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CHAPTER I

INTRODUCTION AND MEMBERSHIP

1 Introduction

These Rules shall be termed as 'Business Rules of Multi Commodity Exchange of India Limited' or for the sake of brevity as 'MCX Business Rules'.

These Rules shall be subject to the provisions of the Forward Contracts (Regulation) Act, 1952 and Rules framed thereunder, Articles of Association, Rules and Bye-Laws of Multi Commodity Exchange of India Limited (MCX), as applicable to the Members of the Exchange, their Representatives and their Clients.

2 Applicability

These Rules shall be enforceable on the Members of the Exchange, Clearing Banks, Clients, Constituents and all other Participants operating on or through the Exchange in respect of their rights and obligations relating to trading on MCX. They shall be subject to jurisdiction of the Courts of Mumbai irrespective of the place of business of the Members of the Exchange or their customers and clients in India or elsewhere.

3 Business/Operations

MCX shall conduct trading in derivatives contracts in various commodities permitted by the Government of India under the Forward Contracts Regulations Act, 1952, and any other Act subject to approval of the Forward Markets Commission or any other authority as may be applicable.

4 Eligibility for Trading

At MCX, only the members of the Exchange, who have been admitted as such by the Board, are eligible to participate in trading on the Exchange platform. Persons, who are not members of the Exchange, can participate in trading on the Exchange platform only as authorized persons or clients through a registered member of the Exchange.

5 Membership

5.1 [1][A person who is desirous of becoming a registered member of Exchange' may apply for any of the following categories:-

5.1.1 **Trading-cum-Clearing Member** (TCM) – A TCM is entitled to trade on his own account as well as on account of his clients, and clear and settle these trades himself. A sole proprietor, a partnership firm, a joint hindu undivided family, a company, a cooperative society, a public sector organization,

[1] Modified as per Circular No.MCX/MEM/026//2007 dated 17/1/07 w.e.f. 1/4/07. Earlier modified vide Circular No.MCX/149/2006 dated 6/4/06 w.e.f. 15/4/06 and Circular No.MCX/157/2006 dated 12/4/2006 w.e.f. 1/5/2006.

statutory organization or any other Government or non-Government entity can apply for TCM.

5.1.2 **Professional Clearing Member** (PCM) – A PCM is an Institutional Clearing Member, who is entitled to clear and settle trades executed by other members of the Exchange. A company and an institution only can apply for PCM.

5.1.3 **Institutional Trading-cum-Clearing Member** (ITCM) – An ITCM is entitled to trade on his own account as well as on account of his clients, clear and settle trades executed by himself as well as of other members of the Exchange. A company and an institution only can apply for ITCM.

5.1.4 [1](**Trading Member (TM)** – A Trading Member is entitled to trade on his own account as well as on account of his clients, but has no right to clear and settle the trades himself. Such member shall he affiliated with any one of the Institutional Trading-cum-Clearing Member (ITCM) or Professional Clearing Member (PCM) having clearing rights on the Exchange. A sole proprietor, a partnership firm, a joint Hindu undivided family, a company, a cooperative society, a public sector organization, statutory organization or any other Government or non-Government entity can apply for TM.)

5.2 The applicant is required to submit an application in the prescribed format along with the required documents, admission fee, security deposit [(as applicable) including Base Minimum Capital][2] and processing fees, in full, as specified by the Exchange from time to time.

5.3 The admission fee, deposits {comprising of [Initial Security Deposit][3],[Base Minimum Capital][4]} and other charges would be applicable to the members as per the circulars issued by the Exchange from time to time. Exchange may review and modify the admission fee and/or other charges/ deposits [comprising of [Initial Security Deposit][5], [Base Minimum Capital][6]} at any time. Exchange may also relax admission fee, deposit comprising of [Initial Security Deposit][7], [Base Minimum Capital][8] and / or other charges or criteria of membership while offering segment wise membership from time to time.

5.4 The security deposit[9] is interest free and a minimum 50% of it can be given in the form of cash and the balance 50% can be in the form of bank guarantee or fixed deposit or both, with the approved banks. In addition to the fee and deposit, every applicant shall also pay insurance premium along with the application form, as decided by the Exchange from time to time.

5.5 The applicant is required to appear for an interview before the Membership Committee of the Exchange. The Committee has a right to accept or reject the

[1] Amended vide Circular No. MCX/MEM/262/2007 dated 27/07/2007.
[2] Amended vide Exchange Circular Ref. No. MCX/MEM/138/2013 dated April 11, 2013. Also Refer to Business Rule 5.12
[3] Amended vide Exchange Circular Ref. No. MCX/245/2005 dated July 4, 2005. Also refer to Business Rule 6A. Further, ISD was already a part of Deposit as per Membership Application Form of 2003.
[4] Supra note 2
[5] Supra note 3
[6] Supra note 2
[7] Supra note 3
[8] Supra note 2
[9] Supra note 2 and 3

applications received for the membership without assigning any reason whatsoever and is empowered to frame rules or criteria relating to admission of membership based on the guidelines issued by the Board of Directors of the Exchange and as per the Bye-Laws and Rules of the Exchange. On selection as a member of the Exchange, he will be required to submit the specified documents related to membership, network connectivity etc. with the Exchange.

In case the application is rejected for any reason whatsoever, the fee paid above shall be refunded by the exchange to the applicant except the processing fee.

5.6 Every member is required to -

1) maintain the net worth as prescribed by the Exchange during the entire period of his membership of the Exchange;

2) make payment of annual subscription fee as per Business Rule 7;

3) take insurance policy every year prescribed by the Exchange as per Business Rule 10;

4) make payment of transaction fee including Minimum Usage Fee as per Business Rule 25;

5) abide by the circulars and notifications issued by the Forward Markets Commission and the Exchange from time to time.

5.7 [The Exchange has absolute discretion to modify and / or cancel any of the terms and conditions related to membership specified by the Exchange. All types of memberships, once granted by the Exchange, are transferable intra class, after expiry of three years from the date of confirmation of Membership. However, the Member may surrender its Membership in terms of Byelaws, Rules, Business Rules and/or directions of the Regulator from time to time.
Explanation: It is clarified that existing TCM-Deposit Based Membership will be allowed to transfer its Membership on payment of the differential admission fee of TCM-Non deposit based membership.][1]

5.8 The applicant and/or the members of the Exchange are required to be registered with the Forward Markets Commission, and shall comply with the terms, conditions, rules and regulations of the Forward Markets Commission and the Exchange.**]**

5.9 [2][Any entity or any of its subsidiaries/ parent company/ related entities which is providing BPO/ KPO services to foreign clients trading on foreign commodity exchanges cannot be a member of the Exchange.

5.10 Any of the member or any of its subsidiaries/ parent company/ related entities of any Exchange/Association recognized under Section 6 of Forward Contracts Regulation Act, 1952 will not undertake any kind of BPO/ KPO activities in which services are provided to foreign clients trading on foreign commodity exchanges.]

[1] Amended vide Exchange Circular Ref. No. MCX/MEM/155/2015 dated May 27, 2015
[2] Inserted vide Exchange Circular No. MCX/COMP/127/2011 dated 16/04/2011 pursuant to the directions issued by the FMC vide its letter No. 5/1/2009/MD-I dated 28/03/ 2011

5.11 [If the member is also a member of any other Commodity Spot Exchange(s) and his client also trades on both the Exchanges, the following conditions shall apply:

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

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

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

5.11.4 Members should issue separate contract notes for trades on Commodity Futures Exchanges and National Commodity Spot Exchanges.][1]

5.12 {Requirement of Base Minimum Capital-

1. All types of Members of the Exchange without Algo trading and with Algo trading shall have to deposit by way of interest free Base Minimum Capital (BMC) of Rs. 10 lacs and Rs. 50 lacs respectively to the Exchange.

2. No exposure will be given on thisBMC.

3. Minimum 25% of the above deposit shall be in the form of cash and balance 75% may be in the form of cash equivalents like Fixed Deposit/ Bank Guarantee.

