CHAPTER II 1
MARKET OPERATIONS 2
11. Deposit 2
12. Additional Deposit 4
13 Trading Days: 16
14 Trading Hours: 16
15 Trading Parameters 17
16. Order Management 19
17. Matching Rules 21
18. Margin requirements 21
19. Clearing Banks 29
20. Clearing House 32
21. Delivery Procedure 34
21 A. [Norms Regarding Ownership, Net worth, Corporate Governance etc. for accreditation of Warehouse Service Provider (WSPs) 47
22. Approved Surveyors 51
23. Risk Management System 51
24. Surveillance: 54
25. Transaction Fee 56
26. Reports 58
27. Dealing with clients 58
27A. Disclosure of Proprietary Account Trading and "Pro-account Trading…..66
28. Brokerage 68
28A Exchange of Futures for Physicals (EPF) 68
FORM-A 73
APPROVAL OF EXCHANGE OF FUTURES FOR PHYSICALS (EFP) TRANSANCTION ... 73
CLIENT UNDERTAKING 75
FORM-B 76
APPROVAL OF EXCHANGE OF FUTURES FOR PHYSICALS (EFP) TRANSANCTION ... 76
CLIENT UNDERTAKING 78

CHAPTER II

MARKET OPERATIONS

11. Deposit

a) [1]**[Initial Security Deposit**: The members of the Exchange are required to pay interest free security deposit as prescribed by the Exchange at the time of admission, which will be used as initial margin for giving exposure to the members linked to the percentage of the margin applicable for each commodity. This is payable only by way of demand draft drawn in favour of 'Multi Commodity Exchange of India Limited' payable at Mumbai.

b) **Additional Deposit**: To increase the exposure limits for trading, the members may remit additional security deposit in the following forms:

1. Cash
2. Cash Equivalent:
   a. Bank Guarantee (BG) with approved bank
   b. Fixed Deposit Receipt (FDR) with approved bank
3. Approved securities as defined under section 2(h) of SC(R) Act, 1956 in demat form with the approved custodian(s) of the Exchange.
4. Warehouse receipt(s) of approved commodities issued by designated warehouse/ vault.

Additional security deposit can be submitted with the Exchange in the following manner:

(A) Additional security deposit in the form of cash and cash equivalent (BG and/or FD):

i. The ratio of Cash and Cash Equivalent shoule be maintained at 25:75

- This means that Cash should be maintained at 25% of the total of Cash and Cash Equivalent (i.e. Cash + BG + FD) and
- Balance 75% can be in the form of Cash and/or BG and/or FD.

ii. [2]Members maintaining Cash Margin Deposits of Rs. 50 lakh and above, may apply to the Exchange to be exempted from the requirement of having to maintain deposits in the specified ratio and can give BG and/or FDR of any amount without any upper limit. The format of the undertaking is available as Annexure – XXXIII.

[1] Amended vide Circular No.MCX/258/2005 dated 18/7/2005 w.e.f. 18/7/2005. Earlier Amended vide Circular No. MCX/227/2005 dated 17/6/2005 and Circular No.MCX/090/2005 dated 8/3/05.
[2] Amended vide Exchange Circular Ref. No. MCX/C&S/187/2007 dated 17/05/2007; prior to Amendment the said clause read as under:
"If the member is maintaining Cash of Rs. 50.00 lakh and above, then he can give BG and/or FD of any amount without any upper limit."

(B) Additional security deposit in the form of approved Securities (Equity shares/ Units of Mutual fund schemes[1]):

i. The custodian will do the valuation for the approved Securities[2] thus pledged with the Exchange after applying the hair cut. Such valuation will be considered for additional security deposit with following conditions,

- Valuation will be accepted with the upper limits as specified in Rule 12(d) below or as specified by the Exchange from time to time

ii. [3]Exchange will accept incremental securities files from the approved Custodian/s to facilitate the members on best efforts basis, the time intervals for which have been fixed as under:

File No.	File Run by the Custodian	Timelines for grant of limit
1	8:30 a.m.	Before 10:00 a.m. (before commencement of market)
2	1:30 p.m.	After 2:00 p.m.
3	5:00 p.m.	After 5:30 p.m.

(C) Additional security deposit in the form of Warehouse receipt (WR) of approved Commodities from the Exchange designated warehouse / vault along with valid quality certificate:

i. The Exchange will do the valuation for the warehouse receipts of approved commodities thus pledged with the Exchange after applying the hair cut. Such valuation will be considered for additional security deposit with following conditions,

- Valuation will be accepted with the upper limits as specified in Rule 12(e) below or as specified by the Exchange from time to time.

Maximum valuation of the said approved securities (equity shares) and/or warehouse receipts (collectively, i.e. B+C), allowed for consideration would be equivalent to the deposits maintained with the Exchange in the form of Cash and considerable Cash equivalent, as mentioned in point A above. It implies that if the member gives the shares worth of Rs, 100.00 lakh and warehouse receipts worth Rs. 50.00 lakh then he should have maintained equivalent amount (i.e. Rs. 150.00 lakh and above) in the form of Cash plus considerable BG/FD with the Exchange. In case the valuation of cash and considerable cash equivalents is not sufficient to accept the considerable valuation of the equity shares and warehouse receipts put together then the

[1] Amended vide Exchange Circular Ref. No. MCX/C&S/104/2013 dated March 15, 2013 wef December 05, 2012
[2] *ibid*
[3] Inserted vide Exchange Circular Ref. No. MCX/C&S/404/2012 dated 03/12/2012 wef December 05, 2012. Earlier notified vide Exchange Circular Ref. no. MCX/C&S/178/2011 dated May 06, 2011_and Exchange Circular Ref. no. MCX/227/2005 dated June 17, 2005

valuation of equity shares will be considered first, and the balance valuation acceptable will be considered for the warehouse receipts thus pledged.

The security deposit paid by the member is interest-free refundable deposit. Security deposit, whether initial deposit, additional deposit and margin, paid by the members constitute part of the Settlement Guarantee Fund. In case of surrender or transfer of membership right, the initial security deposit and / or additional security deposit is refundable subject to settlement of all pending dues, claims and charges. Initial Security deposit is subject to lock in period of 3 years.**]**

12. Additional Deposit

(a) **Forms of additional deposit:** The additional deposit / margin can be paid either in the form of demand draft or money transfer through the clearing bank or in the form of bank guarantee or fixed deposits, subject to conditions specified below. In case a member intends to get his additional security deposit released to him during its tenure or on its maturity, he shall send a request to the Exchange [1]through MCX eXchange or on the letterhead duly signed by the authorized signatory. . Any request for withdrawal of the additional security deposit will be considered by the Exchange subject to clearance of Exchange dues.

(b) [2]**Bank Guarantee:** The Exchange will accept bank guarantees strictly as per the format prescribed by it as per Annexure-IVa[3] issued by the banks as decided by the Exchange; list of banks are given in Annexure-V. Bank Guarantee for security deposit should be issued for a minimum period of 12 months and for additional margin for a minimum period of 3 months, with a specific claim period of minimum 30 days. If an issuing bank does not provide for a specific claim period beyond the expiry date, the maturity period of such Bank Guarantee shall be reduced by 30 days before the expiry date of Bank Guarantee, which shall be deemed as a claim period. The bank guarantee must be issued by the bank on behalf of the member himself. A third party bank guarantee instrument issued on behalf of some person other than the member himself will not be acceptable.

In Case where the Bank has executed a Master Bank Guarantee Agreement with the Exchange. The format of Fresh Bank Guarantee (BG) under the Master agreement will be accepted as per Annexure – IV(b)[4]

A member will be required to renew the bank guarantee submitted by him prior to its expiry. In case of renewal of bank guarantees with a specific claim period, the

[1] Amended vide Exchange Circular Ref. No. MCX/Tech/047/2010 dated 20/02/2010
[2] Revised as per Exchange circular no. MCX/C&S/313/2008 dated 01/10/2008
[3] Amended vide Exchange Circular Ref No. MCX/C&S/196/2009 dated May 14,2009
[4] Inserted as per Exchange Circular Ref. No .MCX/C&S/196/2009 dated May 14, 2009 (HDFC Bank)
Entered into Master Agreement with various banks vide Exchange Circular(s) Ref. No. MCX/C&S/059/2012 dated February 17, 2012 (ICICI Bank), MCX/C&S/015/2012 dated January 13, 2012 (Ratnakar Bank), MCX/C&S/318/2011 dated September 17, 2011 (Kotak Mahindra Bank Ltd), MCX/C&S/276/2011 dated August 05, 2011 (Axis Bank), MCX/C&S/117/2010 dated April 09, 2010 (IndusInd Bank), MCX/C&S/348/2009 dated August 26, 2009 (Yes Bank)

Members shall furnish the renewal document strictly in the prescribed format at least 7 working days before the date of expiry of the bank guarantee. The format for such renewal is given at Annexure-VI.

The Members may also opt to give a fresh bank guarantee in favour of Multi Commodity Exchange of India Limited instead of renewing the expired bank guarantees. A bank guarantee deposited by a member, which has expired, shall be excluded for the purpose of computing the benefit provided to such member towards exposure. The processing of bank guarantee instruments, its validation and upload in to the system will take at least 3 working days.

While submitting the Bank Guarantee, members shall ensure that the bank guarantee instrument strictly confirms to the format specified by the Exchange and that:

i. Bank Guarantee has to be on Non-Judicial stamp paper of minimum Rs.300/- or the value prevailing in the State where executed, whichever is higher.
ii. No relevant portion is left blank,
iii. All the blanks in the format are required to be duly filled/ cancelled, wherever necessary, by the issuing bank along with their stamp and signature against each blank, if filled separately
iv. All handwritten corrections and blanks are attested by the bank by affixing the bank seal/stamp along with the signature of at least one authorized signatory.
v. All irrelevant portions struck off on the printed format should also be authenticated by the bank by affixing the bank seal/stamp along with the signature of at least one authorised signatory.
vi. Each page of the bank guarantee should bear the bank guarantee number [and date/s as mentioned in the format][1] and should be signed (with bank's seal/stamp) by at least two authorised signatories of the bank.
vii. Expiry date and Claim period should be mentioned in Bank Guarantee
viii. It is free from any discrepancy.

In case the bank guarantee does not strictly conform to the above-mentioned conditions, the same shall not be accepted by the Exchange.

(c) [2]**Fixed Deposit Receipts:** Members may submit fixed deposit receipt (FDR) issued by the approved banks for the purpose of Additional deposit. The FDR should be issued in the favour of 'MCX - A/c MEMBER NAME' (e.g. MCX A/c-ABC Ltd) by any of the approved bank(s) as per Annexure-V.

The Member shall submit the fixed deposit certificate along with a letter issued by the member himself as per Annexure-VII. All such fixed deposits shall be under lien of

[1] Amended vide Exchange Circular Ref No. MCX/C&S/196/2009 dated May 14,2009
[2] Revised as per Exchange circular no. MCX/C&S/313/2008 dated 01/10/2008

the Exchange and the bank must confirm that such lien has been recorded and that the Exchange has first charge on such fixed deposit receipts by issuing a letter along with the fixed deposit receipt as per Annexure-VIII. The processing of fixed deposit instruments, its validation and upload in the system will take at least 3 (three) working days and therefore, the members should be entitled to get additional exposure limit at least after 3 (three) working days from receipt thereof by the Exchange.

1. Exchange prescribed formats for Submitting FDR:
   A. For Member Lien Letter – Annexure VII
   B. For Bank Lien Letter – Annexure VIII
      a. Fresh FDR – Annexure "VIIIA"
      b. Renewal FDR (with old FDR no.) – Annexure "VIIIB"
      c. Renewal FDR (with new FDR no.) – Annexure "VIIIC"
2. It should be in the name of "MCX A/c Member Name" (eg: MCX A/c – ABC Ltd.)
3. FDR should be accompanied with the Bank Lien Letter and Member Lien letter which should strictly comply with the Annexure C & Annexure D respectively and FDR no. to be mentioned on both these letters.
4. Endorsement by the member – On the reverse of FDR stamp affixed and signed.
5. Endorsement by the Banks - Any correction / Hand written instructions on the FDR.
6. The minimum value of FDR that may be accepted shall be Rs.50,000 and multiples thereof. The FDR should be issued for minimum period of 3 months in case of additional margin deposit and for a minimum period of 36 months in case of security deposit (Initial Margin)
7. In case of renewal of FDR, the member shall furnish the renewal letter from the respective issuing bank.
8. [The margin benefit for the Fixed Deposit Receipts so placed by the Members with the Exchange shall be granted up to the date of maturity of the fixed deposit receipt.

   At the end of the business day of maturity day of Fixed Deposit, the margin benefit shall stand withdrawn and the members limit will be reduced to the extent of matured Fixed Deposit Receipt. Members can either opt for the renewal of the instrument or submit a request to the Exchange for the release of the matured instrument & cancellation of lien marked in favor of the Exchange.][1]

To facilitate prompt service to the Members, they are allowed to submit their Bank guarantee (BG) / Fixed Deposit Receipts (FDR) instruments in the prescribed format to the regional offices of MCX.

[1] Inserted vide Exchange Circular Ref. No. MCX/C&S/073/2010 dated March 11, 2010 w.e.f. 01/04/2010

(d) [1]**[Securities:** Members can submit securities approved by the Exchange in demat form with the approved custodian(s) for the purpose of additional deposit. The scheme for depositing approved securities (equity shares in electronic form), is as under:

a) Equity shares as collateral/[2]**[units of approved mutual fund schemes]**

i. Members can deposit equity shares of approved companies and units of approved mutual fund schemes[3] in electronic form ('Demat Securities') in the designated depository accounts maintained by the Custodian(s) approved/appointed by the Exchange in this regard. These securities shall be pledged in favour of Multi Commodity Exchange of India Limited (the Exchange).

ii. The securities shall be subject to a minimum margin / hair cut as specified by the Exchange from time to time. The custodian does the valuation of the said shares pledged after applying the hair cut specified.

iii. The Exchange may issue / revise the list of approved securities and the margin / hair cut requirements from time to time.

iv. The securities will be accepted from a member with the following upper limits or such amount as may be decided from time to time:[4]

Sr. No.	Description	Applicable Haircut %	Maximum Limit (Net of Hair-Cut)
1	Shares of one Company (single ISIN) – **Annexure I**	As applied by stock exchange	Rs. 500 Lacs
2	Shares of one Company (single ISIN) – **Annexure II**		Rs. 500 Lacs
3	Shares of one Company (single ISIN) – **Annexure III**		Rs. 200 Lacs
4	Units of Mutual Fund Schemes (Single ISIN)	20%	Rs. 100 Lacs

[1] Inserted vide Circular No.MCX/227/2005 dated 17/7/2005 w.e.f. 28/6/2005.
[2] Inserted vide Circular No. MCX/C&S/104/2013 dated 15/03/2013 w.e.f.25/03/2013
[3] *ibid*
[4] Amended vide Exchange Circular Ref. no. MCX/C&S/318/2015 dated 09/11/2015 w.e.f. 16/11/2015.. prior to amendment the clause read as under:

"The securities will be accepted from a member with the following upper limits or such amount as may be decided from time to time:
a. Shares of single ISIN (one company) from List - A to Annexure - XIII - upper limit (Net of hair-cut) 4[Rs. 500 lakh]
b. Share of single ISIN (one company) from List - B to Annexure - XIII – upper limit (Net of hair-cut) Rs.200 lacs.}
c. Shares of all the ISINs (collectively) - upper limit of 4[Rs. 2500 lakh"
Earlier Modified vide Circular No. MCX/C&S/040/2014 dated February 15, 2014, wef from February 24, 2015, MCX/C&S/104/2013 March 15, 2013, MCX/C&S/313/2009 dated 29/07/2009 w.e.f. 01/08/2009. Amended as per Circular No. MCX/539/2006 dated 7/12/2006 w. e. f. 18/12/2006.

	– Annexure IV		
Total of Shares and Mutual Funds (all ISINs)			**Rs. 2500 Lacs**

v. In case of discontinuation of a security from the list of approved securities, the members should replace such securities within a period of 2 (two) working days or within such time as may be specified by the Exchange after which the valuation of such securities will be reduced from the additional security deposit.

b) Ownership of Securities

i. The securities that may be deposited shall be subject to the beneficial ownership of the Member, any of the partners of the Member or any of the directors of the Member, in case of individual, partnership or corporate Members respectively as the sole/first joint holder provided no depositor of securities shall be a minor as on the date of deposit thereof.

ii. In case of reconstitution/restructuring or any such change in the partners/directors of the Member, as applicable, a Member shall be required to replace the securities belonging to such outgoing partners or directors held in their name solely or jointly, as the case may be, immediately and no benefit shall be given by the Exchange for such securities towards Additional Margin Deposits or such similar requirements.

c) Securities not acceptable: The following securities shall not be accepted for the purpose of security deposit:

i. Securities not as per the approved list;
ii. Partly paid up securities;
iii. Securities subject to any lock in period, buy back scheme, any charge or lien, encumbrance of any kind or whose title is questioned before a Court or any regulatory body or such other limitations.

d) Opening of accounts:

i. Members are required to open a separate demat account with the Exchange approved custodian(s) for depositing securities.

ii. For this purpose, Members, who are individuals, may open an account in their name if securities offered are held in their names. Members who are a partnership firm may open an account in their partners' names if shares are held in the names of the partners as the case may be, and Members

who are corporate body may open an account in the corporate name or in the name of their designated directors as the case may be depending upon the beneficiary of shares. However, these accounts are required to be separate and used for the purpose of such deposit of securities only.

iii. Members who are interested in availing of this facility may get in touch with the officials of the approved Custodian(s) to ascertain the modalities with regard to deposit of securities.

e) Marking of pledge: Members along with joint holders, if any, may deposit dematerialized securities with the custodian by marking a pledge of the securities in favour of the Exchange. In addition to any document as may be required by the approved custodian(s) in this regard, the following documents are required to be provided to the approved custodian(s):

i. Deed of pledge is to be executed in the format prescribed by the Exchange and available with the approved custodian(s) on a non-judicial stamp paper of Rs.100/- or of such prescribed amount as may be applicable to an agreement if the deed of pledge is executed in the State of Maharashtra. In case the deed of pledge is executed outside the State of Maharashtra, the stamp duty payable in that particular State shall be payable, at the time of execution and the deed of pledge shall be stamped for the differential amount (if the stamp duty is higher in Maharashtra) within three months of its first receipt in the State of Maharashtra. The differential amount of stamp duty payable on such instrument shall be the amount of stamp duty in the State of Maharashtra, less the amount of stamp duty, if any, already paid under any law in force in India, when it was executed. Alternatively, the document may be stamped with stamp duty as applicable in the State of Maharashtra or as applicable in the State where document is executed, whichever is higher.

ii. Certified true copy of the relevant Board Resolution in case of a corporate body.

iii. Members and the joint holders, if any, shall give the necessary pledge instruction(s) to the approved Custodian for the securities to be pledged in favour of the Exchange. Once the securities are accepted and duly pledged by the approved Custodian, the approved Custodian shall inform the Exchange the value of the securities after adjusting the relevant margin percentages / haircut as stipulated by the Exchange and the same shall be considered as additional margin deposit.

f) Valuation

i. Equity share and units of mutual funds scheme shall be clubbed with the approved securities to arrive at the eligible collateral valuation, subject to

single ISIN limit.[1] The value of the securities deposited will be reckoned at the last closing price / rate every day.

ii. Valuation will be done on the basis

a. at the rates prevalent at National Stock Exchange of India Limited (NSE),
b. in the event of the securities not being traded at NSE, the rates at The Stock Exchange, Mumbai (BSE).
c. In case a security is not traded in either of these stock exchanges on the date of valuation, the last traded price at NSE shall be considered and failing the same, the last traded price at BSE would be reckoned for this purpose.

