

NERL

NCDEX Group Company

REPOSITORY ECOSYSTEM



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1. Introduction

National Commodity & Derivatives Exchange Limited (NCDEX), the largest Agri Commodity Derivatives Exchange, has incorporated an institution and a market intermediary, National E-Repository Limited (NERL). NERL provides a platform for issuing and recording negotiable warehouse receipts for commodities in electronic form. NERL, incorporated in February 2017 and has received the business commencement certificate from WDRA on 26 September 2017.

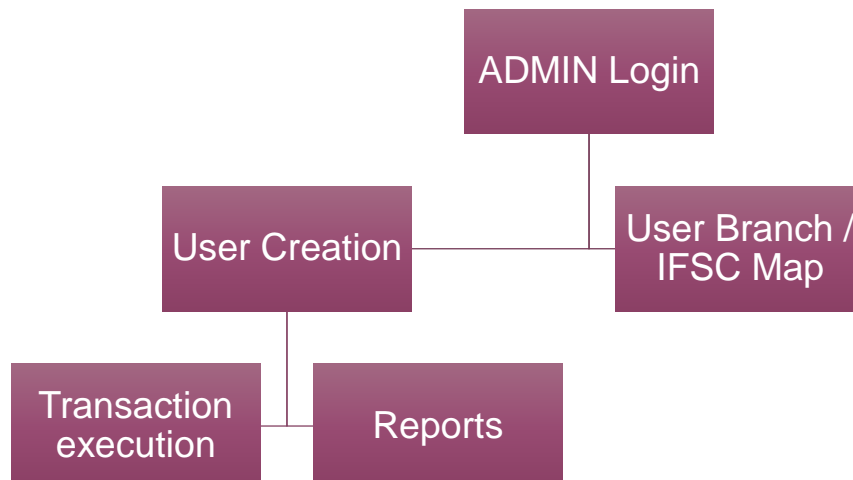
The other shareholder of NERL includes the National Bank for Agriculture and Rural Development (NABARD), ICICI Bank, and State Bank of India. Such unique parentage makes it a unique proposition for repository to give services to the Indian Agricultural Market.

WDRA in October 2016 came out with Guidelines for Creation and Management of Electronic Negotiable Warehouse Receipts (eNWRs), the enabling provisions of the Guidelines seek to establish a system for creation and management of eNWRs through registered Repositories, paving the way for establishment of NERL.

In the Repository system, eNWRs are held in repository accounts, which is more or less similar to holding funds in bank accounts. Transfer of ownership of eNWRs is done through simple repository account transfers. This method does away with all the risks and hassles normally associated with paperwork. Consequently, the cost of transacting in a repository environment is considerably lower as compared to transacting in physical warehouse receipts.

Basic idea to come up with this short document is to present the difference between the Physical Warehouse Receipt pledging ecosystem and funding against an eNWR. Certain electronic system enhancements/validations in the Repository system coupled with the physical control/audit/inspection of WDRA is intended to safeguard the commodity and thereby protect the interest of the depositor and bank.

2. Pledgee access

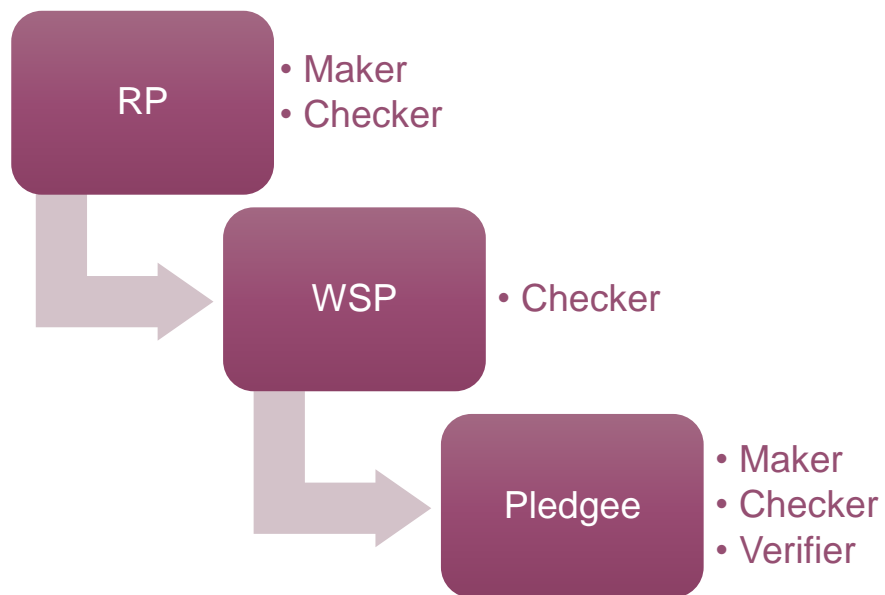


3. Pledgee role

- a. Pledge initiation
- b. Pledge release
- c. Pledge invoke

4. Pledge Process

- a. Pledge Initiation – **RP (M) → RP (C) → WSP (C) → Pledgee (M) → Pledgee (C) → Pledgee (V)**