4. The Members are required to deposit 50% of the applicable BMC by April 30, 2013 and remaining 50% by September 30, 2013. In case, a Member fails to comply with this requirement, the Exchange will block the Member's existing security deposit if any, held with the Exchange towards the BMC, and the balance, if any, shall be deposited by the Member by the respective dates.

5. Trading Members, who clear and settle their trades through others, are required to deposit the aforesaid BMC to the Exchange by the respective dates.

6. BMC would be kept in a separate account by the Exchange and would be used only towards settlement of claims of the clients, payment of arbitration fee by the Member and dues payable by the Member on account of pending arbitration cases / arbitration awards and would not be used for meeting any of the Exchange's dues.

[1] Inserted vide Exchange Circular No. MCX/358/2011 dated 11/10/2011 pursuant to the directions issued by the FMC vide letter No. 9/1/2011-MKT/I dated 26/09/2011

7. If the Member fails to comply with the aforesaid BMC requirement by the respective due date(s), the Member's trading terminal will be deactivated for trading from May 01, 2013 or October 01, 2013, as the case may be, and the trading facility shall remain deactivated until above requirements are fully complied with. In addition the member will be liable for consequential measures, if any, in this regard.

The applicable BMC amount and the respective due dates to be paid by a Member are given hereunder:

Particulars	**Applicable Base Minimum Capital (Rs. in lacs)**	**To be paid by April 30, 2013 (Rs. in lacs) 50% of BMC**	**To be paid by September 30, 2013 (Rs. in lacs) balance 50% of BMC**
A Member without Algo Trading	10	Minimum Rs.1.25 in cash and balance Rs.3.75 in Cash equivalents (Fixed Deposit/ Bank Guarantee)	Minimum Rs. 1.25 in cash and balance Rs.3.75 in Cash equivalents (Fixed Deposit/ Bank Guarantee)
A Member with Algo Trading	50	Minimum Rs. 6.25 in cash and balance Rs. 18.75 in Cash equivalents (Fixed Deposit/ Bank Guarantee)	Minimum Rs. 6.25 in cash and balance Rs. 18.75 in Cash equivalents (Fixed Deposit/ Bank Guarantee)
Those members who opt for Algo trading will not be able to withdraw the additional BMC of Rs. 40 Lacs (subject to the maintenance of applicable Initial Security Deposit) for a period of 12 months should they later opt for non Algo trading. This amount would be retained without any exposure.			

8. {The [Base Minimum Capital][1] Deposit lying with the Exchange will be refunded to the Member, in the following manner:

(i) [who did not activate trading at all and those Members who activated their trading account but never traded, refund after 6 (six) months from the date of issue of advertisement by the Member/Exchange with respect to surrender of membership; or][2]

[1] Amended vide Exchange Circular Ref. No. MCX/MEM/138/2012 dated April 11, 2013 pursuant to Forward Markets Commission (FMC) letter Ref. No. 6/12/2012-MKT-I dated March 8, 2013

[2] Business Rule 5.12.8(i) amended vide Exchange Circular Ref. No. MCX/MEM/245/2014 dated July 11, 2014. Prior to its amendment, Business Rule 5.12.8(i) read as under:

"*who did not activate trading at all, refund after 6 (six) months from the date of issue of advertisement by the Member/Exchange with respect to surrender of membership; or*"

(ii) who have activated trading, refund after 3 (three) years from the date of issue of advertisement by the Member/Exchange with respect to surrender of membership.

subject to approval of surrender of membership from the Exchange, Forward Markets Commission (FMC) and fulfillment of all dues / compliances under the Bye-Laws, Rules and Business Rules of the Exchange, Forward Markets Commission, and circulars issued by the Exchange from time to time.

However, the said [Base Minimum Capital][1] Deposit(s) may be retained beyond stipulated period, if there any unfulfilled obligations including arbitration claims, investor complaints, other grievances / claims, disciplinary action etc. against the Member which comes to the notice of the Exchange, before the stipulated period of release of the Deposit.}[2]

The above stipulations of interest free BMC (without any exposure being allowed) will also be applicable at the time of admission as a new Member and will accordingly be blocked from the Initial Security Deposit (ISD) applicable for the type of membership applied for. In all such cases the ratio of cash versus cash equivalents for the BMC portion will be as specified above (1:3) and for the balance Initial Security Deposit (ISD) portion, if any, it will be 1:1.}[3]

6. Admission fee

The admission fee paid by a member is non-refundable. However, a member is entitled to surrender or transfer his membership.

{The applicable admission fee for different categories of members is as under:

a) Trading -cum- Clearing Member

i. Deposit based: [Rs. 10,00,000/-][4]
ii. Non Deposit Based: [Rs. 25,00,000/-][5]

Earlier amended vide Exchange Circular Ref. No. MCX/MEM/171/2014 dated May 2, 2014. Earlier inserted vide MCX/MEM/138/2012 dated April 11, 2013 pursuant to Forward Markets Commission (FMC) letter Ref. No. 6/12/2012-MKT-I dated March 8, 2013

[1] Amended vide Exchange Circular Ref. No. MCX/MEM/138/2012 dated April 11, 2013 pursuant to Forward Markets Commission (FMC) letter Ref. No. 6/12/2012-MKT-I dated March 8, 2013

Clause substituted vide Exchange Circular Ref. No. MCX/MEM/245/2014 dated July 11, 2014. Prior to its substitution, vide Exchange Circular Ref. No. MCX/MEM/138/2013 dated April 11, 2013 pursuant to Forward Markets Commission (FMC) letter Ref. No. 6/12/2012-MKT-I dated March 8, 2013 Clause VIII read as under:

"The Base Minimum Capital (BMC) along with the applicable Initial Security Deposit (ISD), if any, (i.e. ISD as available after the adjustment as stated above in point no. IV), shall be refunded to the Member after three years from the date of issue of advertisement by him with respect to surrender of membership and will be subject to approval of surrender of membership from the Exchange, Forward Markets Commission (FMC) and fulfillment of all dues /compliances under the Bye-laws, Rules and Business Rules of the Exchange, Forward Markets Commission and circulars issued there under. The said BMC along with Initial Security Deposit may be retained by the Exchange beyond the stipulated period, if any unfulfilled obligations including arbitration claims, investor complaints other grievances/claims, disciplinary action etc, against the Member come to the Exchange's notice before the stipulated period of release of BMC and Initial Security Deposit (ISD)."

[3] Business Rule 5.12 inserted vide Exchange Circular Ref. No. MCX/MEM/138/2012 dated April 11, 2013 pursuant to Forward Markets Commission (FMC) letter Ref. No. 6/12/2012-MKT-I dated March 8, 2013.

[4] Increased vide Exchange Circular Ref. No. MCX/MEM/26/2007 dated January 17, 2007. Prior to amendment, Admission fee for Deposit based was Rs. 5,00,000/- vide Exchange Circular Ref. No. MCX/149/06 dated April 06, 2006 and Rs.3,75,000/- vide Exchange Circular Ref. No. MCX/245/2005 dated July 4, 2005.

[5] Increased vide Exchange Circular Ref. No. MCX/MEM/247/2008 dated July 22, 2008. Prior to amendment, Admission fee for Non Deposit Based was Rs. 20,00,000/- vide Exchange Circular Ref. No. MCX/MEM/026/2007 dated January 17, 2007, Rs. 10,00,000/- vide MCX/149/06 dated April 06, 2006 and Rs. 7,50,000/- vide Exchange Circular Ref. No. MCX/245/2005 dated July 4, 2005.

b) Professional Clearing Member – [Rs. 10,00,000/-][1]

c) Institutional Trading –cum- Clearing Member – [Rs. 25,00,000/-][2]

d) Trading Member – Rs.7,50,000}[3]

6A. Initial Security Deposit

{A member is required to pay Initial Security Deposit as under:

a) Trading -cum- Clearing Member
   i. Deposit based: [Rs. 65,00,000/-][4]
   ii. Non Deposit Based: [Rs. 30,00,000/-][5]

b) Professional Clearing Member – [Rs. 100,00,000/-][6]

c) Institutional Trading –cum- Clearing Member – [Rs. 100,00,000/-][7]}[8]

7. Annual subscription

[9]{A member is required to pay annual subscription in advance latest by April 30 of every year as under:

a) Trading -cum- Clearing Member – Rs. 75,000/-

b) Professional Clearing Member – Rs. 1,00,000/-

c) Institutional Trading –cum- Clearing Member – Rs. 1,00,000/-

d) [10]**[**Trading Member – Rs.10,000/**]**

However, the annual subscription for the existing TCM and ITCM will be Rs.50, 000/- and Rs. 1,00,000/- for PCM for the year 2007-08 to be paid before April 30, 2007. Annual subscription paid after April 30, 2007 will be as per the new rates indicated as above.