However, in case any security is not traded during the six months preceding the date of such valuation, the same will not be considered for the purpose of valuation.

iii. The valuation as explained above shall be reduced by the relevant margin percentage (hair cut) to arrive at the collateral value of the securities. Only the value net of margins so arrived (hereinafter referred to as `net value') shall be considered as the value of such securities.

iv. The approved custodian(s) shall do valuation of securities daily or at such regular intervals and in such manner as may be specified by the Exchange.

v. [2][The securities that are accepted by MCX towards collateral are divided into two Groups; Group 1 consisting of those securities that are included in the NSE NIFTY and Group 2 consisting of part of the other securities which are acceptable as collateral by NSE from time to time, Group 2 is further divided into sub-categories.

vi. The applicable haircut will be as defined in the approved securities circular issued by the Exchange, from time to time, calculated on the basis of NSE prices.]

g) Release of securities deposited (cancellation of pledge)

i. Members may withdraw or replace the pledged securities from time to time.

ii. Members are advised to submit a letter for withdrawal of the pledged securities as per the format specified by the Exchange from time to time.

[1] Amended vide Exchange Circular Ref. no. MCX/C&S/104/2013 dated March 15, 2013. Prior to Amendment the clause read as under:
"The value of the securities deposited will be reckoned at the last closing price / rate every day as being provided by National Securities Depository Ltd. (NSDL) or the Central Depository Services (India) Limited (CDSL), as the case may be, to the approved custodian(s) prior to the date of deposit."

[2] Amended vide Exchange Circular Ref. No. MCX/C&S/318/2015 dated 09/11/2015 w.e.f. 16/11/2015 Earlier amended vide Exchange Circular Ref. Nos. MCX/C&S/040/2014 dated February 15, 2014 w.e.f. February 24, 2015, MCX/C&S/357/2007 dated 9/10/2007 w.e.f. 10/10/2007.

iii. The Exchange may consider the request for release provided

a. such member has no outstanding obligations / positions / dues towards the Exchange if any, and that there is no other liability under the Rules, Bye-Laws and Business Rules of the Exchange, and
b. the Exchange is of the opinion that such release does not entail any risk.

iv. Upon receipt of a request from a Member for withdrawal of securities, the Exchange may in accordance with the provisions detailed above, inform the approved custodian(s) to release such specific securities. The said custodian(s) shall then cancel the pledge marked in favour of the Exchange and release such securities to the said Member.

h) Custodian charges

i. The approved custodian(s) will specify the charges to be levied for the above services and the manner in which the payments are to be made to them.

ii. The Members shall pay the bills raised by the approved Custodian(s) within 15 days of receipt of such bills directly to the custodian. In case the concerned member does not pay such bills within the stipulated period, appropriate action, as may be decided by Relevant Authority or the Exchange, as it deems fit and proper, shall be initiated against the said Member.**]**

i) [1]**[Warehouse Receipts:** Members can submit warehouse receipt(s) of commodities approved by the Exchange towards additional deposit. The scheme of depositing the warehouse receipt(s) is detailed as under:

a) Warehouse Receipt (WR) as collateral

i) Members can deposit warehouse receipt (WR) of approved commodities from the designated warehouses/vaults approved/appointed by the Exchange in this regard. These WR(s) shall be pledged in favour of Multi Commodity Exchange of India Limited (the Exchange).

ii) The WR shall be subject to a minimum margin / hair cut as specified by the Exchange from time to time. The Exchange does the valuation of the said WR(s) thus pledged after applying the haircut specified.

[1] Inserted vide circular No.MCX/258/2005 dated 18/7/2005 w.e.f. 28/7/2005.

iii) The Exchange may issue / revise the list of approved commodities and the margin / haircut requirements from time to time.[1]

iv) The WR(s) will be accepted from a member with upper limits or such amount as may be decided by the Exchange from time to time.

WR(s) of all the commodities (collectively) -upper limit of Rs. 5000 lakh for TCM & Rs.10000 lakhs for ITCM/PCM.

v) In case of discontinuation of a commodity from the list of approved commodities, the members should replace the WR(s) of such commodities within a period of 2 (two) working days or within such time as may be specified by the Exchange after which the valuation of such WR(s) will be reduced from the additional security deposit.

vi) The commodity, whose quality certificate is expiring, needs to be revalidated. The member will be intimated of such expiring quality certificate at least 2 weeks in advance. The member in turn will initiate the process to get such commodity to be revalidated. During this revalidation process the valuation of the WR of the said commodity will be reduced for considering the additional security deposit.

vii) In case the member fails to initiate the revalidation process and if, only 5 days are left out for the quality certificate to expire, the valuation of the WR of such commodity will be reduced from additional security deposit. The member will be intimated of the same.

viii) As mentioned above, if after reduction of the valuation, the security deposits available with the Exchange are less than the margins utilized, then the member needs to bring in more security deposit on immediate basis. If the member fails to do so, the open positions of the member on the Exchange will be squared off by the Exchange in the way and manner it deems fit. Any loss incurred in the process of such square off will be on account of the member and that the member will have to bear the same in totality.

[1] List revised vide Exchange Circular Ref. No. MCX/C&S/114/2013 dated March 22, 2013. Earlier amended vide Exchange Circular Ref. Nos. MCX/C&S/072/2013 dated 27/02/2013, MCX/C&S/045/2013 dated 11/02/2013, MCX/C&S/357/2012 dated 18/10/2012, MCX/C&S/352/2012 dated 15/10/2012 , MCX/C&S/115/2012 dated 29/03/2012, MCX/C&S/264/2008 dated 12/08/2008, MCX/C&S/191/2007 dated 21/05/2007, MCX/C&S/066/2007 dated 16/02/2007, MCX/C&S/050/2007 dated 06/02/2007, MCX/006/2006 dated 04/01/2006, MCX/319/2005 dated 16/09/2005

b) Ownership of Warehouse Receipt (WR)

i) The WR(s) that may be deposited shall be subject to the beneficial ownership of the Member, any of the partners of the Member or any of the directors of the Member, in case of individual, partnership or corporate Members respectively as the sole/first joint holder provided no depositor of WR(s) shall be a minor as on the date of deposit thereof.

ii) In case of reconstitution/restructuring or any such change in the partners/directors of the Member, as applicable, a Member shall be required to replace the WR(s) belonging to such outgoing partners or directors held in their name solely or jointly, as the case may be, immediately and no benefit shall be given by the Exchange for such WR(s) towards Additional Margin Deposits or such similar requirements.

c) Warehouse Receipt (WR) not acceptable

The following warehouse receipts shall not be accepted for the purpose of security deposit:

i) WR(s) where the lien is not marked in the favour of the Exchange

ii) WR(s) of the commodities that are not in the list of approved commodities;

iii) WR(s) of the commodities whose quality certificate is not from the Exchange approved quality assayer

iv) WR(s) of the commodities whose quality certificate is not valid or has expired or if the expiry date is within 15 days from the date of deposit

v) WR(s) that are not of the designated warehouse/vault;

vi) WR(s) subject to any charge or lien, encumbrance of any kind or whose title is questioned before a Court or any regulatory body or such other limitations.

d) Marking of pledge

Members along with joint holders, if any, may deposit the WR(s) of the approved commodities with the Exchange by marking a pledge in favour of the Exchange. Following documents are required to be provided to the Exchange:

i) Warehouse Receipt (WR) of approved commodity duly pledged along with valid quality certificate.

ii) Deed of pledge is to be executed in the format prescribed by the Exchange on a non-judicial stamp paper of Rs.100/- or of such prescribed amount as may be applicable to an agreement if the deed of pledge is executed in the State of Maharashtra. In case the deed of pledge is executed outside the State of Maharashtra, the stamp duty payable in that particular State shall be payable, at the time of execution and the deed of pledge shall be stamped for the differential amount (if the stamp duty is higher in Maharashtra) within three months of its first receipt in the State of Maharashtra. The differential amount of stamp duty payable on such instrument shall be the amount of stamp duty in the State of Maharashtra, less the amount of stamp duty, if any, already paid under any law in force in India, when it was executed. Alternatively, the document may be stamped with stamp duty as applicable in the State of Maharashtra or as applicable in the State where document is executed, whichever is higher.

iii) Certified true copy of the relevant Board Resolution in case of a corporate body.

iv) Members and the joint holders, if any, shall give the necessary pledge instruction(s) to the Warehouse / vault for the WR(s) to be pledged in favour of the Exchange. Once duly pledged WR(s) are accepted, the Exchange will do the valuation of the WR(s) after adjusting the relevant margin percentages / haircut as stipulated by the Exchange and the same shall be considered as additional margin deposit.

e) Valuation

i) The value of the Commodities under the WR(s) deposited will be reckoned at the last closing price / settlement price of the previous day as being declared / disseminated by the Exchange for the near month contract of the said commodity.

ii) Valuation will be done on the following basis:

a. at the rates prevalent at MCX, for the near month futures contract of the said commodity

b. if the tender / delivery period has begun for the near month contract of the said commodity, then the rates of the immediate far month futures contract of the said commodity will be considered

c. in the event of the commodity not being traded at MCX, the rates of the spot market of the said commodity as decided by the Exchange will be considered.

i) The valuation, as explained above, will be reduced by the relevant margin percentage (haircut) to arrive at the collateral value of the WR(s). Only the value net of margins so arrived (hereinafter referred to as `net value') shall be considered as the value of such WR(s).

ii) The Exchange shall do valuation of WR(s) daily or at such regular intervals and in such manner as may be specified by the Exchange.

f) Release of WR(s) deposited (cancellation of pledge)

i) Members may withdraw or replace the pledged WR(s) from time to time.

ii) Members are advised to submit a letter for withdrawal of the pledged WR(s) as per the format specified by the Exchange from time to time.

iii) The Exchange may consider the request for release provided

a) such member has no outstanding obligations / positions / dues towards the Exchange if any, and that there is no other liability under the Rules, Bye-Laws and Business Rules of the Exchange, and

b) the Exchange is of the opinion that such release does not entail any risk.

iv) Upon receipt of a request from a Member for withdrawal of WR(s), the Exchange may process such request and issue a letter to the warehouse / vault to cancel the pledge marked in favour of the Exchange and release such WR(s) to the said Member.**]**

13 Trading Days:

[1][The Exchange shall operate on all days except on Saturdays, Sundays and Exchange specified holidays. A list of holidays for each calendar year will be notified by the Exchange in advance.

14 Trading Hours:

a. The Exchange will have trading session from Monday to Friday [2] for different commodities as under[3]:

Particulars	Trade Timing	Client Code Modification timing
All Nonagricultural Commodities	**10.00 am to 11.55 pm**	**11.45 pm to 11.59 pm**
Internationally linked agricultural Commodities(Cotton, CPO & Kapas)	**10.00 am to 9.30 pm**	**9.30 pm to 9.45 pm**
Agricultural commodities (Except internationally linked Agri Commodities)	**10.00 am to 5.00 pm**	**5.00 pm to 5.15 pm**

b. The Exchange may extend, advance or reduce trading hours by notifying the Members as and when it deems fit and necessary due to any technical or operational reasons.

[1] Phrase "on Saturdays" inserted vide Exchange Circular Ref. No. MCX/T&S/095/2014 dated March 20, 2014 pursuant to Directives of the Forward Markets Commission (FMC) vide letter no. 9/3/2013-MKT-I dated March 14, 2014. Earlier Business Rules 13 to 15(b) have been amended as per Circular No.MCX/160/2004 dated 6/12/04 w.e.f 6/12/04

[2] The Word "Saturday" substituted with the word "Friday " vide Exchnage Circular Ref. No. MCX/T&S/095/2014 dated March 20, 2014 pursuant to Directives of the Forward Markets Commission (FMC) vide letter no. 9/3/2013-MKT-I dated March 14, 2014. Prior to Amendment

3 The Table amended vide Exchange Circular Ref No: MCX/T&S/302/2015 dated October 29, 2015 pursuant to SEBI approval vide letter no SEBI/CDMRD/DMP/04/30412/2015 dated October 28, 2015. Prior to Amendment the table read as under:

Days	*Timings*	*Commodities*
Monday to Friday	*10.00 A.M. to 05.00 P.M*	*All Commodities*
	05.00 P.M. to 11.30 P.M.	*All Commodities except Agricultural Commodities*
Saturday	*10.00 A.M. to 2.00 P.M.*	*All Commodities.*

15 Trading Parameters

a) **Base Price:** At the time of making a contract available for trading on the system, the Exchange will decide its base price, which will be a notional price based on the spot market price of that commodity on the previous day and a notional carrying cost. However, this is done only on the first day of commencement of trading in a contract. For all subsequent days, the base price is taken as equal to official closing price of a contract for the previous trading day.

b) **Closing Price:** At the end of a trading day, the system calculates the Closing Price of each and every contract traded on the system. The logic for calculation of Closing Price is as follows:

i. Closing Price is equal to weighted average price of all trades done during the last 30 minutes of a trading day.
ii. If the number of trades during last 30 minutes are less than 10, then it is based on the weighted average price of the last 10 trades executed during the day.
iii. If the number of trades done during the day are less than 10, then it is taken as the weighted average of all the trades executed during the day.
iv. If no trades have been executed in a contract on a day, then the official closing price of the last day is taken as the official Closing Price.

Provided that in such cases, the Exchange will have the right to modify the Closing Price for the purpose of marking to market and making the open positions closer to the market.**]**

c) **Dissemination of Opening, closing, highest and lowest rates:** During the trading session, the Exchange will continuously disseminate opening, closing, highest and lowest rates through its trading system, which will be on real time basis.

d) **Life of the Futures Contract:** The life of a contract shall mean the period when the contract will be available for futures trading i.e., the period between the start of trading and the day it expires. This period may also be known as the trading cycle of the contract.

e) **Expiry Date:** Each Futures Contract shall expire on the close of trading on 15th or if 15th happens to be a holiday on the immediate previous working day of the Delivery Month prescribed for the contract.

Provided that if the preceding day is suddenly declared as holiday, then the contract shall be advanced after consultation with the Regulator.[1]

1 Amended vide Exchange Circular Ref. No. MCX/T&S/146/2008 dated 21/4/2008 pursuant to Directives of the Forward Markets Commission (FMC) vide letter no. 6/1/2007-MKT-II dated January 14, 2008. Prior to Amendment the clause read as under:
"Provided that if the preceding day is suddenly declared as holiday, then the contract shall expire on the succeeding working day."

Provided that the above expiry day shall apply in all such cases where the contract specification of a commodity specified by the Exchange does not lay down any other expiry day, as in such cases the expiry day of all contracts in that commodity will be the date as specified in that contract.

ea) [1]**[Change in Expiry Dates:**

i. The Exchange may advance expiry dates of running contracts when physical market is closed in the notified basis centre on the expiry day of the contracts due to festivals, strikes, erratic weather conditions etc.

ii. Decision about advancing of running contracts will be intimated to the trade participants at least 10 days before the revised expiry dates. The delivery period may be advanced accordingly for contracts having staggered deliveries. The final settlement prices of such contracts will be fixed as per the existing procedures.

iii. In case of sudden closure of physical market under any emergency situations noticed at the basis centre, the Exchange will decide further course of action in consultation with the Forward Market Commission. Under such circumstances, the final settlement prices of these running contracts would be fixed on the basis of the last polled spot price, which was disseminated to the trade participants.]

f) **Contractual Liability Termination:** Members can extinguish their contractual liabilities by either entering into an offset deal or by delivery.

g) **Invalidation of a Traded Contract**: The Exchange may invalidate a matched contract if according to the Exchange, a member has attempted to conclude the transaction in violation of the Bye-laws of the Exchange or with an intention of price manipulation, price rigging or price distortion.

h) **Settlement Guarantee:** The Exchange shall guarantee the settlement of the net settlement liability of the clearing members for all the trades done on the Exchange in accordance with the Bye-Laws of the Exchange. The settlement guarantee of the Exchange is confined only to the extent of settlement liability in terms of daily pay in and pay out as well as the final settlement as per the Due Date Rate.

i) **Governing Law / Jurisdiction:** Every Futures contract transacted as per Bye-laws of the Exchange shall take effect as a contract made in Mumbai in the State of Maharashtra and shall be governed by Indian Laws under the jurisdiction of the High Court, Mumbai.

j) **Due date Rate:** The Due date Rate with respect to a contract means the average of the closing prices of the last 5 trading days of the contract maturity or the average of last 5 days closing price in spot market (of the market / place which is the basis of that contract), whichever is higher. Provided that the Exchange shall

[1] Inserted vide Circular No.MCX/T&S/146/2008 dated 21/4/2008.

have the power to alter or modify such Due Date Rate on the basis of upcountry prices, if it is expedient to do so.

k) **Force-Majeure:** In case Import of Specified commodities (which are substantially dependent upon import from outside) under Open General License (OGL) is banned/canalised during the trading session and the official announcement is made about the same, then the outstanding contracts will be settled on the basis of preceding day's closing price. If however the official announcement regarding banning/canalising of Imported Specified commodities is made after the closing of trading then the outstanding contracts will be settled on the basis of the current day's closing price.

