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3. RISK MANAGEMENT

1. Deposits

1.1. Initial Security Deposit (ISD)[1]: 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. Initial Security Deposit shall be minimum 50% in the form of Cash and balance in the form of Fixed Deposit Receipts / Bank Guarantees.

1.2. Base Minimum Capital (BMC)[2]: Members shall be required to comply with the Base Minimum Capital requirement of the Exchange from time to time. The Base Minimum Capital requirements can be placed with the Exchange in the form of Cash and Cash Equivalent (i.e. Cash + BG + FDR from approved banks[3]). BMC deposit shall be minimum 25% in form of Cash and 75% in the form of Non-Cash (BG/ FDR). No exposure shall be provided towards the BMC deposits.

1.3. Additional Deposit[4]: To increase the exposure limits for trading, the members may remit additional security deposit in the following forms:

i. Cash
ii. Cash Equivalent:
   - Bank Guarantee (BG) with approved banks
   - Fixed Deposit Receipt (FDR) with approved banks
iii. Approved securities as defined under section 2(h) of SC(R) Act, 1956 in demat form with the approved custodian(s) of the Exchange.
iv. Warehouse receipt(s) of approved commodities issued by designated warehouse/ vault.

Additional deposits can be submitted with the Exchange in the following manner:

1.3.1. Additional deposit in the form of cash and cash equivalent (BG and/or FDR):[5]

- The ratio of Cash and Cash Equivalent should be maintained in the ratio of 1:3. Cash should be maintained at 25% of the total of Cash and Cash Equivalent (i.e. Cash + BG + FDR) and
- Balance 75% can be in the form of Cash and/or BG and/or FDR.
- Members maintaining Cash Deposits of Rs. 50 lakh (including Rs 25 lakh placed towards Initial Security Deposits) shall apply to the Exchange for exemption 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 limit5.

[1] Inserted vide Exchange Circular No. MCX/MEM/210/2016 dated July 22, 2016.
[2] Inserted vide SEBI Circular No. CIR/CDMRD/DRMP/01/2015 dated October 01, 2015
[3] Inserted vide Exchange Circular No. 241/2016 dated August 22, 2016
[4] Inserted vide Exchange Circular No. MCX/258/2005 dated July 18, 2005, Circular no. MCX/C&S/313/2008 dated October 01, 2008
[5] Inserted vide Exchange Circular No. MCX/C&S/267/2016 dated September 02, 2016

- The format of the undertaking is available as **Annexure-1**.

1.3.2. Additional Deposit in the form of approved Securities (Equity shares/ Units of Mutual fund schemes[6]):

- The custodian shall carry out the valuation for the approved Securities pledged with the Exchange after applying the hair cut and as per the specifications provided by the Exchange from time to time.
- 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[7]:

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.

1.3.3. Additional Deposits in the form of Warehouse receipt (WR)[8] of approved Commodities from the Exchange designated warehouse / vault along with valid quality certificate:

- The Exchange shall carry out the valuation for the approved commodities pledged with the Exchange after applying the haircut and as per the specifications provided 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 above point. If the member gives the securities 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/FDR with the Exchange. In case, the valuation of cash and cash equivalents is not sufficient to accept the considerable valuation of the equity shares and warehouse receipts put together then the valuation of equity shares will be considered first, and the balance valuation acceptable will be considered for the warehouse receipts thus pledged.

1.4. Forms of Additional Deposit

[6] Inserted vide Exchange Circular No. MCX/C&S/104/2013 dated March 15, 2013
[7] Inserted vide Exchange Circular No. MCX/C&S/404/2012 dated December 03, 2012
[8] Inserted vide Exchange Circular No. MCX/C&S/258/2005 dated July 18,2005

1.4.1. Cash: The additional deposit[9] / margin can be paid either in the form of Cash transferred through the clearing bank as per the format prescribed in the **Annexure-12**. The additional margin can also be submitted in the form of bank guarantees or fixed deposits. 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 through MCX eXchange[10] or on the letterhead duly signed by the authorized signatory as per the format[11] prescribed in the **Annexure-13**. Any request for withdrawal of the additional security deposit will be considered by the Exchange subject to clearance of Exchange dues.

1.4.2. Bank Guarantee: The Exchange shall accept bank guarantees from approved banks[12] in the format prescribed in **Annexure-2**[13]. List of approved bank has been provided in Annexure – 5. Bank Guarantee for Initial Security deposit should be for a minimum period of 12 months and for Additional Deposit 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 shall 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-3,** List of banks who have executed Master Bank Guarantee Agreement is provided in **Annexure-3A**[14]

A member shall 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 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-4**.

[9] Circular No. MCX/160/2005 dated April 26, 2005
[10] Circular No. MCX/Tech/047/2010 dated February 20, 2010
[11] Circular No. MCX/160/2005 dated April 26, 2005
[12] Circular No. 241/2016 dated August 22, 2016
[13] Circular No. MCX/313/2008 dated October 1, 2008
[14] Circular No. MCX/C&S/196/2009 dated May 14, 2009 (HDFC Bank)
Master Agreement with various banks vide 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)

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.

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. 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.

iii. 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.

iv. 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.

v. Each page of the bank guarantee should bear the bank guarantee number [and date/s as mentioned in the format] and should be signed with bank's seal/stamp) by at least two authorised signatories of the bank.

vi. Expiry date and claim period should be mentioned in Bank Guarantee.
In case the bank guarantee does not strictly confirm to the above-mentioned conditions, the same shall not be accepted by the Exchange.

