



Electronic Spot Market

THE NEW FACE OF COMMODITY MARKET

GOLD 16700 SILVER 25900 ZINC 105 PLATINUM 2250 GOLD 16700 SILVER 25900 ZINC 105 PLATINUM 2250
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E-SERIES: INVESTMENT PRODUCTS FOR RETAIL INVESTORS

E-Series consists of a series of investment products in commodities, which are designed for retail investors. E-Series products, innovated by National Spot Exchange (NSEL), enables investors to invest their funds into commodities in smaller denomination and hold it in demat form. It is available on the pan India electronic trading platform set-up by National Spot Exchange, which can be accessed through members of NSEL or their franchises. It provides a unique opportunity to buy, accumulate, hold and liquidate commodities as well as to convert the same into physical delivery in a seamless manner.

SALIENT FEATURES OF E-SERIES INSTRUMENTS

- **It promotes savings and investment leading to preservation of wealth:**

The contribution of electronic Exchanges to the society should be to promote savings and investment. Savings ratio of Indians being 32%, the average Indian wants a product ensuring preservation of wealth. Commodity Exchanges, in their present form, provide good instruments for trading, hedging, price risk management, speculation or jobbing, but they do not provide instruments for investment, wealth creation or wealth preservation. Leveraged trading may be good for traders, but it may be detrimental to the interests of general mass, who may burn their fingers due to price volatility. E-Series promotes savings and investment by creating an investment product for small investors.

- **It is a drive towards “Financial Inclusion”:**

Simplicity, accessibility and affordability are the basic ingredients to achieve “Financial Inclusion”. E-Series has been designed exactly to ensure the same.

- It is **simple**, because commodities are simple to understand compared to plethora of financial products and derivatives. Compared to 120 crore Indian population, the number of demat account in stock market for both the depositories combined is around 1.65 crores, while at least 25 crore Indians hold gold and silver and other commodities in one form or the other. Gold is already a household name in lacs of villages, where stock market has no penetration. Further, pricing of E-Gold tracks current physical market price (which is easily understood), rather than NAV of the fund in case of Gold ETFs.
- It is **accessible**, because of pan India presence of NSEL together with the large number of trading terminals of its members. Investors can buy it by making telephone calls to their members or by trading on line any time during 10.00 am to 11.30 pm. With this product, we expect that within 3 years time span, the network of Exchange members and depository participants (DPs) will reach out

to 1 lac centers across the country catering to 6 lac villages of India. This will ensure “Financial Inclusion” in real sense.

- It is **affordable**, as it is available in smaller denominations (1 gram incase of E-Gold), which is within the reach of “rural Bharat”. While lower income group can use this product to park their paltry savings and accumulate wealth over a period of time, HNIs and institutional investors can use it for diversifying and balancing their investment portfolio.

- **Transparent pricing:**

E-Series is available on the order driven electronic trading platform, where investors are also allowed to quote their own buying and selling price. The same price is available across the country and so, the buyers and sellers from anywhere in the country can buy and sell at this price. The impact cost (difference between buy and sale quote) is as low as Re 1. The price quoted on the screen are actionable price at which investors can buy or sell. This ensures transparency, credibility and authenticity of pricing.

- **Uniform pan India pricing:**

E-Series provides the benchmark uniform price for commodities valid for the entire country. In physical market, the price varies from place to place and even though the price is relatively cheaper at some location, investors from other regions do not have access to buy at that price. E-Series removes such regional bias, disparities and ambiguity and provides a uniform price for the entire country. Hence, E-Series is the first instrument in the country to implement the doctrine of “Common Indian Market.”

- **No custodial or storage charges and very low transaction charges:**

The cost of holding E-Series units in demat account have been waived w.e.f 1st Aug, 2010. Hence, the holding cost or recurring cost or annual maintenance cost in respect of E Gold and E Silver contracts is Zero, while in the case of Gold ETFs the same is around 1 – 2.25 % per annum.



E-SERIES

POTENTIAL MARKET SIZE

- Specific equity script does not have inherent demand in common mass, it has to be created at IPO, but precious metals and other commodities have inherent demand among masses. Therefore, this product can easily be sold to crores of investors.
- As per research reports, in case of bullion, investment demand is soon going to exceed jewellery demand. The jewellery demand in our country is around 200 MT of gold every year valued at Rs. 30000 crores. Therefore, investment in this product can easily be more than Rs. 30000 crores per annum.
- The market capitalization in respect of companies listed on Indian stock Exchanges is around Rs. 60 lac crores. If the investors diversify just 10-20% of their portfolio into bullion, it implies investment of around Rs.10 lac crores into this market. Hence, it is apparent that a huge market is in the making.