Any fluctuation / change in Import duty structure is on sellers' account.

In case of any natural calamity like flood, earthquake, strikes etc., which has such a substantial bearing on the physical market of that commodity that the availability of the commodity in the country is expected to reduce at least by 50%, making delivery of the commodity virtually impossible, then the Board will have the power to settle the contract before maturity, as per the official closing price, subject to FMC approval.

In case of system related problems, while the Exchange will attempt to rectify the problem at the earliest, though it will not be responsible for the consequential losses, if any.

l) **Contract Specifications:** The contract specification in respect of each underlying commodity in which futures trading has to commence will be notified in advance by the Exchange specifying full details of the quality standards, delivery procedure and other trading and settlement parameters relating to tick size, Unit of Trading, unit of delivery, delivery centers, minimum and maximum order size and the basis in terms of quality, etc. All such contract specifications will be notified as an Annexure to these Business Rules, which will form an integral part of these Rules and shall be binding on all members, traders, clients and constituents trading on the Exchange.

m) Any contract entered into in violation of these norms or not confirming to the specifications laid down by the Exchange shall be considered as void.

16. Order Management

(a) Order Types

The Exchange Members will be able to submit the following types of orders:

- ***Limit order***, specifying the price at (or better than) which the trade should be executed.

- ***Market order***, which should be executed at whatever be the prevailing price on or after submission of such order. If there is no market at that point of time, it takes the last traded price and remains in the system.
- ***Day orders*** are available for execution during the current trading session until executed or cancelled. All day orders will get cancelled at the end of the day during which such orders were submitted.
- ***Good till date***, which should be available for execution till end of the date indicated in the order or till the last trading day of that contract month, whichever is earlier.
- ***Good till cancel***, which is available for execution till maturity of the contract or till it is cancelled, whichever is earlier.
- ***Stop loss orders***, which are kept by the system in suspended or abeyance mode and are activated only on trigger of a price, as defined by the member.
- ***Immediate or Cancel (IOC)*** orders will get cancelled if not executed on submission of such an order. Such orders will not remain in the order book.

(b) Modification and cancellation of orders

A Member shall be permitted to modify or cancel his orders. The order can be modified by effecting changes in the order input parameters.

Time priority on order modification will not change for an order due to decrease in its quantity or decrease in disclosed quantity, otherwise the time priority of the order will change.

(c) Order Validation

Orders entered into the Trading System by the Members shall be subject to various validation requirements as prescribed by the Exchange including price and quantity restrictions as may have been decided by the Exchange. Orders that do not meet the validation checks will not be accepted by the Trading System.

- The Exchange may specify the minimum disclosed quantity for orders that will be allowed.
- The Exchange may specify the number of days after which Good Till Cancelled orders will be cancelled by the system.
- The Exchange shall specify the lot size in which orders can be placed for a contract traded on the Exchange.
- The Exchange shall specify from time to time price steps (tick size) in which orders shall be entered on the trading system of the Exchange.

17. Matching Rules

(a) The Exchange may launch more than one order book running either parallel or at different time spans, either with the same order matching rules or with different matching rules. The Exchange is also entitled to modify or change the matching rules relevant to any market or order books any time where it is necessary to do so.

(b) Without prejudice to the generality of the above, the order matching rules will have the following features:

- Orders in the Normal market will be matched on price -time priority basis.
- Best buy order shall match with the best sell order.
  (*The best buy order would be the one with the highest price and the best sell order would be the one with the lowest price.*)

(c) When an active buy/ sell order gets potentially matched with a passive buy/ sell order originating from the same 'Trading Member Id – User Id – Client Code' or 'Trading Member Id – User Id – CTCL Id – Client Code' combination as applicable, system shall cancel the counter side passive order and the active order shall be considered for further processing instead of executing the self-match trade. This functionality shall be called as Self-Match Prevention Functionality (SMPF). Self-Match Prevention Functionality would be applicable for all order categories and clients (including *OWN*), except Spread IOC/2L/3L orders and auction orders.[1]

18. Margin requirements

(a) The initial security deposit paid by a member will be considered as his initial margin deposit for the purpose of allowable exposure limit. Initially, every member is allowed to take exposure up to the level permissible on the basis of such initial deposit. However, if a member wishes to create more exposure, he has to pay additional deposit.

(b) If there is a surplus deposit lying with the Exchange towards margin, it is not refunded to the member, unless a written request is received from the member for refund. However, the member continues to get additional exposure limit on account of such additional / surplus deposit. In case of receipt of written request for refund of additional deposit, the same may be returned within 7 working days.

(c) [The Exchange shall deploy various risk management measures as follows:

(i) **Liquid Assets**: 'Liquid Assets' means assets as specified by the Exchange and/ or SEBI from time to time to cover various margins and deposit requirements

(ii) **Initial Margin**

[1] Inserted vide Exchange Circular Ref No. MCX/TECH/354/2014 dated October 28, 2014

'Initial Margin' means and includes margin computed through Value at risk (VaR) methodology to cover potential losses for at least 99% of the days subject to minimum percentage floor value as prescribed by the Exchange and/ or SEBI from time to time. The computation of portfolio initial margin would have two components. The first is the computation of initial margin for each individual contact. At the second stage, these contract initial margins would be applied to the actual portfolio positions to compute the portfolio initial margin. The EWMA volatility estimates for contracts shall be updated at discrete time points each day (with a gap of not more than 2 hours between any two consecutive updates and at the end of the trading session) and the latest available scaled up WMA volatility estimates would be applied to member/client portfolios on a real time basis. In order to achieve this, the estimated EWMA volatility (standard deviation) shall be scaled up by a factor of 3.5.

The Minimum value of initial margin would be subject to commodity specific floor value as may be specified by SEBI from time to time. Margins shall be computed at the level of portfolio of each individual client comprising his positions in futures contracts across different maturities. For Trading/Clearing Member level margins computation, margins would be grossed across various clients. The proprietary positions of the Trading Member would also be treated as that of a client for margin computation.

(iii) '**Extreme Loss Margin'** means margin to cover the loss in situations that lie outside the coverage of Initial Margin. Extreme Loss margins shall be such percentage of the gross open positions as may be prescribed by the Exchange and/ or SEBI from time to time and shall be deducted from the liquid assets of the clearing member on an online, real time basis.

(iv) **'Additional Margin'** means margins specified by the Exchange or SEBI over and above any other margins.

Exchange shall have the right to impose additional risk containment measures over and above the risk containment system mandated by SEBI.

(v) **'Tender period Margin/Pre-expiry Margin'** means the margin which may be increased gradually every day beginning from the pre-determined number of days before the expiry of the contract as applicable. The quantum of tender period margin as appropriate based on the risk characteristics of the particular commodity shall be decided by the Exchange from time to time.

(vi) **Special Margin**

[1][In case the price fluctuation in a contract during the trading session hits the upper or lower limits of the circuit filter applicable on that contract

[1] Amended earlier vide Circular No. MCX/344/05 dated 15/10/05, w.e.f 17/10/05. Earlier amended vide circular no. MXC/090/05 dated 8/3/05.

compared to the base price of the day and the circuit filter is relaxed, a special margin equivalent to the percentage by which the circuit filter is relaxed is applied.

Such special margin amount is immediately blocked out of available margin deposits of the members having outstanding position in that contract and in case the available margin of a member is not sufficient to cover such special margin required, then a margin call is sent to the member which is required to be remitted by the member immediately. In such case, since the available deposit is already exhausted, he is suspended from trading and such suspension continues during such trading session till collection of required margin amount is completed.]

Calendar Spread Benefit

A calendar spread is an open position of one expiration that is hedged by an offsetting position of a different expiration. Spread margin benefit shall be permitted in the following cases:

I. Different expiry date contracts of the same underlying.
II. Two contracts variants having the same underlying commodity

A charge of minimum 25% of the initial margin (ie a calendar spread benefit of approximately 75% of margins) on each of the individual legs of the spread shall be levied as calendar spread charge. In case of such spread positions additional margins shall not be levied.

No benefit in ELM would be provided for spread positions i.e. ELM shall be *charged on both individual legs.* Calendar spread benefit shall not be considered for the open position in a contract in tender/delivery period.

(vii) Delivery Period Margin:-

a. 'Delivery period margin' means margin levied by the Exchange on the long and short positions marked for delivery till the pay-in is completed by the member. Once delivery period margin is levied, all other applicable margins may be released. When a contract enters into delivery period towards the end of its life cycle, delivery period margin is imposed. Such margin is applicable on both outstanding buy and sales side, which continues up to the settlement of delivery obligation or expiry of the contract, whichever is earlier. The delivery period margin is calculated at the rate specified for respective commodity multiplied by the net open position held by a member in the expiring contract. When a seller submits delivery documents alongwith surveyor's certificate, his position is treated as settled and his delivery period margin to such extent is reduced. When a buyer pays money for the delivery allocated to him, his delivery period margin is reduced on

such quantity for which he has paid the amount. If delivery does not happen with respect to certain open position and is finally settled by way of difference as per the Due Date Rate, the delivery period margin is released only after final settlement of difference arising out of such closing out as per the Due Date Rate.

b. In case a member submits documentary evidence so as to prove that the position held by him in a futures contract is totally hedge position, based on physical stock in his custody, or based on his export or import obligation, he can claim exemption from payment of special margin, if any, imposed on such contract. Provided that such exemption is allowed only in case it is proved beyond doubt to the satisfaction of the Exchange that it is totally a hedge position.

c. In case of any failure in fulfillment of obligations on the part of a member, the Exchange is entitled to forfeit or utilize the margin deposits lying with the Exchange for meeting such obligations and in such a case, the total margin deposit of that member shall stand reduced to such extent.

(viii) **Minimum Liquid Networth Requirement:** 'Minimum Liquid Networth' means the Clearing Member's liquid assets arrived at after deduction of Initial margins, Extreme Loss Margins, Additional margins or any other margins as may be specified by the Exchange and/or the SEBI from time to time.

(ix) Mark to market settlement: 'Mark to market settlement' means settlement of all open positions of clients /members done on a daily basis in cash.

(x) **Base Minimum Capital:** 'Base Minimum Capital' means exposure free deposit required from members, as may be specified by the Exchange and /or SEBI from time to time.

(xi) **Settlement Guarantee Fund (SGF)**: 'Settlement Guarantee Fund' is the fund maintained by the Exchange which shall be used only for the purpose of settlement guarantee.]1

[1] The Clause (c) of Business Rule 18 is amended vide Exchange Circular Ref. No. MCX/T&S/276/2015 dated October 01, 2015 pursuant to SEBI Circular No CDMRD/DRMP/01/2015 dated October 01, 2015. Prior to Amendment the said clause read as under:

"(c) Different types of margins collected by the Exchange are as follows:

(i) Ordinary (Initial) Margin

Ordinary margin requirement is calculated by applying the margin percentage applicable for a contract on the value of the open positions after netting at the level of individual client and grossed across all clients in respect of client positions and on the value of open positions in respect of proprietory positions without any netting off between client and proprietory positions. If a member has open position in different contracts of the same commodity running concurrently, the member is required to pay margin separately on each of these contracts. Similarly, if a member has open position in different commodities, the total amount required is calculated as sum total of margin required in each contract in each commodity separately. The computation methodology in respect of ordinary margin is as follows:

- *Intra day-During the trading day the margin is calculated on the absolute difference between total sales in value terms and total buy in value terms in respect of all transactions executed in a contract during the day on client/proprietary basis in addition to previous day's open position carried forward at the official closing price of previous day.*

(d) [1][SPAN Margin Computation Methodology

i. Initial margin computation using SPAN (Standard Portfolio Analysis of Risk):

The initial margin will be computed using **SPAN** which is portfolio based margining system. The SPAN identifies overall risk in a portfolio of contracts for each client of a member.
SPAN calculates margin requirements of a portfolio of contracts; the prime objective of SPAN is to determine the largest loss that a portfolio might reasonably be expected to suffer from one day to the next day.

SPAN constructs scenarios of probable changes in prices and volatilities in order to identify the largest loss a portfolio might suffer from one day to the next. It then sets the margin requirement at a level sufficient to cover this one-day loss.

ii. Details of SPAN

• *End of day-At the end of the trading day, the margin amount is computed on gross position on individual client and proprietary basis in a contract in quantitative terms multiplied by the official closing price.*
(ii) Special Margin
[In case the price fluctuation in a contract during the trading session hits the upper or lower limits of the circuit filter applicable on that contract compared to the base price of the day and the circuit filter is relaxed, a special margin equivalent to the percentage by which the circuit filter is relaxed is applied.
Such special margin amount is immediately blocked out of available margin deposits of the members having outstanding position in that contract and in case the available margin of a member is not sufficient to cover such special margin required, then a margin call is sent to the member which is required to be remitted by the member immediately. In such case, since the available deposit is already exhausted, he is suspended from trading and such suspension continues during such trading session till collection of required margin amount is completed.]

Calendar Spread Benefit
A calendar spread is an open position of one expiration that is hedged by an offsetting position of a different expiration. Calendar spread benefit is permitted in margin computation in respect of open positions of a member at the client/proprietary level in contracts for the same commodity but of different expirations. The computation methodology of calendar-spread benefit is as follows:

Calendar spread benefit shall not be considered for the open position in a contract in tender/delivery period.

The calculation of calendar-spread benefit requires determination of Leg-1 and Leg-2. Leg-1 is the lesser of the aggregate of open buy contracts or of open sell contracts in the same commodity for a client. Leg-2 is the higher of the two.
The calendar-spread benefit is the aggregate of:

(a) (Around 75%) of the margin computed on the basis of the applicable rates on Leg-1 contracts; and

(b) (Around 75%) of the margin computed on the basis of the applicable rates on Leg-2 contracts multiplied by Leg-1 divided by Leg-2."]
(iii) Delivery Period Margin:-

a. When a contract enters into delivery period towards the end of its life cycle, delivery period margin is imposed. Such margin is applicable on both outstanding buy and sales side, which continues up to the settlement of delivery obligation or expiry of the contract, whichever is earlier. The delivery period margin is calculated at the rate specified for respective commodity multiplied by the net open position held by a member in the expiring contract. When a seller submits delivery documents alongwith surveyor's certificate, his position is treated as settled and his delivery period margin to such extent is reduced. When a buyer pays money for the delivery allocated to him, his delivery period margin is reduced on such quantity for which he has paid the amount. If delivery does not happen with respect to certain open position and is finally settled by way of difference as per the Due Date Rate, the delivery period margin is released only after final settlement of difference arising out of such closing out as per the Due Date Rate.

b. In case a member submits documentary evidence so as to prove that the position held by him in a futures contract is totally hedge position, based on physical stock in his custody, or based on his export or import obligation, he can claim exemption from payment of special margin, if any, imposed on such contract. Provided that such exemption is allowed only in case it is proved beyond doubt to the satisfaction of the Exchange that it is totally a hedge position.

c. In case of any failure in fulfillment of obligations on the part of a member, the Exchange is entitled to forfeit or utilize the margin deposits lying with the Exchange for meeting such obligations and in such a case, the total margin deposit of that member shall stand reduced to such extent."

Earlier amended vide Exchange Circular Ref. No. amended Rule 18 (c) (i) and (ii) as per Circular No. MCX/164/04 dated 7/12/04. w.e.f.7/12/04, MCX/344/05 dated 15/10/05, w.e.f 17/10/05, MCX/090/05 dated 8/3/05 MCX/T&S/469/2007 dated 29/12/2007 w.e.f.01/01/2008, MCX/180/2009 dated 27/04/2009.

[1] Amended as per Exchange Circular No.MCX/180/2009 dated 27/04/2009

The calculations in SPAN are executed by the Exchange/ Clearing House and results of these calculations are called Risk arrays. Risk arrays, and other necessary data inputs for margin calculation are then provided to members in a file called the SPAN Risk Parameter file (RPF).

Members can apply the data contained in the Risk parameter files, to their specific portfolios of contracts, to determine their SPAN margin requirements.

SPAN will estimate risk of portfolios, and re-value the same under various scenarios of changing market conditions.

iii. Risk Arrays

The SPAN risk array represents how a specific derivative instrument will gain or lose value, from the current point in time to a specific point in time in the near future (typically it calculates risk over a one day period called the 'look ahead time'), for a specific set of market conditions which may occur over this time duration.

The specific set of market conditions evaluated, are called the risk scenarios, and these are defined in terms of:

(a) How much the price of the instrument is expected to change over one trading day, and
(b) How much the volatility of that price is expected to change over one trading day

The results of the calculation for each risk scenario – i.e. the amount by which the contracts will gain or lose value over the look-ahead time under that risk scenario - is called the risk array value for that scenario. The set of risk array values for each contract under the full set of risk scenarios constitutes the Risk Array for that contract.

In the Risk Array, losses are represented as positive values, and gains as negative values. Risk array values are typically represented in the currency (INR) in which the contract is denominated.

SPAN further uses a standardized definition of the risk scenarios, defined in terms of

(i) the 'price scan range' or probable price change over a one day period,
(ii) and the price 'volatility scan range' or probable volatility change of the instrument over a one day period.

