Chapter 5 Page Nos.

5. CLEARING AND SETTLEMENT 3

1. **Clearing Banks 3**
2. **Clearing House 13**
3. **Transaction Fee 15**
4. **Reports 15**
5. **Custodial Participants 16**
6. **Commodities Transaction Tax (CTT): 17**
7. **Client Margin Reporting 20**
8. **Early Pay-in facility 22**
9. **Data Request Charges 23**
10. **Change of Clearing Banks 23**
11. **Turnover fees for members dealing in commodity derivatives 24**

ANNEXURES 24

Annexure "1" - List of Clearing Banks 24

Annexure "2" – Transaction Fee Rates 26

Annexure 3 27

Clearing Member – custodial participant agreement 27

Annexure 4 32

Application from Clearing Member for allotment of Custodial Participant (CP) Code 32

Annexure 5 33

Application for change of Clearing Member from the Custodial Participant 33

Annexure 6 34

No Objection Letter from outgoing Clearing Member 34

Annexure 7 35

Consent letter from the incoming Clearing Member 35

Annexure 8 36

Application for availing the trading facility on behalf of custodial participants 36

Annexure 9 0

List of commodities presently exempt from Commodities Transaction Tax (CTT) 0

Annexure 10 0

Format for data request 0

Annexure-11 1

Shifting of Settlement account and Client account 1

Annexure-12 2

No objection certificate 2

Annexure-13 3

Annexure-14 4

5. CLEARING AND SETTLEMENT

1. Clearing Banks[1]

(a) Exchange to Regulate: The Exchange shall specify the processes, procedures, and operations that every Clearing member shall be required to follow for participation in the clearing and settlement activities and operating their bank accounts with the Clearing Banks appointed by the Exchange.

(b) Functions of Clearing Bank: The Exchange has appointed Clearing Banks (**Annexure "1"**) for electronic transfer of funds between clearing members and the Exchange.

(c) Members to have account with the Clearing Bank: Every Member of the Exchange shall have designated bank accounts with any of such branches of the designated Clearing Bank, which has electronic funds transfer facility. Members shall operate the Settlement account only for the purpose of settlement of deals entered through the Exchange, for the payment of margin money and for any other purpose as may be specified by the Exchange. Every member of the Exchange is required to open the following accounts with any of the clearing banks:

1. Settlement Account or Clearing account (with the designated branch of the Clearing Bank), in which the member will not have cheque book facility for issuing cheques to any outsider. Members can only issue instructions from this account for transfer of money from this account to their Client Account. Apart from such transfer, only the Exchange will have power to withdraw money from this account by way of direct debit instruction. In respect of all pay in, margins, charges and other dues payable to the Exchange, the Exchange will send direct debit instructions to the bank advising them to debit settlement account of the respective member by such payable amount.

2. Client Account, in which the members can deposit all monies received from the clients and from this account can issue cheques to their clients towards their receivable amount. The members will have cheque book facility in this account and will be entitled to issue transfer instructions to the bank for transferring money from this account to the Settlement account to meet their pay in or margin obligations.

(d) Clearing Bank to act as per the instructions of the Exchange: The Exchange shall instruct the Clearing Bank as to the debits and credits to be carried out for the funds settlement with the members. For this purpose, the members of the Exchange will submit an undertaking to the bank, authorizing the Exchange to issue such debit and credit instructions. The Clearing Bank shall act as per the instructions received from the Exchange for the funds movement. Instructions of the Exchange as to debits and credits to a member's accounts shall be deemed to be irrevocable, confirmed and binding. This undertaking will also authorize the bank to sweep the Client account of the respective member for any shortfall in the settlement account. Besides, the Exchange will also have the power to freeze various accounts of the member maintained with the Clearing bank, in case of any default or shortfall in pay in or margin amount.

[1] Clause 19 of the Business Rules

(e) Clearing Bank to inform Exchange of default in funds settlement: If there is any funds default arising out of the instructions received from the Exchange, the Clearing Bank shall inform the Exchange immediately.

(f) Clearing Account(s) of Exchange in the Clearing Bank: The Exchange will maintain its Settlement account with the Clearing bank and all money received from the members towards pay in or margin, shall be used appropriately for settlement.

(g) Operational Procedure: The operational procedure relating to settlement account, pay in and pay out activities and the exact time schedule in order to maintain financial discipline shall be adhered to by the members of the Exchange. The operational procedure, for the time being, shall be as follows:

1. After end of the trading session every day, a file will be downloaded to the members through SFTP (secured file transfer protocol), which will contain details of the transactions done by the member on that day, position carried forward from previous day, closing position of the day including net obligation of the member.

2. The net obligation report will further provide the amount of margin deposit, margin utilized, available deposit / margin required, [premium receivable/ premium payable, exercise/ assignment value,][2] pay in / pay out amount, transaction fee payable / receivable, etc. The net obligation report is consolidated at the member's level in terms of net obligation payable / receivable.[3]

3. Exchange will generate an automated statement for debit and credit of settlement accounts of the respective members by the amount payable / receivable by them. This file will be sent electronically to the bank at the end of the "T" trade day for execution on "T+1" settlement date.

4. The members must have sufficient clear balance in the settlement account so as to enable the Exchange to effect such debits. In case the amount of margin is payable, the members are not allowed to create fresh positions until they deposit required margin alongwith additional deposit or realign exposure to reduce margin requirements below deposit levels. For collection of such required margin amount, the bank will run the margin file by 9.30 am and report to the Exchange electronically successful debits. However, for paying additional amount towards margin, the member has to communicate to the Clearing Bank/MCX specifying the amount to be paid towards additional deposit/ margin. Clearing Banks, on the basis of this communication from the member/ Exchange will debit the respective member's settlement account and credit the Exchange settlement account. As soon as the Exchange gets such confirmation, the limits will be increased accordingly.

[2] Inserted vide MCX Circular Nos. MCX/TRD/373/2017 dated October9, 2017.

5. Simultaneously, by 9.30 am, the bank will run the debit files in respect of net obligation pay-in. The members must have sufficient balance in their settlement account to meet the pay-in obligation. By 9.45 am, the Exchange will get confirmation about the successful, partially executed and failed instructions. In respect of partially executed/ failed/ non-confirmed instructions, the pending shortage amount shall be blocked from the collateral deposits of the member with the Exchange before the start of the market. Such reduced deposits would then be available to the member at the start of market for exposure requirements. The amount so blocked shall be released progressively on the confirmation of successful execution of the pending shortages by clearing bank.

6. [Exchange shall run the pay-out files by 11.00 am to credit the member settlement account for the mark to market profits, net premium receivable and exercise value. Delivery pay-out shall be executed as specified in the relevant circulars. Option Settlement on expiry for difference between settlement price and strike price will be done on option devolvement day (contract expiry) + 1 day basis.][4]

7. In case a member fails to meet the pay in obligation as stated above, on T + 1 settlement date, the Exchange may commence the process of squaring off members open positions at the start of the market or during the day, depending upon the cumulative dues on account of pending shortages and online losses vis-a-vis the deposits placed with the Exchange.

[8. (i) By 9:45am, the Exchange will get confirmation about successful, partially executed and failed instructions. In respect of partially executed/ failed/non-confirmed instructions by 9:45 am, Member shall be put in suspend square-off mode for all pay-in shortages exceeding Rs. 2 lakhs in more than 2 occasions in past 30 days, till the settlement of pending pay-in obligation.

(ii)In the event a Member commits pay-in shortage exceeding Rs. 2 lakhs, the trading terminals of the Member will be put in suspend square off mode for a period of five trading days on every such default if shortage occurs for more than 5 occasions in thirty days (including the current occasions) and the Member will be asked to reduce his position to zero for which he will be given time till end of the day on which his terminal was put on suspend square off mode failing which the Exchange will square off the positions on the following trading day latest by 12:00 noon at the cost and consequence of the member.

(iii) In the event a Member commits pay-in shortage of upto Rs.2 lakhs, the trading terminals of the member will be put in suspend square off mode for one trading day on every such default if shortage occurs for more than 5 occasions in 30 days (including the current occasion).][5]

---

[4] Substituted, *ibid.*
. Prior to substitution the business rule read as under:
"Exchange shall run the pay-out files by 11.00 am to credit the member settlement account for the mark to market profits, Delivery pay-out shall be executed as specified in the relevant circulars."

[5] Substituted vide Exchange Circular no. MCX/C&S/148/2017 dated May 17, 2017. Prior to substitution the business rule read as under :

9. [**Option Settlement Method**: On exercise, option position shall devolve into underlying futures position as follows:-

a) long call position shall devolve into long position in the underlying futures contract
b) long put position shall devolve into short position in the underlying futures contract
c) short call position shall devolve into short position in the underlying futures contract
d) short put position shall devolve into long position in the underlying futures contract

All such devolved futures positions shall be opened at the strike price of the exercised options.][6]

10. [**Option Exercise Mechanism:** On expiry, following mechanism shall be adopted for exercise of the options contracts:

a) Option series having strike price closest to the Daily Settlement Price (DSP) of Futures shall be termed as At the Money (ATM) option series. This ATM option series and two option series having strike prices immediately above this ATM strike and two option series having strike prices immediately below this ATM strike shall be referred as 'Close to the money' (CTM) option series.

