Circular No.: IGX/MO/86/2023 March 30, 2023

Amendments in Exchange Settlement Process

Dear Members,

In pursuance to Bye-Laws and Market Rules of the Exchange, Members may kindly note that in order to further improvise the Settlement process at Exchange, following changes are made in the processes -

A. POST TRADE MARGIN IN MONTHLY, FORTNIGHTLY, WEEKLY AND WEEKDAY CONTRACTS

In reference to Circular No. 37, 42 and 56, Members may kindly note below mentioned changes –

<u>Existing Provisions -</u> Post execution of trade, Members are required to deposit post trade margin of 25% of trade value for their buy and 15% of trade value for sell trades at gross level in the form of cash or non-cash collaterals viz. Bank Guarantee (BG) or Letter of Credit (LC). In addition, in case of Delivered transactions, 102% of transportation charges are also taken from buyers in cash mode and the security for differential tax for C Form buyers as additional margin.
In case if the post trade margins are provided in cash, Exchange adjusts the respective buy margins against the pay in obligation of last few days of delivery period while for sellers the margins are released at the time of final settlement. Whereas, in case of non-cash margins they are released on fortnightly basis or at the time of final settlement of the contract, whichever is earlier for both buyers and sellers.

<u>Revised Provision –</u> The treatment for releasing the post trade margin for each of the contracts has been modified with a consideration on having a uniform process for both buy and sell side and for cash and non-cash collaterals, duration of the contract etc. as mentioned below –

i. Exchange will be releasing the post trade margins (both cash and non-cash margins) on daily basis instead of adjusting it at the end of contract or fortnight basis as currently practiced. This will help our members to optimally use their margins for further trades.

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ii. Accordingly, for buy trades, the Exchange will adjust the cash portion of post trade margin (i.e., 25% of daily trade value) against the daily pay-in obligation on daily basis, while for non-cash portion, the same will be released on daily basis. Exchange will first collect the full pay-in on daily basis for first few days and then will start adjusting the pay-in with the cash margins or release the non-cash margins for later days. Details are mentioned as per below Table 1.

iii. For sell trades, the Exchange will make the payment of the cash portion of post trade margin (i.e., 15% of daily trade value) with the daily pay-out on daily basis, while for non-cash portion, the same will be released on daily basis. For first few days, the Exchange will release only the pay-out and then starts making the payment of cash margins with the pay-out or release the non-cash margins for later days as per below Table 1.

Product	Buy Trade (Cash/Non-Cash Margin)	Sell Trade (Cash/Non-Cash Margin)
Monthly	from 6th pay-in day onward	from 6th pay-out day onward
Fortnightly	from 4th pay-in day onward	from 4th pay-out day onward
Weekly	from 4th pay-in day onward	from 4th pay-out day onward
Weekday	from 4th pay-in day onward	from 4th pay-out day onward

Table 1 – Daily Margin adjustment schedule

B. POST TRADE MARGIN IN DAY-AHEAD CONTRACTS

In reference to Circular No. 43, Members may kindly note below mentioned changes –

At present, in case of Day-Ahead Contracts, Exchange is collecting the Post Trade Margin equivalent to 120% of trade value in cash for ex-hub transactions, while for Delivered transactions, 150% of trade value in cash are collected. In addition, in case of Delivered transactions, 102% of transportation charges are also taken from buyers in cash mode.

From now onwards, actual pay-in including tax and transaction fees on 'D-1' basis will be collected from buyers. In addition, in case of Delivered transactions, 102% of transportation charges will continue to be taken from buyers in cash mode.

C. **PAYMENT OF VAT/CST TO SELLERS**

In reference to Circular No. 37 and 74, Members may kindly note below mentioned changes:

Exchange will be releasing the tax amount to sellers, along with daily pay-out. Also, the seller's last day pay-out will be released during final settlement process post receipt of their invoices. Sellers are advised to issue their sell invoice within two days of completion of fortnight or full delivery period, whichever is earlier. In case if there is a delay in issuance of invoice, Exchange will have the right to withhold the release of tax amount from the daily pay out release for future trades. Final Settlement will be done by Exchange within 5 working days from receipt of seller's Invoice.

D. **OTHER PROVISIONS**

i. Cut-Off time for Pay-In submission – By 2 PM on daily basis.

ii. In reference to Circular No. 37, 56 and 66, Members may kindly note that Exchange will issue the Transaction fees Invoice based on CT receiving date basis.

This circular shall be effective from Monday, 3rd April 2023.

For and on behalf of
Indian Gas Exchange Limited

Sd/-
Mritunjay Srivastava
Vice President
(Regulatory and Surveillance)