These two values are often simply referred to as the 'price scan range' and the 'volatility scan range'. There are sixteen risk scenarios in the standard definition. These scenarios are listed as under:

1. Price unchanged; volatility up
2. Price unchanged; volatility down
3. Price up by 1/3 of price scanning range; volatility up
4. Price up by 1/3 of price scanning range; volatility down
5. Price down by 1/3 of price scanning range; volatility up
6. Price down by 1/3 of price scanning range; volatility down
7. Price up by 2/3 of price scanning range; volatility up
8. Price up by 2/3 of price scanning range; volatility down
9. Price down by 2/3 of price scanning range; volatility up
10. Price down by 2/3 of price scanning range; volatility down
11. Price up by 3/3 of price scanning range; volatility up
12. Price up by 3/3 of price scanning range; volatility down
13. Price down by 3/3 of price scanning range; volatility up
14. Price down by 3/3 of price scanning range; volatility down
15. Price up extreme move, double the price scanning range (cover 35% of loss)
16. Price down extreme move, double the price scanning range (cover 35% of loss)

SPAN uses the risk arrays to scan probable Price market price changes and probable volatility changes for all contracts in a portfolio, in order to determine value gains and losses at the portfolio level.

As stated above, SPAN starts at the last Price settlement/ market price and scans up and down three even intervals of price changes ('price scan range').

After scanning of 16 different scenarios of Price settlement/ market price and volatility changes, SPAN selects the largest loss from among these 16 observations. This "largest reasonable loss" is the 'Scanning Risk Charge' for the portfolio

iv. Computation SPAN Portfolio Margin Requirement

The total margin requirements for a member for a portfolio of contracts will be computed as follows:

(i) SPAN will add up the Scanning Risk Charges and the Intra commodity Spread Charges and
(ii) Total Initial Margin requirement is equal to SPAN Risk Requirement (as per (i) above), less Inter-commodity Spread credits.

v. Updation of risk parameters:

The parameters for computation of SPAN margin shall be updated as decided by the Exchange/ Clearing Corporation from time to time. Risk

Parameter File (RPF) shall be updated based on the prices calculated at before start of market hours, 10:30 am., 12:30pm., 1:30 pm., 3:00 pm., 5:00 pm., 7:00 pm., 8:30 pm., 10:30 pm., and after end of market hours. The risk parameters files shall be made available to the members on MCX website.

In addition to the above timings, the Exchange may generate additional Risk Parameter File(s) in case of volatile market scenario.[1]

vi. Risk Reduction Mode (RRM)

The trading members/clearing members shall be mandatorily put in risk-reduction mode when 90% of the member's Liquid Assets available for adjustment against margins/deposits get utilized for margins/deposits. When a member moves in to risk reduction mode:

1. All unexecuted orders shall be cancelled.
2. Fresh orders placed by members shall be checked for sufficiency of margins and orders that do not satisfy sufficiency of margins will be rejected.
3. Fresh orders can be placed only in Regular Lot (RL) with Immediate or Cancel (IOC) time validation only.
4. Members will be able to trade in normal mode as and when the utilization goes below 85 %.
5. Multi-leg orders (Spread IOC/2L/3L) and stop loss orders would not be allowed.
6. Members would not be allowed to place fresh orders with custodian participant code.
7. Clearing members would not be allowed to approve/reject INST trades.
8. New order in Spread Product would not be allowed, when Member is in Risk Reduction mode.
9. Members (CM/TM) would be allowed to place Trade Modification request, when in Risk Reduction mode.
10. When a member is placed in Risk Reduction Mode, the following message shall be displayed in MAT / TWS "Member xxxxx is in voluntary square off".
11. When a member is removed from Risk Reduction Mode following message shall be displayed in MAT /TWS "Member xxxxx is out of voluntary square off".][2]

---

[1] Amended vide Exchange Circular Ref. No. Circular No: MCX/T&S/329/2015 dated November 20, 2015. Prior to Amendment the said clause read as under:

"The parameters for computation of SPAN margin shall be updated as decided by the Exchange/ Clearing Corporation from time to time. To start with, the parameters shall be updated 8 times in a day during trading, based on the prices calculated at 10:30 A.M., 01:30 P.M., 5:00 P.M., 7:00 P.M., 8:30 P.M. and 10.30 P.M., apart from end of the trading and Beginning of the trading.]"

[2] Inserted vide Exchange Circular Ref. No. MCX/TECH/250/2015 dated September 09, 2015 pursuant to SEBI/CDMRD/DMP/04/30412/2015 dated October 28, 2015

19. 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

---

[1] Business Rule 19 is Substituted vide Exchange Circular Ref. No. MCX/C&S/067/2015 dated March 04, 2015 w.e.f. April 01, /2015. Prior to substitution the Business Rule 19 read as under:

(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 the following Clearing Banks viz., [1][YES Bank], [1][Development Credit Bank Ltd.], [1][Bank of India, Citi Bank N.A., Corporation Bank, Kotak Mahindra Bank Ltd., State Bank of India, Union Bank of India,] [1][ICICI Bank Ltd.], [1][Punjab National Bank], [1][Canara Bank], [1][Dhanlaxmi Bank], [1][Tamilnad Mercantile Bank Ltd.], HDFC Bank, IndusInd Bank and UTI Bank 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 stated above:*

- ***Settlement Account or Clearing account****, in which the member will not have cheque book facility for issuing cheque to any outsiders. He can only issue cheque from this account for transfer of money from this account to his 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.*

- ***Client Account****, in which the member can deposit all cheques, cash, etc. received from the client and from this account he should issue cheque to his clients towards their receivable amount. The member will have cheque book facility in this account and he will also be entitled to issue transfer instructions to the bank for transferring money from this account to the Settlement account to meet his 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 between the members. For this purpose, the members of the Exchange will submit a letter to the bank, as per Annexure-IX for 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. In order to enable the Exchange to issue such instructions for debiting their account and also to authorize the Exchange in respect of freezing the account or to hold further debits, every member will be required to submit a written undertaking addressed to the bank to such effect. 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 account.*

(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:*

- *After end of the trading session every day, a file will be downloaded to the TWS of the members through FTP (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.*
- *The net obligation report will further provide the amount of margin deposit, margin utilized, available deposit / margin required, pay in / pay out amount, transaction fee payable / receivable, etc. The net obligation report is available and downloaded terminal wise and it is also consolidated at the member's level in terms of net obligation payable / receivable.*
- *On the basis of this file, the 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 next day morning at 10 am.*
- *The member must have sufficient clear balance in his settlement account so as to effect such debits. In case the amount of margin is payable, the member is not allowed to trade until he deposits required margin deposit alongwith additional deposit for enabling him to create fresh position. For collection of such required margin amount, the bank will run the margin file at 10 am and report to the Exchange*

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 "Vb") 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:

• 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.

• 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, as per Annexure-IX 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

---

electronically successful debits. However, for paying additional amount towards margin, the member has to send a fax to MCX specifying the amount he is interested to pay towards additional deposit / margin. On the basis of this written request, the Exchange will forward individual debit instructions to the bank for debiting the respective settlement account and crediting the Exchange settlement account. As soon as the Exchange gets such confirmation, the limits are accordingly increased.

- *Thereafter, at 10.30 am, the bank will run the debit files in respect of pay –in. The member must have sufficient balance in his account to meet his pay in obligation. By 10.45 am, the Exchange will get confirmation about the successful and failed instructions. In respect of failed instructions, the member is immediately suspended from trading. He is allowed to trade only when he pays the pay in obligation.*
- *In this process, trading permission is allowed to only those members who settle their margin as well as pay in obligation before 11 am, when trading commences.*

In case a member fails to meet the pay in obligation by 11 am on T + 1, the Exchange may commence the process of squaring off his position after 11 am, depending upon magnitude of the problem.

Earlier Amended vide Exchange Circular Nos. .MCX/C&S/046/2007 dated 3/2/2007, Appointed vide Circular No.MCX/C&S/091/2007 dated 7/3/2007,Circular No.MCX/255/2006 dated 27/6/2006, .MCX/481/2006 dated 11/11/2006, No. MCX/C&S/297/2209 dated 18/07/2009, .MCX/C&S/502/2099 dated 04/12/2009 .MCX/C&S/108/2010 dated 31/03/2010, .MCX/C&S/119/2011 dated 12/04/2011.

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.

(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:

- 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.

- The net obligation report will further provide the amount of margin deposit, margin utilized, available deposit / margin required, 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.

- 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.

- 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.

• 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.

Exchange shall run the pay-out files by 11.00 am to credit the member settlement account for the mark to market profits.

• 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.]

20. Clearing House

(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.

(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 Assistants for the Clearing House**: In respect of delivery of precious metals (gold and silver), a Clearing Member may nominate Clearing Assistants (not more than two for each delivery center), who shall be competent to sign on behalf of such member all clearing forms, vouchers, claim notes, receipts and other documents and transact on his behalf all such business as is necessary to be transacted in all matters connected with the operations of the Clearing House.

Each Clearing Assistant shall be issued an Identity Card by the Exchange, which shall be displayed by him on his person during his presence at the Clearing House premises. The member may apply for clearing assistant. Clearing Member who has to give or take delivery of precious metals or any other tender / delivery documents shall either attend personally in the Clearing House or be represented by his Clearing Assistant at the proper time.

(f) **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 or his Clearing Assistant.

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

(h) **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 Executive Committee which may act for members and their constituents in giving and taking delivery of precious metals.

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

(j) **Liability of the Clearing House:** The Clearing House shall not be deemed to guarantee the title, ownership, genuineness, regularity or validity of any delivery passing through the Clearing House and the only obligation of the Clearing House in this matter shall be to facilitate the delivery and payment in respect of delivery.

(k) **Liability of the Exchange:** No liability shall attach either to the Exchange, its officials, or to the Executive Committee or any member of the Executive Committee 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 Executive Committee or any member of the Executive Committee 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 Executive Committee or any Member of the Executive Committee in any way in respect of such delivery and any other documents.

(l) **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 these Regulations or any resolutions, orders, notices, directions and decisions of the Clearing House.

(m) **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 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.

(n) 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 shall 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.

21. Delivery Procedure

(a) **Delivery Period:** Each Futures Contract for specified delivery month shall be deemed to have entered the delivery period from such date of its expiry month, as specified by the Exchange in the relevant contract. The futures contract can be performed by delivery of the underlying commodity within this period on designated tender days fixed by the Exchange. Provided that the Exchange will have the right to fix, alter, extend or postpone such delivery period, if it is expedient to do so.

(b) **Designated Tender Days:** The tendering of deliveries shall be permitted only on specific tender days during the delivery period. Such tender days will be notified by the Exchange in advance.

(c) **Compulsory Tender of Delivery:** Any Member keeping an "Open Position" as at the close of business on the contract expiry date shall be obliged to compulsorily tender delivery for the entire short position or accept delivery for the entire long position, as the case may be. In case he fails to do so, penalty will be imposed on him for such failure and the open position of the member will be closed out at the due date rate.

(d) **Delivery Orders:** All deliveries tendered by Members on designated tender days shall be in the form of `Delivery Orders' issued in favour of the buyers, as per instructions of MCX. The Delivery Orders shall be filled up in the prescribed form and shall clearly state the contract particulars including quantity, quality and the

delivery center, along with full postal address of the place where goods are stored. The Delivery Orders must be received by MCX by 3 pm on the specified delivery days, otherwise it is treated as valid only for the subsequent delivery day.

(e) Each delivery order issued shall be in multiples of minimum deliverable lots and shall be designated for only one delivery center and one location in such center. The tenderer of delivery order shall also clearly disclose the identity of the Member/Registered Non-Member, if any, who shall be performing the delivery. The seller shall not issue delivery order at a place where there is a restriction against movement of goods from such place by any person or Government authority or local authority at the time of issuing such delivery order. The seller shall, at his cost, give permit to the buyer wherever such permit is necessary for movement of goods. If the seller is unable to supply such permit to the buyer, it will be treated as no delivery and he shall be liable to pay such penalty as may be applicable for failure to tender delivery.

(f) Delivery Order once submitted cannot be withdrawn or cancelled or changed, unless so agreed by MCX in writing.

(g) **Delivery Lot:** The Contracts traded at MCX are deliverable in such lots as may be specified for respective commodities. Members with a short open position opting to tender deliveries shall be permitted to issue Delivery Orders only in such lots. Any member with an open position of such number of contracts that is not convertible into multiples of deliverable lots then he shall be required to square-up such outstanding 'odd lot' before expiry of the contract so as to make the total deliverable quantity a deliverable lot. In case any member fails to square-up outstanding odd lot until the contract expires resulting into odd lot position at the end of the contract expiry day, the delivery upto the nearest completed delivery lot will happen in the usual manner, while the residual odd lot will be settled in the following manner:

a. If the buyer has an odd lot position, while the total sale position of the seller member is in market lot, the buyer shall be obliged to take delivery from the place notified by the seller (i.e. sellers' godown) and the buyer shall bear all transport expenses relating to such odd lot delivery.

b. If the seller has an odd lot position, while the total buy position of the buyer is in market lot, the seller shall be obliged to deliver the commodity at the place desired by the buyer and the seller shall bear all transportation expenses relating thereto.

c. If both the buyer and seller have odd lot position, then the cost of transportation relating to delivery of such odd lot shall be equally shared by both the parties.

Provided that irrespective of the settlement procedure relating to outstanding odd lot position as stated above, MCX shall be at liberty to

impose fine on the members for their failure to square off their odd lot position before maturity of the contract

Provided further the place of delivery, which may be opted by the respective seller and buyer above shall be permitted only at the delivery centers approved by the Exchange for that commodity.

(gg) [1]{**Odd Lot Treatment for Cotton Bales:** The Contracts traded at MCX are deliverable in such lots as may be specified in contract specification of respective commodities. Members with a short open position willing to tender deliveries shall be permitted to issue Delivery only in deliverable lots. Any member with an open position not in deliverable lots shall be required to square-up such outstanding 'odd lot' before expiry of the contract so as to make the total deliverable quantity in a deliverable lot. In case any member fails to square-up outstanding odd lot till the contract expires on the final day resulting into odd lot position at the end of the contract expiry day, the delivery upto the nearest deliverable lot will happen in the usual manner, while the residual odd lot will be settled in the following manner:

a. If the buyer has an odd lot position, while the total sale position of the seller member is in deliverable lot, the buyer shall be obliged to take delivery from the place notified by the Exchange or at the designated delivery center and the buyer shall bear all transport expenses relating to such odd lot delivery. In case of splitting of warehouse receipts, the commodity pay out will be declared on or after E+3 basis instead of E+2 basis.

b. If the seller has an odd lot position, the penal provisions as applicable to the seller default as specified in the delivery and settlement provisions of the contract shall apply.

c. If both the buyer and seller have odd lot position, then the outstanding position shall be closed out at Due Date Rate (DDR) and penal provisions as applicable to the buyer and seller applicable for odd lot shall be applicable

Provided that irrespective of the settlement procedure relating to outstanding odd lot position as stated above, MCX shall be at liberty to impose fine on the members for their failure to square off their odd lot position before maturity of the contract.

Provided further that the place of delivery, which may be opted by the respective seller and buyer above, shall be permitted only at the designated delivery centers approved by the Exchange.

[1] Inserted as per Circular No.MCX/C&S/470/2011 dated 23/12/2011

Provided further that in case settlement of the outstanding odd lot, as referred in the relevant contract of the commodity, considers it as delivery default and provides its settlement by way of penal provisions, the close out amount will not be less than 10% but not exceeding 20% of the Due Date Rate (DDR) of the relevant contract expiry. Out of the penalty levied 1.75% will go to IPF, 0.25% will be exchange administration and rest amount shall be passed on to the counter party.

Provided further that irrespective of the procedure relating to settlement of outstanding odd lot position as stated above, the procedure, if any, as specified in delivery and settlement procedure applicable for the relevant contract shall be final and MCX shall have liberty to amend, modify or alter the same as deemed appropriate from time to time.}

(h) **Permissible limits for Delivered Quantity:** The delivery shall be deemed to have been provisionally completed for each delivery order whenever the seller has delivered the quantity for that delivery order within a tolerance limit as may be specified from time to time. The delivery is considered as fully complete only after the buyer lifts delivery and confirms receipt of delivery with the same quantity and quality. Provided that if no confirmation or objection is received from the buyer within such time, as may be notified by the Exchange for specific commodity, delivery is considered as complete without any further recourse available to the buyer.

(i) **Delivery Grades:** The Members tendering delivery will have the option of delivering such grades of Commodities as permitted by MCX. The buyer will not have any option to select a particular grade and the delivery offered by the seller and allocated by the Exchange shall be binding on him.

(j) The Member tendering delivery will clearly specify the grade to be delivered in the Delivery Order. Once the delivery grade is specified, it cannot be changed for the same Delivery Order. Such delivery grade shall be in conformity with the surveyor's certificate accompanied with the tender document.

(k) **Delivery Centers:** Delivery centers shall be such centers as may be notified by the Exchange for respective commodities. Members shall be obliged to tender delivery orders only at such centers as may be required by the Exchange.

(l) **Freight adjustment factor / Discount/Premium on up country delivery:** The Exchange shall notify the Discount/Premium for delivery of Specified commodities at various delivery centers. The same shall be notified to the members within one month, prior to commencement of trading in the concerned contract.

(m) **Evidence of Stocks in Possession:** At the time of issuing the Delivery Order, the Member must satisfy MCX that he holds stocks of the quantity and quality specified in the Delivery Order at the declared Delivery Center.

(n) Each Delivery Order shall be accompanied by a certificate from an approved surveyor as to the physical verification and certification of quantity of stocks in possession of tenderer at designated delivery center and quality specifications in conformity with the specifications of the grade being tendered. Such certification shall be dated and issued on the basis of inspection carried out not more than fifteen days preceding the date of the Delivery Order.

(o) In case of delivery of vegetable oil against his position in a vegetable oil contract, if the Seller tenders delivery from his own or private storage tank, that particular tank shall be sealed at both the inlet and outlet valves by the approved surveyor, certifying quality and weight. However if the Seller opts to give delivery from an approved Tank Terminal, then the warehouse receipts duly issued and certified by the approved Tank Terminal and surveyors respectively shall accompany along with Delivery Order certifying quality and weight.

(p) The procedures followed for drawing samples and carrying out analysis tests shall be as per booklet issued by Bureau of Indian standards.