In case the DSP is exactly midway between two strike prices, then immediate two option series having strike prices just above DSP and immediate two option series having strike prices just below DSP shall be referred as 'Close to the money' (CTM) option series.

b) All option contracts belonging to 'CTM' option series shall be exercised only on 'explicit instruction' for exercise by the long position holders of such contracts.

c) All In the money (ITM) option contracts, except those belonging to 'CTM' option series, shall be exercised automatically, unless 'contrary instruction' has been given by long position holders of such contracts for not doing so.

d) All Out of the money (OTM) option contracts, except those belonging to 'CTM' option series, shall expire worthless.

"Blocking of Collaterals: By 9.45 am, the Exchange will get confirmation about successful, partially executed and failed instructions. In respect of partially executed/ failed/ non- confirmed instructions by 9.45 am, Member shall be put in suspend-square off mode for all pay-in shortages exceeding Rs. 2 Lacs in more than 2 occasions in past 30 days, till the settlement of pending pay-in obligation."

[6] Inserted vide MCX Circular No. MCX/TRD/373/2017 dated October 9, 2017.

e) All exercised contracts within an option series shall be assigned to short positions in that series in a fair and non-preferential manner.][7]

(h) [MTM pay-in for computation of EFDMS requirement would include net premium payable and the exercise/ assignment value.][8]

(i) [MTM pay-in for computation of Cash EFDMS requirement would include net premium payable and the exercise/ assignment value.][9]

(j) (a) **Exposure free deposit for MTM shortage (EFDMS) requirement[10]:** As a risk management measure, members who fail to meet their MTM pay-in obligations by the scheduled date and time shall be required to provide applicable Exposure free deposit for MTM shortage (EFDMS). The EFDMS shall be determined and retained in the following manner:

1. Members whose MTM shortage on the scheduled date and time is in excess of Rs.2.00 lakhs on four and more occasions in past 90 calendar days shall be liable to pay EFDMS.
2. The EFDMS shall be the highest cumulative funds shortage on account of MTM pay-in obligation during the past 30 calendar days. The EFDMS requirement shall be computed on a daily basis and informed to the concerned members. The members shall be given 2 clear working days from the date of intimation to provide the EFDMS.
3. Exchange shall block the EFDMS from the available collaterals of the member on T+3 day.
4. In case, the margin utilisation of the member after blocking EFDMS reaches 85%, then member will be placed in suspend (square off mode) till the time member complies with the exposure free deposit requirement or up to the retention period. For this purpose, member may provide additional collateral or reduce the outstanding positions to enable blocking of EFDMS.
5. EFDMS shall be retained as exposure free deposit for a period of 30 calendar days. It shall be released after 30 calendar days after retaining applicable EFDMS requirement, if any[11].

(b) **Cash EFDMS requirement[12]:** Further, in the event, a member for whom EFDMS is already blocked, fails to meet MTM pay-in obligations by the scheduled date and time during the EFDMS block period, the member shall be required to bring additional EFDMS amount in Cash (over and above the existing EFDMS requirement assessed as per clause (h) above) as under:

Particulars	**Additional Cash EFDMS Requirement**

[7] Inserted, *ibid.*
[8] Inserted, *ibid.*
[9] Inserted, *ibid.*
[10] Inserted vide MCX Circular no. MCX/C&S/159/2016 dated May 31, 2016
[11] Circular no. MCX/C&S/227/2016 dated August 3, 2016
[12] Circular no. MCX/C&S/227/2016 dated August 3, 2016

First Instance	10% of the assessed EFDMS requirement subject to a minimum of Rs. 1 lakh
Second Instance	15% of the assessed EFDMS requirement subject to a minimum of Rs 2 lakhs
Third Instance	25% of the assessed EFDMS requirement subject to a minimum of Rs 4 lakhs
The minimum Cash EFDMS amount shall be doubled for every further instance of failure to meet the MTM pay-in obligations by the scheduled date and time, subject to a maximum of 100% of EFDMS amount requirement	

Exchange shall provide 2 clear working days' notice for payment of Cash EFDMS amount. Members shall be required to deposit the same by increasing the Cash Collaterals. Exchange shall block the Cash EFDMS amount from the Cash Collaterals based on the assessment methodology stated above for a period of 30 calendar days.

In case, the margin utilisation of the member after blocking additional Cash EFDMS reaches 85%, Exchange shall not block such amount from the available cash collaterals and it would be considered as default in payment of Cash EFDMS requirement.

In the event of non-payment of Cash EFDMS, the member shall be put into suspend-square off mode till the time the Cash EFDMS amount is deposited.

Further, if the member remains in suspend-square off mode for 3 consecutive days either due to EFDMS requirement or additional Cash EFDMS requirement, Exchange reserves the right to square off the open positions of the member with all the consequences of square-off to be borne by the member.

(c) **Disciplinary Action for default in funds pay-in obligation[13]:**

In addition to the disciplinary action as prescribed in clause (g), (h) & (i) above Exchange has prescribed penal non-compliance charges for default in funds pay-in obligation and the same shall be as under:

Sr. No	**Violation**	**Penalty**
1	Default in completing pay-in obligation on T+1, in full or in part, i. First instance in last 30 days ii. Second and third instance in the last 30 days	@0.50% of pay-in shortfall (subject to minimum Rs.5000/- and maximum Rs.10000/-) @1.00% of pay-in shortfall (subject to minimum Rs.10,000/- and maximum Rs. 100,000/-). Suspension (Suspend Square off) from trading for 1 day in addition to penalty specified in (ii) above

[13] Inserted vide MCX Circular no. MCX/C&S/226/2016 dated August 3, 2016

	iii. More than three instances in the last 30 days	
2	If the margin deposit is reduced below the initial security deposit, to be maintained with the Exchange, including due to the adjustments as mentioned in 1 above.	a) [The Member shall be put to suspend-square off mode. b) Non-compliance charges of Rs.5000/- would be levied for failure to comply with the ISD requirement on the day of ISD default. c) The terminals shall be deactivated within 3 working days post suspension of the Member. d) The information regarding deactivation of terminals shall be sent to all clients by SMS. This information shall also be displayed on the website after deactivation of terminals within one working day of the 'deactivation' action. e) Initiate default declaration process on continued failure to maintain ISD for 6 months.][14]
3	Default in the payment of deficit margin, (margins over-utilized on trading day), before close of the trading hours on T+1 working day.	@ 1.00% on the deficit margin amount (subject to a minimum of Rs. 5000/- and maximum Rs. 1,00,000/-) If the member remains in suspend-square off mode for 3 consecutive days on account of margin deficit, Exchange reserves the right to square off the open positions of the member with all the consequences of square-off to be borne by the member.

[14] Substituted vide MCX Circular No. MCX/C&S/238/2018 dated June 22, 2018. Prior to substitution it read as under:

"a)Rs. 5000/- and temporary deactivation / suspension till further compliance

b) If the default continues, in addition to the above charges, interest @ 18% per annum shall be levied daily during the default period, on the amount required to build the initial security deposit."

Further, the Exchange reserves the right to:

(a) Square-off the outstanding position of such defaulting member(s) even before 3 days in case of adverse market movements
(b) Suspension of the said member(s) and/or
(c) Consider other disciplinary action against the defaulting member(s) as it may deem fit in terms of the provisions of Rules and Bye-laws of the Exchange

[**(k) Non-fulfilment of margin obligations**

In the event of Clearing Member's margin utilization breaching 100% of the margin limits on more than 2 occasions in past 30 days, the following action shall be initiated by the Exchange:

i. An amount equivalent to highest amount of margin shortage of the past 30 days shall be blocked as Margin Shortfall Block Amount (MSBA) from the deposits of the clearing member. The margin shortage at the time of violating the trigger point of 100% on each occasion shall be considered.
ii. The amount blocked shall not be available towards any margin benefit.
iii. In case there are more than one instance of margin shortage in a day, the highest amount of margin shortage at the time of violating the trigger point of 100% shall be considered.
iv. The members shall be given 2 clear working days from the date of intimation to provide the Margin shortfall block amount (MSBA).
v. Exchange shall block the MSBA from the available collaterals of the member on T+3 day.
vi. In case, the margin utilisation of the member after blocking MSBA reaches 85%, then member will be placed in suspended-square off mode till the time member complies with the MSBA or up to the retention period. For this purpose, member may provide additional collateral or reduce the outstanding positions to enable blocking of MSBA.
vii. MSBA shall be retained as exposure free deposit for a period of 30 calendar days. It shall be released after 30 calendar days after retaining applicable MSBA requirement, if any.][15]

11. **[Mechanism for Submission of Contrary Exercise/ Do Not Exercise request**

a) Exercise/Don't Exercise Intimation file upload

On Options Expiry day, Exchange shall provide the Ex-DEx Intimation File to Members on their SFTP/Date folder. The file will provide the details of the long open position at end-client strike level for all ATM, CTM & ITM option contracts. Members are required to update the file for submission of contrary instructions only.

