

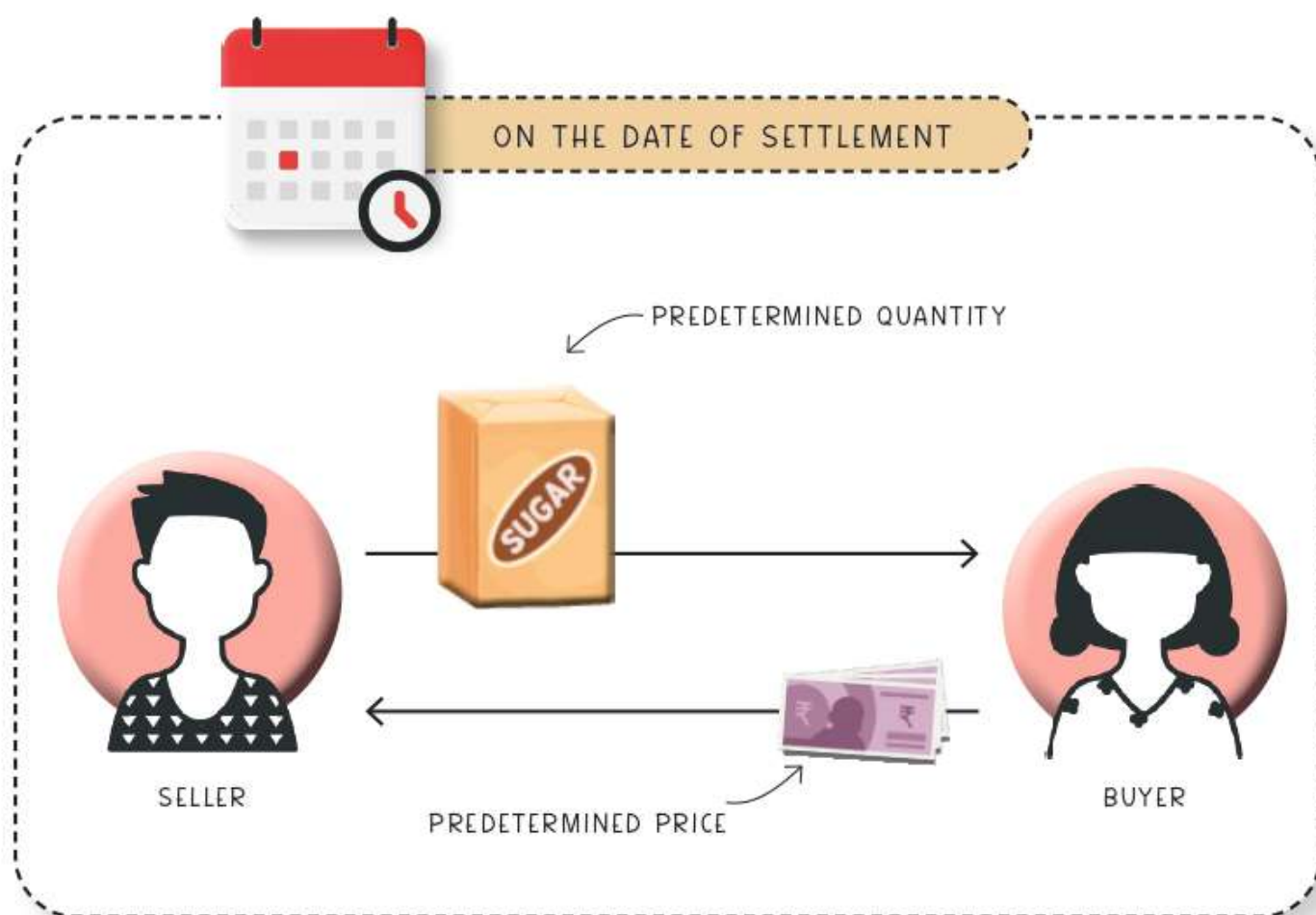
2.2 WHAT HAPPENS ON THE DATE OF SETTLEMENT?

Forward Contracts Settlement can be done in either of these two ways:

1 **ACTUAL DELIVERY/PHYSICAL DELIVERY OF THE ASSET.**



In actual or physical delivery of the asset, the contract is executed as it is. On the date of delivery, the asset (say sugar) is delivered and the payment, as agreed upon, is made.



2

PAY THE DIFFERENCE.



In pay the difference, the price of the asset, as agreed upon in the contract, is compared with the current price of the asset in the market. Based on the difference in the two prices, whosoever is in profit is compensated by the other party.