(q) The cost of survey and issuance of certification by an approved surveyor shall be borne by the Member submitting the Delivery Order.

(r) **Commingling of Vegetable Oil Stocks:** The Members originating the Delivery Order or their clients giving delivery shall be permitted to hold commingled stocks of tenderable grade of oil covered by the said Delivery Order which shall mean that such stocks may be mixed or kept together with other stocks of the same grade of oil duly certified by approved Surveyors.

(s) **Pricing of Delivery Order**: The basis price for a Delivery Order shall be the settlement price of the concerned contract on the day (which shall be a designated tender day) and on which the delivery is tendered. The basis price arrived at as above will have to be adjusted by applying Freight adjustment factor / Discount/Premium on up country delivery and the discount / premium in respect of quality.

(t) **Taxes, Duties, Cess and other Levies:** The price of all the contracts shall be quoted on the basis of "duties relating to import and excise paid" and "octroi paid". All other taxes including the Sales Tax, cess, municipal taxes or other levies shall be on account of the Member taking the delivery as Buyer. All the Sellers tendering goods shall have the necessary Registration from the Sales Tax and obtain other licences, if any, required by them. In case the selling member does not have a Sales Tax Registration number then he shall appoint an Agent/Nominee who has the required Sales Tax Registration and deliver the goods through him. The Member giving delivery and the Member taking delivery will exchange

appropriate tax forms as provided in law and as customary, and neither of the parties will unreasonably refuse to do so. In case any of the member or his client fails to provide necessary forms in respect of sales tax resulting into pecuniary loss to the either party, the Exchange will impose a charge on the party in default and after collection thereof, will pass on the same to the member, who or whose client has suffered such loss. In addition to above, the Exchange can impose additional penalty on the party in default.

(u) **Allocation of Delivery Orders**: MCX shall allocate all Delivery Orders received on tender days/expiry day from Members holding short open positions to Members holding long open positions before 4.00 p.m. on the same day, when the tender document is received. The allocation of Delivery Orders shall be done in a fair and equitable manner by MCX. The decision of MCX shall be final and binding.

(v) **Publication of Delivery Orders Issued and Allocated:** MCX shall display on its system, within reasonable time, full details of Delivery Orders received on each designated tender day and the allocation made against the same.

(w) **Acceptance of Allocated Delivery Orders:** The allocation of Delivery Orders to Members with net buy or long positions shall be final and binding on all members to whom it has been allocated and under no circumstances a member shall have any right to refuse or challenge the delivery allocation in his favour.

(x) **Payment by Member with Net `Buy' Position:** After receiving the notice of allocation of Delivery Order from MCX, the Member with net long position shall pay 100% value of the Delivery Order to MCX prior to 2.00 p.m. on or before the second working day (T+2) from the date of assignment of the delivery order, and obtain the Delivery Order. The payment shall be made through creating adequate credit balance in the designated clearing account of the member maintained with the Designated Clearing Bank.

(y) **Endorsement of Delivery Orders:** The Delivery Orders allocated to the member with net long position shall be freely endorsable by him to his clients who may be either a member or a client. Such allocation can also be made by the buying member in favour of a third party, but such allocation can be only once and subject to the full disclosure of details of the third party to be given to MCX. However in case of dispute or default involving the endorsee, the responsibility for contractual performance shall remain vested with the original assignee of the Delivery Order (the buying member).

(z) **Delivery Procedure:** The Member or his client or final endorsee in possession of a Delivery Order shall be obliged to take delivery within such period, as may be specified by the Exchange for specific commodity. He is also entitled to lift delivery on various days during such defined period, provided that on each day he

has to lift at least 1/10th of his total allocated delivery. In the event that the Member or his client in possession of Delivery Order is unable to lift the material within prescribed working days of receipt of Delivery Order, the seller shall claim and receive compensation at such rate, as may be decided by the Exchange for specific commodity in respect of warehouse charges, insurance charges, etc. In the same manner if the seller fails to give delivery on the scheduled date or if the seller's representatives is not available to effect delivery, the buyer shall claim and receive compensation at such rate, as may be specified by the Exchange for specific commodity.

(aa) The Buyer has to intimate to the seller the programme for taking delivery of the tendered goods at least 2 days in advance, with a copy to the Exchange. The Seller has to confirm and intimate in writing to the buyer with a copy to MCX at least 1 day in advance about his confirmation or change request in such schedule.

(bb) Weighment at the time of delivery: The goods tendered shall be weighed at Buyer's option, at the Seller's weigh-bridge or at an independent weigh-bridge to be mutually agreed, and weights determined in this manner shall be treated as final and fully binding on both the parties. The Buyer's representative shall present himself at the Seller's Storage Tank / warehouse installation at the time of delivery failing which the Seller reserves the right to proceed with sampling and weighment of the oil tendered for delivery even in absence of the Buyer's representative.

(cc) Delivery shall be treated as complete if the Seller supplies a quantity that is within the minimum and maximum prescribed quantity. When a certain quantity is supplied and if it falls short of minimum permissible quantity then the shortage will be calculated in relation to the mean of minimum and maximum quantity. Likewise when quantity supplied is more than maximum quantity then the balance shall be treated as excess quantity. For calculating such shortage or excess delivery, the total quantity delivered by a seller is to be considered collectively as well as the minimum truck load permissible in each instance.

(dd) In case of a shortage the Buyer shall be entitled to claim the difference between the price payable as per the Delivery Order and the market price on the date of delivery from the Seller if the ready market price is higher; whereas in case of excess delivery the Buyer will pay for the excess quantity at the price which is lower of the delivery order price or the ready market price on the date of delivery.

(ee) Sampling and Analysis at the time of Delivery:

In case the Buyer does not agree to the Surveyor's report as to the quality of the commodity, he shall desire for second sampling.

The system of drawing of samples tendered for delivery will be as prescribed in the Bureau of Indian Standards procedure. The samples shall be taken from the Seller's warehouse/ storage tank directly. Three Samples shall be drawn as under:

- One for the Buyer - First Sample
- One for the Seller - Second Sample
- One for final reference, if it becomes necessary - Third Sample

If the first sample collected by the Buyer and analyzed by the surveyor appointed by him, conforms to the specifications, then the goods tendered for delivery shall be accepted and no subsequent claims from the Buyer regarding quantum of rebate or any other indemnification shall be admissible nor sellers shall be obliged to pass any sealed samples to the Buyer if requested subsequently.

If the first sample as examined by the Buyer's surveyor fails to conform to the quality standards specified, the Buyer shall intimate the seller within 72 hours of collection of sealed sample along with a copy of the analyst's report. The seller shall immediately send the second sealed sample to an approved laboratory, which is also agreed by the buyer. The result of the same shall be binding on both the parties. In the event the Buyer and Seller do not mutually reach agreement as to the laboratory to be used for analysis, then MCX shall direct the seller to send the third sealed sample to any one of the approved laboratories / surveyor, as decided by the Exchange.

The analyst's report of the approved and agreed independent laboratory shall be forwarded by the seller to MCX under intimation to the Buyer within 72 hours of the submission of second sealed sample for analysis. MCX shall direct the party in whose favour the results have come to collect the cost of tests and detention charges from the other party. In case the commodity stands rejected then the seller shall be given 48 hours from the day of rejection to re-tender the goods. If the re-tendered goods does not conform to the quality standards, then it will tantamount to failure on the part of the seller to give delivery, which shall be closed out as per the Due Date Rate treating the same as shortage.

(ff) In order to ensure that tests are exactly comparable and that the results are consistent, the independent analyst shall determine the particular analytical test by applying the methods specified in relevant ISI. The analyst shall be required to append a certificate to that effect to the analysis report issued by him.

(gg) **Cost of Transportation and Insurance:** The Member taking delivery shall in all cases bear transportation and insurance cost from the seller's godown / storage tank to his destination, except as provided under Rule(g) above. The Member or his client issuing the Delivery Order and giving delivery shall maintain adequate insurance cover for commodity held in stock prior to delivery and in no circumstances either MCX or the Member or his client taking delivery will be responsible for any losses prior to delivery being completed.

(hh) **Payment by MCX to the Tenderer:** MCX shall pay the invoiced amount to the Member tendering delivery on completion of delivery and receipt of confirmation

from the buyer to this effect. However, if the buyer fails to confirm or raise objection within such time, as may be specified by the Exchange for respective commodity, then the Exchange will pass on the proceeds to the seller.

(ii) **Penalty for non performance:** In order to enforce strict discipline in respect of performance of contract, the Exchange will follow the following procedure:

a. One day prior to commencement of delivery period of a contract, all the members having outstanding position in the expiring contract will be required to submit in writing to the Exchange in specified format their intention for tendering or lifting delivery alongwith details of quality, quantity, delivery center, etc.

b. Any member who does not submit such intention will not be allowed to tender delivery in that contract. However, even if a buyer submits his intention to lift delivery, it may be possible that he does not get delivery either fully or partially or that he would get delivery but at a different delivery center compared to the center desired by him.

c. If a member does not submit his intention to give or lift delivery, he will have only two options:

i. To square off his position anytime before contract expiry; or

ii. To settle his position as per the Due date rate in case he fails to square off his position before contract maturity. However, in case the position is settled as per the Due Date Rate, the member is also subject to pay a penalty at the rate of 5 % of the Due Date Rate for the unsettled quantity, which is appropriated by the Exchange.

d. If a member submits his intention to give delivery, but subsequently he fails to do so, his position will be closed out at the Due Date Rate and he shall also be required to pay a penalty of 10 % of the Due Date Rate for the unsettled quantity. Out of such penalty collected by the Exchange, 90 % amount will go to the buyer to compensate him for making funds arrangement and not getting delivery.

e. If a member submits his intention to give delivery, but there are no buyers interested to lift delivery, then the position of both the buyers and sellers to such extent will be closed out as per the Due Date Rate and in addition to such DDR, the buyers will be required to pay a penalty of 2 % of the Due Date Rate, which will be paid to the seller.

f. If the buyer has submitted his intention to lift delivery, but subsequently when delivery is allocated to him, he fails to make payment for the delivery, then such buyer will be declared a defaulter and the position will be closed out as per the Official Closing Price of that day, while the delivery will vest

will the seller himself. In such cases, the Exchange imposes 10 % of the DDR as penalty on the buyer, out of which 90 % goes to the seller and 10 % is appropriated by the Exchange.

(jj) [1]{During tender and delivery period of commodity, members are required to submit the following documents including the documents relating to Sales tax/VAT

A. List of Documents:

1) The buyer member to submit his intention to take delivery along with the details of his client based on which the Exchange will mark delivery on priority basis.

2) The seller member is required to submit tender notice along with documentary evidence such as warehouse receipt and quality certificate to the effect that the seller is holding the goods at the time of giving tender notice.

3) The buyer member is to submit the sales tax/VAT registration number, name and address of buyer etc. for the purpose of raising the invoice by the seller.

4) The seller member to submit invoice favouring buyer member/buyer member's client.

1) Instructions:

i. Compliance on the part of the buying member

1. The buyer member is required to submit his intention in the specified format to take delivery on the expiry date of the contract in case of Both Option contract and on the respective tender days in case of seller's Option and Compulsory Delivery contract by 3.00p.m. (Specified format is enclosed in Annexure-I)

2. The buyer member is required to furnish the details of his client i.e name and client code to whom the marking of delivery will take place before delivery marking date failing which Exchange will mark delivery on its own.

3. The buyer member requires to furnish further details of his client such as name, address, and sales tax/VAT registration number along with the intention on the scheduled date and time in case of Both Option contract to enable the seller member to raise/issue invoice on the pay out date. If he fails

[1] Inserted as per Circular No.MCX/176/2005 dated 9/5/2005

to furnish these details at the time of giving intention then his intention to take delivery shall not be considered. In case of Compulsory Delivery and Seller's Option contract, the buyer member has to compulsorily furnish the same before the pay in (funds) day failing which seller member will be advised to issue invoice in the name of the buyer member.

4. The buyer member to submit the details of his representative such as identity proof etc. to lift the delivery from the warehouse to enable the Exchange to release **Delivery Order**. (Specified format is enclosed in Annexure-2)

5. Exchange will then issue Delivery Order to the buyer to lift the delivery.

ii. Compliance on the part of the Seller Member.

1) The seller member is required to submit tender notice in the specified format to take delivery on the expiry date of the contract in case of Both Option contract and on the respective tender days in case of Seller's Option and Compulsory Delivery contract by 3.00p.m. (Specified format is enclosed in annexure-3)

2) The seller member is required to furnish the details of his client to whom the marking of delivery will take place before delivery marking date failing which Exchange will mark delivery on its own.

3) At the time of submission of intention, seller member is required to furnish documentary evidence such as warehouse receipt and quality certificate along with his intention/tender notice in respect of his holding the goods at the warehouse.

4) The seller member to issue invoice in favour of the buyer and fax a copy of the same to the Exchange on or before declaration of pay out.

A time schedule of above activities is given hereunder for the information of the members: -

Sr. No.	Activities	Date and time. (For Both Option contract)	Date and time (For Sellers Option & Compulsory Delivery Contract)

1	Submission of intention and tender notice in the specified format by the buyer and seller respectively along with the required details such as the client to whom delivery will be marked	On the expiry day i.e. E day	On the tender days.
2	Submission of clients details such as the name, address Sales Tax/VAT registration number, a copy of form no. 'C' if applicable etc. by the buyer.	On the expiry day i.e. E day	On tender days at the time of giving intention or before pay in (funds) day.
3	Seller to be informed about the client details of the buyer by the Exchange to issue invoice.	E+1 working day	E+1 working day or on pay in of funds day
4	Seller to furnish a copy of invoice to the Exchange before declaration of funds pays out.	On E+3 working day before 11.00a.m.	On E+3 working day before 11.00a.m.
5	Buying member to submit the details of his representative such as identity proof to lift the delivery from the warehouse to enable the Exchange to release **Delivery Order**.	One day before lifting the delivery.	One day before lifting the delivery.
6	Settlement of funds towards sales tax/VAT, CST and any other taxes as applicable.	E+4 working day by 3.00p.m.	E+4 working day by 3.00p.m.

Note: 'E' means expiry day of the contract.

All the sellers tendering goods shall have the necessary registration from the Sales Tax/VAT authorities and obtain other licences, if any, required by them. In case the selling member does not have a Sales Tax Registration number then he shall appoint an Agent/Nominee who has the required Sales Tax/VAT Registration and deliver the goods through him. The Member giving delivery and the Member taking delivery will exchange

appropriate tax forms as provided in law and as customary, and neither of the parties will unreasonably refuse to do so. In case any of the member or his client fails to provide necessary forms in respect of sales tax resulting into pecuniary loss to either party, the Exchange will impose a charge on the party in default and after collection thereof, will pass on the same to the member, who or whose client has suffered such loss. An unregistered seller if he has collected the sales tax/VAT, has to refund the amount of tax so collected and also be liable to pay tax with penalty as applicable under relevant State Sales Tax laws. Similarly if a buyer submits exemption form though not eligible to claim exemption in such case he is liable to pay the applicable State Sales Tax with penalty as applicable under respective State Sales Tax laws.

In addition to this, the Exchange will impose additional penalty on the party in default as mentioned hereunder.

Sr. No.	Seller / Buyer	Default activities	Penalty amount in Rs.	Computation of penalty
1	Seller	Delay in issuing invoice	10/-	Per day of default
2	Seller	Sale without having local sales tax registration or through commission agent	2000/-	Per event
3	Buyer	Submission of tax exemption form but not eligible for the same	10/-	Per day of default
4	Buyer / Seller	Non furnishing of required documents as mentioned above (except the documents as mentioned in serial number 1, 2, 3) on time	2000/-	Per event

The above penalties are levied by the Exchange are not part of penalty that may be levied by the respective State sales tax authorities or any other authorities on default towards tax/cess liabilities.}

Extension of Delivery Period: The Exchange, in consultation with the Advisory board of the specific commodity, shall have the power to extend the period of delivery or provide for longer period of delivery in the

Delivery Order itself if such an extension of time has become necessary due to a force majeure.

21 A. [1][Norms Regarding Ownership, Net worth, Corporate Governance etc. for accreditation of Warehouse Service Provider (WSPs)

1. Eligibility Norms for Promoters of WSP

Promoters/ Promoter Groups should be responsible persons/entities of repute with a good business reputation and credibility, and who are in the business of public warehousing for at least 3 years and have knowledge of, and experience in, generally accepted warehousing and handling practices for Commodities, and are competent and willing to operate such a warehouse in accordance with the relevant regulations of the Exchange and others, as applicable.

2. Financial Norms for the WSP

i) Net worth: The minimum net worth for the WSP shall be Rs. 25 crores. However for warehouses providing services for single commodity at a particular location, the minimum net worth requirement may be relaxed to – Rs. 10 crores.

ii) Financial Security Deposits to be furnished by WSP and the acceptable forms for such Security Deposits:
The WSP shall furnish security deposit as under:-
   a. 3% for the value less than or equal to Rs. 250 crores
   b. 4% for the value above Rs. 250 crores and equal to Rs. 500 crores and
   c. 5% for the value above Rs. 500 crores, of the goods stored in the warehouses

iii) The security deposit shall be in cash or cash equivalent like Bank FDRs, Bank Guarantees, Government Securities etc. as may be prescribed by the Exchange.

iv) A daily monitoring of the security deposits vis-à-vis the value of the commodity stored needs to be done so as to ensure that the minimum stipulated security deposits are always maintained with the Exchange. The Exchange may ask for additional security deposit over that stipulated in (ii) above, if considered necessary.

3. Corporate Governance norms for WSP

i) The WSP should be a Corporate Body.

ii) The WSP Company should have a professional management team to oversee its functioning and operations.