[15] Inserted vide Exchange Circular no. MCX/C&S/382/2016 dated November 04, 2016

Members would be given time to upload the Ex-DEx Intimation file till [0:30 am][16] of the options expiry business date or within 45 minutes from the time of export of "Ex-DEx Intimation File to Member" file on their SFTP\Date Folder, whichever is later.

Members shall refer to the [latest Circular] [17]for the file formats for submission of contrary Exercise/ Do Not Exercise requests to the Exchange.

To the extent contrary instructions are not received, default Exercise Mechanism at expiry shall be as defined in the contract specification of the option contracts.

The below mentioned table lists the action to be initiated by the member

Strike Category	**Member – Client intending to Exercise**	**Member – Client Not Intending to Exercise.**
ATM	Submit request	Do not submit request
CTM-ITM	Submit request	Do not submit request
CTM-OTM	Submit request	Do not submit request
ITM	Do not submit request	Submit request

Open positions in OTM strikes would expire worthless by default and no contrary instructions can be given against the same.

b) Alternate mode of submission of Exercise/ Do Not Exercise request

[Members shall alternatively submit Exercise/ Do Not Exercise request through manual entry or Bulk File Upload feature on the trading terminals of MCX. Members can place multiple Exercise/ Do Not Exercise request. Members can submit request during the normal market hours through TWS / MAT terminals on last 3 trading days of the option contract expiry day. On last trading day of Option contract, Members can submit their request upto 25 minutes after close of normal market hours.][18]

The below mentioned table lists the action to be initiated by the member

Strike Category	**Member – Client intending to Exercise**	**Member – Client Not Intending to Exercise**
ATM	Submit Exercise request	Do not submit request

[16] Substituted vide MCX Circular no. MCX/C&S/319/2018 dated August 16, 2018. Prior to substitution it read as "*1:00 a.m."*

[17] Substituted, *ibid.*Prior to substitution it read as *"Exchange Circular No. MCX/TECH/412/2017 dated November 6, 2017 "*

[18] Substituted, *ibid.* Prior to substitution it read as under:

"Members shall alternatively submit Exercise/ Do Not Exercise request through manual entry or Bulk File Upload feature under MAT/TWS --> Ex/Dex/DI menu. Members shall place multiple Exercise/ Do Not Exercise request. Members can submit their request upto 00.30 a.m. of the options expiry business date".

CTM-ITM	Submit Exercise request	Do not submit request
CTM-OTM	Submit Exercise request	Do not submit request
ITM	Do not submit request	Submit Do Not Exercise request

Members shall have to check the settlement price of the underlying futures contract flashed on the terminals and accordingly determine the strike category in order to ascertain if request is required to be placed.

c) Prioritization of the Exercise/Don't Exercise request

Exchange shall consider only the latest request placed by the Member for the given end client-strike combination. It is further clarified that if a Member submits multiple request for a particular client through MAT/TWS or through Exercise/Don't Exercise Intimation file, then the latest request received by the Exchange would be considered.

d) Procedure for Download/Upload of Exercise / Don't Exercise Intimation Files through SFTP

Members can download **the Exercise/Don't' Exercise Intimation** files from the Exchange and upload the response file against the same as under:

Download SFTP Path: <CM/TM code>\DD-MM-YYYY
Download File Name: MCX_Ex-DExIntimation_<CM/TM code>_<YYYYMMDD>.csv
Upload SFTP Path: <CM/TM Code>\ Ex-DExIntimation \DNLD
Upload File Name:[*MCX_ Ex-DExIntimation _ <CM/TM code>_<YYYYMMDD>.Mnn*][19]
M is the File Indicator; nn will be batch number same as in Member's file.
<YYYYMMDD> in each of the above format refers to the trade date.

e) Response file for the Exercise / Don't Exercise Intimation files uploaded by the Members

Exchange shall provide two auto response files for the Exercise/Don't Exercise Intimation files uploaded by the members as under:

i. Members shall receive an auto response file for each uploaded file as under ;

SFTP Path: <CM/TM Code>\ Ex-DExIntimation \UPLD
File Name:[*MCX_Ex-DExIntimation_<CM/TM Code>_<YYYYMMDD>.Enn*][20]
*(**Enn**: 'E' for Exchange file & nn for batch number of member file)*

ii. For successful file import, member will receive a blank file as under:

[19] Substituted, *ibid.* Prior to substitution it read as *"MCX_ Ex-DExIntimation _ <YYYYMMDD>.Mnn"*
[20] Substituted, *ibid.* Prior to substitution it read as *"MCX_Ex-DExIntimation_<YYYYMMDD>.Enn"*

File Name: [*MCX_ Ex-DExIntimation _<CM/TM Code>_<YYYYMMDD>S.Enn*][21]

f) General instructions for uploading Exercise/Don't Exercise Intimation file

General instructions for upload of Exercise/Don't Exercise Intimation files:

i. While giving intimation for Exercise/Don't Exercise, Members are required to append each record with intimation for Exercise/Don't Exercise, as applicable, in the respective column defined in the file format for member "Ex-DEx Intimation File from member" (section 5.62 of the file format).

ii. Any modification of fields under Sr. No. 1 to 11 (section 5.62 of the file format) would result in the record being rejected.

iii. With respect to field having Sr. No. 12 (section 5.62 of the file format), default value provided by the Exchange would be 0. In case, members' wishes to give Exercise Instruction against Ex Flag identifier, specific intimation value should be provided. Similarly, in case, Members' wishes to give Don't Exercise against DEx Flag identifier, specific intimation value should be provided in this field. In case no specific values are being updated and the record is being uploaded as "0", the contrary instruction would be considered as "0" and the default Exercise Mechanism would apply.

iv. Partial records may be uploaded without modifying values in the field under Sr. No. 1 to 11 and with intimation value being updated in the field under Sr. No. 12 (section 5.62 of the file format).

v. Members should adhere to file naming conventions strictly for uploading files to the Exchange.

vi. Members are required to provide batch number in every file which is a running sequence with the valid values from 01 to 99 for each trade date. This would enable Members to send multiple files for the same trade date with incremental batch numbers within the defined timelines.

vii. In case where multiple Ex/Don't Exercise Intimation files are sent by the Member for all client, then the file with latest batch number shall be considered as final.

viii. Error codes have been defined along with the file formats for the rejection of the margin file uploaded by the member at individual record /member level.][22]

2. Clearing House[23]

(a) Regulation of clearing house: The Exchange Clearing House will monitor and perform all activities relating to delivery, funds settlement, margining, managing the settlement guarantee fund, etc.

(b) Functions of Clearing house: The Clearing House will collect margin from the members, effect pay in and pay out and monitor delivery and settlement process. For carrying out such activities, it may appoint various agencies as its agents and may delegate such activities and responsibilities to such agencies, as it may desire.

---

[21] Substituted, *ibid.* Prior to substitution it read as "*MCX_ Ex-DExIntimation _<YYYYMMDD>S.Enn*"

[22] Inserted vide MCX Circular no. MCX/C&S/439/2017 dated November 24, 2017

[23] Clause 20 of the Business Rules

(c) **Clearing House to deliver**: The Clearing House will allocate deliveries, which it has received from the selling member to the buyer and the same shall be binding on the buyer.

(d) **Lien on Member's deposits and deliveries**: When a member is declared a defaulter, all deposits, margins, delivery documents and other assets of such defaulter member lying with the Exchange shall be under lien and first charge of the Exchange, irrespective of the fact whether such assets or deposits belong to the member or his clients. No client or any other person can claim any charge or right on any such deposit, margin or delivery documents under any circumstances.

(e) **Clearing Code and Clearing Forms**: A member shall be allotted a Clearing Code, which must appear on all forms used by the member connected with the operation of the Clearing House. All Clearing Forms shall be signed by the member.

(f) **Specimen Signatures**: A member shall file with the Clearing House specimens of his own signature and of the signatures of his authorised signatories.

(g) **Delivery and payment through Custodians and Clearing Members:** The Clearing House shall maintain a register of Custodians, Banks, Trust Companies and other firms approved by the Relevant Authority which may act for members and their constituents in giving and taking delivery of precious metals.

(h) **Notices and Directions:** All Clearing Members shall comply with the instructions, resolutions, orders, notices, directions and decisions of the Relevant Authority in all matters connected with the operations of the Clearing House.

(i) **Liability of the Clearing House:** The Clearing House shall guarantee for settlement of trades including good delivery.

