



Do's & Don'ts for Clients/ Investors in Commodity Futures Market- MCX

A. Dealing with Members

Do's

- a) Trade only through **Registered Members** of the Exchange. Check from the Exchange website at <http://www.mcxindia.com/SitePages/MembersDetails.aspx> to see whether the Member is registered with the Exchange.
- b) **Insist on filling up a standard 'Know Your Client (KYC)' form before you commence trading**
- c) **Insist on getting a Unique Client Code (UCC) and ensure all your trades are done under the said UCC.**
- d) **Insist on filling up a standard 'Member-Client Agreement'.**
- e) **Insist on reading and signing a standard 'Risk Disclosure Agreement'.**
- f) **Obtain a copy of your KYC, Member-Client Agreement and/ or other documents executed by you with the Member, from the Member.**
- g) Cross check the **genuineness of trades** carried out at MCX through the trade verification facility available on MCX website. The trades can be verified online at <http://www.mcxindia.com/SitePages/TradeVerification.aspx> where trade information is available up to 5 working days from the trade date.
- h) **Insist on a duly signed Contract Note in specified format for every executed trade within 48 hours of trade, highlighting the details of the trade along with your UCC.**
- i) Ensure that the Contract Note contains all the relevant information such as **Member Registration Number, Order No., Order Date, Order time, Trade No., Trade rate, Quantity, Arbitration Clause**, etc.
- j) **Obtain receipt for collaterals deposited with the Member towards margins.**
- k) Go through the Rules, Bye-laws, Regulations, Circulars, Directives, Notifications of the Exchange as well as of the Regulators, Government and other authorities and details of Client-Trading Member Agreement to know your rights and duties vis-à-vis those of the Member.
- l) Ask all relevant questions and clear your doubts with your Member before transacting.
- m) **Insist on receiving the bills for every settlement.**
- n) **Insist on Monthly statements of your ledger account and report any discrepancies in the statement to your Member within 7 working days. In case of unsatisfactory response report the discrepancy to the Exchange within 15 working days from the date of cause of action.**
- o) Scrutinize minutely both the **transaction & holding statements** that you receive from your Depository Participant.
- p) Keep **Delivery Instruction Slips (DIS)** book issued by DPs in safe possession.

- q) Ensure that the DIS numbers are preprinted and your account number (UCC) is mentioned in the DIS book.
- r) Freeze your Demat account in case of your absence for longer duration or in case of not using the account frequently.
- s) **Pay required margins in time and only by Cheque and ask for receipt thereof from the Member.**
- t) Deliver the commodities in case of sale or pay the money in case of purchase within the time prescribed.
- u) Understand and comply with accounting standards for derivatives.

Don'ts

- a) **Do not deal with any unregistered intermediaries.**
- b) **Do not undertake off-market transactions as such transactions are illegal and fall outside the jurisdiction of the Exchange.**
- c) **Do not enter into assured returns arrangement with any Member**
- d) **Do not get carried away by luring advertisements, rumours, hot tips, explicit/ implicit promise of returns, etc.**
- e) **Do not make payments in cash/ take any cash towards margins and settlement to/ from the Member.**
- f) Do not start trading before reading and understanding the Risk Disclosure Agreement and entering into the prescribed agreement with the Member.
- g) Do not neglect to set out in writing, orders for higher value given over phone.
- h) Do not accept unsigned/duplicate contract note/confirmation memo.
- i) Do not accept contract note/confirmation memo signed by any unauthorized person.
- j) Do not delay payment/deliveries of commodities to Member.
- k) Do not forget to take note of risks involved in the investments.
- l) Do not sign blank Delivery Instruction Slips (DIS) while furnishing securities deposits and/or keep them with Depository Participants (DP) or broker to save time.
- m) Do not pay brokerage in excess of that rates prescribed by the Exchange

B. Dealing in Commodity Futures

Do's

- a) Familiarize yourself with all the provisions of Forward Contracts (Regulations) Act, 1952 dealing with futures trading in commodities and amendments thereof from time to time
- b) Understand the provisions and rates relating to the sales tax, value added tax, APMC Tax, Mandi Cess and Tax, octroi, excise duty, stamp duty, etc., as applicable on the underlying commodity of any contracts offered for trading by MCX.
- c) Read, understand and be updated about the guidelines and circulars of the Exchange and of the Forward Markets Commission issued from time to time and kept on the respective websites.

