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**Circular No: NCEL/005/052007**

**Date: May 10, 2007**

**Circular Name: Final Settlement Price Methodology for Gold Futures Contract**

The Final Settlement Price for NCEL Gold Futures Contract will be based on international gold spot market prices. As the gold deliverable under NCEL contract specifications is the same as traded internationally, the Exchange will mark the closing price at the expiration of the contracts exactly in line with the international spot market price prevailing at that time.

However, since Exchange specified gold has to be imported into Pakistan for delivery at Karachi Airport, certain costs need to be added to the spot price in order to arrive at a fair final settlement price. These calculations are detailed below. The costs are a fair representation of taxes, freight, insurance, duties and levies imposed on gold imports into Pakistan and are inline with normal spot market practices. Freight costs can vary slightly depending on place of origin and time and a close approximation is shown here for illustration.

Steps used in determining Final Settlement Price

	<b>Category</b>	<b>Description</b>	<b>Example</b>
A	International Gold (Pure Gold) Spot price; 999.9 fineness	Offer price of spot gold in \$/fine troy oz obtained from Reuters at the exact time of expiry of contract	\$650/oz
B	Gold (Pure Gold) Spot price in Rupees	Conversion of \$/oz to Rupees/oz by using the average offer rate for PKR/USD obtained from 5 different moneychangers at	$\$650/\text{oz} \times 60 \text{ Rs}/\$ = \text{Rs}39,000/\text{oz}$

		the time of expiry of the contract.	
C	Gold (Pure Gold) Price in Rs./10gms	Conversion of Rs/oz to Rs/10gms	Rs39,000/oz / 3.11034768 = Rs12,539/10gms
D	Freight	Average cost of \$1/oz	\$1.00/oz x 60 Rs/\$ / 3.11034768 = Rs19
E	Customs Duty	Customs Duty @ Rs. 2,500 per Kg	Rs. 25
F	Civil Aviation Charge	5% of Freight	Rs. 20 x 5% = Re.1
G	Insurance Cost for Withholding Tax Calculation	1% of Gold Price	Rs12,539 x 1% = Rs.125
H	Delivery Order, Handling Fee & Miscellaneous Charges	Based on fixed cost per shipment	Rs. 5
I	Withholding Tax	1% of (Price + Customs Duty + Insurance Cost)	(C + E + G) * 1% = 127
J	Final Settlement Price	C + D + E + F + H + I	Rs. 12,716 / 10 gms

Under Ministry of Finance S.R.O. 445(I)/2004 dated 12<sup>th</sup> June 2004, deliveries of gold for final settlement at NCEL are exempt from any Sales Tax.

NCEL Gold Futures contract has a minimum tick size of Re.1. Therefore, all calculations above will be rounded to the nearest 1 Rupee.

The Exchange will mark-to-market all open positions at the expiry of each gold contract according to the above mentioned methodology. Delivery commitments will also be subject to the Final Settlement Price calculated by the Exchange. A price adjustment will be applied for gold delivered below 999.9 fineness and will be calculated as: (Actual fineness / 999.9) x Final Settlement Price. This price adjustment will only be applied to acceptable deliverable fineness below 999.9 as defined in the NCEL Gold Futures Product Note.

The Exchange reserves the right to change the calculation methodology due to any changes in taxes, duties and other costs, by notifying Brokers through circulars. NCEL Final Settlement Price is binding on all market participants.