1.4.3. Fixed Deposit Receipts: Members may submit fixed deposit receipt (FDR) issued by the approved banks[15] 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-5**[16].

The Member shall submit the fixed deposit certificate along with a letter issued by the member himself as per **Annexure-6**. All such fixed deposits shall be under lien of 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-7**.

i) Exchange prescribed formats for Submitting FDR:

ii) For Member Lien Letter – **Annexure-6**

[15] Circular No. 241/2016 dated August 22, 2016
[16] Circular No.MCX/C&S/313/2008 dated October 01, 2008

iii) For Bank Lien Letter – Annexure-7

a) Fresh FDR – **Annexure – 7A**
b) Renewal FDR (with old FDR no.) – **Annexure – 7B**
c) Renewal FDR (with new FDR no.) – **Annexure – 7C**

iv) It should be in the name of "MCX A/c Member Name" (eg: MCX A/c – ABC Ltd.)

v) FDR should be accompanied with the Bank Lien Letter and Member Lien letter which should strictly comply with the Annexure – 6 & Annexure - 7 respectively and FDR no. to be mentioned on both these letters.

vi) Endorsement by the member – On the reverse of FDR stamp affixed and signed.

vii) Endorsement by the Banks - Any correction / hand written instructions on the FDR.

viii) 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 deposit and for a minimum period of 36 months in case of Initial Security Deposit

ix) In case of renewal of FDR, the member shall furnish the renewal letter from the respective issuing bank.

x) 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.

xi) 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 favour of the Exchange[17].

Members can submit BG/ FDR instruments in the prescribed format to the regional offices of MCX.

1.4.4. Securities[18]: 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[19]/ units of approved mutual fund schemes

i. Members can deposit equity shares of approved companies and units of approved mutual fund schemes 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

[17] Circular No. MCX/C&S/073/2010 dated March 11 ,2010
[18] Circular No.MCX/227/2005 dated June 17, 2005
[19] Circular No. MCX/C&S/104/2013 dated March 15, 2013

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[20]:

Sr. No.	**Description**	**Applicable Haircut %**	**Maximum Limit (Net of Hair-Cut)**
1	Shares of one Company (single ISIN) – **Annexure I**	VaR (As applied by stock exchange)	Rs. 500 Lacs
2	Shares of one Company (single ISIN) – **Annexure II**	root 2 X VAR rate or 20% whichever is higher **OR** root 4 X VAR rate or 40% whichever is higher (As applied by stock exchange)	Rs. 500 Lacs
3	Shares of one Company (single ISIN) – **Annexure III**		Rs. 200 Lacs
4	Units of Mutual Fund Schemes (Single ISIN) – **Annexure IV**	20%	Rs. 100 Lacs
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

[20] Circular No. MCX/C&S/271/2016 dated September 7, 2016 and Circular No. MCX/C&S/318/2015 dated November 09, 2015

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 Deposits or such similar requirements.

iii. 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.

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 (in **Annexure-8**) and available with the approved custodian(s) on a non-judicial stamp paper of Rs.300/- 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 shares 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.[21] 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.

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.

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 in **Annexure-9**.

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.

[21] Circular No. MCX/C&S/104/2013 dated March 15, 2013

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.

1.4.5. Warehouse Receipts[22]: 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.

iii. The Exchange may issue / revise the list of approved commodities and the margin / haircut requirements from time to time[23].

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.

v. [WR(s) of all the commodities (collectively)-upper limit of Rs. 5000 lakh for TCM & Rs. 10000 lakhs for ITCM/ PCM. Additionally, the net hair cut value of approved commodities shall not exceed 30% of the total liquid assets of clearing member, out of which non-bullion collateral shall not exceed 15% of the total liquid assets of the clearing member. The eligible value of commodities (arrived at as above) and securities pledged shall be restricted to sum total of the cash and eligible cash equivalent (BG+FDR) deposits.

[22] Circular No. MCX/258/2005 dated July 18, 2005

[23] Circular No. MCX/C&S/346/2015 dated December 07, 2015

Cash and cash equivalents deposits of the member shall be at least 50% of the eligible collateral deposits of the member.][24]

vi. 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.

vii. 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.

viii. 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.

ix. 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.

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

[24] Substituted vide MCX Circular No. MCX/C&S/353/2016 dated October 17, 2016. Prior to substitution the clause read as under:

"v. WR(s) of all commodities (collectively) –upper limit of Rs. 5000 lakh for TCM & Rs. 10000 lakhs for ITCM/PCM. Additionally, the net hair cut value of approved commodities shall not exceed 15% of the total collateral deposit of the member. The eligible value of commodities (arrived at as above) and securities pledged shall be restricted to sum total of the cash and eligible cash equivalent (BG+FDR) deposits.

Cash and cash equivalent deposits of the member shall be at least 50% of the eligible collateral depoists of the member."

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 in **Annexure-10** on a non-judicial stamp paper of Rs.300/- 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.

d. 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).

e. 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) For withdrawal of the pledged WR(s) member may send a request[25] through MCX eXchange or on the letterhead duly signed by the authorized signatory as per the format specified by the Exchange in **Annexure-11**.

[25] Circular No. MCX/Tech/047/2010 dated February 20, 2010

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.

2. Margin requirements:

2.1. 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.

2.2. 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.

