

# e-Series: Investment Products for Retail Investors

## Introduction

e-Series consists of a series of investment products in commodities, which are designed for retail investors. These products, innovated by NSEL, allow investors to put in their funds into commodities in smaller denominations and hold them in demat form. e-Series products are available for trading on the pan-India electronic trading platform set up by NSEL, which can be accessed through members of NSEL or their franchisees. e-Series products provide a unique opportunity to buy, accumulate, hold and liquidate commodities with easy entry and exit facility, besides a right to convert them into physical deliveries in a seamless manner.

## Features

- **Transparent Pricing:** e-Series is available on the order-driven electronic platform where investors are allowed to quote their own buying and selling price. The same price is available across the country. The impact cost is as low as 10 paise. The price quoted on the screen is actionable price at which investors can buy or sell. This ensures transparency, credibility and authenticity of pricing.
- **Uniform Pan-India Pricing:** e-Series products provide the benchmark uniform price for commodities that is valid in the entire country. In physical market, the price varies from place to place. e-Series remove such regional bias, disparities and ambiguities and provide a uniform price for the entire country. Hence, e-Series is the first instrument in the country that implements the doctrine of 'Common Indian Market'.
- **Low custodian charges and transaction fee:** The cost of holding e-Series units is zero. Hence, investors can hold on to them for as long as they desire, without having to incur any storage or holding cost.

## e-Series Products

- |            |                |               |
|------------|----------------|---------------|
| • e-Gold   | • e-Nickel*    | • e-Iron Ore* |
| • e-Silver | • e-Lead*      | • e-Platinum* |
| • e-Copper | • e-Aluminium* | • e-Cadmium*  |
| • e-Zinc*  | • e-Steel*     | • e-Pig Iron* |

\*Proposed products

\* Please Define this

# e-Series: Investment Products for Retail Investors

## Potential Market Size

- The potential market size for investment products in commodities is enormous. There is an inherent demand among investors for Gold and Silver, which can be tapped through these products. In general, investment demand for Gold and Silver has gone up multiple times over last 2-3 years and is expected to grow further. Hence, there is a big market potential for these products.
- The market cap of Indian equity market is around 89.24 lac crores. As per recommendation of leading investment gurus, 10-20% of the portfolio should be invested in commodities. It implies that over a period of next 2-3 years, an investment of Rs. 10 lac crores can come into these products.
- The penetration of equity market is limited to select number of towns and cities. On the other hand, bullion products are available even in remote villages, in the form of jewellery or bars. e-Series products will provide an opportunity to expand brokerage and DP related services to large number of remote places, where stock market has still not penetrated.
- Out of 1.2 billion Indian population, at least 20-30 % people hold gold and silver in one form or the other. On the other hand, the number of demat account holding in our country is not more than 1 crore, that is less than 1 % of Indian population. Hence, the scope for attracting large number of investors for investing in commodities through e-Series is relatively easy.

## Business Opportunity for Members

- e-Series products have just taken off the ground. Looking at the potential of these products and their inherent merits, million of clients will be connected to these products over next 2-3 years. This creates a huge business opportunity for the members of NSEL by expanding their brokerage activities.
- e-Series products create a big opportunity for DPs empanelled with NSEL. Such DPs will be able to open millions of beneficiary accounts for individuals, which will enhance their DP related income.

## How to Participate

- **Mechanism to trade and Invest:** In order to trade and invest in e-Series, an investor has to enroll with a member of National Spot Exchange and open a demat account with a DP empanelled with NSEL.
- **Trading & Settlement in e-Series:** An investor can buy and sell demat units during market hours through a member of the Exchange. Intra day trading is allowed but all outstanding positions are settled on T+2 basis. Buyer has to make payment on T+2 basis and the units are credited in his demat account on T + 2 basis. In case of sale, the investor receives payment on T+2 days.
- **Physical Delivery under e-Series:** The Exchange provides an option to take physical delivery of commodities at exchange designated delivery centres in the denominations specified by the Exchange. Investors have to inform their DP of their intention to take physical delivery at a specific location. At present, the physical delivery of e-Gold is allowed in terms of 8 grams, 10 grams, 100 grams, 1 kg and any combination thereof. For e-Silver, the delivery denomination is available in 1 kg, 5 kg, 30 kg and any combination thereof.

