



PAKISTAN
MERCANTILE
EXCHANGE

Circular No.: PMEX/Operations/12-2013

25 March, 2013

Listing of PMEX International Cotton (ICOTTON) Futures Contract

We are pleased to inform that the Securities & Exchange Commission of Pakistan in exercise of its powers conferred under Commodity Exchange and Futures Contract Rules 2005 has allowed Pakistan Mercantile Exchange (PMEX), to list **PMEX International Cotton (ICOTTON) Futures Contract** at Electronic Trading System ("ETS") of the Exchange.

In this respect, the Exchange has listed **PMEX ICOTTON-MY13** Futures Contract. Subsequent months' contracts will be listed in accordance with contract specification.

The contract specification, trading parameters and settlement procedures in relation to the said product have been specified vide Annexure "A", which will be binding on all the brokers of the Exchange and constituents trading through them.

Clients who are subject to auto-liquidation threshold, shall not be allowed to trade in this commodity futures contract.

Current ICOTTON price limit is **+/- 4 cents per day based** on daily settlement price or as notified by the Exchange.

ICOTTON Market Timings: 05:00 am to 11:30 pm; (On expiry contract be closed at 04:00 pm)

Please note that daily and final day's mark-to market (MTM) profit and loss amount in US Dollar shall be converted into Rupees by using Daily PKRUSD exchange rate as to be published by State Bank Pakistan (SBP) on its official website. If at the time of MTM SBP PKRUSD exchange rate is not available, Exchange shall use previous business day exchange rate of SBP official quoted rate.

PMEX trading and settlement fee on the said commodity futures contracts will be **Rs.50.50 per contract per side inclusive of IPF.**

Brokers are requested to take note of the above.

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Head of Operations

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Annexure A

PMEX International Cotton (ICOTTON) Futures Contract Specifications

Trading Hours	Hours of Trading in the PMEX International Cotton Futures Contract shall be Monday to Friday (excluding Exchange specified holidays) as given below or as specified by the Exchange from time to time: Normal Trading Session: 05:00 am to 11:30 pm PST On the last trading day of a contract normal trading will end at 04:00 pm.
Unit of Trading	5,000 Pounds
Trading System	PMEX ETS
Price Quotation	US Cents per pound, up to two decimal places
Tick size	0.01 cents
Tick Value	\$0.5
Price Limit	+/- 7 cents per day based on previous day's settlement price or as notified in advance by the Exchange.
Contract Months	March, May, July, October and December. Additional contract months would be made available at the discretion of the exchange depending on the needs of the market. Each contract would be made available at least one month before its expiry.
Last Trading Day (Contract Expiry Day)	Six business days before the first business day of the contract month or a day specified by the Exchange as Last Trading Day.
Holiday Convention	In case the Last Trading Day falls on an Exchange holiday, previous day will be designated as Last Trading Day.
Settlement Mode	Cash Settlement in Pakistani Rupees.
Daily Settlement Price	Calculated on PMEX specified methodologies which include reference to internationally available prices, Session Consensus Price, Volume Weighted Average Price during last 20 minutes of

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trading, theoretical futures price or any other methodology notified in advance by the Exchange.

Final Settlement Price

Last traded price of the corresponding month of Cotton No.2 Futures Contract on ICE at the time of end of trading on the Last Trading Day of PMEX International Cotton Futures Contract. If, for any reason, the last traded price at PMEX expiry time is not available, the last available traded price of the corresponding contract on ICE will be used as the basis of Final Settlement Price.

Daily Settlement Amount

Daily Settlement of PMEX International Cotton Futures Contract will result in a cash settlement amount in Rupees. The daily cash settlement amount shall be the day's mark-to-market profit or loss amount in Rupees based on the Daily Settlement Price of the PMEX International Cotton futures contract converted at the USDPKR Exchange rate as determined and notified by the Exchange.

Final Settlement Amount

Final Settlement of PMEX International Cotton futures contract will result in the delivery of a cash settlement amount in Rupees on the Final Settlement Date. The cash settlement amount on the Final Settlement Date shall be the Last Trading Day's mark-to-market profit or loss amount in Rupees based on the Final Settlement Price of the PMEX International Cotton futures contract converted at the USDPKR Exchange rate as determined and notified by the Exchange.

Position Limits

2000 contracts per Broker (including proprietary and all its clients)
100 contracts per Client of Broker.

Margin Requirement

The amount of margin payable by Brokers in respect of their outstanding contracts in PMEX International Cotton futures contract shall be determined by the Exchange. Exchange will amend margin requirement whenever necessary or required due to changes in market conditions and risk management principles.

All Margins will be collected in Pakistani Rupees.

Initial Margin

Minimum Initial Margin will be based on VaR methodology at 99% confidence interval over a 1-day Time Horizon or as specified by the Exchange.

Special Margin

Exchange reserves the right to impose special margins during periods of increased or excessive volatility. Special margins will be computed by increasing the look-ahead period, reducing sample size, or by changing any other parameters used in the VaR

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methodology.

Spread Discounts

Positions in two offsetting PMEX International Cotton Futures Contract with different expirations may be eligible for a spread discount.

Spread Contracts

PMEX may open spread contracts.

Further Regulations

This contract shall be subject, where applicable, to the Regulations of the Pakistan Mercantile Exchange Limited.

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