2.3. The Exchange shall deploy various risk management measures as follows:

2.3.1. 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

2.3.2. Initial Margin[26]:

[Risk management shall be managed with Standard Portfolio Analysis of Risk (SPAN*). The initial margin shall be imposed at the level of portfolio of individual client comprising of his positions in futures and options contracts on each commodity. Margins shall be adequate to cover 99% VaR (Value at Risk) and Margin Period of Risk (MPOR) shall be two days.

For buyer of the option, buy premium shall be charged as margins and blocked from the collaterals. On completion of settlement, the premium blocked shall be released.

*SPAN is registered trade mark of Chicago mercantile Exchange (CME), used herein under licence. CME assumes no liability in connection with the use of SPAN by any person or entity.

[26] SEBI Circular No CIR/CDMRD/DRMP/01/2015 dated October 01, 2015

Calendar Spread Charge:

The margin on calendar spread shall be calculated on the basis of delta of the portfolio consisting of futures and options contracts in each month. The Calendar Spread charge shall be 25% on both the legs of the position.

Net Option Value

Net Option Value is computed as the difference between the long option positions and the short option positions, valued at the last available closing price and shall be updated intraday at the current market value of the relevant option contracts at the time of generation of risk parameters. Thus, mark to market gains and losses shall not be settled in cash for options positions.

The 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).][27]

2.3.3. Extreme Loss Margin:

'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.

[For seller of the option contract, Extreme Loss Margin shall be levied based on the margins percentage specified by the Exchange from time to time. For buyer of the option contract, Extreme Loss Margin shall not be levied.][28]

2.3.4. Additional Margin:

'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

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[27] Substituted vide MCX Circular No. MCX/TRD/373/2017 dated October 09, 2017. Prior to Substitution it read as: "*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 EWM 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. For the purpose of Initial Margins, Margin Period of Risk (MPOR) shall be as specified by the Exchange from time to time.*

[28] Inserted, *ibid.*

the risk containment system mandated by SEBI.

2.3.5. Tender period Margin/Pre-expiry Margin:

'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.

2.3.6. Special Margin:

Special Margins are levied by Exchange in case of Unidirectional price movement or based on Exchange's evaluation in specific situations.

Exchange may levy special margins over and above the initial margin and the extreme loss margins. Special margins may be levied generally on either long open positions or on short open positions and shall be collected in any form of collateral or in Cash only as may be directed by the Exchange.

Calendar Spread Benefit[29]

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:

a. Different expiry date contracts of the same underlying.
b. Two contracts variants having the same underlying commodity

A charge of minimum 25% of the initial margin (i.e. 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 [and Spread margin benefit on spread positions shall be entirely withdrawn latest by the start of tender period or the start of the expiry day, whichever is earlier.][30]

[**2.3.6A i) Concentration Margin**

Exchange shall impose adequate concentration margins (only on concentrated positions) to cover the risk of longer period required for liquidation of concentrated positions in any commodity. The threshold value for imposing concentration margin may be determined taking into account factors including open interest, concentration and estimated time to liquidation based on prevailing liquidity and possible reduction in liquidity in times of market stress etc. The quantum of concentration margins imposed may vary based on the level of concentration.

2.3.6 A (ii) Sensitivity Report and Devolvement Margins for Option contracts:

Sensitivity report shall be provided to members for sensitizing the impending increase in margins at least 2 days prior to the Options Expiry. Further, the Exchange shall levy devolvement margin beginning from at least one day prior to options expiry date. The Exchange shall review the mechanism and if deemed necessary shall increase/ decrease the number of days for which sensitivity report is being provided and the number of days for which devolvement margin is being levied. The exchange reserves the right to increase/ decrease the quantum of devolvement margin.

A.Sensitivity Report

Sensitivity Report to be provided to the members would be an End of Day report.
The report would be made available to members four days prior to the devolvement date of the options contract.

[29] SEBI Circular No CIR/CDMRD/DRMP/01/2015 dated October 01, 2015
[30] Inserted vide MCX Circular No. MCX/T&S/416/2016 dated December 02, 2016

The Report would be based on "What if Scenario", wherein all In the Money (ITM), including CTM option contracts (which are ITM) in the near month option contract, would be identified based on the respective day's settlement price, and converted into futures positions.
The "what-if scenario" margins shall be calculated at client portfolio level, and grossed up at member level.
The "what-if scenario" margins shall be computed using SPAN software.
Spread charge, as currently applicable would be considered for expected margin computation i.e. benefit on spread positons shall be considered.
If the member has given "Contrary Instruction" the same will not be considered for computation of expected margin in Sensitivity Report.
A file shall be provided to members giving the information on existing margins, 'what if' scenario margins and incremental margins requirement.
Profit element on expected Devolved Call and Put option positions shall be considered and will be reduced in the calculation of margin requirement. If the profit element exceeds the additional margin requirement due to devolvement of positions into futures, then the margin requirement shall be considered as zero for the purposes of Sensitivity Report.

B. Devolvement Margin

Based on the outcome of the Sensitivity Report, the Exchange shall levy Devolvement margin.
As stated, Devolvement Margin shall be computed at the end of the day, starting from the end of the second day prior to option devolvement date. Of the total Devolvement Margins arrived at based on the methodology specified for computation of margins in Sensitivity Report, Exchange shall levy one-fourth of the total Devolvement Margin computed on the day prior to the Option Devolvement Date. The said margin shall be made applicable for the entire next day (i.e. from the beginning of the day till the end of the day).
At the end of the day on the day prior to option Devolvement Date, Devolvement Margin shall be re-computed considering the revised and updated Sensitivity Report and the Settlement price. On this day, one-half of the computed Devolvement Margin shall be made applicable on the next day.
Devolvement Margin shall be in addition to all other applicable margins. In case of a situation where there is a margin reduction due to devolved position, no benefit would be passed on.
In case of multiple contracts having different expiry dates but a common devolvement margin period, an average rate of the applicable margins numbers shall be applied, subject to a maximum margin rate of 50%.
Exchange shall not consider devolvement margins for the purpose of client margin reporting.][31]

[31] Inserted, Supra note 27.

