

## **FAQs**

### **Client Queries**

1. I am a new client, how do I sign up for commodities trading?

You need to sign the entire Reliance Money Account opening kit along with the commodity application form.

2. I am an existing client of Reliance Money, how do I activate my commodity trading account?

You need to sign the pre populated form on the website or else fill in the commodity application form which the franchisee or branch will provide and submit either of them at the franchise or the branch along with necessary KYC documents.

3. Why do I need to fill in commodity AOF and submit the KYC documents again? I am an existing customer and have signed the commodity AOF earlier.

As per FMC guidelines, inactive account needs to submit the KYC again before commencement of trade.

4. What documents I have to submit along with the form?

KYC requirements include PAN Card, Residential Proof, Bank account proof (Cancelled Bank Cheque).

5. What is a pre populated form?

An existing customer can log in to his account and download the commodity AOF which will have all the generic details of the client and the client just needs to submit the form.

### **Fund related queries**

6. Can I start trading in commodities if I have sufficient balance in equity ledger

No. You will have to transfer funds separately for commodities.

7. How do I transfer funds to commodity ledger?

Ledgers for Commodities Trading account are separate and hence clients will have to transfer funds for commodities separately using our website. The fund transfer link will be available 24\*7.

Commodities Platform is a new system and we have replicated the existing User Id and the Token. A default password has been set for the first time login. Client will have to change the same upon first login. This will be used for Transferring funds.

8. How do I withdraw funds from my commodity ledger?

Withdrawal requests can be placed through

- The Transfer Funds page on the website.
- Call Centre
- Franchisee Dealer Terminal

## **Reliance Commodities Advantages**

9. Why should I trade with Reliance commodities?

Following are the Unique selling proposition of Reliance Commodities

- Lowest cost of trading
- Intraday Trading Calls by Technical Experts till 11.55
- Comprehensive Research Support

10. What is the difference between Daily Research Reports and trading advisory calls on SMS?

Daily Research Reports contain market overview on fundamental factors of the commodity, round up for the previous trading day and prediction for the day using various analytical tools. While, trading advisory calls on SMS are triggers points to buy or sell of intraday, overnight, short term, medium term or long term nature.

11. How can I subscribe for the research reports and Trading Calls on SMS?

Daily Research Reports are available free of cost on Reliance Money website. Interested clients can also get in touch with their franchise for the research reports.

There are various packages available for Trading Calls on SMS. Please visit the mobile section on our website for further details.

## **General FAQs**

12. What is commodity?

Commodities are goods that are produced, consumed, transported and stored. E.g. gold, silver, oil, agricultural products etc.

13. What is futures market?

Futures market is continuous auction market where buyers and sellers meet to trade on underlying futures contract.

14. What is futures contract?

Futures contract is a standardized contract, traded on a futures exchange, to buy or sell a certain underlying instrument at a certain date in the future, at a specified price. The future date is called the delivery date or final settlement date. The pre-set price is called the futures price. The price of the underlying asset on the delivery date is called the settlement price

15. How does futures trading work?

A future trading is trading of futures contract. The buyer of futures contract has a right to purchase the commodity of same quality, quantity in specified time from the seller of the contract through a regulated exchange trading platform

16. What is the difference between spot and futures trading?

A jeweler requires 100 gms of gold 3 months from now. He goes to gold smith and buys and stores gold at quoted price. This is spot transaction. If the same jeweler opts for a 3-month future contract he buys gold at a price decided today but agrees to take delivery at a future date, meanwhile he meets all the exchange obligation of MTM and margin calls. This is called as futures transaction.

17. Who trades commodity futures?

Producers, processors, traders, stockists, hedgers, arbitrageurs, speculators are the people who trade in commodities.

18. What is hedging?

A hedge is just a way of insuring an investment against risk. Hedger eliminates the price risk of physical material he owns by taking an offsetting position in futures market.

19. What is arbitrage?

A trading strategy that looks to take advantage of price differences of the same commodity, trading on different exchanges. Arbitrage trading may also refer to trading on price differences between physical commodity and the commodity futures.

20. What is speculating?

Speculating is taking a position based on expectations about whether prices will rise or fall in the future hoping to profit from the price change.

21. Are commodity markets regulated?

Yes, Indian commodity markets are regulated by Forward Market Commission (FMC).

22. Prerequisites of trading

- Resident Indian
- PAN
- Associated Bank savings Account / Reliance Mutual Fund (Liquid Scheme) & Reliance trading Account
  - **Demat a/c is not mandatory for trading purposes**
    - Mandatory for delivery based positions
    - Commodity demat a/c is separate from equity demat a/c
  - **Sales Tax no. is not mandatory for trading**
    - Mandatory for delivery based positions

23. I am NRI, can I trade in commodities?

No, NRIs are not allowed to trade as of now.