[1] Inserted vide Exchange Circular Ref No: MCX/C&S/413/2014 dated December 30, 2014, pursuant to the directions issued by the Forward Market Commission vide Circular Ref No Div. III / FMC/WH/(3), dated November 21, 2014. (Available on http://www.sebi.gov.in/cms/sebi_data/commodities/circulars/Ware21Nov14.pdf)

iii) The WSP should have good internal systems and controls which should meet the operating guidelines, if any, issued by the Exchange in this regard. The WSP should have clear delegation of powers to meet operational requirement.

iv) The WSP shall submit a net worth certification to Exchange every six months.

v) The Financial Statements of the WSPs should be audited and submitted to the Exchange within six months of the end of Financial Year.

vi) The WSP should have a Customer Grievance Cell to handle customer complaints and WSP shall take proactive steps to resolve customer related issues and maintain a record of complaints received / resolved.

vii) The WSP should comply with Know Your Depositor Policy as prescribed by the Exchange from time to time.

viii) Management of WSP (defined as 'key managerial personnel' including whole time directors of WSP and their 'relatives' as per Companies Act, 2013) or entities owned or controlled by management of WSP/Group concerns or persons 'acting in concert' shall not be allowed to trade on the commodity Exchange in the commodity for which it is accredited by Exchange. However, there shall be no such restriction on trading in forward segment of Exchange in delivery-based forward contracts.

4. Facilities & Infrastructure Requirement for WSP

The Exchanges shall ensure that WSPs to be eligible for accreditation have reasonable facility and infrastructure for proper handling and storage of commodity like:-

a) Warehouses are physically and operationally suitable for the proper storage of Commodities and that specifically:

- are of sound construction and in a state of good repair;
- have adequate equipment, installed and maintained in good working order, as may be prescribed by the Exchange, for the movement of commodities into, out of and within the warehouse;
- have adequate ventilation, installed and maintained in good working order, as may be prescribed by the Exchange, for the proper storage and preservation of grain quality;
- have adequate lighting arrangement as may be prescribed by the Exchange;
- are free from materials and substances that may adversely affect the quality of stored commodities;
- have a safe work environment; and
- ensure adequate security as may be prescribed by the Exchange and protection of stored or handled commodities from tampering or adulteration.

b) The WSP should undertake to have assaying/testing facilities for the commodities it intends to render warehousing facility, or should undertake to be associated with an assaying/testing agency which may preferably be certified by one or more

national/international agencies like NABL (National Accreditation Board for calibration and testing Laboratories), BIS etc. The Exchange shall conduct independent pre-empanelment due diligence of Assayers. The exchange shall also identify and empanel another assayer(s) at each delivery location where the participants can get assaying done in respect of the goods which are proposed to be deposited or already deposited at Exchange accredited warehouse before depositing or withdrawing commodities. This facility shall be in addition to the assaying being done by the warehouse/assayer(s) appointed by Exchange.

c) WSP will provide for accurate and efficient weighing, sampling, inspection and grading of the Commodities in store, and the Exchange shall ensure that the WSP should have personnel who have knowledge and experience in sampling, weighing, inspecting and/or grading of Commodities.

d) The WSP shall have own or access to fumigation facilities/agencies for pest control activities.

5. Insurance

The WSP shall at all times ensure to fully cover the value of goods stored at Exchange approved warehouses under insurance for all perils relevant to the commodities for which insurance cover is available and necessary. The WSP shall undertake to take insurance cover for risks such as viz. Fire and allied perils including flood, cyclone, earthquake and spontaneous combustion, Burglary and Theft. The WSP should take Fidelity guarantee & crime insurance and Professional indemnity cover to cover all deliverable stocks on the Exchange. The value of goods to be insured should be marked to market on replacement value on ongoing basis.

6. Inspection/Audit

i) The WSP should ensure that there is periodic inspection/audit of the stocks stored in the warehouses and the inspection/audit report is submitted to the Exchange within a week of the completion of such inspection/audit.

ii) The Exchange shall ensure that the physical counting of stocks and their reconciliation with the corresponding electronic records is done periodically.

iii) The Exchange shall ensure independent audit of the stock in the warehouses by expert agencies at regular intervals but not less than once in a year. In addition, the audit may be risk based as identified by the Exchange.

For this purpose, the Exchange shall form a panel of independent expert agencies and the cost of such audit shall be borne by the respective Exchange. The result of such audit shall be displayed by the Exchange on its website immediately after the completion of the audit and submission of report by the auditor. The panel of such independent agencies shall also be reviewed by the Exchange from time to time. In addition, the Exchange shall also conduct in-house physical audit of accredited warehouses at regular intervals.

iv) The WSP would allow the members /clients holding electronic credit balances to do physical inspection of their goods. However, the request for such physical inspection would have to be submitted to the Exchange and the Exchange after verification of

such request shall forward the same to the concerned WSP for allowing such inspection.

7. MIS System

i) WSP should have a Standard Operating Procedure (SOP) which is process-dependent and not person-dependent. It is desirable that there should be electronic record of information at the WSP and a MIS system with an arrangement for flow of real time information from the warehouse location to the central MIS and onwards to Exchange. The MIS should have the capability to capture and disseminate information regarding stock being held warehouse wise/location wise and the availability of space in the warehouses.

ii) The exchange shall display on a daily basis warehouse wise details of the space available, goods held, name of the warehouse service provider, details of location of the warehouse etc, on its website.

iii) The participants willing to deposit goods in Exchange accredited Warehouses would submit a request to the Exchange. The Exchange shall use a transparent and time-bound process to identify the warehouse where the participants can deposit the goods. After such identification, the Exchange shall intimate the participants about the time, place and the warehouse where they can deposit the goods. The Exchange shall then issue directions to the concerned warehouse for accepting deposits from the concerned participants. The warehouseman shall accept the goods for deposits only at the instruction of Exchange concerned.

8. Transparency in accreditation process

The exchanges shall follow a transparent process for accreditation of WSP by issue of open advertisement etc. The process being followed for such accreditation shall be displayed on the website of the Exchange. The accreditation of the WSP shall be done with the approval of the Risk Management Committee of the Board of Directors of the Exchange.

9. The Exchanges shall ensure that the accreditation process of new WSPs as per above norms is completed latest by 31st March, 2015. The existing WSPs, shall not be allowed to operate in the Exchange beyond 30th June, 2015. The norms relating to Insurance, Inspection/Audit and MIS System should be implemented by 1st January, 2015. The compliance in this regard be reported to the Commission.

The accreditation process for WSP and the required formalities relating to empanelment of WSP shall be detailed on the Exchange website.]

In addition to the above norms, the Exchange may stipulate further conditions to be complied with the by the WSPs from time to time.

22. Approved Surveyors

For the purpose of quality certification of the commodities to be delivered, the approved surveyors for the time being shall be as follows:

(a) SGS India Private Limited
(b) Geo – chem Laboratories Private Limited
(c) Dr. Amin Superintendents & Surveyors Private Limited
(d) Caleb Brett India Private Limited
(e) Atlas Surveyors

23. Risk Management System

(a) A member is allowed to trade only upon payment of minimum security deposit of Rs. 2.50 lakh in addition to compliance of all other requirements. On the basis of deposit of Rs. 2.50 lakh, he is allowed to take such exposure on which the margin requirement is equal to or less than Rs. 2.50 lakh. Similarly, if a member has paid addition deposit or margin, the system allows him exposure up to such level, up to which the margin requirement on such exposure is equal to or less than total deposit (initial minimum security deposit + additional deposit / margin.) As soon as a member crosses such allowed exposure limit, he is suspended from trading. In case a member is suspended from trading due to crossing such limit, he can still log in to the system, he can view the market, but if he attempts to submit orders, such orders are rejected.

(b) The calculation of margin at trade level is on a real time basis, which implies that with every trade executed by the member, his allowable exposure limit is correspondingly reduced to the extent of limit exhausted towards execution of such trade. However, if the new trade results into reduction in his outstanding position, his available exposure limit increases correspondingly because of overall reduction in his outstanding position by virtue of such offsetting trades.

(c) The Exchange will collect margin from the Exchange Member on gross basis at the member level. The Exchange may switch over to client level margining subsequently.

(d) At end of day, the system recalculates margin requirement in respect of outstanding position of a member (outstanding quantity multiplied by closing price). Besides, the system will also calculate the settlement dues which would be the Mark-To-Market Margin and the profits or losses actually sustained. All these figures are communicated to the members through trade file downloads through FTP (File transfer protocol). The obligation of a member towards margin and pay-in is blocked out of his available deposit for the purpose of MTM limit and only the rest amount is available towards MTM loss at commencement of trading session next day. Thereafter, as soon as the pay-in of that member is complete and a confirmation to such effect is received from the bank, the pay-in amount blocked

out of deposit is released for MTM purpose and thereafter, the member starts getting MTM limit on the entire deposit.

(e) In order to inform the member sufficiently in advance, the system tracks the exposure limits of the members on real time basis and alerts him at 60%, 75% and 90% level of their exposure. However, if a member's exposure crosses 100% level , he is suspended by the system and in such a case, he is debarred from submitting any new order and the existing pending orders are deleted from the system.

(f) In case a member is suspended in the manner stated above and he is interested to square-off his outstanding position, he can send a fax to the Exchange in the specified format with a request to square off his position and in such case, the Exchange may square off his position, though the Exchange does not take any responsibility for such squaring off.

Provided that even in absence of such request from the member, the Exchange may, if it so desire, square-off position of such member in case of non-payment of margin as stated above.

(g) A member can anytime during the trading session pay additional security deposit by depositing funds in his settlement account and inform the Exchange through fax or email. Thereafter, the amount will be collected by the Exchange from the settlement account of the Member and the exposure limit of the member will be increased accordingly.

(h) The initial margin percentage will be notified in advance for respective commodities. However, in case of abnormal volatility in any contract or in order to prevent defaults in the system, the margin percentage can be increased by the Exchange at any point of time during the continuance of a contract. As soon as the margin percentage is increased, the revised percentage will apply to all existing open positions as well as fresh position to be created subsequent to such increase. The incremental margin on existing position will be blocked out of existing margin deposit of the members and in case of any shortfall, the member will be required to deposit the same immediately, pending which he is suspended from trading.

(i) In case a member is required to pay to the Exchange any amount towards pay in or margin obligation and he fails to pay the same, the Exchange will be at liberty to square off his position either on the same day or on subsequent days. However, a member cannot take shelter under this clause for any subsequent liability resulting from an existing open position, which was to be squared off by the Exchange but was not squared off by the Exchange for any reason. In order to carry out such squaring off of positions of a defaulting member, the Exchange may feed such offsetting transactions on account of and on behalf of such defaulting members as limit order or market orders, for the existing open position, either in full or in part

and all differences and loss arising out of such squaring off shall be settled by such defaulting member.

(j) In case the Exchange submits the offsetting orders for square off trades of a member, but due to lack of liquidity or otherwise, if the position could not be squared off, the defaulting member would be responsible for final settlement of those contracts.

Further, in such a scenario, the Exchange may direct other members of the Exchange having outstanding position in such contract to compulsorily reduce their position on that day at least by such percentage, which is sufficient to square off the position of such defaulting members.

(k) In case a member fails to pay margin obligation payable at beginning of the trading session and such payment is not received even till end of day, such unpaid margin amount will not be carried forward to the subsequent day's obligation, because the margin obligation at end of day will be calculated afresh depending upon the closing price at end of that date. But, in case of pay in obligation, the unpaid amount will be carried forward to the subsequent days, and the system would automatically track all unpaid amounts in this manner member-wise and send an additional debit instruction to the bank on all subsequent days, till either the amount is repaid or the member is declared a defaulter. Such unpaid amount will also be blocked out of his available deposits for the purpose of calculation of allowable MTM limits.

(l) The various scenarios with respect to pay in / pay out and margin payable as reflected in the End of day report and its impact on the system are as follows:

- If a member has payable obligation both towards pay in as well as margin, he will not be able to put his orders next day morning (though he would be able to log in), unless he pays at least the margin payable amount immediately. If he pays margin demanded, his suspension is revoked immediately, but then also if he wants to increase his exposure, he has to pay extra margin for increasing his exposure, failing which he will be allowed to square off only.

- If a member has only pay in obligation but no payment required towards margin, he will be allowed to trade at commencement of trading session next day morning, provided that his available deposit would be reduced by the amount of pay in. Thereafter, as soon as the pay-in is complete and confirmation file is received from the bank, his blocked limit is released immediately.

- If a member has obligation to pay margin, while in respect of pay in he has got a receivable amount, he will be allowed to log in to the system and to

have view facility also, but he will not be allowed to submit orders, unless he pays fresh margin equivalent to his obligation plus additional margin as per his wishes so as to create fresh position. However, if a member pays margin only to the extent of his actual margin obligation, he will be allowed by the system only to square off his position, but as soon as he increases his position, he will again be suspended from trading.

24. Surveillance:

In order to ensure market integrity and also to curb price rigging, price manipulation, cornering of the market, circular trading and defaults in the market, the Exchange will use various on-line and off-line surveillance tools, such as:

(a) **Mark to market Loss Monitoring**: During the trading session, the system keeps track of loss, both notional and booked, incurred by every member upto the last executed trade. This is calculated by the system on real time basis by way of computing the difference between the actual trade price of a member and the last trade price of the market. Such calculation happens for every member after execution of each and every trade. Every time when such loss amount goes beyond the levels of 60 %, 75 % and 90 % of the total MTM limits of a member, the member gets a warning signal. Thereafter, when it crosses the 75 % of the deposit, the member is suspended by the system. In such calculation, there is no allowance given in respect of profit made by such member in a different contract. This is monitored by the system to curb any default in the process of day trading.

[1]***[(b) Position Limits:*** *In order to prevent building of huge open position at contract level or commodity level, the Exchange has, from time to time specified the Position Limit at Commodities level and/ or Contract level and at Client level and/ or at Member level. Following are important points in this regard:*

i. Relevant authority may prescribe maximum Position Limit at Commodities level and/ or Near month Commodities level, Member levels and Client level and also prescribe method of computation of Maximum Allowable Open Position from time

[1]Substituted vide Exchange Circulars Ref. MCX/T&S/10/2016 dated January 15, 2016 and MCX/T&S/28/2016 dated January 29, 2016 (Ref. SEBI Circulars No. CIR/CDMRD/DMP/2/2016 dated January 15, 2016 and CDMRD/DMP/CIR/32/2016 dated January 29, 2016). Prior to its substitution the clause reads as under:

"b) Maximum Allowable Open Position: In order to avoid building of huge open position in any commodity, the Exchange will specify the maximum open position limit across all members of the Exchange, which will be around 75 % of the size of such commodity in India. There would be further restriction at the member level to the effect that any member cannot hold more than 25 % of such market wide open position limit, notwithstanding any deposit or margin paid by such member. This would be monitored after end of the trading session every day. Any member who, either on his own account or on account of his client, violates such limit in respect of any contract, will be subjected to the following:

i. To reduce the position in the immediate next trading session so as to bring the total open position in the contract below the threshold limit fixed by the Exchange.

ii. If he fails to do the above, then the Exchange will compulsorily reduce his position in any subsequent trading session at its discretion and the member shall be responsible to bear all consequential loss or differences

iii. Besides, the member will also be required to pay a fine, which may be decided by the Exchange, depending upon the magnitude of violation."

to time which will be informed to the market participant by way of issuance of Circular.

ii. Relevant authority may also prescribe penal provision for Violation of Position Limit.

iii. If member or any of its clients breaches applicable Position Limits and fails to reduce or square-off the violated open position, then the Exchange may reduce his position at its discretion and the member shall be responsible to bear all consequential loss or differences.]

(c) (i) [1]**[Circuit Filter:** The Exchange notifies a daily circuit filter limit for commodities in terms of percentage of variation allowed in a day with respect to the previous close price. Circuit filter provides the maximum range within which a contract can be traded in a session. Such circuit filter can be different for different contracts. The orders, which are in violation of such circuit filter, will be rejected by the system.

In case of volatility whenever such circuit filter limit is hit, a cooling period of 15 minutes shall be observed by the Exchange. Thereafter the price band shall be relaxed by another 50% of the existing daily price range for the purpose of trading.

In case the price again hits the revised circuit filter range, no trades/orders shall be permitted beyond the revised limits and the trading shall be allowed only within the revised range of circuit filter.

(ii) **Special Margin:** In case the price fluctuation in a contract during the trading session hits the upper or lower limits of the circuit filter applicable on that contract compared to the base price of the day and the circuit filter is relaxed, a special margin equivalent to the percentage by which the circuit filter is relaxed is applied.

Such special margin amount is immediately blocked out of available margin deposits of the members having outstanding position in that contract and in case the available margin of a member is not sufficient to cover such special margin required, then a margin call is sent to the member which is required to be remitted by the member immediately. In such case, since the available deposit is already exhausted, he is suspended from trading and such suspension continues during such trading session till collection of required margin amount is completed. If the price volatility reaches 100% of the circuit filter limit, orders will be accepted by the system only upto the price level equivalent to such circuit filter.**]**

(d) **Circular Trading, concentration, price rigging, price manipulation and other market abuses**: The Exchange will monitor Circular Trading, concentration, price

[1] Amended as per Circular No. MCX/344/05 dated 15/10/05, w.e.f 17/10/05. Earlier amended vide Circular No.MCX/090/05 dated 8/3/05.

rigging, price manipulation and other market abuses and take suitable actions whenever such practices are identified.

(e) [1]**[Levy of Charges to deter System abuse:**

i. System abuse charges in case of Spread IOC Orders together with Combination Orders (originating through any mode) based on the Order to Trade Ratio applicable at Member level is as under:

Daily Order to Trade Ratio Member-wise	Charge (Per order)
Up to 20	NIL
More than 20 up to 40 (On incremental basis)	1 paise
More than 40 up to 60 (On incremental basis)	3 paise
More than 60 (On incremental basis)	5 paise

ii. In case, the number of Spread IOC and Combination Orders per day per Member exceeds 5 lakh orders but is less than 10 lakh orders and where it exceeds 10 lakhs the charge levied will increase to two and four times respectively of the charge structure specified in the above table.

iii. Further, to ensure fair usage of the Automated Trading Facility (ATF) by market participants, it is decided to levy a System abuse charge based on the Order messages (including order entry, modification and cancellation) to Trade Ratio applicable in case of the orders originating through ATF (excluding Spread IOC and Combination Orders through ATF) at Member level as under.