(j) **Liability of the Exchange:** No liability shall attach either to the Exchange, its officials, or to the Relevant Authority by reason of anything done or omitted to be done by the Clearing House in the course of its operations nor shall the Exchange, its officials, or the Relevant Authority be liable to answer in any way for the title, ownership, genuineness, quality, quantity or validity of any delivery or any other documents passing through the Clearing House nor shall any liability attach to the Exchange, its officials, the Relevant Authority in any way in respect of such delivery and any other documents.

(k) **False or misleading statements:** The Exchange may fine, suspend or expel a clearing member who makes any false or misleading statement in the Clearing Forms required to be submitted in conformity with the Exchange requirements or any resolutions, orders, notices, directions and decisions of the Clearing House.

(l) **Class of contracts covered:** The Clearing House shall be responsible in the manner stated above only in respect of contracts executed on the trading system of the Exchange and in terms of the Bye-Laws of the Exchange. It shall not deal with, monitor or guarantee settlement of negotiated deals, off the floor transactions, bilateral contracts, loan transactions or other transactions not covered under the Bye laws of the Exchange.

(m) In the event of disruption in the office or administrative services of the Exchange or the Designated Clearing Bank due to technical reasons including Computer System break-down or due to absence, non-attendance and/or strike by the employees or due to any unforeseen circumstances or due to natural or other calamities such as earthquake, out-break of war, general strike or any such circumstance of a force majeure nature, the daily clearing may be suspended for such days and period till normalcy is restored. The office of the Exchange shall immediately notify all the members about the suspension and/or postponement of daily clearing settlement as also about the restoration or return of normalcy and resumption of daily clearing and settlement work. If the circumstances so demand, the Managing Director or any other relevant authority of the Exchange may order closure of the market in terms of relevant Bye-laws and call an emergency meeting of the Board of the Exchange to deal with the abnormal situation.

3. Transaction Fee[24]

The Exchange will levy a transaction fee on the transactions registered with the Exchange. Such transaction fee will be computed on value basis or volume basis, as may be decided from time to time, which will be computed on both purchases and sales separately. Transaction fee shall be charged at the rates as tabulated under **Annexure "2".**

The transaction fee shall be debited on a monthly basis to the settlement account of the members in the first week of the succeeding month. The transaction fee shall form part of the obligation report of the due date and collected accordingly.

[DELETED][25]

4. Reports[26]

A member can take back up of his trades any time during the trading session or after its closure while he is connected to the trading system. This provides all trades done during such trading session. After end of trading session, the Exchange will download the reports to the members of the Exchange through SFTP (Secured File transfer protocol), which consists of full report of all his earlier positions, day's trades and net outstanding position. This report is named as Obligation Report, which also provides details of total deposit of that member, deposit utilized, deposit available for trading, [premium receivable/ premium payable, and exercise / assignment value][27], pay in / pay out amount, charges, etc. The Exchange also downloads the Bhav Copy to provide details about open, high, low, close, volume, value and other statistical details. The Exchange further downloads various trade, margins, positions, collaterals and settlement related reports as intimated from time to time.

---

[24] Clause 25 (c) of the Business Rules, Circular no. MCX/C&S/290/2016 dated September 26, 2016 & Circular no. MCX/C&S/053/2014 dated February 26, 2014.

[25] Deleted, *Infra* note 34. Prior to deletion the Business Rule read as under:

"No transaction fee would be applicable for option contracts traded on the Exchange up to March 31, 2018"

[26] Clause 26 of the Business Rules

[27] Inserted vide MCX Circular No. MCX/TRD/373/2017 dated October 9, 2017.

5. Custodial Participants[28]

Those constituents who are Institutions / Domestic Corporate Bodies and such other entities/firms etc, as may be approved by the Exchange may apply for a Custodial Participant code (CP Code), whereby such entities can have a facility to execute trades through one or more than one Trading Member (TM) / Trading cum Clearing Member (TCM) / Institutional Trading Member (ITCM) and settle through a Professional Clearing Member (PCM) or an Institutional Clearing Member (ITCM). Such entities who have been allocated a Custodial Participant code shall be termed as Custodial Participant (CP).

(a) Procedure for appointment of Clearing Member (PCM/ITCM) by Custodial Participant:

1. CP shall enter into an agreement (format in **Annexure 3**) with a Clearing Member.
2. The Clearing Member shall apply to the Exchange / Clearing House / Clearing Corporation of the Exchange in the format prescribed in **Annexure 4**, along with a copy of the agreement, for allotment of CP code.
3. Upon receipt of CP code from the Clearing House / Clearing Corporation of the Exchange, the CP shall intimate the CP code allotted to him to the TM/TCM/ITCM through whom he desires to trade on the Exchange.

(b) Procedure for settlement of obligations on account of Custodial Participant:

1. Trading Members (TM/ TCM/ ITCM) who place orders on behalf of a CP in the trading system of the Exchange shall enter the CP code under 'INST' facility, along with the order details including the client code allotted to the CP.
2. Trades resulting out of the orders sent to the trading system of the Exchange with CP codes shall be made available by the Exchange to the relevant Clearing Member (PCM/ ITCM), for approval or rejection.
3. Clearing Member of CP shall approve or reject such trades within the stipulated time, i.e upto 11.45pm / 11.59 pm on the same day in such manner and through such facility as may be provided to the Clearing Member from time to time.
4. All such trades which have been approved by Clearing Member shall form part of the obligation of the Clearing Member concerned and such Clearing Member shall be fully and completely responsible for all obligations arising out of such trades including the payment of margins, penalties, any other levies and settlement of such obligations.
5. Trades of CP which have not been approved by Clearing Member shall be considered as trades pertaining to the respective Trading Members under such client codes as keyed in by the trading member who executed such trades and shall form part of the obligation of those Clearing Member who clear and settle for such Trading Members.

[28] Clause 27 (s) of the Business Rules

(c) Procedure for change of Clearing Member

If a Custodial Participant desires to change his Clearing Member, the relevant documents as described herein below need to be executed in advance and submitted to the Exchange:

1. Agreement (as per format in **Annexure 3**) with the incoming (new) Clearing Member
2. Application to the Exchange / Clearing House / Clearing Corporation for change of Clearing Member affiliation (as per format in **Annexure 5**)
3. Letter from the outgoing Clearing Member agreeing to the arrangement (as per format in **Annexure 6**)
4. Letter from the incoming Clearing Member undertaking to act as clearing member (as per format in **Annexure 7**).

(d) Effect of failure on the part of Clearing Member

For any failure on the part of the Clearing Member to meet the requirements specified as per the Rules and Bye-Laws of the Exchange and as intimated and / or amended through Exchange Circulars from time to time, including maintenance of minimum deposits, payment of margin obligations, fulfilment of settlement obligations and adherence to exposure limits, or for any other reason that the Relevant Authority of the Exchange may deem fit, including, action initiated by any statutory / regulatory agency, pursuant to any acts of violation / contravention of any Statutes, Rules or Regulations, committed by the Clearing Member and / or Trading Members and / or Custodial Participants, clearing and settling through such Clearing Member, the Exchange may withdraw any or all of the membership rights of such Clearing Member including withdrawal of trading facilities of all Trading Members and / or clearing facility of CPs clearing and settling through such Clearing Member, without any notice, including but not limited to any other actions as stipulated in the Rules and Bye laws of the Exchange.

(e) Members desirous to avail the Trading facility on behalf of Custodial Participants shall be required to send a request to this effect, as specified in the enclosed[29] (**Annexure 8**).

6. Commodities Transaction Tax (CTT)[30]/ Securities Transaction Tax (STT)

Commodities Transaction Tax (CTT) was introduced in the Finance Act 2013 and applicable with effect from 1st July, 2013, as per notification uploaded on www.incometaxindia.gov.in.

CTT on the transactions executed on the Exchange will be charged at the rate mentioned below:

Sr. No.	Taxable commodities transaction	Rate	Payable by
1	Sale of futures in commodities **(except exempted agricultural commodities as mentioned in Annexure 9)**	0.01 per cent	Seller

[29] Circular no. MCX/T&S/160/2009 dated April 11, 2009
[30] Circular no. MCX/FIN-ACCT/222/2013 dated June 22, 2013

STT on the transactions executed on the Exchange in options contracts will be charged as under:

Sr. No.	Taxable option transaction	Rate	Payable by
1	Sale of an Option in securities*	0.05 %	Seller #
2	Sale of an Option in securities*, where option is exercised	0.125 %	Purchaser ##

*Option in securities covers option having commodity futures as underlying.

Value of taxable securities transaction relating to an "option in securities", shall be the option premium, in case of an option in securities.

Value of taxable securities relating to an "option in securities", shall be the notional value of the underlying commodity futures contract at settlement price, in case of sale of an option in securities, where the option is exercised.

