the name of a Corporate, HUF, a society and a trust. It is similar to a bank account. This account is to be used by the investor for holding and transacting in demat units in electronic form.
- 2. Pool Account:** A Pool account is a demat account opened by a Trading cum Clearing Member (TCM) or any other Clearing Member of the Exchange. This account is maintained by the member to receive and deliver demat units from/to the Exchange against obligation of the clients operating through such member.

How to buy E-series product?

- Only those investors can invest in e-Series products who has both trading account and beneficiary account.
- The investor can invest in e-Series through offline method and online method.
 - Offline method : Investor can instruct his broker to buy on his behalf.
 - Online method : Invest can trade through the NEST system provided by the Exchange. The user id and password is provided by his broker.
- When the investor bought the e-Series units :
 - On T+2, the Exchange will declare pay out of units. The Exchange will transfer demat credit into the CM Pool Account of the respective broker equivalent to their net buy position.
 - The broker in turn, will transfer demat credit to the respective investors' beneficiary accounts.

How to sell e-Series product?

- Only investors can create sale position in e-Series contract, who are holding demat e-Series units in their demat account.
- Persons holding commodities in physical form must not create any sale position in e-Series contract, as it is compulsory demat settlement contract.
- When the investor sell the e-Series units hold in the beneficiary account :
 - Investor can give the instruction through NEST terminal or over phone to the broker to sell the e-Series units which he holds in his beneficiary account.
 - His broker then transfer the demat units to his pool account from beneficiary account of the investor.
 - On T+2, the broker of the investor credited the money equivalent to the e-Series unit sold at the price traded.



Physical Delivery Procedure

Procedure Physical Delivery

- **Step 1:** the investor 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 transfer request form (TRF) 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.”

Ensuring physical delivery

1. Exchange issue instruction to the Authorized Dealer specifying the denominations of Commodity required as well as the relevant delivery location from where the investor intends to lift delivery.
2. The Authorized Dealer effect delivery of physical commodity in such denominations at the relevant center along with a sale invoice in favor of the investor.
3. On delivery of Silver bars/ coins to the unit holder, the Exchange then transfer the demat units received from the investor to the account of the authorized dealer.
4. The investors applying for conversion of electronic units to physical units, will be required to pay VAT/ GST, as applicable on that date plus local taxes such as Octroi, if any, applicable at the place of delivery.
5. All such taxes and levies will be payable at the clearing rate on the date of execution of DIS, irrespective of original purchase price or multiple transactions of buy and sale executed during the intervening period.

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	8 grams, 10 grams, 100 grams and 1 Kg and any combination thereof	Mumbai, Delhi, Ahmedabad, Kolkata, Chennai, Hyderabad, Jaipur. Kochi, Bangalore
e-Silver	100 grams, 1 Kg, 5 Kg and 30 Kg and any combination thereof	Mumbai, Delhi, Ahmedabad, Kolkata, Chennai, Hyderabad, Jaipur
e-Copper	60 Kg	Delhi
e-Zinc	25 kg	Delhi
e-Lead	24 Kg	Delhi
e-Nickel	90 kg	Ludhina, Punjab

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

Address of the delivery centers : e-Gold & e-Silver

No	Location	Vault/Center	Address of the delivery centers
1	KOLKATA	Brinks Arya India Pvt. Ltd.	Address: 18/39, Ground Floor, Ballygung Place (East), Kolkata – 700019.
			Contact Person: Mr. Atanu Banerjee / Mr. S.K Ghosh
			Contact No: 033 - 2460 0145, Mobile No: 93309 12737 / 93397 32 967
			Email: Kolkata.gs@brinksarya.com
2	CHENNAI	Brinks Arya India Pvt. Ltd.	Address: 81, Sahridya, Dr. Rangachari Road, Mylapore, Chennai–600004.
			Contact Person: Mr. Naggappan/Col. Pratap Pawar
			Contact No: 044 - 2499 3203/ 2499 1143, Mobile No: 93807 06116
			Email: chennai.gs@brinksarya.com
3	HYDERABA D	Brinks Arya India Pvt. Ltd.	Address: Manorama, H. No. 1-10-98/30, Dwarkadas Colony,
			Mayuri Marg, Begumpet, Hyderabad – 500 016
			Contact person: Lt.Col.S.R.Das /Mr.D.Parmeshwaran
			Contact no: 040 - 6638 3861/ 6638 3860, Mobile No: 93466 97071
4	JAIPUR	Brinks Arya India Pvt. Ltd.	Address: D-43, Shiv Marg , Mudrampura Civil lines,Jaipur -302006
			Contact person: Lt. Col. K. C. Kunjwal / Mr. Kamlesh Sharma
			Contact no: 0141- 2223 133, Mobile No: 93144 01570/ 98290 10069
			Email: Jaipur@brinksarya.com
5	MUMBAI	Brinks Arya India Pvt. Ltd.	Address: Diamond Plaza, G-9, Ground Floor, Dr. D.B.Marg,
			Lamington Road, Mumbai - 400004
			Contact person: Mr. Ravi G Som / Mr. Avinash RShetty
			Contact no: 022-6658 0400/6658 0457, Mobile No: 93245 11794/93224 08031
			Email: gs@brinksarya.com