## e-Series Comparison Sheet

## Returns since launch: e-Gold vs Gold ETFs

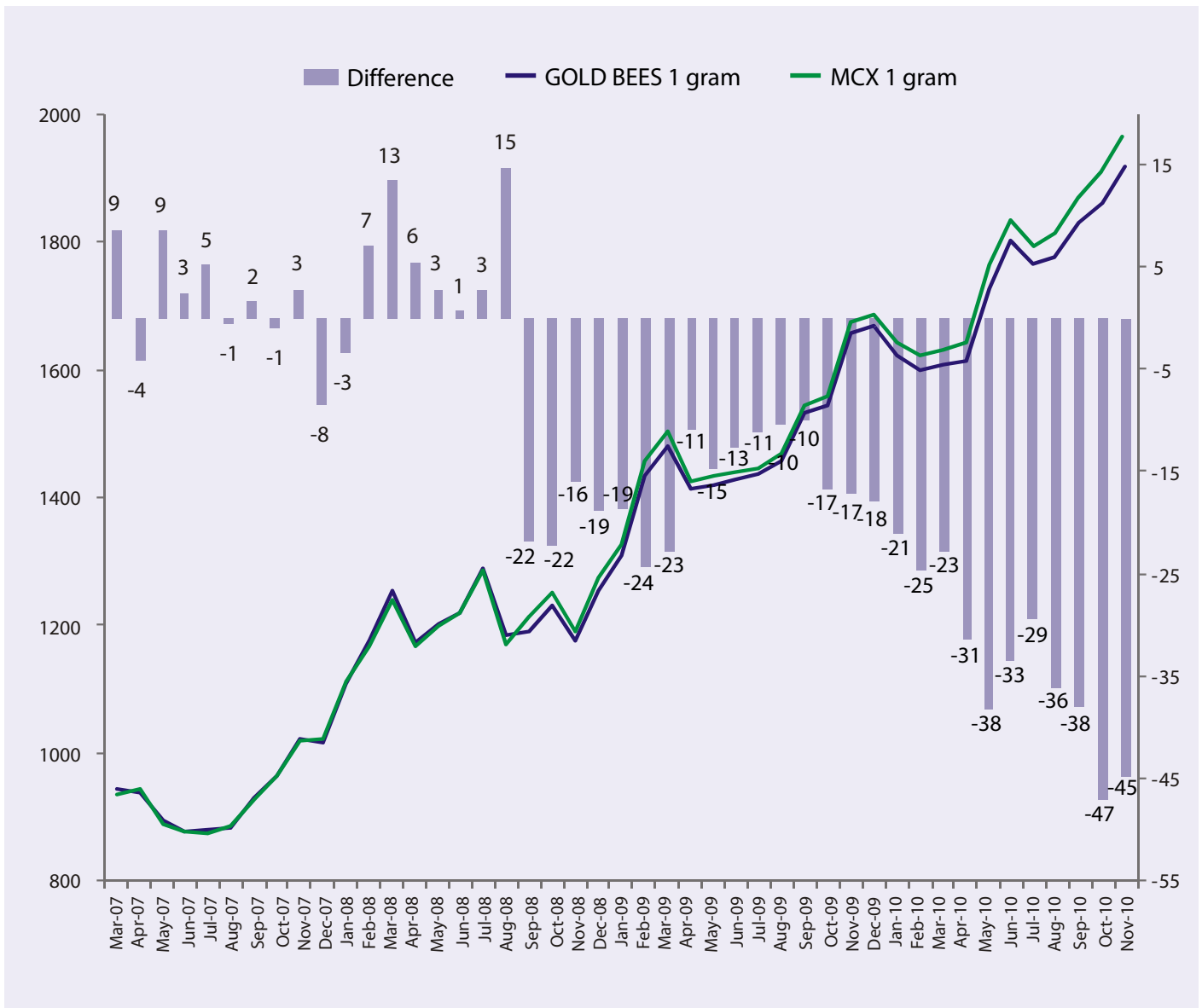
	NSEL E-GOLD*	GOLDBEES ETF	SBIGETS ETF
Mar 17, 2010 (Launch Date) (₹/Unit)	1700.80	1648.40	1680.00
Nov 30, 2010 (Previous Close) (₹/Unit)	2090.40	1990.25	2026.00
Profit in ₹/Unit	389.60	341.85	346.00
Return %	22.91	20.74	20.60

## Comparison of investment in e-Gold with others sources of gold investment

Parameter	NSEL e-Gold	Gold ETF	Bank (bars/coins)	Jeweller
Purchase & Sale	Dematerialised Form	Dematerialised 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 & AMC)	NIL	1 - 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 Discounts
Convenience of buying, storage and selling	High – Totally Demat	High – Totally Demat	Low–As physical movement & transfer involved	Low–As physical movement & transfer involved

# e-Series Comparison Sheet

## ETF Performance – A Comparison of Benchmark MCX Gold Price vs Gold Bees ETFs price



# Membership structure for e-Series

## Membership Categories

Membership of National Spot Exchange is open to persons fulfilling requirements and criteria specified by the Exchange.

