

(To be given on letter head of the Member)

Compliance Report (2007-08)

To,
Compliance & Inspection Department
Multi Commodity Exchange of India Ltd
Andheri (East)
Mumbai 400 093

I/We hereby certify and confirm that I/We, _____ a Member of the Exchange, carrying business with Membership ID _____ have complied, during the financial year 2007-08, with all the Rules, Bye-Laws, Business Rules, Circulars and directives issued by Multi Commodity Exchange of India Ltd., in general and in particular all the specific areas listed in the Annexure 1 of this Report except for non-compliance(s), deviation(s) and exception(s), if any, as listed therein.

Place: _____

For and on behalf of

Date: _____

Signature of Designated Director / Managing Director
/ Managing Partner / Proprietor / Karta

Name: _____

Rubber Stamp

| Sr. No. | Rule/ Byelaw/ Business Rules / Circulars of the Exchange | Particulars | Status (Yes / No / N.A.) | Remarks (Extent of and reasons for Non-Compliance) |
|---|--|--|--------------------------|--|
| Maintenance of Records / Documents / Books | | | | |
| 1 | Bye-law 11.5, Circular No. MCX/12/2006 dated January 10, 2006 | <u>Books of Accounts</u> All Books of accounts, registers and records are maintained and preserved for the prescribed period in respect of the Head Office and branches/Sub-brokers as required under the Rules, Bye-laws and Business Rules. | | |
| 2 | Bye-law 11.5, Circular No. MCX/12/2006 dated January 10, 2006 | Register of Commodities, client wise and commodity wise, giving inter alia the following has been maintained: a) date of receipt / delivery of commodity b) quantity received / delivered c) party from whom received / to whom delivered d) purpose of receipt / delivery | | |
| 3 | Bye-law-5.22, Business Rules 27(l) | <u>Order Confirmation</u> Confirmed order instructions have been obtained from the clients before placing the order on the system. | | |
| | Bye-law 5.22, Business Rule 27(m) | <u>Order Modification/Cancellation</u> Order modification/ cancellation instructions have been obtained in writing from the clients. Order confirmation/modification/ cancellation slips or copies thereof have been provided to clients. | | |
| | Business Rule 27 (p) | <u>Trade Confirmation Slips</u> All clients have been provided with a trade confirmation slip as generated on the Trading system, on execution of a trade. | | |
| 4 | Circular No. MCX/12/2006 dated January 10, 2006 | Trade log and order log are maintained as per the requirement of the exchange. | | |
| 5 | Circular No. MCX/357/2006 dated September 02, 2006 | Segregated Exchange wise clients' ledgers maintained. | | |
| 6 | Business Rule 27(b), Circular No. MCX/088/2006 dated March 01, 2006, Circular No. MCX/555/2006 dated December 15, 2006 | <u>Know Your Client Forms</u> Client registration forms in respect of all active clients completed in all respects with necessary supporting documents along with PAN details (or declaration of not having PAN) have been obtained. | | |
| 7 | Business Rule 27(a) | <u>Member Client Agreements</u> Member Client Agreements, containing all | | |

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| | | provisions specified by the Exchange have been entered into, with all the active clients, before accepting or placing orders on their behalf. | | |
| 8 | Business Rule 27(b) | <u>Board Resolution</u> Obtained approved Board resolutions from non-individual clients, permitting trading in futures contracts in commodities. | | |
| 9 | Business Rule 27(c) | <u>Risk Disclosure Document</u> All clients of the Exchange have been issued a copy of the Risk Disclosure Document as specified by the Exchange and the same is duly signed by the clients. | | |
| Banking Operations | | | | |
| 1 | Bye-law 9.2 | Books of accounts, as are necessary, to show and distinguish, client funds and own funds in connection with the business have been maintained. | | |
| 2 | Business Rule 27(q) | Funds of the clients have always been kept in a separate account and operation of such account has been as per Rules / Bye-laws and Business Rules of the Exchange | | |
| | | Client money has not been used for own transactions or for transactions of such other clients or for any purpose other than margin and pay in relating to transactions entered into by such client paying the margin. | | |
| 3 | Business Rule 19(c) | No transfer / withdrawal from clients' account is made except under the circumstances enumerated in Rules / Bye-laws / Business Rules of the exchange. | | |
| 4 | Circular No. MCX/COMP/304/2007 dated September 01,2007 | Not accepted cash from clients nor made payments to them in cash except in exceptional circumstances, to the extent permissible under the Income Tax Laws as may be in force from time to time. | | |
| Dealing with Clients | | | | |
| 1 | Bye-law 5.21, Circular No. MCX/342/2006. dated August 24, 2006, Circular No. MCX/COMP/088/2008 dated March 04, 2008 | Unique Client codes have been allotted to all clients and the correct client codes have been entered in the system while placing orders on behalf of clients. Client details as required have been maintained and have been provided to the Exchange as required. | | |
| 2 | Bye-law 5.21, Circular No. MCX/342/2006 dated August 24, 2006 | Client codes used at the time of order entry in the trading system are mapped with unique client codes in back office. | | |