Address of the delivery centers : e-Gold & e-Silver

No	Location	Vault/Center	Address of the delivery centers
6	AHMEDABAD	Brinks Arya India Pvt. Ltd.	Address: 1, Kailash Society, Bhagwan Nagar no Tekro, Mahalaxmi, Panch Rasta, Paldi, Ahmedabad – 380 006
			Contact person: Mr. S. K. Menon / Mr. Ramsingar Oza
			Contact no:079-2664 0138 /2663 0529,Mobile No.–9327016360 /93270 17103
			Email: ahmedabad.gs@brinksarya.com
7	DELHI	Brinks Arya India Pvt. Ltd.	Address: C-18, Community Centre, Janakpuri, New Delhi -110058
			Contact person: Mr. Omender Sharma
			Contact no: 011 - 2551 4597, Mobile No.-093138 88909
			Email: sudhanshu.pandey@nationalspotexchange.com
8	BANGLAORE	National Spot Exchange Ltd.	Address: 6/206, 2nd Floor, Money Chambers, K.H. Road, Bangalore - 560 027
			Contact Person: Mr. Vishwanath K.
			Contact No. : 080 – 41673706, Mobile No. - 096633 09807
			Email: vishwanath.k@nationalspotexchange.com
9	KOCHI	National Spot Exchange Ltd.	National Spot Exchange Ltd.
			Address: 28/715-B, 1st Floor, Thulasi, K.P. Vallon Road, Kadavanthra, Cochin - 682 020
			Contact Person: Mr. Sathish Francies
			Contact No. : 0484 – 6576799; Mobile No.: - 094465 51961
			Email: sathish.francies@nationalspotexchange.com

Charges for Physical delivery

1. Delivery/ Lifting Charges:

Commodity	Chagres (Rs.)
e-Gold	Nil
e-Silver	Nil
e-Copper	Rs. 1000 per instance of delivery irrespective quantity. The buyer intending to take delivery is liable to pay the loading / unloading/ weighment charges (if any) on actuals at the warehouse
e-Lead	
e-Zinc	
e-Nickel	

Charges for Physical delivery

2. Making / Packing charges:

Commodity						
e-Gold	Denominations	8 gms	10 gms	100 gms		1 Kg
	Conversion Charges (per coin / bar)	Rs 400	Rs 400	Nil		
e-Silver	Denominations	100 g	500 g	1 kg	5 kg	30 kg
	Conversion Charges (per coin / bar)	Rs. 1000	Rs. 2000	Rs 2500	Rs. 4000	NIL
e-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		
e-Zinc	Denominations	25 Kg to 1 MT		Every 1 MT lot		
	Unpacking charges (per delivery lot)	Rs. 50/- per lot of 25 Kg		Nil		
e-Lead	Denominations	24 Kg to 1 MT		Every 1 MT lot		
	Unpacking charges (per delivery lot)	Rs 50/- per lot of 24 Kg		Nil		
e-Nickel	Denominations	90 Kg to 1.5 MT		Every 1.5 MT lot		
	Unpacking charges (per delivery lot)	Rs 2000		Nil		

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%



Why to Invest in e-Series?

Why To Invest In Commodities ?

1. Commodities is emerging as another asset class
2. Commodities price is related to economic growth and hence offer return
3. Hedge against inflation
4. Improving stability and predictability of returns
5. Diversification of portfolio
6. Bullion (Gold& Silver): Historically proven as hedge against inflation and provide stable return
7. Base Metals: Long term bull cycle backed by industrial and economic growth

