

**POWER EXCHANGE INDIA LIMITED
CIRCULAR**

Circular No: PXI/CLRG/2009/008

Date of Issue: September 8, 2009

Subject: Margin Requirement and Clearing and Settlement process for Day Ahead Contingency and Weekly Product

In pursuance of Business Rules of the PXIL, Members are hereby notified the following:

1. Margin Requirement:

Member will have to place Bid Security/Margin to be eligible for trading. PXIL circular no. 1 dated October 17, 2008 mutatis mutandis would be applicable for the Day Ahead contingency and Weekly products also.

Trading limit for Day Ahead Contingency and weekly products will be based on the margin requirement as described below and as prescribed by the Exchange from time to time.

Security Deposit placed by the member at the time of membership and Margin placed in any of the above form shall be counted for Bid Security/Trading Limit.

Members would be required to keep sufficient Cash limits for any Charges, Fees, Levies or Penalties as would be applicable from time to time.

Margins/Funds kept would have the following priority for appropriation:

- 1) Exchange Fees, Charges, Penalties and other Levies
- 2) Towards any Statutory dues, Charges and other Levies
- 3) Pay out to Counterparties
- 4) Settlement Guarantee Fund

The Bid Security/Margin requirements at various stages of trade for Day Ahead Contingency & Weekly products are as under:

A. Day Ahead Contingency:

i. Trading Day

Buyer shall provide margin to the extent of bid value, Open access charges and transaction charges.

To begin with there will be no margin requirement from Selling Entity

B. Weekly Product

i. Trading Day

- a. **At the time of Bid : Both buyer and seller** would provide Bid Security equal to Re. 1 per unit for the total bid quantity for the Contract period. Buyer and Seller

would be required to bring the entire Bid Security in the form of Cash/Allocation of Bank Limit.

- b. **After matching of Trade: Buyer member** would provide 4 days' Matched Trade Value for the First Week Contract. For the other Weekly Contracts, the margin shall be scaled up to 20% of the respective Matched Trade Values.
- c. **Seller members** margin shall be scaled up to 20% of the respective matched trade value.

ii. On receipt of Approval from Nodal RLDC :

For the First week Contract, Buyer Margins would be recalculated and revised to 4 days' Approved Trade Value and in case of other contracts Buyer Margins would be recalculated and revised to 20% of the Approved Trade Value in accordance with the Bilateral Schedule approved by respective Nodal RLDC's. In case of Sellers, Margins would be recalculated and revised to 20% of the Approved Trade Value in accordance with the Bilateral Schedule approved by respective Nodal RLDC's.

iii. Four Days before delivery of Weekly contracts

Buyers will be required to scale up the Additional Margin to the extent of 4 days of Approved Trade Value, four days before the start of delivery for all the Weekly Contracts, except for the First Week Contract.,

Sellers shall maintain margin of 20 % of the Outstanding Approved Trade Value at all point of time till the end of Delivery. For the relevant Schedule, the Seller's Margin will gradually reduce from the start of delivery to end of delivery

All Members need to maintain 25% of the applicable Margins in Cash/Allocation of Bank Limit after the Bids are matched.

c. General:

- i. Margins as stipulated by the Exchange will need to be maintained by the Members without fail. Excess Margins at each stage will be released and made available to the Members for entering into other Contracts as provided by the Exchange.
- ii. Exchange shall levy margin and make margin call for scaling up of Margins, demanding Additional Margins in case of banking holidays/other exigencies or any other reasons as may be decided from time to time. Members shall remit stipulated margins in any of the form as prescribed by the Exchange failing which the trades would be annulled/cancelled.
- iii. Once the Approval of RLDC is obtained, Margins will bear a reference to the Approved Trade Value until the same is Revised. As and when the Schedule is revised appropriately as specified by Exchange, the Margins will bear reference to the Revised Trade Value and will be applicable from the delivery day when revision of schedule is applicable.