- d) Read the commodity contracts circulars issued & kept on MCX website and carefully note the contract specifications of the commodity in which you wish to trade. The contract specifications are subject to change from time to time.**
- e) Before entering into buy and sell transactions please be aware of all the factors that go into the mechanism of pricing, trading, clearing and settlement.
- f) Read the product note of the commodity in which you wish to deal to understand the commodity and parameters that impact on the trading and settlement of the commodity.
- g) Understand the Delivery & Settlement Procedures given in the Exchange Circular of the commodity kept on the Exchange website that you wish to deal in the futures market.
- h) Study historical and seasonal price movements of the commodity that you wish to deal in the futures market.
- i) Keep track of Governments' Policy announcements from time to time of the commodity that you wish to deal in the futures market.
- j) Apply your own prudent judgment for investments in commodity futures and take informed decisions.
- k) Comply with Taxation and other Central Government/State Governments regulatory issues.
- l) Go through all Rules, Bye Laws, Regulations, Circulars and directives issued by MCX.
- m) Since futures trading attract various types of margins, be aware of the risks associated with your positions in the market and margin calls made from time to time.
- n) Collect/Pay Mark-to-Market margins Cheque on your futures positions on a daily basis from/to your Member.**
- o) Be aware of your risk taking ability and fix stop-loss limits. Liquidate your positions at such levels to reduce further losses, if any.
- p) In case of any doubt/problems, contact Exchange's Help Desk or email at customersupport@mcxindia.com

Don'ts

- a) Do not fall prey to market rumours.
- b) Do not go by any explicit/ implicit promise made by analysts/ advisors/ experts/ market intermediary until convinced
- c) Do not take trading decisions based on reports/ predictions made in various print and electronic mediums without proper evaluation.
- d) Do not deal based on Bull/Bear run of commodity markets sentiments.
- e) Do not trade on any product without knowing the risks associated with it.

C. Rights of a Client

- a) You are entitled to receive funds towards your pay out within 48 hours. In case of any disputes with the Member regarding the trades done on the Exchange platform and/ or pertaining to

non-receipt of payments due from the Member, the Client could contact the Exchange for suitable redressal as per Bye laws of the Exchange including use of mediation/**Arbitration mechanisms of the Exchange. The Clients would be required to produce copies of the agreements (KYC, Member-Client Agreement & Risk Disclosure Agreement, etc.) entered into by them with their Member and copies of the contract notes, bills, proof of payment(s)/ deliveries made to the Member pertaining to the period of dispute and statement of accounts duly issued by the Member etc., for obtaining relief through the process of Arbitration.** Hence, Clients are advised to obtain copies of these from Member(s) and keep such copies with them. Further, all copies of all correspondence to and from Member(s) may be preserved for producing them to the Arbitrators, if required.

- b) All rights as per the Rules, Bye Laws and Regulations of the Exchange are available to a Client in respect of all transactions traded on the Exchange and for which the Clients have a contract note duly issued by the Member.
- c) In case of any disputes in respect of the trades on the Exchange or in the contract notes/ monthly statements or any complaint against the Member, take up the issue with Member directly. In case of nonresolution/ grievances, file written complaint against the Member with the Exchange within 6 months from the date of cause of action. The **Client Complaint Form** is available on the MCX official website in the following link –
http://www.mcxindia.com/investorrelations/Grievances/client_ccf.htm