2.3.6B Regaining matched book:

In the event of a member/ client failing to honour pay-in/margin obligations, Exchange may employ the below given alternative tools to liquidate the positions and regain a matched book based on the conditions of the market liquidity, volatility, size of the positions to be liquidated etc. Any tool lower in the list prescribed hereunder may be resorted to only in extremely rare occasions when the Exchange reasonably expects that it may not be able to restore a matched book by choosing the alternatives above it and also records the reasons for the same in writing:

a. Alternative 1: Liquidation in normal market in orderly manner (with relaxed price limits, if required);
b. Alternative 2: Auction of the positions within a specified price band;
c. Alternative 3: Voluntary tear-up at last mark-to-market price along with compensation (%age of last mark-to-market price

equal to twice the daily price limit) and penalty (5%, to be credited to SGF);

d. Alternative 4: Partial tear-up (pro-rata against members/clients having opposite positions) at last mark-to-market price along with compensation (%age of last mark-to-market price equal to thrice he daily price limit) and penalty (5%, to be credited to SGF).][32]

2.3.7. 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. The delivery margin is levied during the period specified in the contract specification and the circulars issued by the Exchange from time to time. 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 along with 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 of any failure in fulfilment 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.

2.3.8. 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.

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

2.3.10. 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.

[32] Inserted vide MCX Circular no. MCX/T&S/261/2016 dated September 01, 2016

2.3.11. 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.

2.4. SPAN Margin Computation Methodology

2.4.1. Initial margin computation using SPAN (Standard Portfolio Analysis of Risk)[33]

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 loss based on the look ahead period defined by the Exchange.

2.4.2. Details of SPAN

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 portfolio 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.

2.4.3. 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 look ahead period and

b. How much the volatility of that price is expected to change over

[33] Circular No. MCX/TECH/180/2009 dated April 27, 2009

look ahead period

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 the look ahead period,

(ii) And the price 'volatility scan range' or probable volatility change of the instrument over a look ahead 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.

2.4.4. 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 (a) above), less Inter-commodity Spread credits.

2.4.5. Updation of risk parameters:[34]

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

2.4.6. Risk Reduction Mode (RRM)[35]

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.

[34] SEBI Circular No CIR/CDMRD/DRMP/01/2015 dated October 01, 2015 and Circular No MCX/T&S/329/2015 dated November 20, 2015

[35] Circular No: MCX/TECH/250/2015 dated September 9, 2015 and SEBI Circular No CIR/CDMRD/DRMP/01/2015 dated October 01, 2015

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".

3. Risk Management System

3.1. A member is allowed to trade only upon payment of Initial Security Deposit (ISD) prescribed by the Exchange in addition to compliance of all other requirements. On the basis of such ISD, he is allowed to take such exposure on which the margin requirement is equal to or less than the deposit placed with the Exchange. Similarly, if a member has paid additional 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 put in square off mode. In case a member is put in square off mode immediately, due to crossing such limit, he can still log in to the system, he can view the market, place square off orders and reduce the open positions. In case the deposits of the member falls below the ISD requirements, the member is placed in suspend square off mode from the start of the subsequent trading day. In case a member is put in square off mode, he can still log in to the system, he can view the market, place square off orders and reduce the open positions.

3.2. 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.

3.3. 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

3.4. 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 profits or losses actually sustained and the margin requirements. All these figures are communicated to the members through trade file downloads through SFTP (File transfer protocol). Thereafter, as soon as the pay-in of that member is complete and a confirmation to such effect is received from the bank, the uncollected pay-in amount is blocked out of deposit.

3.5. 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 put in square off mode by the system and in such a case, he is debarred from submitting any order that would result in creation of new open positions and the existing pending orders are deleted from the system.

3.6. In case a member is suspended 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.

3.7. 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 put in square off mode by the system. This is monitored by the system to curb any default in the process of day trading.

3.8. A member can anytime during the trading session pay additional security deposit by depositing funds in his settlement account. 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.

3.9. In case a member is required to pay to the Exchange any amount towards pay in or margin obligation or any early payin or margin call made by the Exchange 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.

3.10. 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.

3.11. 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.

3.12. 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.

3.13. 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:

a) 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.

b) 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.

c) 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.

ANNEXURES

Annexure – I

Undertaking - Consent to Maintain Minimum Cash Balance of Rs. 50.00 Lakhs
(To be submitted on the letterhead of the Member)

Date:

To
Multi Commodity Exchange of India Ltd,
Exchange Square,
CTS No. 255, Suren Road,
Chakala, Andheri (East),
Mumbai – 400 093

Dear Sir,
Member ID: _____

Sub: Consent to maintain minimum cash balance of Rs. 50.00 Lakhs

As per Exchange circular no: MCX/C&S/ / dated September , 2016, we hereby undertake to keep & maintain minimum Cash Margin Deposits of Rs. 50.00 Lakhs towards margin deposit and the same amount shall not be utilized for MTM Pay- in. In view of the same, we request you to permit total collateral limits against Bank Guarantees and Fixed Deposit Receipts deposited with the Exchange.