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| 3 | Business Rule 27(b) Circular No. MCX/088/2006, dated March 01, 2006 | Taken reasonable steps to assess the background, genuineness, beneficial identity, financial soundness of clients and their trading objectives at the time of entering in to agreement with them. | | |
| 4 | Rules, Bye-laws, Business Rules & circulars & Business Rule 27(q) | Funds /commodities of clients have not been mis-utilized | | |
| 5 | Business Rule 28, Circular No. MCX/12/2006 dated January 10, 2006 | Brokerage has been charged and indicated separately, in the contract note. | | |
| 6 | Business Rules 28 | Brokerage has been charged within the maximum brokerage rate as specified by the Exchange. | | |
| 7 | Business Rule 27(q), Circular No.MCX/012/2006 dated January 10, 2006, Circular No. MCX/COMP/304/2007 dated September 01,2007 | Full payment of funds has been made to all respective clients within 48 hours on receipt of the relevant pay-out from the Exchange. | | |
| 8 | Business Rule 19(c) | Pay-in of funds due from clients is received from the respective clients only. | | |
| 9 | Circular No. MCX/238/2005 dated June 29, 2005, Circular No. MCX/267/2005 dated July 22, 2005; Circular No. MCX/309/2005 dated September 02, 2005; Circular No. MCX/405/2005 dated December 03, 2005; | Commodities of the clients have always been kept in a separate client beneficiary demat account and operation of such account has been as per provisions of Rules, Bye-laws, Business Rules and circulars of the Exchange. | | |
| 10 | Bye-law 11.5 | After the closing of any client account, inter-alia the following records are being maintained for such period as prescribed by the Exchange: a) all records which relate to the terms and conditions with respect to the opening and maintenance of such account, | | |

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| | | b) date of entering into agreement with the clients, c) date of modification thereof, d) date of termination and representatives of such clients who signed in each case, etc | | |
| 11 | Circular No. MCX/551/2006 dated December 13, 2006 | Not indulged in any Portfolio Advisory Service, Portfolio Management Service and such other services directly or indirectly. | | |
| Dealing with Intermediaries | | | | |
| 1 | Rules, Bye-laws, Business Rules & circulars | Brokerage has not been shared with another Member of the Exchange or an employee of another Member or a person with whom Members are forbidden to do business under the Rules, Bye Laws and Business Rules of the Exchange. Brokerage has not been shared with and/or business has not been transacted with any of the suspended or expelled or defaulting Members. Brokerage has been shared only with Authorised Persons. | | |
| 2 | Circular No. MCX/011/2006 dated January 10, 2006 | a) Debarred/suspended/declared defaulter by SEBI/FMC/RBI/any recognized Stock Exchange/any recognized Commodity Exchange b) Connected with any of the defaulting/debarred/suspended member of any Stock Exchange/Commodity Exchange c) Complaints/disciplinary actions are pending at SEBI/FMC/RBI/any recognized Stock Exchange/any recognized Commodity Exchange d) Investigation/enquiry by SEBI/FMC/RBI/any recognized Stock Exchange/any recognized Commodity Exchange is pending. | | |
| 3 | Rules, Bye-laws, Business Rules & Circulars | a) Offices/branches/franchises or User ID's are being used for doing any trade outside the purview of the Exchange b) Complaints received from clients regarding non-issue of contract notes or illegal trading. c) Sub-brokers or user is/are indulging in illegal trading in commodities futures. d) FIRs are filed with any Police Station against the member e) All orders received from clients for commodities futures are sent to the | | |