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[1] Increased vide Exchange Circular Ref. No. MCX/MEM/026/2007 dated January 17, 2007, Prior to amendment, Admission fee for Professional clearing Member Nil vide Exchange Circular Ref. No. MCX/149/06 dated April 06, 2006 and Nil vide Exchange Circular Ref. No. MCX/245/2005 dated July 4, 2005.

[2] Increased vide Exchange Circular Ref. No. MCX/MEM/026/2007 dated January 17, 2007. Prior to amendment, Admission fee was Rs. 10,00,000/- vide Exchange Circular Ref. No. MCX/149/06 dated April 06, 2006, Rs. 7,50,000 vide Exchange Circular Ref. No. MCX/245/2005 dated July 4, 2005.

[3] Inserted vide Exchange Circular Ref. No. MCX/MEM/262/2007 dated July 27, 2007.

[4] Increased vide Exchange Circular Ref. No. Ref. No. MCX/MEM/026/2007 dated January 17, 2007 . Prior to amendment, the Initial Security Deposit for Deposit Based was Rs. 50,00,000/- vide Exchange Circular Ref. No. MCX/149/2006 dated April 6, 2006, Rs. 30,00,000/- vide Exchange Circular Ref. No. MCX/245/2005 dated July 4, 2005.

[5] Increased vide Exchange Circular Ref. No. MCX/MEM/026/2007 dated January 17, 2007. Prior to amendment, the Initial Security Deposit was Rs. 15,00,000/- vide Exchange Circular Ref. No. MCX/149/2006 dated April 6, 2006, Rs. 7,50,000/- vide Exchange Circular Ref. No. MCX/245/2005 dated July 4, 2005.

[6] Increased vide Exchange Circular Ref. No. MCX/MEM/026/2007 dated January 17, 2007. Prior to amendment, the Initial Security Deposit for Professional Cum Trading Member was Rs. 50,00,000/- vide Exchange Circular Ref. No. MCX/245/2005 dated July 4, 2005.

[7] Amended vide Exchange Circular Ref. No. MCX/MEM/026/2007 dated January 17, 2007. Prior to amendment, the Initial Security Deposit for Institutional Trading Cum Clearing Member was Rs. 50,00,000/- inserted vide Exchange Circular Ref. No. MCX/245/2005 dated July 4, 2005.

[8] Business rule 6A inserted vide Exchange Circular Ref. No. MCX/245/2005 dated July 4, 2005.

[9] Modified from time to time as per Circular No. MCX/MEM/026//2007 dated 17/1/07 w.e.f. 1/4/07, Earlier modified vide circular No. MCX/149/2006 dated 6/4/06 w.e.f. 15/4/06 and Circular No. MCX/157/2006 dated 12/4/2006 w.e.f. 1/5/2006.

[10] Inserted as per Circular No.MCX/MEM/262/2007 dated 27/7/2007

Where a member fails to pay the Annual Subscription 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.**}**

8. Transfer of Membership

1. [Only full fledged Trading-cum-Clearing Members (Non-deposit based) can transfer their Membership who has paid the admission fees and security deposit in full to person(s)/ entities as mentioned in Table at clause 1.4, subject to [prior approval of the Commission][1] meeting the conditions for transfer as mentioned in the schedule at Annexure XIX and settlement of all pending dues.] Besides, the transferor member is also required to pay a processing charges of Rs. 10,000/- (Ten Thousand Only) and transfer fee of [Rs.1,00,000/- (One Lac Only) or Rs. 50,000 (Rupees Fifty Thousand Only) whichever applicable-][2]. [The members are required to submit request for transfer of membership/ change in proprietor excluding cases of transfer within the Hindu Undivided Family (HUF) to the Exchange directly and the Exchange in turn will seek Commission's prior approval.][3]A transfer of membership becomes effective only upon approval thereof by the Exchange. Transfer of membership is allowed only in the case of full-fledged Trading-cum-Clearing-Members, and not in respect of any other class of member.

8.1.1 Only fu

1.1 Only full-fledged Trading-cum-Clearing Members (Non-deposit based) can transfer their Membership who has paid the admission fees and security deposit in full.

1.2 Have completed 3 (three) years from the date of approval of their Membership.

1.3 Transfer of Membership shall be to persons / entities eligible under MCX Bye laws, Rules and Business Rules including Circulars and instructions issued by the Exchange from time to time.

1.4 The transfer can be done generally by a Member of the Exchange as specified in column 1 to the persons / entities mentioned in column 2, herein mentioned below :

Constitution of Member	Persons / Entities to whom the Membership can be transferred

[1] Amended vide Exchange Circular Ref. No. MCX/MEM/181/2012 dated May 4, 2012 read with Exchange Circular Ref. No. MCX/MEM/92/2012 March 15, 2012.

[2] Amended vide Exchange Circular Ref No. MCX/MEM/151/2007 dated April 20, 2007 read with Exchange Circular Ref No. MCX/150/2006 dated April 6, 2006.

[3] Amended vide Exchange Circular Ref. No. MCX/MEM/181/2012 dated May 4, 2012 read with Exchange Circular Ref. No. MCX/MEM/92/2012 March 15, 2012

Individual/HUF	Individual/ Partnership Firm/Body Corporate/ HUF/ Co-operative Society
Partnership Firm	Partnership Firm/ Body Corporate
Body Corporate	Body Corporate

a) Members intending to transfer their membership as above will have to submit the application form duly filled **(Annexure 1)** along with the following documents.

2.1 Agreement for transfer of membership on non-judicial stamp paper of appropriate value duly notarized **(Annexure 2)**.

2.2 Undertaking by transferor on non-judicial stamp paper of appropriate value duly notarized **(Annexure 3)**.

2.3 Undertaking by transferee on non-judicial stamp paper of appropriate value duly notarized **(Annexure 4).**

2.4 Board resolution for transfer of membership for Corporate only **(Annexure 5 (a) & 5 (b)).**

2.5 Net worth certificate of the transferee as per the prescribed format of the Exchange duly certified by a Chartered Accountant **(Annexure 6)**.

2.6 Shareholding-pattern/Sharing-pattern & details of Dominant Promoter Group (DPG) of the transferee for Corporate/ Partnership Firm only **(Annexure 7).**

2.7 Copies of the Advertisements released in Newspapers by the Transferor inviting objections, if any, to the said transfer **(Annexure 8).**

3. Member shall pay the Exchange at the time of filing of the transfer application, the processing charge of Rs.10,000/- (Rupees Ten Thousand Only) and transfer fee of Rs.1,00,000/- (Rupees One Lac Only)(applicable for transfer of membership to another entity after lock in period),[1] / [Rs. 50,000 (Rupees Fifty Thousand Only)(transfer of membership to a group /holding / subsidiary company or concern wherein existing DPG continues to hold more than 51% stake in the new entity)][2]

[1] Amended vide Exchange Circular Ref No. MCX/MEM/151/2007 dated April 20, 2007. Prior to amendment Exchange Circular Ref No. MCX/150/2006 dated April 6, 2006, reads as under "transfer of membership to a company or concern belonging to one or more of the existing DPG constituents not resulting into change in dilution of DPG holding"/ "transfer of membership to a company or concern belonging to one or more of the existing DPG constituents resulting into change in dilution of DPG holding below 51%"/ "transfer of membership to another entity (other than subsidiary / holding/ sister/ associate company or concern belonging to one or more of the existing DPG constituents – after lock in period prescribed by Exchange")

[2] Amended vide Exchange Circular Ref No. MCX/MEM/151/2007 dated April 20, 2007 read with Exchange Circular Ref No. MCX/150/2006 dated April 6, 2006. Prior to amendment Exchange Circular Ref No. MCX/150/2006 dated April 6, 2006, reads as under "transfer of membership to a company or concern belonging to one or more of the existing DPG constituents not resulting into change in dilution of DPG

by demand draft / pay order in favour of "Multi Commodity Exchange of India Limited".