Daily Order messages to Trade Ratio Member-wise	Charge (Per message)
Up to 50	NIL
More than 50 up to 100 (On incremental basis)	1 paise
More than 100 up to 200 (On incremental basis)	3 paise
More than 200 up to 300 (On incremental basis)	5 paise
More than 300(On incremental basis)	8 paise]

25. Transaction Fee

(a) [2]{Every Member is required to pay Minimum Usage Fee of Rs.25,000/- per quarter at the beginning of each quarter of a financial year.}

[1] Inserted vide Exchange Circular No.MCX/T&S/456/2011 dated 15/12/2011 w.e.f. 01/01/2012.

[2] Amended vide Circular No.MCX/MEM/400/2008 dated 18/12/2008 w.e.f.01/01.2009. Earlier amended vide Circular No. MCX/26/2007 dated 17/1/07 w..e.f. 1/4/07. Earlier amended vide circular No.MCX/228/2005 dated 18/6/05 w.e.f.1/8/05, Circular No.MCX/124/05

[1][The above Minimum Usage Fee paid will be set off against the transaction fee payable under this business rule by the member for the financial year ending on 31st March, 2011. Any unadjusted Minimum Usage Fee as at 31st March, 2011 would be allowed to be carried forward and adjusted against the Minimum Usage Fee/Transaction Fee payable for the subsequent financial years.]

(b) 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.

(c) Transaction fee per Rs. 1 lakh of turnover value is required to be paid by the members based on their daily turnover in all the futures contracts in all the commodities traded at the Exchange as tabulated below: with effect from February 26, 2014

Group A: Commodities (Non - Agri)	
Average daily turnover	**Transaction fee rates** (per Rs. 1 lakh of turnover)
Upto Rs. 350 crore	Rs. 2.10
On incremental turnover above Rs. 350 crore	Rs. 1.40

Group B: Commodities (Agri)	
Average daily turnover	**Transaction fee rates** (per Rs. 1 lakh of turnover)
Upto Rs. 20 crore	Rs.0.75
On incremental turnover above Rs. 20 crore	Rs. 0.50

Average daily turnover in all the futures contracts, in all the commodities will be calculated at the end of every month by way of dividing the total turnover of the member of the Exchange (including Saturdays) by the total number of trading days (excluding Saturdays).

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.

dated 31/3/05 w.e.f.1/4/2005, Circular No.MCX/182/2004 dated December 29, 2004 w.e.f.1/1/2005 and Circular No.MCX105/2004 dated 30/9/2004 w.e.f. 1/10/2004.

[1] Amended vide Circular No.MCX/MEM/277/2010 dated 4/8/2010 w.e.f. 01/04/2010.

(d) [1][

Where a member fails to pay minimum usage Fee on or before due dates prescribed, the Exchange may at its discretion debit the settlement account of the respective members after the close of business hours of the respective due dates. In case of inadequacy/insufficiency of funds in the settlement accounts, interest @18% per annum on the balance payable till the time such default continues shall be charged.

26. Reports

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, but does not provide any position outstanding from previous session. But, after end of trading session, the Exchange will download the following reports to the members of the Exchange through FTP (File transfer protocol), which consists of full report of all his earlier position, today'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, pay in / pay out amount, transaction fee, charges, etc. The Exchange also downloads the Bhav Copy to provide details about open, high, low, close, volume, value and other statistical details.

27. Dealing with clients

(a) Every Member of the Exchange shall make available a set of folder / booklet as per the format under Annexure – XI, Annexure-XII & Annexure-XIII. Member of

---

[1] Amended vide Exchange Circular Ref. No. MCX/C&S/053/2014 dated February 26, 2014: prior to amendment the clause read as under:

"Transaction fee (per Rs. 1 lac of turnover value) is required to be paid by the members based on their daily turnover in all the futures contracts in all the commodities traded at the Exchange as tabulated below:

Average daily turnover	***Transaction fee rates***
Upto Rs. 250.00 crore	*Rs. 2.50*
On incremental turnover above Rs. 250.00 crores to Rs. 1000.00 crores	*Rs. 1.25*
On incremental turnover above Rs. 1000.00 crores	*Rs. 1.00*

Average daily turnover in all the futures contracts in all the commodities will be calculated at the end of every month by way of dividing the total turnover of the Member of the Exchange (including Saturdays) by the total number of trading days (excluding Saturdays).]

The transaction fee shall be debited on a monthly basis to the settlement account of the members in the first week of succeeding month after adjusting the Minimum Usage Fee.

Where a member fails to pay minimum usage Fee on or before due dates prescribed, the Exchange may at its discretion debit the settlement account of the respective members after the close of business hours of the respective due dates. In case of inadequacy/insufficiency of funds in the settlement accounts, interest @18% per annum on the balance payable till the time such default continues shall be charged."

Earlier revised vide Circular No.MCX/C&S/417/2009 dated 17/10/2009 w.e.f. 02/11/2009. Earlier revised vide Circular No.MCX/C&S/353/2008 dated 6/11/2008 w.e.f. 17/1//2008, Circular No. MCX/C&S/172/2007 dated 3/5/2007 w.e.f.1/5/2007. Earlier amended vide Circular No.MCX/C&S/122/2007 dated 2/4/2007 w.e.f. 2/4/2007

the Exchange shall have to ensure that a copy of the whole set is obtained from its clients before accepting or placing orders on the Client's behalf.[1]

(b) When establishing a relationship with a new Client, Members of the Exchange must take reasonable steps to assess the background, genuineness, beneficial identity, financial soundness of such person, and his trading objectives by registering the client with them in the format prescribed as CLIENT REGISTRATION FORM, as per the format under Annexure-XII. The Member of the Exchange shall also obtain from all Corporate Clients an approved copy of the board resolution permitting trading in futures contracts in commodities.[2]

(c) Member of the Exchange shall make the Client aware of particulars of Member's registration number allocated by the Exchange, employee primarily responsible for the Clients affairs, the precise nature of business to be conducted, the risk associated with business in trading in contracts listed in the exchange including any limitations on that liability and the capacity in which the Member of the Exchange acts and the Client's liability thereon by issuing to the Client a copy of the model RISK DISCLOSURE DOCUMENT along with copy of Rights & Obligations of Members, Authorized Persons & Clients as specified in [Annexure-XIII][3]. The Member of the Exchange shall furnish a copy of the Risk Disclosure Document and Rights & Obligations of Members, Authorized Persons & Clients to all his clients and to get and maintain their acknowledgement on second copy of the same document.[4]

(d) The Member of the Exchange shall provide extracts of relevant provisions governing the rights and obligations of Clients as Clients of Members of the Exchange, relevant manuals, notifications, circulars any additions or amendments thereto of the Exchange, or of any regulatory authority, to the extent it governs the relationship between Members of the Exchange and Clients, to the Clients at no extra cost.

(e) The Member of the Exchange shall also bring to the notice of his Clients, any indictments, strictures or disciplinary actions taken against him by the Exchange or any other regulatory authority.

(f) A Member of the Exchange shall make adequate disclosures of relevant material information in the dealings with its/ his Clients.

(g) No Member of the Exchange or person associated with the Member of the Exchange shall guarantee a Client against a loss in any transactions effected by the Member of the Exchange for such Client.

(h) The Exchange Member shall not recommend to the Constituent a sale or purchase of contracts available on the Exchange, unless he has reasonable grounds to believe

[1] Amended vide Exchange Circular No. MCX/COMP/469/2011 dated 22/12/2011
[2] *Ibid*
[3] Annexure amended vide Exchange Circular No. MCX/COMP/116/2014 dated April 1, 2014
[4] *Ibid*

that such recommendation is suitable for the Constituent on the basis of facts, if any, disclosed by the Constituent, whether in writing or orally, regarding the objectives; Constituent's holdings of contracts & underlying commodities, financial soundness and investment.

(i) The Exchange Member shall make adequate disclosures of relevant material information in his dealing with his Constituent including the current best price of order and trade or order quantities on the Trading System, any relevant announcement from the Exchange relating to margin, trading restrictions as to price, quantity or whether the Exchange Member is the counter party to a trade executed on the exchange with the Constituent.

(j) The Exchange Member shall not furnish any false or misleading information or advice with a view to inducing the Constituent to do business in particular contract or contracts and which shall enable the Exchange Member to profit thereby.

(k) The Exchange Member shall explain the trading system and order matching process to the Constituent before accepting any orders from him.

(l) [1][…….

(m) ……..]

(n) The Exchange Member shall not accumulate or withhold Constituent's order/ unexecuted balances for contracts listed in the Exchange, if he has adequate margin of such client with him. The Exchange Member shall place all orders forthwith.

(o) The Exchange Member shall act promptly in accordance with the instructions provided by the Constituent unless he has discretion as to the timing relating to entering and/or execution of the order, in which case he must exercise prudently his judgment as to the best moment for entering that order in the system.

(p) [2]Members of the Exchange shall issue contract notes to their constituents/clients either in hard copy duly signed by the member or in soft copy under digital signature of the member in accordance with Information Technology Act, 2000 within 24 hours of the execution of the trade as per the specified format attached as Annexure XIV. Thus the requirement of issue of trade confirmation slips is being discontinued. Also, the contract notes will now be required to be issued within 24 hours of the execution of the trade instead of the current requirement of 48 hours.

(q) Exchange member shall at all times keep the money of the Constituent in the Member Clients account maintained with the Clearing bank. He shall not use this money for his own transactions or for transactions of such other client or for any

[1] Deleted vide Exchange Circular No.MCX/COMP/195/2008 dated 06/06/2008
[2] Amended as per Circular MCX/COMP/195/2008 dated June 6, 2008

purpose other than margin and pay in relating to transactions entered into by such client paying the margin.

(r) The member shall collect specified margin from his client before entertaining any order from him.

(s) [1]**[Custodial Participant:** 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)

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

- CP shall enter into an agreement (format in **Annexure XXVIII**) with a Clearing Member.
- The Clearing Member shall apply to the Exchange / Clearing House / Clearing Corporation of the Exchange in the format prescribed in **Annexure XXIX,** along with a copy of the agreement**,** for allotment of CP code.
- 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.

ii. Procedure for settlement of obligations on account of Custodial Participant:

- 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.
- 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.
- Clearing Member of CP shall approve or reject such trades within the stipulated time, i.e upto 11.45pm / 11.59 pm (and on Saturdays upto 2.15 pm), on the same day in such manner and through such facility as may be provided to the Clearing Member from time to time.
- All such trades which have been approved by Clearing Member shall

[1] Inserted vide Exchange Circular No. MCX/C&S/154/2009 dated April 02, 2009

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.

- 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.

iii. 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:

- Agreement (as per format in **Annexure XXVIII**) with the incoming (new) Clearing Member
- Application to the Exchange / Clearing House / Clearing Corporation for change of Clearing Member affiliation (as per format in **Annexure XXX**)
- Letter from the outgoing Clearing Member agreeing to the arrangement (as per format in **Annexure XXXI**)
- Letter from the incoming Clearing Member undertaking to act as clearing member (as per format in **Annexure XXXII**).

iv. 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, Bye-Laws and Business Rules 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, fulfillment 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, Bye laws and Business Rules of the Exchange.]

(t) [1]Member shall not accept cash from the client whether against obligations or as margin money for trading in commodity derivatives. Payments shall be received/ made by the members from/to the clients strictly by account payee crossed cheques/ demand drafts or by way of direct credit into the bank account through EFT, or any other mode allowed by RBI. The Members shall accept the cheques drawn only by the clients and also issue cheques in favour of the clients only for their transactions. However, the Members may receive the amount in cash to the extent not in violation of the provisions of Income Tax Act, [Prevention of Money Laundering Act and any other law as may be in force from time to time. The acceptance of cash by itself shall not constitute any trade abuse and acceptance of cash by Members from their clients for commodity futures trading shall be guided only by the provisions of the relevant laws in this regard.]

(u) [2][Members shall take Undertaking as per **Annexure – XXVI** from the inactive client before he is allowed to trade to the effect that

(a) the client is desirous to reopen its trading account
(b) he has already completed KYC formalities at the time of originally enrolling with the member and
(c) there is no material change in respect of the information contained in the said KYC.

However, if there are any material changes in respect of the said client, viz., address, bank account, PAN no. etc., then the fresh KYC formalities are required to be complied with.

(v) [3][Unique Client Code (UCC): Members of the Exchange should not allot multiple client codes to a single client.

(w) **UCC Documentation:** Members of the Exchange should collect and maintain in their back office the Permanent Account Number (PAN) allotted by the Income Tax Department for all their clients. In case the client claims that he does not have PAN as he is not an IT assesse, some other identification evidence like Passport No., Driving Licence No., Kissan Card No., Voter ID etc. should be taken from the clients.

1 Inserted vide Exchange Circular No. MCX/COMP/250/2009 dated June 09, and amended vide Exchange Circular No MCX/COMP/401/2009 dated 01/10/2009 and MCX/COMP/082/2014 dated March 15, 2014. prior to amendment the same was read as under :

"Member shall not accept cash from the client whether against obligations or as margin money for trading in commodity derivatives. Payments shall be received/ made by the members from/to the clients strictly by account payee crossed cheques/ demand drafts or by way of direct credit into the bank account through EFT, or any other mode allowed by RBI. The Members shall accept the cheques drawn only by the clients and also issue cheques in favour of the clients only for their transactions. However, in exceptional circumstances, the Members may receive the amount in cash to the extent not in violation of the provisions of Income Tax Act, as may be in force from time to time.

Non compliance charges for cash dealings shall be 0.5% of the total value of the cash transactions. The Exchange may take such strict action as it may deem fit including levy of higher fines/deactivation of trading terminals/suspension etc. in case of large number of instances involving large amounts or if the violation is of repetitive nature."

2 Amended vide Exchange Circular No.MCX/COMP/298/2010 dated 21/08/2010.

3 Amended vide Exchange Circular No.MCX/COMP/317/2008 dated 07/10/2008 w.e.f. 01/01/2009

(x) **Confidentiality:** Members of the Exchange should collect details of the clients mentioned in the client registration form or any other information pertaining to clients should be kept in confidence and these details should not be disclosed to any person / entities except as required under the law.

(y) **Record Maintenance:** Members shall be required to maintain and preserve for a period of seven years, a mapping of client IDs used at the time of order entry in the trading system with those unique client IDs along with client name, address and other particulars given in the Know Your Client (KYC) form.]

(z) [1][**Issue of Contract Notes and Statement of Accounts:**

i. Contract Notes must be delivered within 24 hours of the transactions made by or on behalf of the client and the proof of delivery of the same needs to be preserved by the member.

ii. The delivery of contract note to a client must be in physical form only, unless a client specifically indicates his preference for contract notes in electronic form.

iii. If any client needs electronic contract note (ECN), he has to be provided with an 'ECN declaration form' via email as per the format and procedure given at **Annexure -XXVII. [**This declaration will remain valid till it is revoked by the client.][2]

iv. The ECN declaration form should normally be in English. In case a client is not conversant with the English language, the ECN form should be bi-lingual i.e., in English and the local language known to the applicant.

v. ***[3]

vi. The client can revoke the ECN facility and opt for the contract note in the physical form only by giving 7 working days' notice to the member and copy of the same would be retained by the client.

vii. A detailed statement of accounts must be sent every month to all the clients in physical form. The proof of delivery of the same should be preserved by the member.

(aa) **Pledging of Securities as Margin by Clients:** The clients shall be necessarily required to be the beneficial owner of pledged securities offered as permissible collaterals. In cases, where the client is not the beneficial owner of the pledged securities offered as collaterals, such securities shall not be utilized for meeting the obligations of the client without obtaining a written consent for the same from the holder/owner of those pledged securities offered as collaterals. The onus of proving that the consent was obtained shall squarely remain on the member concerned.]

---

1 Amended vide Exchange Circular No. MCX/COMP/046/2011 dated 23/02/2011 and Circular No.MCX/COMP/ 256/2011 dated 20/07/2011 and Circular No. MCX/COMP/ 469/2011 dated 22/12/2011 pursuant to the directions issued by the FMC vide its letter No. FMC/COMPL/IV/ 2010/03/05/00011 dated 19/04/ 2011 and also 02/02/2011.

2 Inserted vide Exchange Circular MCX/COMP/087/2014 March 19, 2014

3 Omitted vide Exchange Circular MCX/COMP/087/2014 March 19, 2014, prior to omission, the said clause read as:
"The above declaration needs to be obtained from the client afresh before 1st April of every financial year by following the same procedure. Thus, such declaration would be valid for that financial year only."

(ab) [1][**Quarterly Settlement of Account of Client:** Members of the Exchange shall settle accounts of their clients every quarter subject to the condition that, for the clients having open position on such quarterly settlement date, the member may retain the requisite funds to meet the maximum likely margin obligations for the next 3 trading days. The retention of adequate margins would ensure that the clients do not get into a square off mode unnecessarily due to such quarterly settlement.

i. While settling the account, the Member shall send to the client a 'statement of accounts' containing an extract from the client ledger of funds for the relevant quarter. The statement shall also explain the retention of funds, if any.

ii. Such periodic settlement of account may not be necessary for collaterals/margin in the form of bank guarantee (BG)/Fixed Deposit receipts (FDR)/other collaterals received from clients.

iii. There shall be no inter-client adjustments like any inter family / group company/ related accounts for the purpose of settlement of the client account.

iv. In respect of each client, the time difference between two settlements should not be more than 90 days or in other words the settlements should be done once in a quarter and that such settlement need not be on a particular date for all the clients of the member.[2]

v. Every case of non-settlement of client account on quarterly basis shall attract a penalty of Rs.5000/-.]

Provided that, the Members are not required to refund amounts, below Rs. 10,000/- to clients for the purpose of quarterly settlement.[3]

(ac) [4][**Pre-funded Instruments (Pay Orders and Demand Drafts) / Electronic Fund Transfer**

If the aggregate value of the pre-funded instruments like Demand Draft/Pay Order is Rs 50,000 (Fifty Thousand) or more per day per client, the Member shall not accept the instrument unless the same is accompanied by the name of the bank account holder and number of the bank account debited for the purpose, duly certified by the issuing bank. The bank certificate shall be any one of the following:

a) Issuing bank shall certify on its letterhead or on a plain paper with its seal duly affixed;

[1] Amended vide Exchange Circular No. MCX/COMP/052/2012 dated 14/02/2012 w.e.f. 01/04/2012 pursuant to the directions of FMC vide letter dated 02/02/2012.