- b. Pledge Release - **Pledgee (M) → Pledgee (C)**



c. Pledge Invoke - **Pledgee (M)** → **Pledgee (C)**



Note: - Except pledgee no other entity/user can remove lien on eNWR.

5. The Repository difference

Warehouseman Enrollment in NERL:

- Warehouseman contact details are validated with the WDRA records.
- ADMIN login credentials of Repository application are shared on contact details maintained in WDRA records.

Warehouseman Insurance:

- Insurance monitoring is done by WDRA at warehouseman level.
- Insurance data is shared by WDRA with Repository.
- Insurance details are also updated on eNWR printable format.
- Fresh Deposits are blocked in case of expiry of Insurance policy.

Effective control:

- Lease Agreement validity date is maintained by WDRA.
- Such details are shared by WDRA with Repository.
- Fresh Deposits are blocked in case of expiry of Lease policy.

Warehouse commodity mapping:

- Deposits are only allowed in commodities that are approved by WDRA for respective warehouse.
- Approved commodity details are also available in warehouse registration certificate.

Client Mobile Number Verification:

- Mobile number updated by the client at the time of Account opening is validated.
- Authorization code is sent on registered mobile number.
- Account is activated for transaction only after successful authentication.

Client approval for withdrawal:

- Client Authentication is required on withdrawal transaction.
- On withdrawal initiation at RP, authentication code is sent on client registered mobile number.
- Final withdrawal is allowed only after successful Updation of authentication code.

Shelf life date & revalidation date

- WDRA has prescribed the validity matrix for each commodity on their website.
- eNWRs can be generated on for period maximum upto the duration prescribed by WDRA.

Warehouse Status:

- Warehouse status are maintained by WDRA shared with Repository.
- Status such as
 - i. Active
 - ii. Inactive
 - iii. Expired
 - iv. Surrendered
 - v. Cancelled
 - vi. Suspended
- Fresh deposit transactions are only allowed for warehouses with status as “Active”
- While fresh pledge transactions are not allowed in any status except Active, release is allowed for all status.
- Irrespective of warehouse status, Pledge release and pledge confiscation is allowed for pledged stock.

User Branch / IFSC Mapping:

- Pledgee user can be mapped to Branch code / IFSC code.
- Post mapping, respective user will only be allowed to execute transactions for mapped Branch code / IFSC code.

SMS & Email on Transactions:

- On all every debit / credit, SMS & email is sent to client.

Password Policy:

- Password should consist 1 number, 1 special Character, 1 capital letter, min 8 and max 16.
- Mandatory password reset policy after every 30 days.
- User blocking in case of 5 incorrect password attempt.

WH confirmation in pledge transaction:

- All Pledge transactions are also approved by Warehouseman

Commodity assaying as per AGMARK:

- eNWR can only be generated if the commodity qualifies AGMARK norms.

Transaction in multiple of bags:

- Transactions can be executed for any quantity.
- Quantity should be in multiple of bags size to avoid fractional balances.

Physical Reconciliation:

- Warehouseman is required to reconcile the physical stock details with the electronic balance.
- Failure / incorrect reconciliation will restrict warehouse to make fresh deposit till the data is reconciled.

6. WDRA's control on warehouses

- WDRA Act 2007
- Warehouse and Warehouseman registration
- Financial, Managerial and Infrastructure requirement
- Security Deposit
- Mandatory Insurance
- Warehouse Inspection (Regular & Surprise)
- Grievance mechanism with TAT for quick resolution.

7. Salient features

- Unique eNWR number for every deposit
- Correlation of physical stock and electronic records – right down to grade, bags, bay and stack no
- Tracing for original depositors of eNWR.
- Connectivity to Commodity Exchange, Auction and eNAM platform.
- Online & Real-time Reports in user login.
- Online customer access similar to net banking.
- Registration of complete warehouse by WDRA.
- Know your depositors by warehouseman
- NERL presence in 10 states