BUSINESS OPPORTUNITY FOR EXCHANGE MEMBERS

Under E-Series products, E-Gold is the first instrument followed by E-Silver. NSEL will launch similar trading facilities in around 25 non perishable commodities in near future, which includes Copper, Zinc and so on. This will create a huge cash segment of commodities, with 1000s of crores of business every day. Exchange members, being the extension arm of the Exchange in servicing the clients, will be the largest beneficiary of this emerging market. In particular, it will create the following business opportunities for the Exchange members:

- **As a depository participant:**

We anticipate that within 3 years of operation, the number of beneficiary account to be opened by investors in this segment will exceed the number achieved in stock market, so far. To start with, the existing clients holding their beneficiary account with their respective DPs can open separate account for trading in E-Series. If all equity shareholders having their demat account open separate account for the said purpose, the DP related income will double. Going forward, DPs will get opportunity to expand their business to hundreds of other centers, where the opportunity is totally untapped.

- **As a broker:**

In the process of emergence of this cash segment of commodities, the Exchange members can enroll lacs of investors willing to invest their funds into commodities. This includes expansion of broking activities to a number of remote locations, where electronic Exchanges have still not penetrated. This creates huge business opportunity for the Exchange members.

- **Financing against pledge of commodity ICIN:**

Exchange members having NBFCs in their group can explore the business of financing against pledge of demat ICIN, just like financing against shares. This will generate good revenue stream for the NBFCs.

HOW TO PARTICIPATE

An individual or any other legal entity can open a client account with a member of NSEL to trade in E-Series products. He is also required to open a beneficiary account with any DP empanelled with NSEL. This is required for holding E-Series units in demat form. Thereafter, he can buy and sell E-Series products, either by placing orders through the member on phone, else by trading on line by getting a trading terminal through the member. In case of buy transaction, the investor is required to pay the purchase value before T + 2. The units are credited into his account on T + 2. In case of sale, he has to transfer the units from his beneficiary account to his broker's pool account, while the broker transfers sale proceeds to him on T + 2 basis. The investors are allowed to do intraday trading, but all positions outstanding at end of day must result into delivery. In case of non delivery, the Exchange conducts buying in auction to cover short deliveries and selling out auction to cover buyer's position. But, in both cases, the Exchange guarantees delivery to the buyer and payment to the seller. For the purpose of opening accounts, the investor can chose any DP empanelled with NSEL. He can obtain a list of such empanelled entities from the Exchange.

TRADING DETAILS

CONTRACT CYCLE	SINGLE DAY
Trading period	Mondays through Fridays
Trading session	10:00 am to 11:30 pm

SETTLEMENT SCHEDULE

NORMAL MARKET			
Particulars	Day	Pay-in	Pay-out
Mark-to-Market	T+1	Up to 11:00 am	At 12:00 pm
Funds - normal	T+2	Up to 1:00 pm	At 05:30 pm
Commodities - normal	T+2	Up to 1:00 pm	At 05:30 pm
AUCTION MARKET			
Funds – normal	T+2	Up to 1:00 pm	At 05:30 pm
Commodities - normal	T+2	Up to 1:00 pm	At 05:30 pm

OTHER DETAILS

- **Depository:** NSDL and CDSL
- **Registrar and transfer agent (RTA):** Karvy
- **Currently empanelled depository participants (DP):** Karvy, Religare, Globe, Goldmine, SHCIL, SAM Global, IL&FS, Zuari, Alankit, Monarch, SSD, Aditya Birla, LSE, IIFL, Master Capital, Geojit, Farsight, Eureka, LFC and HTS. A number of other DPs are in process

EXCHANGING E-SERIES UNITS FOR PHYSICAL DELIVERY

The investor is entitled to buy, hold and accumulate E-Series units. If he wants to sell these units, he can do so at any point of time and realize price appreciation. However, the Exchange also provides him the option to take physical delivery of commodities against surrender of E-Series units. Such conversion can be done in the denominations specified by the Exchange. E.g. In case of Gold, the Exchange offers this facility in terms of 8 grams, 10 grams, 100 grams and 1 kg, while in the case of silver, physical delivery is offered in terms of 100 grams, 1 kg, 5 kg and 30 kg. In future, the Exchange will offer the same in other denominations too. The investor can take delivery from the Exchange specified delivery locations only. For the purpose of exchanging units for physical delivery, the investor is required to surrender the units to the Exchange with a request for getting physical delivery in desired denominations. He is also required to indicate the location (out of the list specified by the Exchange) from where he wants to take delivery. For getting physical deliveries, he is required to pay nominal charges, as specified by the Exchange from time to time. If an investor is located at a far off place where the Exchange does not have any delivery centre, he can sell the units on NSEL platform, realize the proceeds and then buy commodity from the local market.



WHY E-SERIES?



ABOUT NSEL

National Spot Exchange Limited is the national level institutionalized, electronic, demutualized, transparent Spot Exchange providing compulsory delivery based single day duration contracts in commodities. It is a market similar to cash segment in equities, which has pioneered launching of investment based products in commodities. It is promoted by Financial Technologies India Limited (FTIL) and National Agricultural Co-operative Marketing Federation of India Limited (NAFFD).



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