We also undertake and confirm hereby that there will be no default in our MTM Pay in. If the cash balance, at any point of time, falls below the minimum requirement of Rs. 50.00 Lakhs, for any reason whatsoever, then the exemption granted under the provisions of the above mentioned circular will stand withdrawn with immediate effect.

Thanking You

Yours faithfully,

For (Member Name)
Authorised Signatory

Annexure – 2

BG NO: _____

Date: _____

Format of the Fresh Bank Guarantee for Margin / Additional Deposit

Enclosed Bank Guarantee should be stamped as under:

Non-Judicial stamp paper of minimum Rs.300/- or the value prevailing in the State where executed, whichever is higher.

The following is required to be typed on the Stamp Paper as the First Page and duly signed:

This Non-Judicial Stamp paper of Rs. ……..forms part and parcel of this Bank Guarantee number ……dated …… issued in favour of Multi Commodity Exchange of India Ltd. by us for M/s. …….

FOR …… (BANK)
……..… (BRANCH)

AUTHORISED SIGNATORIES
SEAL OF THE BANK

1) The enclosed printed format is required to be used. The format is also available at MCX's website (www.mcxindia.com).
2) All the blanks in the format are required to be duly filled by the issuing bank along with their stamp and signature against each blank if filled separately.
3) Each page of the bank guarantee should bear the bank guarantee number and should be signed by two authorised signatories of the bank.

BANK GUARANTEE

This guarantee is issued by ……(bank), a body corporate constituted under the ……Act 19….. having its Head Office at ……..(hereinafter referred to as the "Bank" which term shall wherever the context so permits, includes its successors and assigns) in favour of

BG NO: _____

Date: _____

Multi Commodity Exchange of India Ltd, a national level Multi Commodity Exchange duly recognized under Forward contracts (Regulation) Act, 1913, a company established under the Companies Act, 1956 and having its registered office at Exchange Square, CTS No.255, Suren Road, Chakala, Andheri (East), Mumbai – 400 093. (hereinafter referred to as "MCX" which expression shall include its successors and assigns),
AUTHORISED SIGNATORIES

SEAL OF THE BANK

WHEREAS

1. **M/s ……., incorporated under the Companies Act, 1956 and having its registered office at …… (Complete Address), (hereinafter referred to as the "Member", which expression shall include its successors and assigns) * is/are a Member of MCX**.

OR

Mr./Ms._____ s/o / d/o / w/o _____, residing at _____and having his/her office at _____ (Complete Address), (hereinafter referred to as the "Member", which expression shall include his/her successors and assigns) /* is/are a Member of MCX.

OR

M/s., a partnership firm registered under the Indian Partnership Act, 1932 and having their office at _____ (Complete Address), (hereinafter referred to as the "Member", which expression shall include their successors and assigns) /* is/are a Member of MCX.

AUTHORISED SIGNATORIES

SEAL OF THE BANK

2. One of the conditions of Membership of MCX is that the Member maintains with MCX a security deposit in the form of cash deposit of Rs…… (Rupees …… only) along with shares and other securities of a value not less than Rs…… Rupees …….only) after applying suitable margins as prescribed by MCX

BG NO: _____

Date: _____

3. At the request of the Member, MCX has agreed to accept a bank guarantee in lieu of security deposit in the form of shares and other securities in favour of MCX from an approved commercial bank for an equivalent amount of Rs……(Rupees……..only).

4. The Member has requested the Bank to furnish to MCX a guarantee for Rs…….. (Rupees …….only)

AUTHORISED SIGNATORIES

SEAL OF THE BANK

NOW IN CONSIDERATION OF THE FOREGOING,

1. We, the ……..(Name of Bank) having a branch at ……..……(Complete Address of Branch) at the request and desire of the Member do hereby irrevocably and unconditionally guarantee to pay a sum of Rs……(Rupees……only) to MCX as a security for due performance and fulfillment by the Member of his/her/its engagements, commitments, operations, obligations or liabilities as a Member of MCX including any sums due by the Member to MCX or any other party as decided by MCX arising out of or incidental to any contracts made, executed, undertaken, carried on or entered into or purported so to be, by the Member. The Bank agrees and confirms that the said guarantee shall be available as a security for meeting, satisfying, discharging or fulfilling all or any obligation or liability of the Member as directed and decided by MCX, with no reference to the Member.

2. The Bank hereby agrees that if in the opinion of MCX, the Member has been or may become unable to meet, satisfy, discharge or fulfill any obligations, liability or commitments or any part thereof to MCX, or its Clearing and Settlement mechanism /arrangement or to any other party as decided by MCX, then without prejudice to the rights of MCX under its Rules, Bye-Laws or Regulations or otherwise, MCX may at any time thereafter and without giving any notice to the Member invoke this guarantee to meet the aforesaid obligations, liabilities or commitments of the Member.

AUTHORISED SIGNATORIES

SEAL OF THE BANK

3. The Bank undertakes that it shall, on first demand of MCX, without any demur, protest or contestation and without any reference to the Member and notwithstanding any contestation by the Member, pay to MCX such sums not exceeding Rs……..(Rupees …….only) as may be demanded by MCX. The decision of MCX as to the obligations or liabilities or commitments of the Member and the amount claimed shall be final and binding on the Bank, and any demand made on the Bank shall be conclusive as regards the amount due and payable by the Bank under this guarantee.