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| | | Exchange Trading System for trade execution f) Trader Work Station (TWS) or trading terminal is/are used for facilitating or aiding illegal trading | | |
| Dealing with Sub-Brokers | | | | |
| 1 | Circular No. MCX/056/2004 dated July 09, 2004 | <u>Member – Sub-broker agreements</u> Member – Sub-broker Agreements, containing all provisions specified by the Exchange, have been entered into with all the sub-broker/franchise, before accepting or placing orders on their behalf. | | |
| 2 | Circular No. MCX/056/2004 dated July 09, 2004 | <u>Books of accounts</u> Maintained separate records including accounts in respect of the dealing in futures contract entered into on behalf of the sub brokers and preserved for the prescribed period in respect of the Head office and branches. | | |
| 3 | Circular No. MCX/056/2004 dated July 09, 2004 | <u>Responsibility of the Member</u> Inspection has been conducted by the member to verify the books & records maintained by the sub-broker/franchise on regular basis. | | |
| 4 | Circular No. MCX/056/2004 dated July 09, 2004 | <u>Brokerage charged by the Sub-broker</u> Total brokerage charged to the clients by the sub-broker/franchise (including the share of brokerage of Member and the sub-broker/franchise) does not exceed the maximum brokerage prescribed by the exchange. | | |
| Contract Notes | | | | |
| 1 | Bye-law 4.7, Business Rule 27(p), Circular No. MCX/409/2005 dated December 06, 2005, Circular No. MCX/012/2006 dated January 10, 2006, | Contract notes have been issued to all clients within 48 hours from close of the trading hours when trade is executed. Contract notes have been issued in the prescribed format with all relevant details filled in bearing signature of the authorized signatory, a running serial number which is initiated at the beginning of each financial year, separate series number with dealing office name or code as prefix to the serial number., if the Member has more than one office. Duplicate Copies of Contract Notes issued by the Member are maintained. Unique Membership code allotted by the exchange/FMC is printed on the contract notes. | | |

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| | | Contract Notes are authenticated by digital signatures only after obtaining digital signature certificate from a Certifying Authority under the IT Act, 2000 and mode of confirmation by the client is specified in the agreement between the member and the client. | | |
| 2 | Rules, Bye-laws, Business Rules & Circular No. MCX/COMP/304/2007 dated September 01, 2007. | If digital contract notes have been issued to the clients, necessary log reports are maintained and physical contract notes have been issued to the clients at their request. | | |
| 3 | Rules, Bye-laws, Business Rules & circulars | Trades executed for a client have not been subsequently transferred to another client. | | |
| 4 | Circular No. MCX/032/2007 dated January 22, 2007 | Trades executed for own account have not been subsequently transferred to a client and vice versa. | | |
| Margin | | | | |
| 1 | Business Rule 27(r), Bye-law 8 | Margin is collected from the clients as prescribed. | | |
| Risk Management | | | | |
| 1 | Circular No. MCX/012/2006, dated January 10, 2006 | Trading is as per the Gross exposure, net exposure as well as intraday limit prescribed by the exchange/Relevant Authority from time to time. | | |
| 2 | Circular No. MCX/012/2006, dated January 10, 2006 | Appropriate risk management system/limit checking/surveillance mechanism is installed at appropriate level for all terminals and for overall exposure as well as intra day limit is being used properly. | | |
| 3 | Circular No. MCX/056/2004, dated July 09, 2004 | Collected adequate margin deposit from sub-brokers/franchise to settle their net obligation | | |
| Membership Requirement | | | | |
| 1 | Rule 26(b), Circular No. MCX/150/2006 dated April 06, 2006 | No change in share holding / sharing pattern of the corporate / firm has been undertaken without prior approval of the Exchange. | | |
| 2 | Rule 26(b), Circular No. MCX/150/2006 dated April 06, 2006, MCX/476/2006 | No change in directors / partners of the corporate / firm has been undertaken without prior approval of the Exchange. | | |