In case the options contract devolves into commodity futures position, Commodities Transaction Tax (CTT) shall be payable by the seller on sale of commodity futures, as applicable][31]

(a) Members may note that the following procedure will be adopted by the Exchange in respect of the calculation and collection of CTT/STT:

1. CTT/STT is applicable on transactions for futures/Options contracts as stated above.
2. CTT/ STT shall be determined at the end of each trading day.
3. All the transactions shall be identified based on the client code placed by the members at the time of order entered/ modified on the trading system of the Exchange and as may be modified by the member using the client code modification facility provided by the Exchange within the prescribed time. In respect of proprietary transactions the member code shall be deemed to be the client code.

[31] Inserted vide Exchange Circular No MCX/F&A/379/2017 dated October 10, 2017

4. Members are advised to note that under the CTT/ STT Rules, the value of taxable commodities transaction shall be determined with respect to the trade executed under a particular client code. Therefore the Exchange shall only reckon the client code entered by the member while placing the order or as may be modified within the prescribed time. It is therefore imperative that members exercise extreme caution and diligence while entering the client code at the time of entering an order.

5. For each client code, all the sell transactions for a trading day shall be aggregated at contract level.

6. For the purpose of determining CTT/ STT liability value of taxable Commodities transaction shall be valued at the actual traded price. On this value, the CTT/ STT rate as prescribed shall be applied.

7. The trading member's CTT/ STT liability shall be the aggregate CTT/ STT liability of clients trading through him and the clearing member's CTT/ STT liability shall be the aggregate CTT/ STT liability of all trading members clearing under him.

(b) Information to members

A report shall be provided to the members at the end of each trading day. This report shall contain information on the total CTT/ STT liability, trading member wise CTT/ STT liability, client wise CTT/ STT liability and also the detailed computations for determining the client wise CTT/ STT liability.

(c) Pay-in of funds

The CTT/ STT amount shall be collected from the Clearing Member as per the timelines stipulated for the funds pay-in on a daily basis. A separate transaction shall be created and the amount shall be collected from the settlement account of members through their clearing banks as per the process currently followed in respect of settlement obligations.

(d) Failure to pay funds

Non-payment of CTT/ STT will be treated as non-fulfilment of settlement obligations for the purpose of all consequential actions against the member.

(e) Information to clients

The contract note to be issued to clients by the members on a daily basis should specify the total commodities transaction tax / Securities transaction tax for the transactions mentioned therein. Members may issue the CTT/ STT details on annual basis (within one month from the close of the financial year) to their respective clients, unless required by the clients otherwise.

Members are also advised to peruse the Chapter VII of Finance Act, 2013 &CTT Rules, 2013 and the provisions of the Finance Act 2016 read with Section 2(ac) and 2(d) of the Securities Contract (Regulation) Act for effective compliance of CTT/STT and keep themselves updated on any amendments thereto.

7. Client Margin Reporting[32]

Members have to mandatorily report details of margins collected from the clients to the Exchange. Members should monitor their clients' trades and put up a suitable mechanism to update their clients on their margin utilization levels and define margin call triggers.

The penalty structure and framework for short-collection/non-collection of margins by members from their clients shall be as under:

(a) [The 'margins' for this purpose shall mean initial margin, extreme loss margin (ELM), premium payable, mark to market margin, assignment value, special / additional margin, delivery margin or any other margin as prescribed by the Exchange to be collected by member from their clients.][33]

(b) [The members are required to collect upfront initial and ELM margins**,** premium payable from their clients. The members will have time till 'T+2' working days to collect margins (except initial and ELM margins, premium payable) from their clients. The clients must ensure that the initial and ELM margins and premium payable are paid in advance of trade and other margins are paid as soon as margin calls are made by Exchanges/Members. The period of T+2 days has been allowed to members to collect margin from clients taking into account the practical difficulties often faced by them only for the purpose of levy of penalty and it should not be construed that clients have been allowed 2 days to pay margin due from them.][34]

[Exchange shall not consider devolvement margins for the purpose of client margin reporting.

The penalty for short collection / non collection due to increase in initial margins resulting from devolvement of options into futures shall not be levied for the first day after the expiry of the options contract. Effectively,

---

[32] Circular no. MCX/C&S/274/2016 dated September 07, 2016, Circular no. MCX/C&S/292/2016 dated September 26, 2016 and Circular no. MCX/C&S/293/2016 dated September 26, 2016

[33] Substituted vide MCX Circular No. MCX/TRD/373/2017 dated October 9, 2017. Prior to substitution the Business rule read as under:
"The 'margins' for this purpose shall mean initial margin, extreme loss margin (ELM), , mark to market margin, special / additional margin, delivery margin or any other margin as prescribed by the Exchange to be collected by member from their clients."

[34] Substituted, *ibid.* Prior to substitution the Business rule read as under:
"The members are required to collect upfront initial and ELM margins from their clients. The members will have time till 'T+2' working days to collect margins (except initial and ELM margins,) from their clients. The clients must ensure that the initial and ELM margins are paid in advance of trade and other margins are paid as soon as margin calls are made by Exchanges/Members. The period of T+2 days has been allowed to members to collect margin from clients taking into account the practical difficulties often faced by them only for the purpose of levy of penalty and it should not be construed that clients have been allowed 2 days to pay margin due from them."

the incremental initial margin on account of devolvement would not be considered for client margin reporting on the option expiry + 1 day.][35]

(c) The members shall report to the Exchange on T + 5 day the actual short-collection/ non-collection of all margins from clients.

(d) Penalty shall be levied as per the details given below on the members for short / non-collection of margins from their clients beyond T + 2 working days:

For each member	
'a'	Per day penalty as % of 'a'
(<INR l lakh) and (<10% of applicable margin)	0.5
(>=INR l lakh) or (>=10% of applicable margin)	1.0

Where a=short collection/ non-collection of margins per client per day

(e) [In case of short-collection /non collection of initial margins and [premium payable][36], the above penalty structure would be applicable from T day.

(f) The Exchanges should put in place a suitable mechanism to enable the members to report the collection of all margins from their clients at the end of each trading day and to report short collection/non-collection of all margins on the T+5 day.

(g) All instances of non-reporting shall amount to 100% non-collection of margin and the penalty as prescribed above shall be charged on these instances in respect of non-collection.

(h) The penalty shall be collected by the Exchanges not later than five days of the last working day of the trading month.

(i) With respect to repeated defaulters, who default 3 times or more during a month, the penalty would be 5% of the shortfall in such instances.(Every short/non collection of margin is to be considered as one instance of default. In case margin shortage is reported for a client 3 times or more during a month, i.e., either in consecutive instances or in 3 different instances, the penalty would be 5% of the shortfall from 4th instance of shortfall. E.g. shortage is reported for a client on 1st and 2nd day of month consecutively; thereafter again on 10th day shortage is reported. So the number of instances are 3 and in case shortage is reported on any day later in the month, the penalty shall be 5% of the shortfall amount for all such instances beyond 3rd instance.)

(j) All the penalties collected as prescribed above shall be credited to the Investor Protection Fund.

(k) Report on the penalties as collected by the Exchanges shall be submitted to SEBI by the 10th day of the following month.

---

[35] Inserted vide Exchange Circular No MCX/TRD/373/2017 dated October 09, 2017.
[36] Inserted, *ibid*.

(l) Exchanges shall examine implementation of these instructions during the inspection of its members. If during inspection or otherwise, incorrect reporting on collection of margin from client by member is found, the member shall be penalized up to 100% of such amount short collected.

(m) The Exchange shall direct their members to monitor trades of every client. Suitable mechanism may be put in place to intimate the clients as and when the margins are used up to an appropriate level as considered fit.

(n) In exceptional situations wherein members and/or clients were not in position to square off the open positions to avoid levy of penalty for margin shortfall due to lack of adequate liquidity and/or high market volatility, exchanges may take a suitable decision depending upon the merit of the circumstances and keep SEBI informed of the same. Further, the exchanges are directed to take such exceptional matters to their Board of Directors for decision.

Members are requested to refer the relevant sections of the Exchange File Formats issued from time to time that deal with margin reporting, giving brief description of the file structure and the details on error codes in case of erroneous upload of files to the Exchange.

Margins exempted against early pay-in would not be considered for the margin reporting. Mark to market margin on the early pay-in positions shall continue to be considered for margin reporting.

Settlement holidays would not be considered for determining the T+5 reporting due date.

Exchange levies penalty on the reported instances of short collection/ non-collection of client margin on the T+5 reporting due date. The penalties shall be included in the obligation statement of the reporting due date.

In case of any short reporting/ non-reporting of client margin due to any technical reason, members may place their request for revision in the reported margin collections and the consequent reversal/ refund of such penalty in writing to the Exchange strictly within 10 calendar days from the date of levy of penalty.

Members are requested to refer the FAQ on Client Margin Reporting updated under the Clearing & Settlement section of the Exchange website.

8. Early Pay-in facility[37]

Exchange shall provide early pay-in facility to market participants permitting market participants to deposit certified goods to the Exchange accredited warehouse against relevant futures contract sold. For such short positions against which early pay-in has been made, based on risk perception, Exchange may exempt imposition of all types of margins. However, Exchange shall continue to collect mark to market margins from such market participants against such positions.