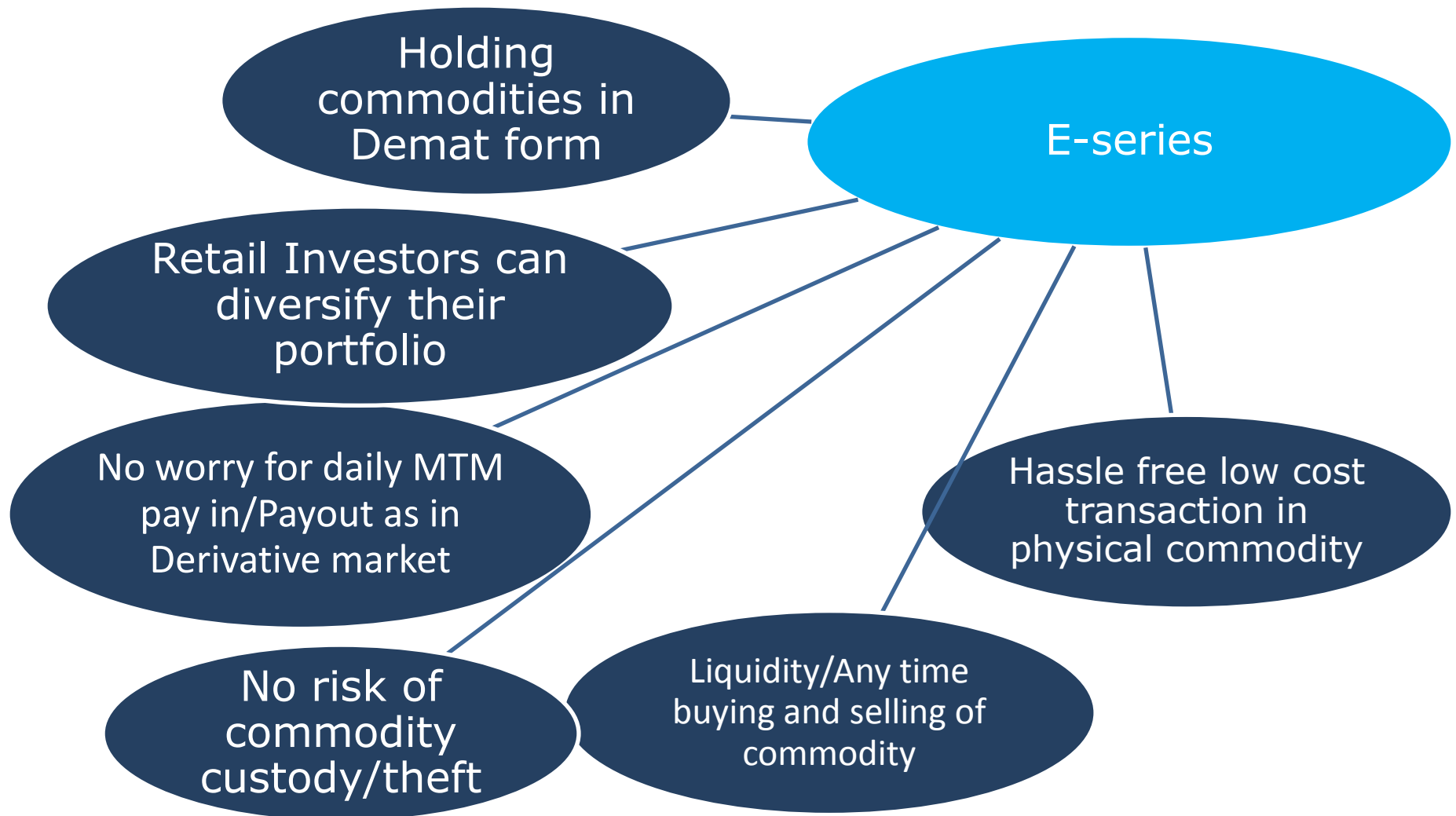
Alternative Assets Comparison with e-Series

Asset Class	Return Potential	Liquidity	Diversification Benefit	Risk Involved	Holding Cost
e-Gold & e-Silver	Medium	High	Very High	Low	Nil
Private Equity VC	Very High	Low	Moderate	Very High	High
Hedge Funds	Various	Low	Various	Various	High
Commodities	Volatile	High	High	High	Low
Art & Collectibles	Medium	Very Low	High	High	High