4. The Transferee will pay security deposit, [as applicable including Base Minimum Capital][1] annual subscription and any other fees/ charges as per the prevailing deposits / fees / charges applicable for new members. The Transferee will be required to maintain the net worth on a continuous basis as per the provisions of Bye laws, Rules, Business Rules including Circulars and instructions issued by the Exchange from time to time

5. Transfer request will be considered only on fulfillment of the conditions as specified in the Schedule enclosed.

6. It may be noted that the Exchange reserves the right to reject / decline the transfer of membership without assigning any reason(s) whatsoever to the Member.

7. In case of any difference and / or dispute as to the interpretation, meaning or effect of the circular, the decision of the Exchange shall be final.]

8A. [2]Transmission of Membership

1. Transmission of Membership will be allowed to Individual/Proprietary Firms, having Trading-cum-Clearing Membership/ Trading Membership of the Exchange subject to Bye Laws, Rules, and Business Rules of the Exchange

2. Membership of the Exchange will be transmitted in the name of legal heir (in whose name the interest in property, of the deceased, devolves by testamentary or intestate succession).

3. The legal heir, applying for transmission, will be required to submit following:-

   (a) Processing charges of Rs.10,000/-
   (b) Written request for transmission of membership
   (c) Attested copy of the Death certificate
   (d) In case of

   - **Intestate Succession**

     (a) Succession Certificate / Legal Heir Certificate granted by Competent Authority.

holding"/ "transfer of membership to a company or concern belonging to one or more of the existing DPG constituents resulting into change in dilution of DPG holding below 51%"/ "transfer of membership to another entity (other than subsidiary / holding/ sister/ associate company or concern belonging to one or more of the existing DPG constituents – after lock in period prescribed by Exchange")

[1] Amended vide Exchange Circular Ref. No. MCX/MEM/138/2012 dated April 11, 2013. Also Refer to Business Rule 5.12.

[2] Clause 8A has been inserted as per Circular No. MCX/MEM/420/2007 dated 13/11/2007.

(b) No objection Certificate from other legal heirs (**As per format given in Annexure-II**)

- **Testamentary Succession**

(a) Authentic copy of Will duly notarized by Notary Public U/s. 14 of Notaries Act.
(b) Identification of the legatee of the Will.
(c) Affidavit of attesting witness of the Will. (**As per format given in Annexure-I**)
(d) No objection Certificate from other legal heirs. (**As per format given in Annexure-II**)
(e) Undertaking of legal heir applying for transmission of membership on Non-judicial stamp paper of Rs. 300/- duly Notarized (**As per format given in Annexure-III**)
(f) Membership Application Form
(g) Net worth certificate in the prescribed format from the legal heir applying for transmission (**As per format given in Annexure-IV**) duly issued by practicing Chartered Accountant

4. The legal heir applying for transmission will pay security deposit [as applicable, including Base Minimum Capital][1], annual subscription and any other fees/ charges as per the prevailing deposits/ fees/ charges applicable for new members.

5. The legal heir applying for transmission will be required to maintain the net worth applicable to the deceased member at the time of admission on a continuous basis as per the provisions of Bye Laws, Rules, Business Rules including Circulars and instructions issued by the Exchange from time to time.

6. The legal heir applying for transmission shall be responsible to pay all the outstanding fees/charges/dues etc., interest payable thereon etc. of the Exchange/ FMC.

Request for transmission of membership will be considered only on fulfillment of above stated conditions and submission of documents as per the prescribed formats / requirements of the Exchange by the legal heir applying for transmission which can be granted to the applicant at the discretion of the Exchange

The Exchange reserves the right to reject / decline the transmission of membership without assigning any reason(s) whatsoever and the same shall be binding on the applicant/s.

8B. [2]Nomination of Membership

[1] Amended vide Exchange Circular Ref. No. MCX/MEM/138/2012 dated April 11, 2013. Also Refer to Business Rule 5.12.
[2] Business Rule 8C inserted vide Exchange Circular Ref. No. MCX/476/2006 dated November 9, 2006

a. An individual with sole proprietorship having membership with his own name / with trade name may make a nomination to his membership rights of MCX. The nominee has to be one of his Family members/ Legal heir(s) and shall in all case be eligible to become member of MCX. (Nominee must have complied all the relevant conditions / eligibility criteria of membership).

b. Nomination of any outsider [other than family member / legal heir(s)] will not be accepted unless and otherwise this is supported by a valid will, letter of probate and letter of Administration.

c. The Nominator (Member of the Exchange) as well as Nominee, along with witness will have to sign the nomination form.

d. The nomination shall not be effective unless the nominating member of the Exchange, and in the case of a deceased member, his legal heirs or any of the family member in whose favor the nomination has been made shall have paid and satisfied all dues, fines, claims, charges, complaints against the main member.

e. If the nomination is such that it cannot be approved at the time of date of its implementation, Member will have to submit fresh nomination /successor of the member will have to nominate fresh among themselves.

f. If the member has appointed more than one nominee / or the successor to the member has appointed more than one nominee, then such all nominated persons will have to form a company/ partnership firm to effect nomination to new entity (if the member has revised/ changed the nomination the latest nomination received by the Exchange shall prevail).

g. Nomination shall become effective from the date of death of member or final approval of Relevant Authority whichever is later (subject to the fulfillment of all outstanding dues, claims, charges, liabilities if any) and in case of nomination made by successors the date of nomination shall be the date duly approved by the Relevant Authority (subject to the fulfillment of all outstanding dues, claims, charges, liabilities if any).

h. Nomination made by the member may be revoked by the Exchange / Relevant authority with prior written notice duly approved by Relevant Authority.

i. Exchange / Relevant Authority reserves right to reject the nomination request]

8C [1]Change in Designated Director

1. [Corporate members of the Exchange shall take prior approval from the Exchange and furnish necessary documents for any change in the Designated Directors.

[1] Business Rule 8C inserted vide Exchange Circular Ref. No. MCX/476/2006 dated November 9, 2006

2. Members shall have to pay Rs. 2500/- by the way of Demand Draft drawn in favour of Multi Commodity Exchange of India Limited, payable at Mumbai.][1]

[1] Business Rule 8C inserted vide Exchange Circular Ref. No. MCX/476/2006 dated November 9, 2006

8D [1]Change in Shareholding Pattern/ Change in Dominant Promoter Group's Shareholding – Sharing Pattern

1. [In case of corporate Member (other than subsidiary / joint venture of listed companies) or a partnership firm, the Member shall identify a Dominant Promoter Group (DPG). DPG shall consist only of individuals, not more than four in number who collectively shall hold at least 51% of the paid up equity capital of the Member company or the partnership firm, directly or indirectly.

2. Any change in the shareholding/ sharing pattern of the company / partnership firm including that of the said DPG or their shareholding/ sharing interest shall be effected only with the prior written permission of the Exchange.

3. Members are advised to note that any change as mentioned above is subject to fulfillment of membership eligibility criteria laid down by the Exchange as well as Relevant Authority from time to time.