In case of compulsory delivery and seller's option contracts, delivery to the extent of open position at the expiry of the contract shall be mandatory after claiming early pay-

[37] Circular no. MCX/C&S/302/2016 dated September 28, 2016

in facility on the position. Failure on the member's part would attract extremely strict penalties including disciplinary actions.

Members are requested to refer the FAQ on Early Pay-in updated under the Clearing & Settlement section of the Exchange website.

9. Data Request Charges[38]

Members are notified that the following charges shall be levied for specific request of the members as detailed under:

Sr. No.	Data Requisition	No of days	Charges
1	Obligation Report, Trade File, Margin File, Position File and / or any other details related to Trade / Order.	Previous and / or current calendar months Beyond Previous calendar month	No charges Rs. 250/- per report per month (Subject to a maximum of Rs. 10,000/- per request)
2	Message Broadcast	Beyond last 3 days	Rs. 250/- for a day

The above said charges shall be applicable for each request from the members and would be inclusive of service tax. The Exchange reserves the right to decline any request for the above data and also to modify charges, without any prior notice. Format for seeking data request is provided under **Annexure 10**.

10. Change of Clearing Banks[39]

In case a member desires to shift his settlement and client accounts from one clearing bank to other clearing bank, he shall inform the Exchange in writing in the specified format enclosed as **Annexure-11**. On receipt of the same, the Exchange will process the application and convey its consent to the member provided no dues are pending.

On receipt of the consent from the Exchange, the member shall submit the following documents with the Exchange:

(i) No Objection Certificate (NOC) from the existing Clearing Bank (format enclosed as **Annexure-12**).

(ii) Letter from the member on his letter head specifying the shift of accounts to another clearing bank, the settlement account number and client account number (in the format enclosed as **Annexure-13**).

(iii) Letter from the new clearing bank confirming the settlement account number and the client account number of the member (in the format enclosed as **Annexure-14**).

[38] Circular no. MCX/260/2006 dated June 30, 2006
[39] Circular no. MCX/173/2005 dated May 06, 2005

On receipt of the above said documents, the Exchange will update its records and any subsequent funds pay-in / pay-out will take place through the new settlement account of the member.

11. Turnover fees for members dealing in commodity derivatives[40]

The SEBI turnover fees would be levied by the Exchange to the Members on a monthly basis. Brief process for collection of the SEBI turnover fees would be as under:

(a) The Exchange would raise the invoice/debit note for the previous calendar month on the 1st working day of the subsequent month.

(b) The Exchange would debit the settlement account of the Members towards their SEBI fees dues by 4th of the month (date of collection would be intimated in the invoice/debit note separately).

(c) Any unpaid SEBI turnover fees on the collection due date would be adjusted from the cash collateral deposits of the Member with the Exchange

ANNEXURES

Annexure "1" - List of Clearing Banks

The list of Clearing Banks empaneled with the Exchange is given as under:

List of Clearing Banks	
Sr. No.	**Clearing Bank Name**
1	Axis Bank
2	Bank of India
3	Canara Bank
4	Citibank N.A.
5	Corporation Bank
6	DCB Bank
7	HDFC Bank
8	ICICI Bank
9	IndusInd Bank
10	Kotak Mahindra Bank Ltd
11	Punjab National Bank

[40] Circular No. MCX/MEM/275/2015 dated October 01, 2015

12	State Bank of India
13	Tamilnad Mercantile Bank Ltd
14	Union Bank of India
15	Yes Bank

[Annexure "2" – Transaction Fee Rates][41]

[41]Deleted. *See Business Rule 15 of Chapter 2- Market Operations of the Business Rules.*

Annexure 3

CLEARING MEMBER – CUSTODIAL PARTICIPANT AGREEMENT

(To be executed on non-judicial stamp paper of appropriate value)

This agreement is made on this _____ day of _____ 20__, between _____, a company/ partnership firm/ individual having registered office / office / residence at _____ (hereinafter called "Clearing Member") which expression shall unless repugnant to the context or meaning thereof include its successors, legal representatives and permitted assigns and _____, a company / partnership firm/ individual having its registered office/ office/ residence at _____ (hereinafter called "Custodial Participant" or "CP") which expression shall unless repugnant to the context or meaning thereof include its successors, legal representatives and permitted assigns).

WHEREAS

(a) _____ is a registered Institutional Clearing Member (ITCM)/ Professional Clearing Member (PCM) (hereinafter referred to as the Clearing Member) of MCX (Member Code _____ and SEBI Registration No. _____) and is inter alia authorized to clear and settle trades executed by the Trading Member (TM)/ Custodial Participants through the TM/ TCM/ ITCM (who has appointed the Clearing Member to clear and settle his trades) or on its behalf

(b) The CP desires to effect purchase and / or sale in contracts approved for trading on MCX through a single or multiple trading members of MCX and clear and settle such trades through the Clearing Member

(c) The CP has approached the Clearing Member to undertake clearing & settlement of trades and to discharge his duties and obligations towards MCX on his behalf and the Clearing Member, in turn, agreed to clear and settle the trades done by the CP through trading member(s) of MCX subject to the provisions contained in the Rules and Bye Laws of MCX and / or its Circulars amended from time to time and the terms and conditions contained herein.

(d) The parties to this agreement are desirous of reducing the terms and conditions agreed, in writing, as contained herein:

NOW, THEREFORE, THIS AGREEMENT WITNESSETH AS FOLLOWS:

1. At the request of the CP and in consideration of the CP agreeing to pay certain fees and charges as mutually agreed between the parties and abide by the terms and conditions contained in this agreement, Rules and Bye-Laws of MCX the Clearing Member hereby undertakes upon himself the obligations of clearing and settlement of the trades of the CP executed / done, through a single or multiple trading members of MCX and to do all the acts, deeds and activities arising from and / or incidental to the clearing and settlement of such deals.

2. Rights of the Clearing Member

2.1 The Clearing Member shall be entitled to demand / receive from the CP such deposits in such form as the Clearing Member may specify from time to time.

2.2 Without prejudice to the generality of the above, the CP shall place with the Clearing Member an amount, as decided by the Clearing Member, as deposit which shall be continuously maintained during the subsistence of this agreement. Subject to the provisions of Rules and Bye Laws of MCX in case of any shortfall in such deposit, the Clearing Member shall be entitled to initiate any action necessary to protect his interests in this regard against the CP.

2.3 The Clearing Member shall be entitled to receive such fees, charges, or commission, in

respect of various services which he renders or agrees to render to the CP, from the CP at such intervals as may be mutually agreed upon.

2.4 The Clearing Member shall specify, subject to the requirements prescribed by MCX from time to time, open position / margin limit up to which open positions can be taken by the CP. Such limits may be increased or reduced by the Clearing Member from time to time. The Clearing Member shall have the authority to initiate any action necessary to protect his interests in this regard, which may, inter alia, include restriction on further trading and close-out of open positions of the CP.

2.5 The Clearing Member shall be entitled to collect from the CP additional capital / margin(s) of such amounts of such kinds, as he may require, which at any point of time shall not be less than the amount stipulated by MCX from time to time. The Clearing Member shall have authority to collect such additional margin(s) as required by him or as per requirement of MCX.

2.6 The Clearing Member shall be entitled to receive from the CP such amounts as may be required to be paid towards daily and final settlement of contracts, as per the requirement of MCX.

2.7 The Clearing Member shall have authority to close out / liquidate the open positions of the CP in accordance with the Rules and Bye-Laws of the MCX, in the case of non-payment of dues by the CP towards margins, additional margins, daily as well as final settlement of contract, fees, commission and / or charges, by making necessary requests to MCX for initiating such action. In such case, any loss arising due to the closing out of open positions shall be payable by the CP and will be recovered from the CP by the Clearing Member.

2.8 The Clearing Member shall collect, preserve and maintain all the important documents, agreements, books of accounts, records, and computerized data of the CP for which the Clearing Member shall have free access to the premises occupied by the CP or by any other person on his behalf.

2.9 The Clearing Member shall have right to inspect the books of accounts, records, documents and computerised data of the CP for which the Clearing Member shall have free access to the premises occupied by the CP or by any other person on his behalf.

3. Obligations of the Clearing Member

3.1 The money deposited by each CP shall be kept in separate account by the Clearing Member, distinct from his own account and shall provide the details of margins collected for the trades executed by the CP, to MCX as per the requirements of MCX.

3.2 The Clearing Member shall inform the CP about the margin limit (including any increase or reduction in such limits) up to which open positions can be taken by the CP.

3.3 The Clearing Member shall be liable to pay to the CP any amount becoming due and receivable by the CP towards daily and final settlement of contracts, as per the requirements of MCX.

3.4 The Clearing Member shall be required to refund any excess margin money to the CP unless otherwise agreed in writing.