**Membership is open for the following categories:**

### Trading-cum-Clearing Member (TCM)

TCM is a person/corporate admitted by the Exchange as a member, conferring upon him a right to trade and clear his own trades as well as trades of his clients.

- TCMs can appoint their sub-brokers, franchises, Authorised Persons and remisiers and also set up their branch offices. Members can charge brokerage or commission from their clients, as may be negotiated between them.
- Corporate houses, willing to use National Spot Exchange platform for procurement or sale of commodities, can either become a member directly or can trade through any of the members of National Spot Exchange.

### Trading Member (TM)

TM is a person admitted by the board, who has the rights to trade on his own account as well as on the accounts of his clients, but has no rights to clear and settle such trades himself. A trading member must be affiliated with any one of the Institutional Trading-cum-Clearing Member (ITCM) or Professional Clearing Member (PCM) having clearing rights on the Exchange.

## Eligibility Criteria

For both TCM and TM categories, an Indian national or legal entity conforming to any of the following categories shall be eligible to apply for the membership of the Exchange:

- Individuals or Sole proprietorship firms
- Hindu Undivided Families
- Partnership Firms
- Cooperative societies registered with the Registrar of cooperative societies
- Corporate entities incorporated under Companies Act, 1956 or under any central or state legislation
- Such other entities as may be permitted by the Exchange

## Net worth Criteria

- The minimum net worth criteria for TCM membership is Rs. 20 lakh
- The minimum net worth criteria for TM membership is Rs. 5 lakh

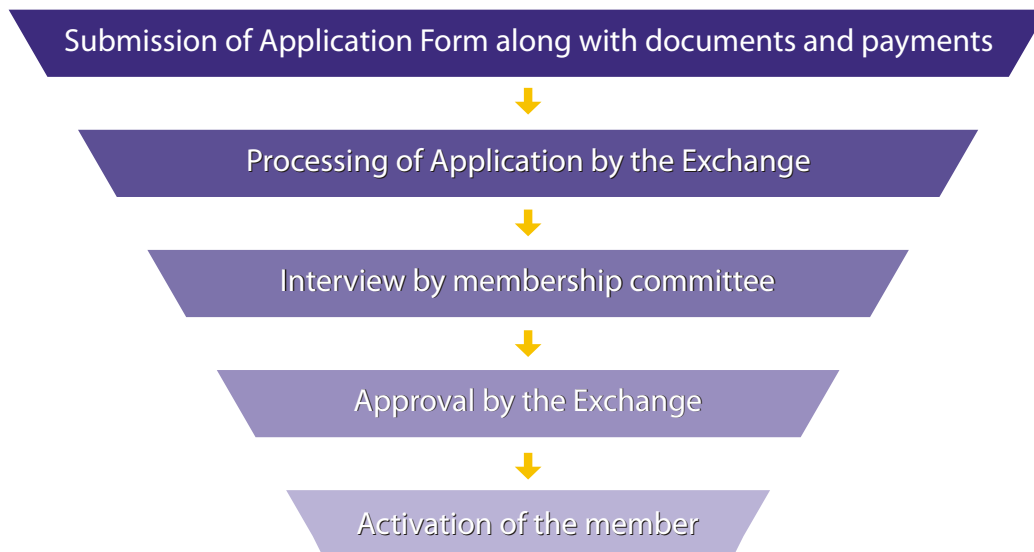


# Membership structure for e-Series

## Fee & Deposit Structure

	upto January 31, 2011		February 1, 2011 onwards	
	TCM (In ₹)	TM (In ₹)	TCM (In ₹)	TM (In ₹)
<b>Membership Admission Fee</b> (Payable at the time of submission of application form)	7,50,000/-	2,50,000/-	10,00,000/-	2,50,000/-
<b>Application Processing fee</b> (Payable at the time of submission of application form)	5,000/-	5,000/-	5,000/-	5,000/-
<b>Interest free Security Deposit</b> (50% amount by way of demand draft* and 50% by way of fixed deposit receipt or bank guarantee.)	7,50,000/-	PCM/ITCM shall suitably collect deposits from TM	10,00,000/-	PCM/ITCM shall suitably collect deposits from TM
<b>Annual Subscription Fee*</b> (Payable within 15 days of admission as a member)	25,000/-	10,000/-	25,000/-	10,000/-

## Membership Admission Process



## Connectivity

The Members can access the trading system of the Exchange (NEST) using the following forms of telecommunication connectivity:

- Very Small Aperture Terminal (VSATs)
- Leased Circuits, and
- Internet

Members should have a leased circuit or a VSAT as a primary mode of network connectivity for accessing NEST, and Internet as a secondary mode of connectivity using SSL VPN only.