24. Who all cannot trade in commodities futures?

Banks, Mutual funds, FIIs, and NRIs are not allowed to trade as of now.

25. How many Commodity Exchanges are available for Futures Trading?

With Reliance, one can trade in Multi Commodity Exchange (MCX) and National Commodity and Derivatives Exchange (NCDEX).

## **Trading FAQs**

26. Which commodities I can trade in?

The following commodities are actively traded in these two Exchanges:-

Multi Commodity Exchange (MCX)

- Bullion: Gold and Silver
- Metals: Aluminum, Copper, Zinc etc.
- Energy: Crude oil, Natural Gas etc
- Emission Product: Carbon credits
- Agro Commodities: Guar Seed, Sugar etc.

National Commodities & Derivatives Exchange (NCDEX)

- Agro Commodities: Cotton, Guar seed, Sugar, maize, RM Seed, Barley, Chili Pepper, etc.
- Bullion: Gold and Silver
- Metals: Aluminum, Copper, Nickel, and Zinc.
- Energy: Crude Oil and Natural Gas.
- Emission Product: Carbon credits

For other listed commodities, please visit home page of exchange websites [www.mcxindia.com](http://www.mcxindia.com) and [www.ncdex.com](http://www.ncdex.com)

27. What are the exchange timings?

Both MCX and NCDEX provide trading facility from Monday to Saturday.

- Monday to Friday 10 am – 5 pm for agro-based commodities
- Monday to Friday 10 am – 11.30 pm for precious / base metals and energy (will be extended to 11.55 pm during winters)
- Saturdays 10 am – 2 pm all commodities

28. Which exchange should I select for trading?

Both the commodity exchanges have done exceedingly well over the years, in terms of risk management, volumes or launching new & better commodity products.

Before choosing an exchange you need to check the following:

- The commodity you wish to trade is listed on that exchange
- Check the contract specifications of that commodity to ensure it suits you best
- There is enough liquidity i.e. price difference between the best buyer (bid) and best seller (offer) should be minimal in the given commodity (i.e daily volumes are high & you will be able to liquidate your position at will)
- Commodity price should be in sync with the physical market prices or its respective benchmark prices
- The exchange that matches the above mentioned characteristics can be your choice.

29. Where will I find detailed contract specifications?

You can find detailed contract specifications on the websites of the exchanges. You can log on to [www.ncdex.com](http://www.ncdex.com) and check the product section or homepage of Multi Commodity Exchange at [www.mcxindia.com](http://www.mcxindia.com)

30. What is margin?

Margin is deposit money which is required in advance to execute trades on the exchanges.

31. What is initial margin?

Initial Margin is the amount of money deposited by both buyers and sellers of futures contract to ensure the performance of trades executed.

32. What is maintenance margin?

Maintenance margin is an amount over and above the initial margin to ensure that the balance in the margin account never becomes negative.

33. What is additional margin?

Additional margin is an amount imposed to cover the counter party credit risk against unexpected volatility in the market.

34. What is marked to market (MTM)?

It is the difference traded price and closing price for single trading day.

35. What is 'Go Long'?

It means buying a commodity in anticipation of price going up.

36. What is 'Go Short'?

It means selling a commodity in anticipation of price coming down.

37. What is stop loss (SL)?

Stop loss is an order to limit an investor's loss on the position he holds. By placing a Stop Order, Investor actually set a loss level which investor is willing to undertake.

38. Is there any limit to which, price of a commodity can rise or fall in a day?

Yes, there are circuit limits or daily price range (DPR) to safeguard the interests of general investors from the extreme volatilities in markets for preventing any unexpected fall or rise beyond a limit. When the circuit limit is hit, there is a cooling period of fifteen minutes after which the trading will begin again with fresh circuit limits.

39. Is there any limit to the quantity I can trade/hold in any given commodity at any point of time

OR

Is there any trading limit at client / member level?

Yes, there is a maximum permissible limit on holding a particular commodity for client as well as member. It varies from commodity to commodity and exchange to exchange.

Please see contract specification on exchange website for position limit at client and member level at [www.ncdex.com](http://www.ncdex.com) and [www.mcxindia.com](http://www.mcxindia.com).

40. Will I receive trade confirmation?

Yes. As soon as the order is executed your trade book will also be updated simultaneously. In future we would work towards providing other mediums of alert such as SMS service.

41. What is collateral?

In case of broking business, collateral is any permissible financial instrument pledged as a guarantee for margin requirements.