[2] Amended vide Exchange Circular No. MCX/COMP/226/2013 dated 26/06/2013 pursuant to the directions of FMC vide letter dated 25/06/2013.

[3] Inserted vide Exchange Circular No: MCX/COMP/192/2013 dated 24/05/2013 pursuant to the directions of FMC vide letter 20/05/2013.

[4] Inserted new clause vide Exchange Circular No. MCX/COMP/348/2011 dated 4/10/2011 pursuant to the directions of FMC vide letter no. FMC/COMPLT/CIRCULAR dated 27/09/2011.

b) Copy of the requisition slip duly certified by the bank which issues the instrument;

c) Copy of the passbook/bank statement as proof of the account debited to issue the instrument;

d) On the reverse side of the instrument, the bank account-number debited and name of the account holder shall be authenticated by the issuing bank.

In respect of electronic fund transfers, Members shall maintain an audit trail of the funds received through such transfers to ensure that the funds are received from their clients only.

(ad) [1][**Segregation of Client Account in Commodity Futures Exchange**

Members of the Exchange, in addition to his trading on the recognized Commodity Futures
Exchanges, may trade on behalf of the same client on the National Commodity Spot Exchanges, which are granted exemption by the Government of India under Section 27 of the Forward Contracts (Regulations) Act, 1952 and in respect of whom the Government of India has nominated FMC as the 'designated agency'; subject to the following conditions:

a) The capital adequacy and net worth criteria prescribed by the Commodity Futures Exchanges should be met separately by the Members.

b) Members of the Commodity Futures Exchanges should maintain separate ledgers for business done by clients on Commodity Futures Exchanges and National Commodity Spot Exchanges.

c) Members should not allow any cross margining between exposure of a client on Commodity Futures Exchanges and National Commodity Spot Exchanges.

d) Members should issue separate contract notes for trades on Commodity Futures Exchanges and National Commodity Spot Exchanges.

[2][**27A.** ***I) Disclosure of Proprietary Trading and "Pro-account" Trading Terminal.***

With a view to increase the transparency in the dealings between the trading member and their clients, all trading members are required to disclose to their clients whether they do client based business or proprietary trading as well. The members may do so in one of the following methods:

a) Disclose the information of proprietary trading to the existing clients by sending letter and / or email.

b) Update the information on your company website (if any).

[1] Inserted new clause vide Exchange Circular No.MCX/COMP/358/2011 dated 11/10/2011 pursuant to the directions of FMC vide letter no. 9/1/2011-MKT/1 dated 26/09/2011.

[2] Inserted vide Exchange Circular Ref. MCX/T&S/147/2016 dated May 17, 2016 (Ref. SEBI Circular No. SEBI/HO/CDMRD/DMP/CIR/P/2016/49 dated April 25, 2016)

c) *Disclose the proprietary trading information on the Contract Notes issued to the clients.*

d) *For new clients, disclose the information of proprietary trading upfront at the time of entering into the Know Your Client agreement.*

e) *In case of a trading member who at present does not trade on proprietary account, chooses to do so at a later date, he shall be required to disclose this to his clients before carrying out any proprietary trading.*

II) "Pro account" trading terminals

1. *The facility of placing orders on "pro-account" through trading terminal / CTCL terminal shall be extended only at one location, (default location) as specified by the member. The application for enablement of trading terminal at default location shall be made to the Exchange in the format prescribed in Annexure 1 of Annexure XXXV.*

2. *Trading terminals / CTCL terminals located at places other than the above location shall have facility to place orders only for and on behalf of the clients by entering the client code details as required / specified by the Exchange / SEBI.*

3. *In case any member requires the facility of using "pro-account" through trading terminals from more than one location, such member shall be required to submit an undertaking in the format specified in Annexure 2 of Annexure XXXV. Further, member shall be required to apply for enablement of "pro-account" facility specifying the location and reason for enablement in the format specified in Annexure 3 of Annexure XXXV.*

4. *CTCL Ids mapped to an Exchange user id which is enabled for "pro-account" trading is automatically enabled for "pro-account" trading. Members are therefore advised to ensure that no trades in "pro-account" should be executed through any CTCL Id unless the approvals are taken from the Exchange.*

5. *Members who are currently availing "pro-account" trading facility are required to submit the undertaking as specified in Annexure 2 of Annexure XXXV along with the information solicited in the format prescribed in Annexure 4 of Annexure XXXV on or before June 15, 2016 (extended to June 30, 2016). Failure to provide the requisite information on or before the specified date may result in withdrawal of "Pro-account" trading facility.*

   In addition to the above, members shall be subject to and abide by all Circulars, requirements, conditions, norms, guidelines and / or such terms as may be prescribed or required by the Exchange from time to time and the

same shall become applicable ipso facto, upon its notice to the members by the Exchange.]

28. Brokerage

The Exchange may specify the maximum and minimum brokerage rates, which shall be adhered to by the members of the Exchange while dealing with their clients. Such brokerage rates may be commodity specific absolute figure or in terms of percentage on value of a contract irrespective of class of commodity. Such brokerage amount must be shown separately in the contract notes to be issued by the members to their clients. The maximum brokerage rate for the time being shall be 1 % in case of non-delivery transactions and 2 % (plus expenses) in case of transactions resulting into delivery.

28A [1]Exchange of Futures for Physicals (EPF)

(a) Members are permitted to open/close their Futures positions and Swap their Futures positions with physical positions for a corresponding spot transaction by reporting their Exchange of Futures for Physicals (EPF) transactions subject to submission of requisite documentation as stipulated and only after subsequent approval of the Exchange thereof and as per the following guidelines.

i) An Exchange of Futures for Physicals (EFP) transaction involves simultaneous transactions in a cash commodity market and a futures market.

ii) In an EFP, one party enters into agreement to buy the physical commodity and simultaneously sells (or gives up a long) futures contract while the other party enters into agreement to sell the physical commodity and simultaneously buys (or gives up a sell) futures contract.

iii) The parties are allowed to open/close their futures positions in a noncompetitive manner by reporting their EFP transaction, subject to final approval of the Exchange thereof. All opening/ closing of the positions are done in the same month contracts.

iv) The parties should negotiate and agree upon the price, quantity, quality, location and other terms for their cash market transaction.

v) The quantity of the futures and cash commodity (to be) exchanged, the price of the cash commodity, and other terms are privately negotiated by the parties rather than being competitively executed on the Exchange trading platform.

[1] New clause inserted as per xchange Circular No.MCX/C&S/492/2009 dated 30/11/2009.

vi) EFP transactions are permitted during the tenure of a futures contract. However, during the tender & delivery period of that futures contract no EFP will be permitted.

vii) There should be a simultaneous (commitment to) transfer of cash commodity in the cash market between the parties for opening/closing of futures positions.

viii) The quantity covered by the related cash market position must be approximately equivalent to the quantity covered by the futures contracts.

ix) An EFP may be executed of any commercially reasonable price agreed upon by the parties. However, the "Negotiated Price" could reflect differentials based on quality, location and timings including transportation, quality differentials in the product.

x) The (underlying) commodity should be the same in cash and futures market with the exception of quality and other parameters.

xi) EFP for closure or swap future positions is applicable only in respect of historical futures positions of the relevant contract listed in the Exchange, meaning the futures positions to be closed or swapped is not applicable to new positions opened on the day of application for EFP.

xii) There may be only two parties in an EFP transaction.

xiii) An EFP transaction can be through a single or two Clearing Members.

xiv) The EFP transaction should be a bona fide transaction between two parties who do not have the same beneficial ownership.

xv) The approval/rejection of the EFP transaction is at the sole discretion of the Exchange. The Exchange shall not be bound to provide any reasons for the rejection of the proposed EFP transaction submitted by the member to the Exchange.

xvi) The Exchange will complete the EFP transaction by opening/ closing of corresponding futures positions on the parties at the intimated price by both the parties, subject to it is within the specified period's High & Low prices & conforming to the standard minimum tick increment for the given commodity. The specified period's High & Low prices for Agri commodities should be between 10.00 am to 1.30 pm and between 10.00 am to 5.00 pm in case of other than agri commodities during Monday to Friday and between 10.00 am to 11.30 am on Saturday for all commodities on the date of its reporting to the Exchange.

xvii) The parties are allowed to open/close their futures positions in a noncompetitive manner by reporting their EFP transaction (in the prescribed format to the Exchange by 2.30 pm and 6.00 pm for agri and non-agri commodities respectively during weekdays and by 12.30 pm on Saturday, subject to submission of requisite documentation as stipulated and subsequent to approval of the Exchange thereof. All opening/ closing of the positions are done in the same month contracts at the price intimated by both the parties within the specified period's High & Low of the day(refer Sr.No.xvi above). The Exchange to intimate its approval or rejection of EFP transaction to the Members by 4.00 pm in case of agri commodities and by 7.30 pm in case of other than agri commodities during weekdays and by 1.30 pm on Saturdays.

xviii) The Exchange's role in respect of the physical transaction between the counterparties shall restrict only to approval of the EFP transaction. The responsibility, risks and enforcement of settlement of the physical transaction shall lie with the respective counterparty.

xix) Duties & Responsibilities of Clearing Member

- Clearing Members on opposite sides of an EFP must subsequently approve the terms of the transaction, including price, quantity, commodity, contract month and date prior to submitting the transaction to the Exchange. All EFP transactions must be submitted to the Exchange by a clearing member acting on its own behalf or for the beneficial account of a customer who is a party to the transaction. Clearing members are responsible for exercising due diligence as to the bona fide nature of EFP transactions submitted on behalf of customers. Clearing Members should not square off outstanding futures positions for which closure request of futures positions towards EFP transaction is submitted to the Exchange.

- Clearing members/Parties to any EFP transaction must maintain all documents relevant to the futures and the cash, including all documents customarily generated in accordance with cash market or other relevant market practices and any documents reflecting payment and transfer of title. Any such documents must be provided to the Exchange upon request and it shall be the responsibility of the clearing member to provide the requested documentation on a timely basis.

xx) Process Flow of an EFP: The following is process flow for reporting EFP transactions to the Exchange:

- The parties should negotiate and agree upon the price, quantity, quality, location and other terms for their cash market transaction.

- The parties should negotiate and agree upon the price(within the high and low prices of time period mentioned under Sr. No.xvi above) which they will intimate the exchange for closing/ opening of futures positions and such position limits have to be within the Open Interest limits prescribed by the FMC applicable for that commodity.

- Parties should inform their respective Clearing Members about the deal and submit the supporting documents.

- Each Clearing Member shall submit to the Exchange the "Request for Approval of EFP Transaction" in the prescribed formats (Form A – for Closing Existing Futures Positions, or Form B – for Opening New Futures Positions) along with the requisite supporting documents to verify the validity and authenticity of proposed transaction within the time period mentioned under Sr.No.xvii above.

- The Exchange will verify all the documents submitted and then approve/reject the EFP transaction and intimate the parties accordingly.

- Where the request for EFP transaction is approved, Exchange will initiate activities concerning to the registration of EFP deals only at the end of that trading day.

- The future positions arising out of EFP transaction will be subject to all usual margins applicable to that commodity.

- The EFP price/s would not be considered for calculation of closing/ settlement price of that contract and details of EFP transactions would not be reflected in Bhavcopy of that day. The volume of EFP transaction/s shall be updated in the Exchange records once the transaction is approved/ entered by the Exchange.

- The Exchange shall complete the EFP transaction by opening/ closing of corresponding futures positions on the parties on the negotiated price submitted to the exchange in the format provided only at the end of that trading day.

xxi) Documents to be submitted by EFP Parties to Clearing Members and Exchange:

- Purchase Bills/ Sales invoice/ Copy of Agreement etc.

- Proof of stock/ Proof of Delivery etc.

(b) List of commodities eligible for EFP Transactions is as under

i) Gold and Gold mini
ii) Silver and Silver mini
iii) Copper
iv) Zinc
v) Aluminium
vi) Nickel
vii) Lead
viii) Chana
ix) Wheat
x) Mentha Oil

FORM-A

(FOR CLOSURE OF EXISTING FUTURES POSITIONS)

APPROVAL OF EXCHANGE OF FUTURES FOR PHYSICALS (EFP) TRANSANCTION

Note:

1. *To be printed on the letterhead of respective Clearing Member firm with all the blanks in the format duly filled and bearing the stamp of the member firm.*
2. *Requests from both counter-parties shall match in order to process the request further.*
3. *This form shall be accompanied by supporting documents as prescribed by the Exchange.*

Date:

To

Market Operations Department

Multi Commodity Exchange of India Limited

Mumbai

Dear Sir/Madam,

Sub: Request for approval of EFP transaction

In pursuance of the guidelines issued by the Exchange to execute EFP transaction, we hereby submit our request for approval of EFP transaction. The requisite details are furnished below:

Details of Existing Futures Position on MCX		
Details of Futures Positions	**Long Position Holder**	**Short Position Holder**
Applicant/Counterparty		
CM Code & Name		
TM Code & Name		
Client Code, Name & Address		
Contract Details	**E.g. Gold Feb '08**	
No. of lots to be Closed & Price		

Details of Corresponding Physical Transaction		
Details of Cash Market Transaction	**Long Position Holder (Buyer)**	**Short Position Holder (Seller)**
Applicant/Counterparty		
Trade Date		
Name of the Commodity		
Description of the Quality		
Trade Quantity		
Trade Price		
Trade Value		
Delivery Date		
Delivery Location and Address of Warehouse/s		
Enclosed Supporting Documents by the Applicant		

I/We understand that the function of MCX in respect of the physical transfer between the parties to this physical contract and/or the parties intending to enter into this physical contract as mentioned above shall be limited to verification of proof of intention before approval of the request for execution of EFP transaction.

I/We further undertake that the responsibility, risks and enforcement of settlement of this physical contract/intention to contract shall lie with me/us and the counter party to this physical contract/intention to contract.

I/We shall not hold the Exchange liable for any loss or damage caused to me/us in relation to this physical contract/intention to contract for the relevant underlying instrument after completion of the EFP exercise by the Exchange.

I/We certify that the information mentioned above is correct and I/We undertake to maintain all records in our books for necessary inspection and audit by the Exchange / regulatory authorities.

Yours faithfully,

Authorized Signatory

Name:

Designation:

CLIENT UNDERTAKING

EXCHANGE FOR PHYSICAL TRANSACTIONS

The Client Undertakes:

The Client acknowledges and undertakes that it shall provide to the Member full details of the physical transaction (including documentary evidence) which attach to EFP transactions effected by the Member on behalf of the Client. The Client acknowledges that upon request, this information MUST BE PROVIDED to the Member and the Exchange to ensure the Member's compliance with the Business Rules of MCX. The Client understands that failure to comply with the provisions of MCX EFP Rules may result in disciplinary action by MCX against the Member.

The information provided in the attached documents is true to the best of my knowledge.

Client authorized signatory	Member authorized signatory
Date	Date

FORM-B

(FOR OPENING OF NEW FUTURES POSITIONS)

APPROVAL OF EXCHANGE OF FUTURES FOR PHYSICALS (EFP) TRANSANCTION

Note:

1. *To be printed on the letterhead of respective Clearing Member firm with all the blanks in the format duly filled and bearing the stamp of the member firm.*
2. *Requests from both counter-parties shall match in order to process the request further.*
3. *This form shall be accompanied by supporting documents as prescribed by the Exchange.*

Date:

To

Market Operations Department

Multi Commodity Exchange of India Limited

Mumbai

Dear Sir/Madam,

Sub: Request for approval of EFP transaction

In pursuance of the guidelines issued by the Exchange to execute EFP transaction, we hereby submit our request for approval of EFP transaction. The requisite details are furnished below:

Details for Opening of Futures Position on MCX		
Futures Position to be Opened	**Long Position**	**Short Position**
Applicant/Counterparty		
CM Code & Name		
TM Code & Name		
Client Code, Name & Address		
Contract Details	**E.g. Gold Feb '08**	
No. of lots to be Opened & Price		

Details of Corresponding Physical Transaction		
Details of Cash Market Transaction	**Long Position Holder (Buyer)**	**Short Position Holder (Seller)**
Applicant/Counterparty		
Trade Date		
Name of the Commodity		
Description of the Quality		
Trade Quantity		
Trade Price		
Trade Value		
Delivery Date		
Delivery Location and Address of Warehouse/s		
Enclosed Supporting Documents by the Applicant		

I/We understand that the function of MCX in respect of the physical transfer between the parties to this physical contract and/or the parties intending to enter into this physical contract as mentioned above shall be limited to verification of proof of intention before approval of the request for execution of EFP transaction.

I/We further undertake that the responsibility, risks and enforcement of settlement of this physical contract/intention to contract shall lie with me/us and the counter party to this physical contract/intention to contract.

I/We shall not hold the Exchange liable for any loss or damage caused to me/us in relation to this physical contract/intention to contract for the relevant underlying instrument after completion of the EFP exercise by the Exchange.

I/We certify that the information mentioned above is correct and I/We undertake to maintain all records in our books for necessary inspection and audit by the Exchange/ regulatory authorities.

Yours faithfully,

Authorized Signatory

Name:

Designation:

CLIENT UNDERTAKING

EXCHANGE FOR PHYSICAL TRANSACTIONS

The Client Undertakes:

The Client acknowledges and undertakes that it shall provide to the Member full details of the physical transaction (including documentary evidence) which attach to EFP transactions effected by the Member on behalf of the Client. The Client acknowledges that upon request, this information MUST BE PROVIDED to the Member and the Exchange to ensure the Member's compliance with the Business Rules of MCX. The Client understands that failure to comply with the provisions of MCX EFP Rules may result in disciplinary action by MCX against the Member.

The information provided in the attached documents is true to the best of my knowledge.

_____	_____
Client authorized signatory	Member authorized signatory
_____	_____
Date	Date