3.5 The Clearing Member may settle the accounts on a periodical basis, if mutually agreed between Clearing Member and CP, which should be in accordance with the Rules and Byelaws of MCX

3.6 In the event of default by the Clearing Member or his being declared defaulter by MCX the Clearing Member shall render all assistance to the CP for transfer of the CP's positions to some other Clearing Member.

3.7 In the event of failure by the Clearing Member in the payment of any dues to CP, the CP shall, with the prior approval of MCX have the right to transfer his own open positions immediately to another Clearing Member. The Clearing Member shall be

obliged to pay to the CP for any costs incurred for transfer of the open positions, if such event occurs.

3.8 If due to the default of the Clearing Member, the open positions of the CP are closed-out and any loss is incurred due to such close-out, the Clearing Member shall reimburse such loss to the CP, unless the default of the Clearing Member was on account of the CP.

3.9 The Clearing Member shall treat the information pertaining to the CP as confidential. The Clearing Member shall not disclose the same to any other person except to governmental, statutory, regulatory or legal authorities on a request made by any of these authorities in writing.

3.10 The Clearing Member shall be required to provide reports / statements of daily and final settlement of trades, margin amounts and open positions to the CP, periodically as may be mutually agreed.

4. Rights of the Custodial Participant

4.1 The CP shall be entitled to have all the trades, executed through any trading member(s) & cleared and settled through the Clearing Member.

4.2 The CP shall be entitled to receive intimation from the Clearing Member about the margin / capital limits (including any increase or reduction in such limits) upto which open positions can be taken by the CP.

4.3 The CP shall be entitled to receive reports / statements of daily settlement, obligation reports, delivery reports/ final settlement reports, from the Clearing Member, periodically as may be mutually agreed.

4.4 The CP shall be obliged to pay to / entitled to receive from, the Clearing Member such amounts towards daily and final settlement of contracts, as per the requirement of MCX.

4.5 In the event of the Clearing Member being declared a defaulter by MCX, the CP, unless the CP himself has defaulted to the Clearing Member, shall be entitled to transfer his open positions to some other Clearing Member and recover any costs incurred for such transfers from the Clearing Member.

4.6 In the event of failure by the Clearing Member in the payment of any dues to CP, the CP shall, with the prior approval of MCX have the right to transfer his own open positions immediately to another Clearing Member. The CP shall also have the right to recover from Clearing Member any costs incurred for transfer of the open positions.

4.7 In case the open positions of the CP are closed-out due to the default of the Clearing Member, the CP, unless the CP himself has defaulted to the Clearing Member, shall be entitled to recover such loss from the Clearing Member.

5. Obligations of the Custodial Participant

5.1 The CP shall pay to the Clearing Member such deposits in such form as the Clearing Member may specify from time to time.

5.2 Without prejudice to the generality of the above, the CP shall place with the Clearing Member such amount as may be decided by the Clearing Member as deposit which shall be continuously maintained during the subsistence of this agreement. Subject to the provisions of Rules and Bye Laws of MCX, the Clearing Member shall be entitled to initiate any action necessary to protect his interest in this regard against the CP.

5.3 The CP shall pay to the Clearing Member such fees, charges or commission in respect of various services which he renders or agrees to render to the CP at such intervals as may be mutually agreed upon by them.

5.4 The CP shall pay to the Clearing Member margins of such amounts as may be prescribed by MCX from time to time including additional margins, if any or such higher amount of margins as may be mutually agreed with the Clearing Member. The margins shall be deposited by the CP within such time and in such form as may be specified by the

Clearing Member.

5.5 The CP shall be obliged to pay to / entitled to receive from, the Clearing Member such amounts towards daily and final settlement of contracts, as per the requirement of MCX.

5.6 The accounts shall be settled on a periodical basis as may be mutually agreed between the Clearing Member and the CP.

5.7 The CP shall be obliged to reimburse to the Clearing Member any loss caused due to the closing out / liquidation of his open positions initiated by the Clearing Member, on account of non-payment of dues by the CP towards margins, additional margins, daily settlement of contracts, final settlement of contracts, fees, charges, commission, penalties, expenses and any other sum, as per the requirement of MCX.

5.8 The CP shall do all such acts, deeds and activities that are necessary for the purpose of strict compliance with the Rules and Bye Laws of MCX by the Clearing Member.

5.9 If due to the default of the CP, the open position of the CP is closed-out and any loss is incurred due to such close-out, the CP shall be liable to reimburse such loss to the Clearing Member.

6. Termination of the Agreement

This agreement entered into between the Clearing Member and the CP may be terminated by either of the parties by giving at least one month written notice to the other party or as may be mutually consented. A copy of such notice shall be given to all the trading members through whom the CP trades at such time and also to the Clearing House of the Exchange. The Clearing Member shall further request the Clearing House of the Exchange for cancellation of the CP code allotted to the Custodial Participant, with effect from the date and time at which this agreement is terminated. Such cancellation or termination shall not have any effect on transactions executed before the time and date of termination and the parties shall enjoy the same rights and shall have same obligations in respect of such executed transactions.

7. Mode of Communication

Any communication between the Clearing Member and the CP shall be made in any one or more of the following ways:

(a) sending through electronic mail
(b) delivering by post
(c) sending by registered post
(d) sending under certificate of posting
(e) sending by express delivery post / courier services
(f) sending by fax
(g) affixing on the door at the last known business or residential address
(h) advertising at least once in any prominent daily newspaper

8. Force Majeure

No liability shall result to either party for delay in performance or non-performance of the obligations under the agreement caused and / or contributed to by any event of force majeure. For purposes of this clause, "force majeure" means and includes wars, insurrections, revolution, fires, floods, epidemic, quarantine restrictions, declared general strikes in relevant industries, act of God, act of governmental / statutory / regulatory / legal authority and such other acts or events beyond the control of the non-performing party.

9. No assignment

Neither party shall be entitled to assign or otherwise transfer this agreement or any benefits, rights, obligations or interests herein whether in whole or in part to any other agency without the prior written consent of the other.

10. Non-waiver

No forbearance, delay or indulgence by either party in enforcing the provisions of this

agreement shall prejudice or restrict the rights of that party nor shall any waiver of its rights operate as a waiver of any subsequent breach and no rights, powers, remedies herein conferred upon or reserved for either party is exclusive of any other right, power or remedy available to that party and each right, power or remedy shall be cumulative.

11. Arbitration

11.1 All disputes, differences or questions arising out of or in relation to the agreement including the interpretation of the terms contained herein with regard to the obligations, failure or breach thereof by any of the parties and / or of any matter whatsoever arising out of the agreement, shall in the first instance be resolved mutually by the parties.

11.2 If the parties fail to resolve the same mutually, then the same shall be referred to the arbitration in accordance with the Rules and Bye laws of MCX.

12. Jurisdiction

This agreement shall be subject to the exclusive jurisdiction of the courts in _____.

IN WITNESS THEREOF, the parties to this agreement have caused these presents to be executed as of the day and year first above written.

Signed for and on behalf of
CLEARING MEMBER:
By:
Signature:
Title:
Witness:

Signed for and on behalf of
CUSTODIAL PARTICIPANT :
By:
Signature:
Title:
Witness:

Annexure 4

APPLICATION FROM CLEARING MEMBER FOR ALLOTMENT OF CUSTODIAL PARTICIPANT (CP) CODE

(On the letter head of the Clearing Member)

Date:
Multi Commodity Exchange of India Limited
Exchange Square 3rd Floor,
Suren Road, Chakala
Andheri (East), Mumbai 400 093

Dear Sir,

Sub: Allotment Of Custodial Participant (CP) Code

Member Code _____
SEBI Registration No. _____

We wish to inform you that we have been appointed as Clearing Member by M/s (Name of Custodial Participant) who desires to trade through a single or multiple trading members at MCX. The letter of Custodial Participant confirming the appointment is attached herewith.

Details of the Custodial Participant are as follows:

Name of the Custodial Participant	
Registered Office / Address	
Name of contact person & designation	
Telephone No. & Fax No.	
Email id of contact person	
SEBI Registration No. (if available)	
PAN details	

We will undertake clearing and settlement of the trades done on behalf of the above mentioned Custodial Participant in MCX. We have entered into an agreement dated_____ with M/s _____ *(*Custodial Participant*)* for the purpose, as required and a copy of the same is attached.
We therefore request you to allot CP code and oblige.
Yours sincerely

Authorised Signatory

Annexure 5

APPLICATION FOR CHANGE OF CLEARING MEMBER FROM THE CUSTODIAL PARTICIPANT

Date:

Multi Commodity Exchange of India Limited
Exchange Square 3rd Floor,
Suren Road, Chakala
Andheri (East), Mumbai 400 093

Dear Sir,

Sub: Change of Clearing Member affiliation from _____ (Member Code _____ to _____(Member Code_____)
Ref: CP Code:

We wish to terminate the arrangement, in respect of clearing and settlement of our trades on the Exchange, with the said clearing member M/s. _____, with effect from._____ at close of market hours.
M/s _____ another Clearing Member of the Exchange will take over all our open positions from M/s _____ *(outgoing Clearing Member)*, for the purpose of settlement and clear and settle the trades done on the Exchange, on our behalf with effect from. _____(at start of market hours).