42. Can I trade in international exchanges?

FMC does not allow trading in the International Exchanges hence we are not providing this service as of now. As and when the regulators allow we will provide the service.

43. What if I square off my position on intraday basis, will I be charged brokerage on both the sides?

There will be no brokerage charged but transaction costs will be applicable for both the trades and total turnover of both the trades will be deducted from your limit card.

44. What is a spread position?

Going long and short consecutively in two different contracts of the same commodity.

45. Will I get margin benefits on spread position?

Yes.

46. How is it possible to sell when I don't own a commodity?

This being futures market its primary advantage is that if you feel that a price of a commodity is expected to go down you can sell that commodity first and then buy at a later date before expiry of that contract.

47. What is tick size?

Gold has tick size of Re.1 this means you have to increase/decrease the bid/ask price by at least Re.1. Hence, the minimum price movement of any contract is known as the tick size.

### **Charges**

48. What is the difference between Limit Card and brokerage?

Limit card is a fee charged for platform usage. While, brokerage is charged as percentage of your turnover.

49. What brokerage will I be charged?

The brokerage slabs are as follows:

- a. 0.02% i.e. Rs. 2000 per cr.
- b. 0.015% i.e. Rs. 1500 per cr.
- c. 0.01% i.e. Rs. 1000 per cr.

Your brokerage would depend upon the add-on services availed through our Channel partners/ Commodities Trading Desk at Mumbai.

50. What happens to the limit card I have purchased in equities, which I wanted to use for commodities?

The limit card will remain valid for your equity transactions while the limit card charges for commodities (till July 31st) will be debited from your commodity ledger separately.

51. Do I have to pay any other charges except for above mentioned brokerage?

Besides brokerage the other applicable charges are:

Exchange Turnover Fee, Service Tax, Education cess etc

Assisted Trade Charges @ Rs 15 per executed trade would be applicable in case you are availing our Call and Trade facility or trade assistance by our Channel Partners.

### **Delivery FAQs**

52. Whether Trade Settlement in Commodity market is same as that of Stock market?

Yes, in commodity market trades are cash settled just like Equity Futures. But in addition to it, trades can be settled by taking/giving physical delivery, which is not available in Future and Option segment of stock market.

53. How is a trade settled in commodity Exchange?

Trades are settled in one of the two ways (i) Cash Settlement, in which a trader square off his trade (taking a reverse position; Buying if he has already sold and vice-versa) before the Expiry of the Contract. (ii) Physical Settlement, in which the Trader has to Give/Take Delivery of the Commodity in physical form after the Expiry of the Contract.

54. What types of contracts are available in commodities?

There are 3 types of contracts traded in commodities:

- Buyer-Seller Intention Matching Contract: - In such contracts, physical delivery result only when both Buyer and Seller are agreed to give/take delivery, as matched by the exchange. Ex. Refined Soy Oil.

- Seller's Option Contract: - If a Seller intends to give delivery, then the corresponding Buyer, as matched by the Exchange, has to take physical delivery at that particular delivery centre. Here buyer does not have any choice for delivery centre.
- Compulsory Delivery contract: - In such contracts, both Buyer & Seller are bound to give/take physical delivery. That is, upon expiry of the contract, all Open Positions result in Physical Delivery. If a trader defaults, then penalty amount can be 5 % or more, as decided by the Exchange. Here also, Buyer has no choice for delivery centre location, though he may give his preference of location.

55. I do not want to give/take physical Delivery; will I be allowed to Trade in commodities?

Yes, you can trade in commodities even without having obligation/liability of give/take physical delivery. The only condition is that that you will have to Square off your trade before the Expiry of the contract.

56. Is there any restriction on trading in Current Month Expiring contract?

Yes, a trader can not take Fresh Position after the closure of Delivery Intention Period. That is if, Delivery intention period ends on 15<sup>th</sup>, then no fresh position will be allowed from 16<sup>th</sup> of that month till the expiry date of the contract.

57. What will happen if I do not square off my Position before contract Expiry date?

If you leave your position open and contract expires, then Exchange settles all such open positions in one of the following 3 ways, as the case may be:

- Cash Settlement at Final Settlement Price (Decided by the Exchange).
- Physical Delivery: - If a seller gives delivery, then the corresponding buyer has to take delivery as matched by the Exchange.
- If in case, a buyer/seller defaults (fails to give/take delivery), then Exchange charges Penalty for such defaulters (as decided by the Exchange) and the trade is Cash Settled.

58. Whether my Equity Demat Account can be used for Commodities?

No, you can not use your Equity Demat account in Commodities and vice-versa. You have to open a separate Demat Account with CDSL & NSDL.