4. The various charges and fees payable for change in name, shareholding etc. are as follows:

PARTICULARS	PROCESSING CHARGES
[Where the change/increase does not result in dilution of DPG holding below 51%	Rs. 5000][2]
Where shareholding of its existing DPG constituents goes below 51 %	Not allowed before lock in period of 3 years
[Where the change results into change of DPG constituents but not resulting into change of shareholding/sharing pattern.	Rs. 5000][3]

5. The charges/fees are payable upfront at the time of submission of requests by members by way of demand draft/bankers pay order or cheque payable at par in Mumbai in favour of 'Multi Commodity Exchange of India Limited'.
6. The Exchange reserves the right to decline any request from member, without assigning any reason whatsoever. In case of difference/dispute arising as to the

[1] Business Rule 8D inserted vide Exchange Circular MCX/150/06 dated April 6, 2006 and amended vide Exchange Circular Ref. No. MCX/MEM/151/2007 dated April 20, 2007

[2] Amended vide Exchange Circular Ref. No. MCX/MEM/151/2007 dated April 20, 2007. Prior to amendment, the clause read as under: "*Where the change does not result in dilution of DPG holding below 51% , Processing Fee Rs. 5000, Fee Rs. 25,000"* vide Exchange Circular Ref. No.: MCX/150/2006 dated April 6, 2006.

[3] Amended vide Exchange Circular Ref. No. MCX/MEM/151/2007 dated April 20, 2007. Prior to amendment, the clause read as under: "*Where the change results into change of DPG constituents but not resulting into change of shareholding/sharing pattern*, *Processing Fee Rs. 5000, Fee Rs. 50,000"* vide Exchange Circular Ref. No.: MCX/150/2006 dated April 6, 2006.

interpretation, meanings or effect of the revised guidelines, the decision of the Exchange shall be final and binding on the members.}[1]

7. [No prior approval for change in shareholding (for corporates) /sharing pattern (partnership firms) will be required if such change:

   a. does not alter the shareholding/share of Dominant Promoter Group(DPG) constituents in percentage terms,
   b. does not lead to addition or deletion of a Dominant Promoter Group (DPG) constituent and
   c. does not result in change of management/ control.
   d. Also, no charges shall be payable to the exchange in such cases.

   However, the members are required to furnish all the documents in such cases as per prescribed formats and file the same with the exchange within 21 days of carrying out the change of shareholding/share in such cases.][2]

8. [The Members of the Exchange are required to forward the application along with all the requisite documents to the Exchange in case of change in shareholding pattern / sharing pattern leading to "change in control" of the Company / Firm in order to enable the Exchange to obtain prior approval from the Commission.][3]

8E Conversion of Membership/ Change In Constitution of Member

1. {Where a Corporate / Partnership entity has been formed by converting the Individual / HUF Membership of the Exchange and erstwhile Individual / HUF will continue to hold a minimum of 51% stake in the new entity for a period of atleast 3 years.

2. Where a Corporate entity has been formed by converting the Partnership Firm Membership of the Exchange and the dominant promoter group of the erstwhile Partnership Firm will continue to hold a minimum of 51% stake in the new entity for a period of atleast 3 years.

3. The processing charge for conversion of membership is Rs. 10,000/- plus applicable Service Tax.}[4]

4. [The Members of the Exchange are required to forward the application along with all the requisite documents for change of constitution of member to the Exchange

[1] Business Rule 8D inserted vide Exchange Circular Ref. No.: MCX/150/2006 dated April 6, 2006 and amended vide Exchange Circular Ref. No. MCX/MEM/151/2007 dated April 20, 2007.
[2] Business Rule 8D (7) inserted vide Exchange Circular Ref. No. MCX/MEM/132/2008 dated April 15, 2008.
[3] Business Rule 8D (8) inserted vide Exchange Circular No. MCX/MEM/92/2012 dated March 15, 2012 read with Circular No. MCX/MEM/181/2012 dated May 04, 2012.
[4] Business Rule 8E inserted vide Exchange Circular Ref. No. MCX/MEM/151/2007 dated April 20, 2007.

in order to enable the Exchange to obtain prior approval from the Commission.][1]

8F Change of Name

1. {The Members of the Exchange are required to forward the application along with all the requisite documents for change of name to the Exchange in order to enable the Exchange to obtain prior approval from the Commission. On receipt of approval from the Commission, the Exchange would intimate the members to effect the name change in their bank accounts and other related documents.}[2]

2. [The name of the new entity should not have the following words in the trade name:

   a. Comex / Comdex / Exchange][3]

9. Surrender of membership

a. [4][A Member of the Exchange desirous of surrendering the membership shall before making an application for surrender of membership comply with the following:

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[1] Business Rule 8 E(4) inserted vide Exchange Circular Ref. No. MCX/MEM/92/2012 dated March 15, 2012 read with Exchange Circular Ref. No. MCX/MEM/181/2012 dated May 04, 2012.

[2] Business Rule 8F inserted vide Exchange Circular Ref. No. MCX/MEM/92/2012 dated March 15, 2012 read with Exchange Circular Ref. No. MCX/MEM/181/2012 dated May 04, 2012.

[3] Business Rule 8F(2) inserted vide Exchange Circular Ref. No. MCX/166/06 dated April 18, 2006.

[4] [Substituted by Exchange Circular Ref. No.: MCX/MEM/048/2015 dated February 19, 2015 and in supersession of Exchange Circular Ref no. MCX/MEM/189/2008 dated June 03, 2008; Circular Ref no: MCX/MEM/215/2012 dated June 12, 2012; Circular Ref no. MCX/MEM/171/2014 dated May 02, 2014 and Circular Ref no. MCX/MEM/245/2014 dated July 11, 2014 regarding surrender of membership and in continuation to Circular Ref no. MCX/MEM/138/2013 dated April 11, 2013 and Circular Ref no. MCX/MEM/092/2012 dated March 15, 2012 and in terms of the directives received from Forward Markets Commission (FMC) vide letter no. Div. III/I/112/2014 dated December 31, 2014 and Div. III/1/112/2015 dated January 19, 2015. Prior to substitution, Business Rule 9 read as under:

a. [A Member of the Exchange] desirous of surrendering the membership shall before making an application for surrender of membership comply with the following:

i. Intimate all his clients/ constituents regarding surrender of membership at least 21 days prior to date of application of surrender of membership of the Exchange.
ii. Ensure that h is open positions as on the date of the application are nil.
iii. Ensure that there are no pending dues towards the Exchange, clients and Forward Markets Commission.
iv. There are no pending disciplinary proceedings against him from the Exchange or Forward Markets Commission.
v. There are no investor complaints/ arbitrations pending against the member.

b. The member has to make an application for surrender of membership in the prescribed format of the Exchange [****] along with necessary documents. The application for surrender includes a request for deactivation also.

c. The exchange shall process the request for deactivation keeping in view pending dues, disciplinary action, etc. De-activation, if approved, will be intimated to the member by the Exchange.

d. On receipt of intimation of de-activation from the Exchange, the member shall publish an advertisement in prescribed format in a regional and in a national daily newspaper and forward the original copies of the advertisements to the exchange. The member shall also forward a request for surrender of leased line and VSAT, if any, and an application for cancellation of User IDs.

e. On completion of 3 months from the date of publication of the advertisement, the Exchange shall process the application for surrender of membership subject to clearance of all pending dues/disciplinary proceedings etc. and investor complaints received by the exchange, if any.

f. [The Exchange will seek prior approval from the Commission before approving the request for surrender. On prior approval of the surrender request by the Commission, the exchange will intimate the same to the member.]

g. [The Deposit(s) lying with the Exchange will be refunded to the Member, in the following manner:

i. Intimate all his clients/ constituents / Authorized Person(s) regarding surrender of membership at least 21 days prior to date of application of surrender of membership of the Exchange.

ii. Ensure that his open positions as on the date of the application are nil.

iii. Surrender existing connectivity like VSATs, leased lines, etc. and User IDs availed by the Member.

iv. Ensure that there are no pending dues towards the Exchange, clients and Forward Markets Commission.

v. There are no investor complaints/ arbitrations pending against the Member.

vi. There are no pending disciplinary proceedings against him from the Exchange or Forward Markets Commission.

b. The Member has to make an application for surrender of membership to the Exchange along with necessary documents, the description and format of which is available on the Exchange Website.

c. Upon receipt of the application, the Exchange will deactivate the membership and advertise the same (at the cost of the Member), for the Member who has executed trades on the Exchange platform, for public information and clients' complaints, if any, within one month from the date of receipt of such application. Advertisements will be published in at least one national-level newspaper and one local newspaper which is widely circulated in the locality in which the Member concerned is located. In case where Member has not executed any trade on the Exchange platform, no advertisement will be issued.

d. The Exchange will provide 60 days for receiving complaints against the Member after the date of publication of the advertisement. On receipt of complaints (if any), the Exchange will redress complaints within 60 days from receipt of the same.