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| | dated November 09, 2006 | | | |
| 3 | Rule 30(e) | In the case of Partnership firm, no partner is a partner at the same time in more than one Partnership firm carrying on the business of the commodities trading and/or clearing. | | |
| 4 | Rule 21(i), Circular No. MCX/149/2006 dated April 06, 2006, | Maintained Net-worth on an ongoing basis and net-worth did not fall below the limit stipulated by the Exchange. | | |
| 5 | MCX/Comp/207/2007 dated June 05, 2007 | Submission of Annual Returns for financial year 2006-07 to the exchange within the time frame. | | |
| 6 | Circular No. MCX/259/2007 dated July 23, 2007 | Submission of Annual Compliance Report for financial year 2006-07 to the Exchange within the time frame. | | |
| 7 | Circular No. MCX/173/2006 dated April 25, 2006, Circular no. MCX/464/2006 dated October 30, 2006, Circular No. MCX/T&S/224/2007 dated June 16, 2007 | Submitted the details of all clients along with PAN details who have executed transactions of value exceeding Rs.1 lakh and who are located in Mumbai / Navi Mumbai. | | |
| 8 | Circular No. MCX/003/2006, dated January 03, 2006 | No advertisements have been released for business purposes without prior approval of the Exchange. | | |
| 9 | Circular No. MCX/012/2006 January 10, 2006 | <u>Member acting for another Member</u> Not acted through or on behalf of another Member for trading on the Exchange either for proprietary trading or for trading on behalf of clients without the prior approval of the Exchange in writing. | | |
| Office Management | | | | |
| 1 | Business Rule 30, Circular No. MCX/10/2005 dated January 11, 2004, Circular No. MCX/332/2005 dated September 30, 2005 | Trading terminals (TWS) are operated by the respective approved users only. | | |
| 2 | Rule 36(c), Business Rule 29(b), Circular No. | Trading Terminals (directly or through CTCL) have not been extended/installed without the prior approval of the Exchange | | |

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| | MCX/010/2005 dated January 11, 2004, Circular No. MCX/CTCL/043/2007 dated February 02, 2007 | | | |
| 3 | Circular No. MCX/CTCL/043/2007 dated February 02, 2007 | Periodic system audit has been undertaken for CTCL system | | |
| 4 | Circular No. MCX/241/06 dated June 15, 2006; Circular No. MCX/347/06 dated August 29, 2006 | <p>Trades on Own Account have been executed from Pro-Account only</p> <p>Not traded in Pro-Account from more than 2 specified terminals only at one location.</p> <p>Undertaking submitted to the Exchange, for desire to place pro-account trades through more than 2 terminals in one location or more than 5 terminals across all locations and CTCL Ids, stating the reason for putting more terminals and/or more locations than permitted.</p> | | |
| 5 | Circular No. MCX/408/2007, dated November 01, 2007 | Ensured that any one of the employee has cleared the MCCP examination. | | |
| 6 | Business Rule 29(b), Circular No. MCX/332/2005, dated September 30, 2005 | Not aided nor facilitated to access the trading system from a location other than approved locations, without the approval of the Exchange. | | |
| 7 | Bye-law 6.1.7, Circular No. MCX/12/2006 dated January 10, 2006 | No activity connected to or pertaining to operation as a Member of the Exchange has been carried on in any office or premises without intimating the Exchange the full address of such office or premises with details of the activity proposed to be carried on therein and the person in whose supervision and control it is to be so carried on. | | |
| 8 | Circular No. MCX/012/2006, dated January 10, 2006 | Antivirus software has been installed, which is capable to take care of operating systems. Firewalls have also been installed to protect the networks in case using Internet. | | |
| 9 | Circular No. MCX/295/2006 dated July 28, | <p style="text-align: center;"><u>Notice Board</u></p> <p>Notice Board has been displayed at a prominent place, in the main office,</p> | | |