4. The guarantee shall be a continuing guarantee and remain operative in respect of each of the obligations, liabilities or commitments of the Member severally and may be enforced as such in the discretion of MCX, as if each of the obligations, liabilities or commitments had been separately guaranteed by the Bank. The guarantee shall not be considered as cancelled or in any way affected on any demand being raised by MCX but shall continue and remain in operation in respect of all subsequent obligations, liabilities or commitments of the Member. However the maximum aggregate liability of the Bank during the validity of the guarantee shall be restricted to an aggregate sum of Rs…….(Rupees ……..only).

AUTHORISED SIGNATORIES

SEAL OF THE BANK

BG NO: _____

Date: _____

4a. Notwithstanding the above, the Bank notes that the nature of operations of the Member is such that the obligations, liabilities or commitments of the Member are of a continuing nature and as such, Bank agrees that this guarantee can be invoked by MCX even in respect of the obligations, liabilities or commitments of the Member towards MCX which might have arisen prior to the execution of this guarantee.

5. This guarantee shall not be prejudiced by the failure of the Member to comply with the Rules or Bye Laws or Regulations of MCX or any terms and conditions attendant to the Membership of MCX. MCX shall be at liberty to vary, amend, change or alter any terms or conditions or its Rules or Bye Laws or Regulations of Membership to MCX in general or as applicable to the Member in particular from time to time, without thereby affecting its rights against the Member or the Bank or any other security belonging to Member now or hereafter held or taken by MCX at any time. The discretion to make demands under this guarantee shall exclusively be that of MCX and MCX is entitled to demand hereunder notwithstanding being in possession of any deposits or other securities of the Member.

6. The validity of this guarantee shall not be affected in any manner whatsoever if MCX takes any action against the Member including DECLARATION OF DEFAULTER, SUSPENSION or EXPULSION of the Member from the membership of MCX.

AUTHORISED SIGNATORIES

SEAL OF THE BANK

7. This guarantee shall not be affected by any change in the constitution of MCX or the Member or the Bank and it shall remain in force notwithstanding any forbearance or indulgence that may be shown by MCX to Member.

8. The Bank undertakes to pay to MCX, the amount hereby guaranteed within 24 hours of being served with a written notice requiring the payment of the amount either by hand delivery or by Registered Post or by Speed Post.

9. This guarantee may be invoked by MCX in part(s) without affecting its rights to invoke this guarantee for any liabilities that may devolve later.

10. The Bank undertakes not to revoke this guarantee during its currency except with the previous consent of MCX in writing and this guarantee shall be a continuous and irrevocable guarantee upto a Rs…….(Rupees ……only).

AUTHORISED SIGNATORIES

SEAL OF THE BANK

BG NO: _____

Date: _____

11. Notwithstanding anything mentioned herein above,

a) The liability of the Bank under this guarantee shall not exceed Rs…… (Rupees ……..only).

b) This guarantee shall be valid for a minimum period of 3 months in case of additional margin and minimum period of 12 months in case of security deposit.

c) The bank is liable to pay the guaranteed amount only if MCX serves upon the Bank a written claim or demand on or before …… (i.e. within 30 days after the date of expiry of the bank guarantee as mentioned in clause 11 b above).

Executed this ……day of ……at ……. (Place).

FOR …….. (BANK)
…….. (BRANCH)

AUTHORISED SIGNATORIES

SEAL OF THE BANK

Annexure – 3

Format of Fresh Bank Guarantee as per Master Agreement

Date : ……..

To:
Multi Commodity Exchange of India Ltd.
Exchange Square,
Suren Road,
Chakala, Andheri (East),
Mumbai-400093

Dear Sirs:

This guarantee bearing No._____is issued by_____, a body corporate constituted under the Companies Act 1956, having its Head Office at _____ (hereinafter referred to as the "Bank" which term shall wherever the context so permits includes its successors and assigns) in favor of Multi Commodity Exchange of India Limited, a company incorporated under the Companies Act, 1956 and having its registered office at Exchange Square, Suren Road, Chakala, Andheri (East), Mumbai-400093 (hereinafter referred to as "MCX" which expression shall include its successors and assigns).

Whereas

a. Mr./Ms._____ s/o / d/o / w/o , residing at _____and having his/her office at (Complete Address), (hereinafter referred to as the "Clearing Member", which expression shall include his/her successors and assigns)/ is/ are a Clearing Member of MCX

OR

M/s_____, a partnership firm registered under the Indian Partnership Act, 1932 and having their office at_____(Complete Address), (hereinafter referred to as the "Clearing Member", which expression shall include their successors and assigns)/ is/ are a Clearing Member of MCX.

OR

M/s_____, incorporated as a company under the Companies Act, 1956 and having its registered office at_____ (Complete Address), (hereinafter referred to as the "Clearing Member", which expression shall include its successors and assigns) is/ are a Clearing Member of MCX

b. One of the conditions of Clearing Membership of MCX is that the Clearing Member maintains with MCX margin deposit in the form shares and other securities after applying suitable margins as prescribed by MCX

BG No:
Dated:

c. At the request of the Clearing Member, MCX has agreed to accept a bank guarantee in lieu of such margin deposit, as the case may be in favor of MCX from an approved commercial bank for an equivalent amount of Rs._____/- (Rupees _____Only)

d. The Clearing Member has requested the Bank to furnish to MCX a guarantee for Rs. _____/- (Rupees_____Only)

Therefore these presents:

1. This guarantee shall be governed by the terms and conditions of the Master Agreement dated_____executed between the Bank and MCX and the same shall form a part and parcel of this guarantee as though the same have been incorporated in this guarantee.
2. The liability of the Bank under this guarantee shall not exceed Rs._____(Rupees _____only)
3. This guarantee shall be valid for a period of_____months i.e. up to_____. However, the Bank is liable to pay the guaranteed amount if MCX serves upon Bank a written claim or demand on or before_____(claim date)

Executed this_____day of_____at _____

FOR …….. (BANK)

…….. (BRANCH)

Authorized Signatories

Seal of the Bank

Format of Renewal of Bank Guarantee as per Master Agreement

Date : ……..