(i) [who did not activate trading at all and those Members who activated their trading account but never traded, refund after 6 (six) months from the date of issue of advertisement by the Member/Exchange with respect to surrender of membership;] or

(ii) who have activated trading, refund after 3 (three) years from the date of issue of advertisement by the Member/Exchange with respect to surrender of membership.

subject to approval of surrender of membership from the Exchange, Forward Markets Commission (FMC) and fulfillment of all dues / compliances under the Bye-Laws, Rules and Business Rules of the Exchange, Forward Markets Commission and circulars issued thereunder. However, the said Deposit(s) may be retained beyond stipulated period, if there any unfulfilled obligations including arbitration claims, investor complaints, other grievances / claims, disciplinary action etc. against the Member which comes to the notice of the Exchange, before the stipulated period of release of the Deposit.]

h. Admission fee is not refundable, but margin deposits are refundable subject to settlement of all pending dues, outstanding contracts and charges, VSAT expenses, fees, etc.

i. [Member, who has surrendered his membership, has an option to provide non-cash collaterals such as Fixed Deposit Receipts, Bank Guarantee to the Exchange for a period of 3 (three) years in place of their existing Deposit(s) lying with the Exchange in order to enable the Exchange to meet his/its liability on account of arising of the said Member's trade. Further, Members shall ensure to replace/renew such Deposit(s) suitably till the release of the same by the Exchange.]

j. The member shall be required to pay annual subscription and other charges, till surrender of membership is approved by the Exchange.

k. The application for surrender of membership once filed is irrevocable and irreversible.]

e. After satisfactory redressal of all the Investor Grievance Complaints / Arbitration (if any) against the Member and subject to clearance of all pending dues / disciplinary proceedings, etc. and if the Exchange considers the case eligible for surrender, the Exchange will intimate the FMC of the same within 15 days.

f. The Exchange may refund the deposit(s) of the Member like Base Minimum Capital, Security Deposits and others lying with the Exchange within three months from the date of intimation to the FMC subject to fulfillment of all dues/compliances under Bye-Laws, Rules and Business Rules of the Exchange, Forward Markets Commission and circulars issued there under. However, the said deposit(s) may be retained beyond the stipulated period, if there are any unfulfilled obligations including arbitration claims, investor complaints, other grievances/claims, disciplinary action, etc., against the Member which comes to notice of the Exchange, before the stipulated date of release of deposit(s). Admission fee once paid is not refundable.

g. The Member shall be required to replace/renew the maturing non-cash component of the deposit suitably till the release of the same by the Exchange.

h. Members may note that if any User ID / connectivity including handover of equipments etc. / other facility is not surrendered or cancelled or handover by the Member, all relevant charges will continue to be applicable and payable by the Member till such time.

i. The application for surrender of membership once filed is irrevocable.

In case of any difference and/ or dispute as to the interpretation, meaning or effect of the circular, the decision of the Exchange shall be binding and final.]

10. Insurance

The members shall be required to obtain insurance cover at their own cost, as per directions issued by the Exchange so as to protect themselves from risks and hazards relating to their business operations at the Exchange.

10A. Authorised Persons

{[1]Members desirous of dealing through authorized person(s) are required to seek approval of the Exchange by submitting an application in the prescribed format, duly completed in all respects to the Membership Department of the Exchange as per the regulatory framework of the Forward Markets Commission and also the Circulars issued by the Exchange from time to time.

i. "Authorized Person" means and includes any person whether being an individual (including proprietors), a partnership firm as defined under the Indian Partnership Act, 1942, a Limited Liability Partnership (LLP) or body corporate as defined

[1] Revised vide Exchange Circular No.MCX/MEM/044/2012 dated 02/02/2012 pursuant to the revised guidelines issued by the FMC vide letter No. 6/3/2008-MKT-II dated January 11, 2012; New clause inserted vide Exchange Circular No.MCX/MEM/282/2010 dated 07/08/2010 pursuant to the FMC Circular No.6/3/2008-MKT-I dated 28/07/2010.

under the Companies Act, 1956 or a Co-operative Society as defined under the Co-operative Societies At, 1912/ Multi State Co-operative Societies Act, 2002/ any other respective State/UT Co-operative Society Act (including federations of such co-operative societies), who is appointed as such by a member of the Exchange and upon such approval by the Exchange for providing access to the trading platform of the exchange as an agent of the member."

ii. Appointment of Authorised Person

(a) Members of the Exchange may appoint one or more Authorized Persons after obtaining specific prior approval from the Exchange.

(b) The approval as well as the appointment shall be specific for each such Authorized person.

iii. Procedure for Appointment

a) Member of the Exchange may apply to the Exchange in such format as may be notified by the Exchange from time to time for appointment as "Authorized Person".

b) On receipt of the application for approval of the appointment of an Authorized Person from the Member, the Exchange may:-

i. accord approval on satisfying that the person is eligible for appointment as Authorized Person, or

ii. refuse approval on satisfying that the person is not eligible for appointment as Authorized Person.

c) The Exchange will have the discretion to refuse or withdraw permission if any, granted/to be granted to any Authorized Person at any time without assigning any reason, if the Exchange, in its absolute discretion, considers such refusal or withdrawal to be in the interest of the market.

d) [All applications for Authorized Persons registration received by the Exchange on or after July 1, 2012 must be accompanied with a processing fees of Rs. 1000/- (plus applicable Service Tax) per application and the same would not be refunded in case of withdrawal of applications by the Member at any stage.][1]

iv. Eligibility Criteria

a) Individuals

An individual is eligible to be appointed as "Authorized Person" if he:

i. is a citizen of India;

ii. is not less than 18 years of age;

[1] Business Rule 10A(iii)(d) inserted vide Exchange Circular Ref. No. MCX/MEM/230/2012 dated June 25, 2012

iii. has not been convicted of any offence involving fraud or dishonesty;
iv. if he has been suspended or barred by any Stock or Commodity Exchange for a period of more than six continuous calendar months, a period of three years must elapse from the date of completion of the period of suspension before he is considered for a reappointment as an Authorized Person;
v. has a good reputation and character;
vi. has passed at least 10th standard or equivalent examination from an institution recognized by the Central Government/State Government;
vii. possesses such certification that may be prescribed by the Exchanges, as approved by the Commission from time to time.

b) A partnership firm, LLP or a body corporate

A partnership firm, LLP or a body corporate is eligible to be appointed as Authorized Person;

i. if all the partners or directors, as the case may be, comply with the requirements contained in clause 18.6.(i) above

ii. the object clause of the partnership deed or of the Memorandum of Association contains a clause permitting the person to deal in commodities derivatives contracts.

c) A co-operative Society shall be eligible to be appointed as an "Authorized Person"

i. if all the Members/ Directors by whatever name called, of the Managing Committee/Governing Body comply with the requirements contained in clause 18.6.1 above. However, in respect of clause at 18.6.1 (f) above, the Exchange may at its own discretion relax the criteria of educational qualifications.

ii. if the object clause of the Memorandum of Association of the co-operative society contains a clause permitting the co-operative society to deal in commodity derivatives contracts.

d) Infrastructure

The Authorized Person must have necessary infrastructure, viz, adequate office space, equipment, manpower and such other infrastructural facilities, which the Exchange may prescribe from time to time, to effectively discharge the activities on behalf of the Member.