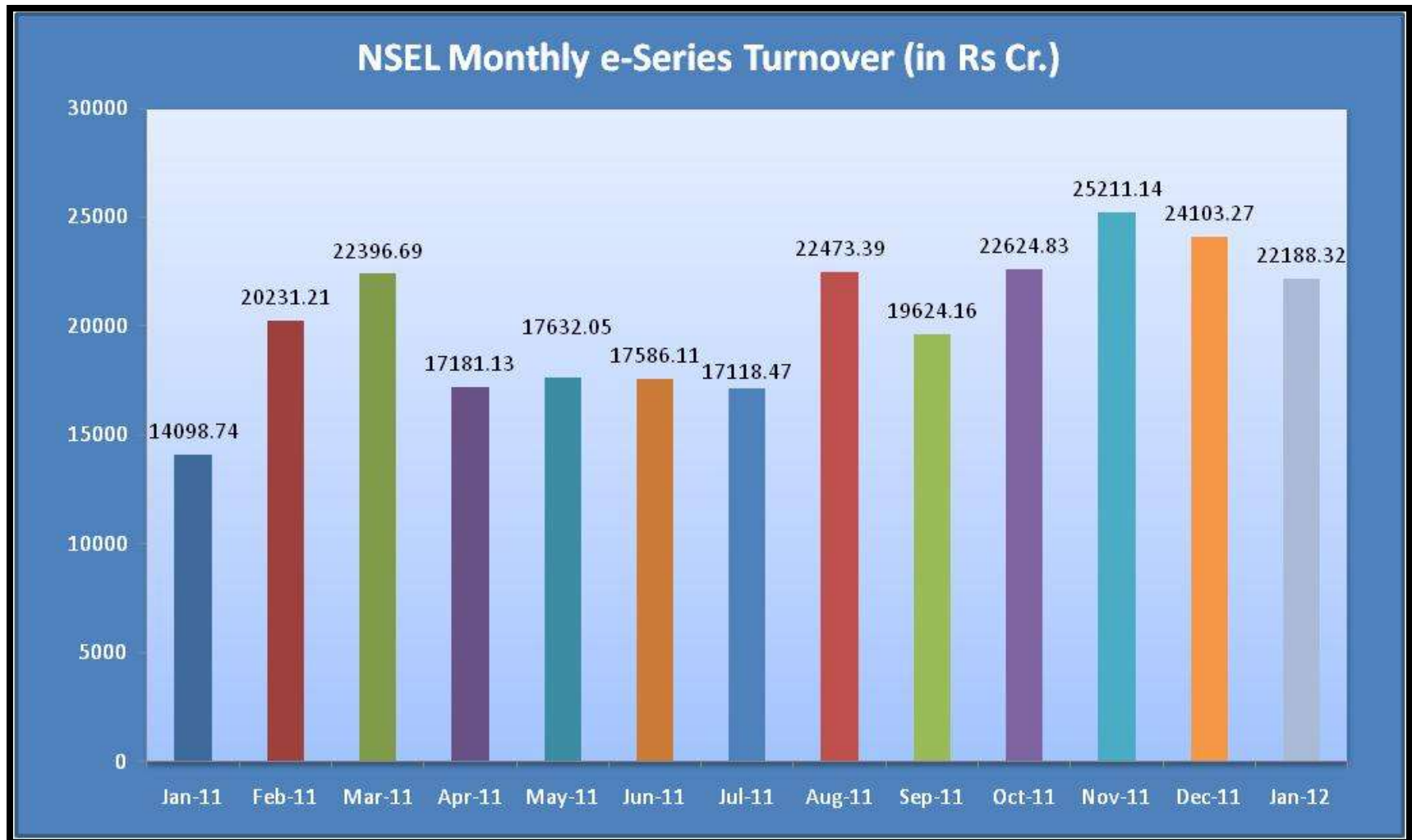
Why should the general mass prefer e-Gold

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

Advantages of e-Series Products



Monthly Turnover (Rs Cr.) : e-Series



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 commodity exchange segment

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.

e-Series products are ethical instruments confirming to the standards of Islamic finance & Shariah Compliance



TAQWAA ADVISORY AND SHARIAH INVESTMENT SOLUTIONS (P) LTD
Corporate Office: 5, Natakwala Building, 110, S.V.S. Road, Mahim, Mumbai - 400 016.
Tel: 91-22-24454610 | Email: info@tasis.in | Website: www.tasis.in

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 Taqwa 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



TAQWAA ADVISORY AND SHARIAH INVESTMENT SOLUTIONS (P) LTD.
Corporate Office: 5, Natakwala Building, 110, S.V.S. Road, Mahim, Mumbai - 400 016.
Tel: 91-22-24454610 | Email: info@tasis.in | Website: www.tasis.in

Shariah Certificate

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 TASIS), relating to shariah certification and ongoing monitoring of products, E-zinc, E-lead and E-nickel 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/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

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



Regd. Office : Khatau Bldg., 1st Floor, 44 Bank Street, Fort, Mumbai - 400 001. Fax: 91-22-22560021



Thank You

National Spot Exchange Limited

102 A, Landmark, Suren Road, Chakala, Andheri (East), Mumbai - 400093.

Tel: +91-22-67619900 Fax: +91-22-67619931

E-mail: info@nationalspotexchange.com