To,
Multi Commodity Exchange of India Ltd.
Exchange Square,
Suren Road,
Chakala, Andheri (East),
Mumbai-400093

We, ……(Bank) having our registered office at ……..and our branch office at ……..refer to the Bank Guarantee number: ……executed by us on the ……..day of ……. at ……(hereinafter referred to as "Said Guarantee") on account of Mr. / Ms./ M/s. ……..having his/her/ its/registered office at ……(hereinafter referred to as a 'Member') for a sum of Rs …….. (Rupees ……..only) in your favour.

OR

We, ……(Bank) having our registered office at ……..and our branch office at ……..refer to the Bank Guarantee number: ……executed by us on the ……..day of …… at ……(hereinafter referred to as "Said Guarantee") on account of M/s ……..Limited, incorporated as a company under the Companies Act, 1956 and having its registered office at ……(Complete Address),…… (hereinafter referred to as a "Member") for a sum of Rs …….. (Rupees ……..only) in your favour.

OR

We, ……(Bank) having our registered office at ……..and our branch office at ……..refer to the Bank Guarantee number: ……executed by us on the ……..day of ……. at ……(hereinafter referred to as "Said Guarantee") on account of M/s _____, a partnership firm registered under the Indian Partnership Act, 1932 and having their office at _____ (Complete Address), ……(hereinafter referred to as a "Member") for a sum of Rs …….. (Rupees ……..only) in your favour.

BG No:
Dated:

The validity of the Said Guarantee was upto …….

We now at the request of the Clearing Member further extend the period of validity of the Said Guarantee upto …….and unless a demand under this guarantee is made on us in writing by you within 30 days after the date of expiry of this guarantee i.e on or before …….all your rights under this guarantee shall cease and the bank shall be relieved and discharged from all liabilities thereunder.

The Said Guarantee may be invoked by MCX in part(s) without affecting its rights to invoke the Said Guarantee for any liabilities that may devolve later. We hereby affirm and confirm that save and except to the extent as provided for herein above, the Said Guarantee together with all other terms and conditions therein shall remain operational and in full force and effect till ……

Signed for and on behalf of ……..on this ……..day of ……..at ……

FOR …….. (BANK)

…….. (BRANCH)

Authorized Signatories

Seal of the Bank

Annexure – 3A

List of banks who have executed Master Bank Guarantee Agreement

Sr. No.	**Bank Name**
1	Axis Bank Limited
2	HDFC Bank Limited
3	ICICI Bank Limited
4	IndusInd Bank Limited
5	Kotak Mahindra Bank Limited
6	RBL Bank Limited
7	Yes Bank Limited

Annexure – 4

BG NO: _____

Date: _____

Format for Renewal of Bank Guarantee

The following is required to be typed on a non-judicial stamp paper of Rs. 300/-**or** the value prevailing in the State where executed, whichever is higher and duly signed:

This non-judicial stamp paper of Rs…….. forms part and parcel of this extension letter dated ……for Bank guarantee bearing no ……..dated …….issued in favour of Multi Commodity Exchange of India Ltd. by us for

M/s/Mr./Ms. ……...
FOR …….. (BANK)
…….. (BRANCH)

AUTHORIZED SIGNATORIES

SEAL OF THE BANK

•The enclosed printed format is required to be used. Formats are also available at MCX's web-site - www.mcxindia.com

•All the blanks in the format are required to be duly filled by the issuing bank along with their stamp and signature against each blank.

•Each page of the bank guarantee should bear the bank guarantee number and should be signed by two authorised signatories of the bank.

BG NO: _____

Date: _____

Date : ……..

To,
Multi Commodity Exchange of India Ltd.
Exchange Square, CTS No.255
Suren Road, Chakala,
Andheri (East),
Mumbai – 400 093

We, ……(Bank) having our registered office at ……and our branch office at …….refer to the Bank Guarantee number: ……executed by us on the ……..day of ……. at ……(hereinafter referred to as "Said Guarantee") on account of Mr. / Ms./ M/s. ……..having his/her/ its/registered office at ……(hereinafter referred to as a 'Member') for a sum of Rs …….. (Rupees ……..only) in your favour.

OR

We, ……(Bank) having our registered office at ……and our branch office at …….refer to the Bank Guarantee number: ……executed by us on the ……..day of ……. at ……(hereinafter referred to as "Said Guarantee") on account of M/s ……..Limited, incorporated as a company under the Companies Act, 1956 and having its registered office at ……(Complete Address),…… (hereinafter referred to as a "Member") for a sum of Rs …….. (Rupees ……..only) in your favour.

OR

Authorized Signatories

Seal of the Bank

We, ……(Bank) having our registered office at ……and our branch office at …….refer to the Bank Guarantee number: ……executed by us on the ……..day of ……. at ……(hereinafter referred to as "Said Guarantee") on account of M/s_____, a partnership firm registered under the Indian Partnership Act, 1932 and having their office at _____ (Complete Address),

……(hereinafter referred to as a "Member") for a sum of Rs …….. (Rupees ……..only) in your favour.