v. Conditions of Appointment

a) On being appointed as an "Authorized Person" of a Member of the Exchange, such person or entity shall not, during continuation of being an Authorized Person of such Member, qualify for becoming Authorized Person of any other Member of the Exchange.

b) No director of a Member (if Member is a company under the Companies Act) or a partner of the Member (if Member is a partnership firm or a LLP) or a Member/Director of the Managing Committee/Governing Body of a member (if the Member is a co-operative Society) shall be eligible to become an "Authorized Person" of any other Member of the Exchange in which its company, partnership firm, LLP or co-operative society as the case may be, is a Member

c) The Authorized Person shall not receive or pay any money or deal in deliveries of commodities in its own name or account. All receipts and payments of money and dealings in commodities shall be in the name or account of the concerned Member of the Exchange of whom he is appointed as the Authorized Person.

d) The Authorized Person shall receive his remuneration- fees, charges, commission, salary etc. for his services only from the Member of which it is an "Authorized Person" and he shall not charge any amount under whatever head from the clients of the Member.

e) All acts of omission and commission of the Authorised Person shall be deemed to be those of the Member of the Exchange.

f) The Member and the "Authorized Person" shall enter into written agreement(s) in the form(s) specified by the Exchange from time to time. The agreement shall, inter alia, cover scope of the activities, responsibilities, confidentiality of information, conditions for appointment as "Authorized Persons" as prescribed in these regulations, particulars of remuneration (whether by way of salary, commission, allowance or otherwise), termination clause, etc

g) The permission granted by the Exchange for any Authorized Person is only to facilitate the Members to trade on the Exchange platform through persons authorized by them and such permission shall not be construed in any manner whatsoever to waive, reduce or affect the liability and responsibility of the Member in such matter.

vi. Withdrawal of Approval

Approval given to an Authorized Person may be withdrawn by the Exchange;

a) on receipt of a request to that effect from the Member of the Exchange or the Authorised Person concerned, subject to compliance with the requirements that may be prescribed by the Exchange from time to time;

b) on being satisfied that the continuation of the Authorized Person is detrimental to the interest of investors or the commodities market.

c) on becoming ineligible under clause iii of these regulations at a subsequent date.

d) Upon the directions of the Commission.

e) [All applications for cancellation of registered Authorized Persons received by the Exchange on or after July 1, 2012 must be accompanied with processing fees of Rs. 500/- (plus applicable Service Tax) per application

and the same would not be refunded in case of withdrawal of applications by the Member at any stage.][1]

vii. Obligations of the members of the Exchange

a) The Member shall enter into agreement prescribed by the Exchange with each of such Authorized persons after receipt of communication of acceptance of such Authorized Person by the Exchange.

b) The Member shall permit the Authorized Person to admit or introduce clients and accept orders from the clients on their behalf only after execution of the Agreement as stated at clause vii (a) above.

c) The Member shall be responsible for all acts of omission and commission of his Authorized Person and/or their employees, including liabilities arising there from.

d) If any trading terminal is provided by the Member to an "Authorized Person" the place where such trading terminal is located shall be treated as branch office of the Member.

e) The Member shall display at each such branch office, additional information such as, particulars of Authorized Person in charge of that branch, terms and conditions of his appointment, time lines for dealing through Authorized Person, etc., as may be specified by the Commodity Exchange.

f) The Member shall notify changes, if any, in the Authorized Person to all registered clients of that branch at least 15 days before the change.

g) The Member shall conduct periodic inspection of the branches assigned to Authorized Persons and records of the operations carried out by them, as prescribed by the Exchange.

h) It shall be the responsibility of the Member to audit the records of its Authorised Person to ensure that they comply with the Rules, Bye Laws and Regulation of the Exchange.

i) The client dealing through an Authorized Person shall be registered with the Member only. The funds, monies commodities or warehouse receipts, as the case may be, of the clients shall be settled directly between the Member and client. No fund or commodities of the client shall be transferred/ deposited/credited into any account of an Authorised Person.

j) All documents like contract notes, statement of funds and commodities etc. would be issued by the Member to the client. Authorized Person may

[1] Business Rule 10A (vi)(e) inserted vide Exchange Circular Ref. No. MCX/MEM/230/2012 dated June 25, 2012

provide administrative assistance in procurement of documents and settlement, but shall not issue any documents to client in its own name.

k) On noticing irregularities, if any, in the operations of an Authorized Person, the Member shall forthwith seek withdrawal of approval, withhold all moneys due to Authorized Person till resolution of client grievances, alert clients in the location where Authorized Person operates, file a complaint with the police, and take all measures as may be required to protect the interest of its clients and the market.

l) Members shall ensure that no orders are executed at the Authorized Person's end before all documents as prescribed by the Exchange or the Commission, as the case may be, including Member and Constituent Agreement, Client Registration Form and Risk Disclosure Document are obtained from each such client.

m) Uploading of details pertaining to the Unique Client Code shall be the responsibility of the Member and the Authorized Person cannot create or allot Unique Client Code to any client.

n) All documents as mentioned in clause (l) and (m) above should be available with the Member for Audit and inspection as and when required by the Exchange or the Commission.

viii. Obligations of the Exchange

a) The Exchange shall maintain a database of all the Authorized Persons, which shall include the following:-

i. PAN number of Authorized Person and in case of partnership or body corporate, PAN number of all the partners or directors as the case may be along with photographs, PAN number of all the Members/Directors by whatever name called of the Managing Committee/Governing Body of a co-operative society alongwith photograph.

ii. Details of the Member with whom the Authorized Person is registered.
iii. Locations of the branch assigned to the Authorised Person.

iv. Number of terminals and their details, given to each Authorised Person.

v. Withdrawal of approval of an Authorized Person.

vi. Change in the status or constitution of Authorized Person

vii. Disciplinary action taken by the Exchange against any Member for violations of the Forward Contracts (Regulation) Act, 1952, Bye-laws,

Rules, Regulation and directions of the Commission or the Exchange, as the case may be, by the Authorized person.

All the above details, except (i) above, shall be made available on the website of the Exchange.

b) While conducting the inspection of the Member, the Exchange shall also conduct inspection of the branches where the terminals of Authorized Persons are located and records of the operations carried out by them.

c) Any dispute between a client and an Authorized Person shall be treated as a dispute between the client and the Member and the same shall be redressed by the Exchange accordingly.

d) In case of withdrawal of approval of an Authorized Person due to disciplinary action or upon the regulatory directive, the Exchange shall issue a press release and disseminate the names of such Authorized Person on its website citing the reason for withdrawal or cancellation of approval.}

10B. Anti Money Laundering and Know Your Customer (KYC) Norms

[[1]Members/Intermediaries to follow and adopt the Prevention of Money Laundering Act 2002 and Prevention of Money laundering (Maintenance of records of the nature and value of transaction, the procedure and manner of maintaining and time for furnishing information and verification and maintenance of the identity of clients of the Banking companies, Financial Institutions and Intermediaries) Rules, 2005 and all other rules, regulations, notifications issued by the GOI from time to time. The following framework as advised by Forward Markets Commission may be followed:

i. The Members/Intermediaries in the Commodity Derivative Market (CDM) shall have adequate controls and procedures in place so that they know the customers with whom they are dealing. Adequate and due diligence on new and existing customers is a key part of these controls. The standards adopted should be such that they adhere in letter and spirit to the requirements as listed out in detail by the Prevention of Money Laundering Act, 2002 (PMLA) .

ii. Appointment of Principal Officer:

The Members/ Intermediaries shall designate a senior management officer as Principal Officer. The Principal Officer shall be located at the head/corporate office and shall be responsible for monitoring and reporting of all transactions and sharing of information as required under the law. The Principal Officer will maintain close liaison with enforcement agencies, banks and any other institution which are involved in the fight against money laundering and combating financing of terrorism. The name, designation and addresses (including e-mail addresses) of