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|---------------|---|---|--------------------------|--|
| | 2006 | branches and sub-brokers/franchise office as prescribed by exchange. | | |
| Others | | | | |
| 1 | Bye-law 11.5, Circular No. MCX/CTCL/043/2007 dated February 02, 2007 | Records of all relevant particulars of persons who are approved as users by the Exchange have been maintained. | | |
| 2 | Circular No. MCX/207/06,19/05/2006 | Compliance officer has been appointed and the same has been reported to the Exchange. | | |
| 3 | Bye-law 11.5 & 4.8, Circular No. MCX/181/2005 dated May 11, 2005, Circular No. MCX/268/2006, dated July 04, 2006 | <u>Stamp duty</u> Stamp duty is paid as per the provision applicable to the stamp act applicable to it and relevant record has been maintained. | | |
| 4 | Bye-law 4.8 | <u>Service Tax</u> Service tax is collected properly and the same is paid. Further, necessary records related to service tax are maintained. | | |
| 5 | Bye-law 4.8, Circular No. MCX/176/2006 dated May 06, 2006 | Settlement of Sales tax/VAT and any other applicable tax and compliance of certain formalities by the Member for delivery of commodities has been followed. | | |
| 6 | Rule 21 | No action such as indictments or any such disciplinary action has so far been taken. | | |
| 7 | Circular No. MCX/026/2004 dated April 29, 2004 | <u>Internet Trading</u> Internet trading facility to the clients is provided after obtaining prior approval of the Exchange and all other applicable provisions including periodic uploads to the exchange related to internet trading is complied with. | | |
| 8 | Circular No. MCX/112/2006 dated March 18, 2006, Circular No. MCX/125/2006 dated March 24, 2006, Circular No. MCX/151/2006 dated April 06, 2006, Circular No. MCX/C&S/118/2008 dated March 27, 2008. | <u>Insurance Policy</u> Member has obtained Insurance policy to minimize the risk | | |

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|---------|---|---|--------------------------|--|
| 9 | Rules, Bye-laws, Business Rules & circulars, | <u>Internal Inspection</u> Internal review of business has been undertaken to assist in detecting and preventing violations of and achieving compliance with Rules, Bye Laws and Business Rules of the Exchange. | | |
| 10 | Bye-law 15.4, Circular No. MCX/012/2006 dated January 10, 2006, Circular No. MCX/COMP/304/2007 dated September 01, 2007 | <u>Investor Grievances</u> Record of all written complaints of clients showing the name and reference number of client, date, particulars of the complaint, action taken by us and if the matter is referred to arbitration to the Exchange, the particulars thereof, etc. have been maintained. No client complaint is pending for more than 30 days. | | |
| 11 | Circular No. MCX/069/2004, dated August 05, 2004 | <u>MCX Logo/Emblem</u> Using of MCX logo/emblem in the mannerism as prescribed by the exchange in the advertisement /publicity materials/visiting cards/letter heads or such other material. | | |
| 12 | Business Rule 24(d) | Not involved in any kind of circular trading, cross dealing, and any trading activity which promotes price rigging, price manipulation and such other market abuses. | | |
| 13 | Circular No. MCX/COMP/304/2007 dated September 01, 2007 | Statement of accounts for funds has been sent to all the clients on a quarterly basis. | | |

Place: _____

For and on behalf of _____
(Name of member)

Date: _____

Signature of Designated Director/Managing Director/ Managing Partner/Proprietor/Karta

Name: _____

Rubber Stamp

Notes:

- 1 Please note that the report is to be signed by Designated Director/Managing Director/ Managing Partner/Proprietor/Karta only.
- 2 All pages are to be initialed by Designated Director/Managing Director/ Managing Partner/Proprietor/Karta only.
- 3 Please note to enter only one of the alternatives- Yes/No/N.A.- whichever is appropriate, in the column "Status of Compliance" for each of the items.
- 4 Please also note that no item shall be left blank and that any item that is left blank will be construed as not complied with.
- 5 Where space in remarks column is not sufficient for comment, please enclose self certified annexure/s.