We attach the following documents for effecting the change:

- Letter dated _____ of M/s _____ *(outgoing Clearing Member)*
- Letter dated _____ of M/s _____ *(incoming Clearing Member)*
- Agreement dated_____ between M/s. _____ *(incoming Clearing Member)* and ourselves.

We, therefore, request that all our open positions be transferred from _____ *(outgoing Clearing Member)* to _____ *(incoming Clearing Member)* after the close of market hours of _____.
We forward this letter to you through M/s _____ (*incoming Clearing Member)*.
Yours sincerely

Authorised Signatory
Cc to: Trading Member(s) through whom the CP shall trade

Annexure 6

NO OBJECTION LETTER FROM OUTGOING CLEARING MEMBER
(On the letterhead of the Outgoing Clearing Member)

Date:
Multi Commodity Exchange of India Limited
Exchange Square 3rd Floor,
Suren Road, Chakala
Andheri (East), Mumbai 400 093
Dear Sir,
Sub: NOC for Change of Clearing Member affiliation
Member Code _____
SEBI Registration No. _____
It is agreed between M/s. _____ (CP Name) *(CP Code_____)* and ourselves to terminate the agreement dated …… for clearing and settlement of the trades done on behalf the said Custodial Participant on the Exchange with effect from. _____ at close of market hours
We shall clear and settle the trades of the above said CP till _____(at close of market hours). Accordingly, the obligation in respect of the trades done on behalf of the said CP at the Exchange will be met by us till the said date or when the CP's open positions are transferred to another Clearing Member, whichever is later.
Yours sincerely

Authorised Signatory

Annexure 7

CONSENT LETTER FROM THE INCOMING CLEARING MEMBER
(On the letterhead of the Incoming Clearing Member)

Date:

Multi Commodity Exchange of India Limited
Exchange Square 3rd Floor,
Suren Road, Chakala
Andheri (East), Mumbai 400 093

Dear Sir,

Sub: Consent to act as Clearing Member for M/s _____ (Custodial Participant's Name and Code)

Member Code _____
SEBI Registration No. _____

We wish to inform you that we have been appointed as Clearing Member for M/s _____ in respect of his trades through a single or multiple trading members at the Exchange. Details of the Custodial Participant are as follows:

Name of the Custodial Participant	
Registered Office / Address	
Name of contact person & designation	
Telephone No. & Fax No.	
Email id of contact person	
SEBI Registration No. (if available)	
PAN details	

We hereby agree and undertake to act as Clearing Member and to clear and settle the trades on behalf of M/s. _____*(* Custodial Participant*)*. We have entered into an agreement dated_____ with M/s _____ *(*Custodial Participant*)* for the purpose, as required and a copy of the same is attached.

You are requested to transfer the open positions, if any, of M/s. _____ *(name of the* Custodial Participant*)*, to our account with effect from. _____(at start of market hours).

We undertake to clear and settle all open positions and margin obligations of the above said Custodial Participant with effect from._____.

Yours sincerely

Authorised Signatory

Annexure 8

APPLICATION FOR AVAILING THE TRADING FACILITY ON BEHALF OF CUSTODIAL PARTICIPANTS

(On the letter head of the Member)

Date:

To
Trading Department
Multi Commodity Exchange of India Limited
Exchange Square, 3rd Floor,
Suren Road, Chakala
Andheri (East), Mumbai 400 093

Dear Sir,
Sub: **Enabling User ID for Institutional trading facility**

You are hereby requested to allow us the Trading facility on behalf of Custodial Participants for the following Users:

S. No	**User ID**	**User Name**

I/ We shall be solely responsible for all the orders/ trades placed through the aforesaid user Ids.
Kindly do the needful.
Member Name

Authorized Signatory
Member ID:

Annexure 9

LIST OF COMMODITIES PRESENTLY EXEMPT FROM COMMODITIES TRANSACTION TAX (CTT)

Sr. No.	Commodity
1	Almond
2	Barley
3	Cardamom
4	Castor Seed
5	Chana/ Gram
6	Copra
7	Coriander/ Dhaniya
8	Cotton
9	Guar Seed
10	Isabgul Seed
11	Jeera (Cumin Seed)
12	Kapas
13	Maize Feed
14	Pepper
15	Potato
16	Rape/ Mustard Seed
17	Raw Jute
18	Red Chilli
19	Soya Bean/ Seed
20	Soy Meal
21	Turmeric
22	Wheat
23	Ani Seed
24	Arhar Chuni
25	Bajra
26	Betel Nuts
27	Celeryseed
28	Chara or Berseem (including Chara Seed or Berseem seed)
29	Cinnamon
30	Cloves
31	Cotton pods
32	Cotton seed
33	Ginger
34	Gram Dal
35	Gram Husk (Gram Chilka)
36	Groundnut
37	Jowar
38	Kulthi
39	Lakh (Khesari)
40	Linseed
41	Masur

42	Methi
43	Moth
44	Mung
45	Mung Chuni
46	Mung Dal
47	Nutmeg
48	Onion
49	Peas
50	Ragi
51	Rice Bran
52	Rice or Paddy
53	Safflower
54	Seedlac
55	Sesamum (Til or Jiljilli)
56	Small Millets
57	Sunflower seed
58	Tur (Arhar)
59	Tur Dal (Arhar Dal)

Annexure 10

FORMAT FOR DATA REQUEST

(On Letter Head of the Member)

Date:
Clearing & Settlement Department
Multi Commodity Exchange of India Limited
Exchange Square 3rd Floor,
Suren Road, Chakala
Andheri (East), Mumbai 400 093

Dear Sir,

Sub: Requisition for data

You are requested to provide us the data as under:

Sr. No.	**Type of Report**	**Period of Report**
1		
2		
3		
4		

Thanking you,

Authorised Signatory
(Members Name)
Member ID:
Contact No:
Email Id:

Annexure-11

(To be issued by the Member on the letterhead)

Date: _____

The Membership Department
Multi Commodity Exchange of India Limited
Exchange Square
Suren Road, Chakala,
Andheri (East),
Mumbai – 400 093.

Dear Sir,

Shifting of Settlement account and Client account

This is to inform you that we wish to shift our Settlement account and client account from (name of existing Clearing Bank) to (name of new Clearing Bank).
We hereby confirm that there are no dues pending towards the Exchange and request you to consider shifting of accounts and give us your consent for the intended shift.
Thanking you.

Yours faithfully
For _____

Signature of the authorised signatory
Name of the authorised signatory
(Affix rubber stamp of the member)

Annexure-12

(To be issued by the existing Clearing Bank on its letterhead)

NO OBJECTION CERTIFICATE

We, as a Clearing Bank to Multi Commodity Exchange of India Ltd., have been providing the clearing services to (name of the Member), a member of the Exchange.

The said member desires to appoint other Bank as their Clearing Bank and has requested us to close his settlement account and client account with us.

We hereby inform that we do not have any objection in the said member appointing other Clearing Bank for the purpose.

The settlement account number of the said member with us is (settlement account no.) and client account number is (client account no.). These said accounts will be closed on receipt of a request of the member on its opening settlement and client accounts with other clearing bank.

For and on behalf of the (name of the Bank)

Authorised Signatory
(Affix bank seal/stamp)

Annexure-13

(To be issued by the Member on its letterhead)

Date: _____

The Membership Department
Multi Commodity Exchange of India Limited
Exchange Square
Suren Road, Chakala,
Andheri (East),
Mumbai – 400 093.

Dear Sir,

Shifting of Settlement account and Client account

In continuation of our letter dated _____, for **Shifting of Settlement account and Client account**, we hereby inform you that we have opened accounts with (name of the new clearing bank), as detailed below:

SETTLEMENT ACCOUNT - _____(ACCOUNT NO.)_____

CLIENT ACCOUNT - _____(ACCOUNT NO.)_____

Thanking you.

Yours faithfully
For _____

Signature of the authorised signatory
Name of the authorised signatory
(Affix rubber stamp of the member)

Annexure-14

(To be issued by the new Clearing Bank on its letterhead)

Date: _____

The Membership Department
Multi Commodity Exchange of India Limited
Exchange Square
Suren Road, Chakala,
Andheri (East),
Mumbai – 400 093.

Dear Sir,

Settlement and Client accounts

This is to inform you that we are one of the Clearing Banks of the Exchange and that one of the members of the Exchange, (name of the member of MCX) has appointed us as their Clearing Bankers. We hereby confirm having opened the following accounts of the said member:

SETTLEMENT ACCOUNT - _____(ACCOUNT NO.)_____

CLIENT ACCOUNT - _____(ACCOUNT NO.)_____

For and on behalf of (name of the Bank)

Authorised Signatory
(Affix Bank seal/stamp)