59. What is a Commodity Demat A/c? Why it is required?

In a Commodity Demat account, commodities are kept in electronic form. A Commodity Demat account is necessary for receiving/tendering delivery.

60. Can I use same Commodity Demat Account for physical delivery in NCDEX and MCX?

Yes, if you have your Demat Account with Reliance Capital Ltd., you can use it for giving/taking physical delivery in both NCDEX and MCX.

61. What are Depositories?

Depository is an Organization where the commodities of an Investor/Trader are held in the electronic form on his request through the Participant, called “Depository Participant” (DP).

62. Is it necessary to open account with both CDSL and NSDL?

Account need to be open with both CDSL and NSDL, because Inter-depository transfer is not allowed in commodities.

63. If I do not have Sales Tax/VAT registration number, will I be allowed to Trade?

Yes, you can trade without a Sales Tax/VAT registration number. It is mandatory whenever a person wants to settle in Physical delivery.

64. What are the Prerequisites to give/take physical delivery?

A trader should have (i) Demat Account with CDSL and NSDL

(ii) Sales Tax/VAT registration number of that State, from where delivery is being made or given (If not available, Agents has to be appointed).

65. Is it possible for me to Give/take delivery, if I do not have the Sales Tax registration number?

Yes it is possible. You will have to appoint an Agent, who on your behalf will complete the necessary formalities. These delivery Agents charge a certain fees for their services.

66. Do you appoint Delivery Agent for your client?

As of now, we do not appoint such agents. However, we can help our clients in locating and giving addresses & phone numbers of the local Agents.

67. What are the Expenses for the Trades resulting in Physical Delivery? Are these different for a buyer and a seller?

A Seller who tender delivery, has to bear following expenses:--

- Freight, Loading/Unloading
- Assayer/Surveyor charges
- Warehouse/Cold Storage Rent
- Fixed CDSL and NSDL charges

A Buyer, who receives delivery, has to bear following expenses:--

- Warehouse rent
- Fixed Withdrawal charges
- Loading charges

Generally, expenses for Buyer are less than the Seller.

68. If I receive delivery of a commodity, is it possible to deliver same commodity after a few months in the same Exchange?

Yes, it is possible. In case of Agro-based commodities, (which has a limited Shelf life) the commodity received should not have crossed its final expiry date. It has to be Re-validate by the Exchange certified Assayer and then it can be delivered again in the same Exchange.

69. If I get delivery in NCDEX, can I tender the same commodity in MCX or vice-versa?  
Yes, you can deliver that commodity, if it is traded in that Exchange. However, you will have to go through all the process from the beginning. That is, you have to take out the goods from one Exchange's accredited warehouse and move it to another Exchange's accredited warehouse and go through all the Delivery process of the Exchange in which you wish to give delivery.

70. What is Remat? Why it is required?

Remat is just opposite of Demat. When a person receives the Delivery in the Exchange and wish to take out his commodity from the Warehouse, then he has to Remat the commodity which is lying physically with the Warehouse and present in his Demat account in electronic form. It is the conversion of intangible (Demat) into tangible (Remat).

71. If I am a seller, and want to tender physical delivery, what is the procedure?

If a trader wants to give physical delivery of the commodity, he will have to go through the following steps:-

- Send the commodity to the Exchange Certified Warehouse/Cold storage.
- Get its Quality certified form the Assayer/Surveyor appointed by the Exchange.
- After the Surveyor's certificate of "Deliverable Grade", goods can be deposited in the warehouse after the Weighing and a Warehouse Receipt is issued in the Client/Trader's name.
- Then a Demat request is filed with the DP through the Broker, to credit the goods in Trader's Demat account.
- Now a trader can mark his delivery intention in the Exchange through his broker.
- After the Expiry of the contract, commodity is transferred into the Buyer's Demat account and Seller's trading account is credited by cash by his broker.
- The seller has to issue bill in the name of the Buyer (buyer's name is given by his broker to him) after the settlement.

72. What is Delivery Intention Period?

To give or take Physical delivery, intention for the same has to be given to the Exchange, for which Exchange has notified a specific time period, called "Delivery Intention Period". This is generally, E-5-3 days (where, E is the Contract expiry date). For example, if a contract is expiring on 20<sup>th</sup> of the month, then delivery intention can be given from 13<sup>th</sup> to 15<sup>th</sup> of that month. After 15<sup>th</sup>, delivery intention can not be changed or withdrawn.

73. What is Premium/Discount?

There can be difference between spot prices of a commodity because of quality, grade difference and location wise difference. To match these price differences of a commodity with the spot price of the base centre of that commodity, a buyer/seller needs to give additional price difference (decided by the exchange) while giving or taking physical delivery. This additional price difference is called premium/discount.