2. Clearing and Settlement

Only Trades Matched with appropriate margins and payment of relevant charges, penalties, etc. would be eligible for clearing and settlement.

Members shall be responsible for all obligations arising out of such trades including the payment of margins, penalties, fees or any other levies and settlement of obligations of the trades entered by them as trading member or for other trading members for whom the clearing member has undertaken to settle trades in accordance with the Exchange Rules.

A. Settlement Schedule:

The members are required to have clear balance of funds in their Settlement account towards their pay-in obligation by the declared pay-in time on the settlement day by 11.00 am.

The pay-out of funds shall be done to the receiving members settlement account by 11.30 am on the scheduled settlement day.

Pay-in and Pay-out with respect to the Trade Value will be in accordance with the Approved Trade Value until the same is Revised. As and when the Schedule is revised appropriately as specified by Exchange, the Pay-in and Pay-out will be in accordance with the Revised Trade Value.

B. Levy of Charges and Fees:

Exchange shall collect the following fees on behalf of LDCs as applicable in the Weekly and Day Ahead Contingency Contracts:

Particulars	Amount	When will it be collected
Application Fee to RLDC	Rs. 5000/- per application	Immediately on Matching of Trade
Open Access Charges	Transmission Charges, Operating Charges	On Receipt of Approval from Nodal RLDC
Any other charges as prescribed by Relevant Regulations	Will be notified	As and when due

Exchange shall levy the following fees, charges and penalties as applicable in the Weekly and Day Ahead Contingency Contracts:

Particulars	Amount	When will it be collected
Transaction Fee	1 Paise per unit on the Matched Trade Value for both Buyer and Seller	Immediately after Matching

Revision Charges	Rs. 2000/- per revision application from the Entity demanding revision	On receipt of Revision application
Penalties	As defined by Operations from time to time	On a daily basis from the delivery day when revision of schedule is applicable
Any other charges as felt necessary by the Exchange from time to time.	Will be notified	As and when due

Any modification in the above charges will be intimated to the Members from time to time.

C. Daily Settlement for delivery:

The settlement shall be effected to the extent of trade value and other transactions due/payable to the members from the delivery day on daily basis.

The buyer member shall make Pay-in on delivery day (D) to the extent of that day's Schedule and other charges/penalty, etc. due.

The seller member shall receive payout after adjustment for charges/penalty due on next day of delivery (D+1).

The words used in the circular are defined in Annexure I of the Circular

All the Members are requested to take note of the above.

In case of any clarification, Members are requested to contact Mr. Sudeep Vyas or the undersigned on 022-26530554/ 26530503.

For **Power Exchange India Limited**

Sd/-
Ashok Kumar
Head – Clearing and Settlement

Annexure I - Definitions

- i. **Bid Security:** Bid Security is the initial margin as required by the Exchange at the time of placing of bids.
At present the same shall be Re 1 per unit for the quantity bid for the entire tenure.
- ii. **Trading limit:** Trading Limit is the limit set by the Exchange on a day to day basis for the members to trade within the limit.
- iii. **Matched Trade Volume:** as defined in the Circular no. PXIL/Market Operations/2009/007 dated September 8, 2009
- iv. **Matched Trade Value:** as defined in the Circular no. PXIL/Market Operations/2009/007 dated September 8, 2009
- v. **Approved Trade Volume:** as defined in the Circular no. PXIL/Market Operations/2009/007 dated September 8, 2009
- vi. **Approved Trade Value:** as defined in the Circular no. PXIL/Market Operations/2009/007 dated September 8, 2009
- vii. **Revised Trade Volume:** Revised Trade Volume for a member is the total volume of all the trades after taking into consideration the Revision request as mutually consented by Buyer and Seller.
- viii. **Revised Trade Value:** Revised Trade Value for a member is the total value of all the trades after taking into consideration the Revision request as mutually consented by Buyer and Seller.