[1] Inserted as per Exchange Circular No.MCX/COMP/488/2009 dated 27/11/2009 pursuant to the directions issued by the FMC vide its letter no. 7/1/2008-MKT-II dated October 30, 2009

the 'Principal Officer' may be intimated to the Office of the Director-FIU, 6th Floor, Hotel Samrat, Chanakyapuri, New Delhi – 110021, India on an immediate basis.

iii. The Customer Due Diligence would include the following aspects:

(A) Customer acceptance policy: The Members/Intermediaries should develop clear customer acceptance policies and procedures, including a description of the types of customers that are likely to pose a higher than normal risk to them. In preparing such policies factors such as customers' background, origin, public position, related accounts, business activities or other risk indicators should be considered. The Members/Intermediaries should develop graduated customer acceptance policies and procedures that require more extensive due diligence for higher risk customers. For example, the policies may require the fundamental account-opening requirements for a working individual with a small CDM transaction. It is, however, important that the customer acceptance policy is not so restrictive that it results in a denial of access to the market participants, especially the targeted beneficiaries like farmers. On the other hand, quite extensive due diligence would be essential for an individual with a high net worth whose source of funds is unclear. Decisions to enter into business relationships with high risk customers, such as politically exposed persons, should be taken exclusively at senior management level.

(B) Customer Identification: Customer identification is an essential element of KYC standards. A customer would include the person or entity that maintains an account with the member/intermediary or those on whose behalf an account is maintained (i.e., beneficial owners). The Member/Intermediary should undertake the following processes for proper identification of customers:

i) Identifying the customer and verifying that customer's identity using reliable, independent source documents;
ii) Identifying the beneficial owner, and taking reasonable measures to verify the identity of the beneficial owner such that the Member/Intermediary is satisfied that it knows who the beneficial owner is;
iii) In case of high value of transactions, obtaining information on the purpose and intended nature of the business relationship;
iv) Conducting ongoing due diligence on the business relationship and scrutiny of transactions undertaken throughout the course of that relationship to ensure that the transactions being conducted are consistent with the Members/Intermediaries knowledge of the customer, their business profile and risk profile, including, where necessary, the source of funds.

Indicative list of documents that may be obtained from the customers is enclosed at Annexure I.

(a) It is felt that in some specific cases, the more rigorous identification procedures should be put in place. The following list is indicative, and the member/intermediary can have advanced process for the customer which it feels has high risk profile. Such high risk customers would include the following, but may not be restricted to depending on other customers having high risks associated to them:

- Companies having close family shareholdings or beneficial ownership
- Non-face-to-face clients
- Non resident clients
- High Networth clients,
- Trusts, Charities, NGOs and organizations receiving donations
- Politically exposed persons (PEP) of foreign origin
- Clients in high risk countries (where existence / effectiveness of money laundering controls is suspect, where there is unusual banking secrecy, countries active in narcotics production, countries which are perceived to be sponsors of international terrorism, offshore financial centers, tax havens, countries where fraud is highly prevalent)
- Clients with dubious reputation as per public information available.

(b) The above mentioned list is only illustrative and the Member/Intermediary should exercise independent judgment to ascertain whether new clients should be classified for more rigorous identification.

(C) Monitoring of Transactions

i. The Member/Intermediary should put in place a mechanism to monitor the transactions being conducted through it, for ensuring effectiveness of the Anti Money Laundering procedures. For this, the Member/Intermediary should keep a tab on the transaction profile of the clients. This would help them in identifying the abnormal trade profile of the suspected clients.

ii. The Member/Intermediary should pay attention to all complex, unusually large transactions / patterns which appear to have no financial or commercial justification. Very high account turnover, inconsistent with the size of the balance, may indicate that funds are being "routed / washed" through the account. Examples of suspicious activities can be very helpful to the member/intermediary and should

be included as part of a jurisdiction's anti-money laundering procedures and/or guidance. The Member/Intermediary may also implement internal reporting mechanism and have threshold limits for each class of customers and pay special attention to the transaction which exceeds these limits.

iii. The Member/Intermediary should ensure that a record of transactions is preserved and maintained for a period of ten years and that any transaction of suspicious nature is reported to the appropriate regulatory / other authority.

(D) Tracking and Reporting Suspicious Transactions

i. It is emphasized that considering the sensitivity of the issue, the Suspicious transaction reporting should be taken up with utmost care and seriousness. The Members/Intermediaries should ensure to take appropriate steps to enable suspicious transactions be recorded. They should have appropriate internal procedures for reporting of suspicious transactions. Indicative list of circumstances/ profile of the customer is indicated below to serve as a guidance to the Member/ Intermediary for recognizing them:

a) Clients whose verification is complex and not confirmed from other sources;
b) Substantial increases in turnover without any reason;
c) i. Large cash deposits made with the member/intermediary;
ii. The suspicious transaction should be immediately notified to the Principal Officer or any other designated officer within the member/intermediary. The compliance cell of the member/intermediary should randomly examine a selection of transaction undertaken by clients to comment on their nature, i.e., whether they are suspicious transactions.

iv. Reporting of Transaction to Financial Intelligence Unit-India

In terms of the PMLA rules, Members/Intermediaries are required to report information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND)

a. **Cash Transaction Reports:** The Prevention of Money-laundering Act, 2002, and rule thereunder require every member/intermediary to furnish to FIU-IND information relating to

- All cash transactions of the value of more than rupees ten lakhs or its equivalent in foreign currency;
- All series of cash transactions integrally connected to each other which have been valued below rupees ten lakhs or its equivalent in foreign

currency where such series of transactions have taken place within a month;

The cash transaction report (CTR) (wherever applicable) for each month should be submitted to FIU-IND by 15th of the succeeding month as per the format at Appendix I (Refer Exchange Circular No.488/2009 dated 27/11/2009 for format).

Members may refer to our Circular No. MCX/COMP/401/2009 dated October 1, 2009 with respect to dealings in cash.

b. **Suspicious Transaction Reports:** Every Member/Intermediary shall furnish to FIU-IND information of all suspicious transactions whether or not made in cash. Suspicious transaction means a transaction whether or not made in cash which, to a person acting in good faith –

- gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or
- appears to be made in circumstances of unusual or unjustified complexity; or
- appears to have no economic rationale or bonafide purpose; or
- gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism.

The Suspicious Transaction Report (STR) should be submitted within 7 days of arriving at a conclusion that any transaction, whether cash or non-cash, or a series of transactions integrally connected are of suspicious nature as per Appendix II (Refer Exchange Circular No.488/2009 dated 27/11/2009 for format). The Principal Officer should record his reasons for treating any transaction or a series of transactions as suspicious. It should be ensured that there is no undue delay in arriving at such a conclusion.

Members/Intermediaries should carefully go through all the reporting requirements and formats given in the website of Financial Intelligence Unit, India – http//fiuindia.gov.in/

The related hardware and technical requirement for preparing reports in manual/electronic format, the related data files and data structures thereof are also given in the website. Members/Intermediaries, which are not in a position to immediately file electronic reports, may file manual reports to FIU-IND as per the formats prescribed.

The Principal Officer will be responsible for timely submission of CTR and STR to FIU-IND. Utmost confidentiality should be maintained in filing of CTR and STR to FIU-IND. The reports may be transmitted by speed/registered post/fax at the notified address.

The Principal Officer and other designated staff may visit the website of FIU http:/fiuindia.gov.in/ for detailed guidelines and updates regarding the PMLA, 2002 and notifications issued from time to time.]

v. Registration on FIN net gateway

a. The Members of the Exchange are required to register on the FINnet gateway and inform the compliance to the Exchange.[1]

b. Members are required to appoint a Principle Officer and inform the name of such Principal Officer to "The Office of the Director- Financial Intelligence Unit, Ministry of Finance (FIU)" and mark a copy of the letter to the Membership Department.[2]

[1] Inserted vide Exchange circular no. MCX/COMP/102/2014 dated March 26, 2014.
[2] Inserted vide Exchange circular no. MCX/COMP/302/2013 dated September 05, 2013.