The validity of the Said Guarantee was upto …….

We now at the request of the Member further extend the period of validity of the Said Guarantee upto …….and unless a demand under this guarantee is made on us in writing by you within 30 days after the date of expiry of this guarantee i.e on or before …….all your rights under this guarantee shall cease and the bank shall be relieved and discharged from all liabilities thereunder.

The Said Guarantee may be invoked by MCX in part(s) without affecting its rights to invoke the Said Guarantee for any liabilities that may devolve later. We hereby affirm and confirm that save and except to the extent as provided for herein above, the Said Guarantee together with all other terms and conditions therein shall remain operational and in full force and effect till ……

Signed for and on behalf of ……..on this ……..day of ……..at ……

FOR …….. (BANK)

…….. (BRANCH)

Annexure - 5

List of approved Banks

Sr. No.	Bank Name
1	Allahabad Bank
2	Andhra Bank
3	Axis Bank Limited
4	Bank of America
5	Bank of Baroda
6	Bank of India
7	Bank of Maharashtra
8	Canara Bank
9	Central Bank of India
10	Citibank N.A.
11	Corporation Bank
12	Credit Agricole
13	DBS Bank Limited
14	DCB Bank Limited
15	Dena Bank
16	Federal Bank Limited
17	HDFC Bank Limited
18	ICICI Bank Limited
19	IDBI Bank Limited
20	IDFC Bank Limited
21	Indian Bank
22	Indian Overseas Bank

23	IndusInd Bank Limited
24	Jammu & Kashmir Bank Limited
25	Karnataka Bank Limited
26	Karur Vyasa Bank Limited
27	Kotak Mahindra Bank Limited
28	Lakshmi Vilas Bank Limited
29	Oriental Bank of Commerce
30	Punjab and Sind Bank
31	Punjab National Bank
32	RBL Bank Limited
33	South Indian Bank Limited
34	State Bank of Bikaner and Jaipur
35	State Bank of Hyderabad
36	State Bank of India
37	State Bank of Mysore
38	State Bank of Patiala
39	State Bank of Travancore
40	Syndicate Bank
41	Tamilnad Mercantile Bank Limited
42	UCO Bank
43	Union Bank Of India
44	United Bank Of India
45	Vijaya Bank
46	Yes Bank Limited

Annexure - 6

Letter from the Member regarding Lien on Fixed Deposit

(On Member letter-Head)

To,
Multi Commodity Exchange of India Ltd.
Exchange Square, CTS No.255,
Suren Road, Chakala,
Andheri (East),
Mumbai – 400 093

Dear Sir,

FDR No:_____Issue Date_____Expiry Date _____

As per the requirement of Multi Commodity Exchange of India Ltd. and in compliance of the prescribed norms of Multi Commodity Exchange of India Ltd., we have to furnish you security deposit and accordingly, have furnished you the same in the form of FDR from _____Bank, in the name Multi Commodity Exchange of India Ltd. A/c. (name of the 'Member') for Rs. /- (Rupees _____only.)

I/We hereby agree and consent that you shall have an irrevocable authority and do hereby authorize you to encash the said FDR and to withdraw the said FDR amount at any time, even prior to maturity, without notice to me/us for recovery/adjustment of Multi Commodity Exchange of India Ltd. dues and we have no objections whatsoever for the same.

I/We agree that you are hereby authorized to renew the FDR for period of one year each time till the FDR is released by you.

I/we agree that on the encashment of FDR, you will be entitled to the interest accrued on the said FDR and you are hereby authorised to receive the accrued interest from the Bank along with the principal amount (FDR amount) payable.

Yours faithfully,

Authorised Signatory

(Name & Stamp of Member)

Annexure – 7A

Letter from the Bank confirming the Lien on Fresh Fixed Deposit

Date:

To,
Multi Commodity Exchange of India Ltd.
Exchange Square, CTS No.255,
Suren Road, Chakala,
Andheri (East),
Mumbai – 400 093

Dear Sir,

We refer to the below mentioned Fixed Deposit Receipt (FDR) issued in the name of MCX A/c Member's name

FDR No	Issue Date	Amount	Maturity Date

We hereby confirm that

i) there is no lock in period for encashment of the said FDR.

ii) the amount under the said FDR would be paid to Exchange on demand, without demur, on or before the maturity of the said FDR without any reference to the ……...(name of Member).

iii) encashment whether premature or otherwise would not require any clearance from any other authority / person.

iv) we agree that on the encashment of FDR, the interest accrued will also be released to Exchange.

v) we agree that the FDR will be renewed for such periods as Exchange may instruct.

Yours faithfully

Authorised Signatory

(Name of the Bank & Bank Stamp)

Annexure – 7B

Letter from the Bank confirming the Lien on Fresh Fixed Deposit
(In case of Auto renewal where the old FDR no. is same)

Date:

To,
Multi Commodity Exchange of India Ltd.
Exchange Square, CTS No.255,
Suren Road, Chakala,
Andheri (East),
Mumbai – 400 093

We refer to the fixed deposit receipt (FDR) issued, in the name of MCX A/c (Member's name). Details are as under.

FDR No	Issue Date	Amount	Maturity Date

The above FDR has been renewed for further period of_____months under the autorenewal facility on the request of the Member. Details are as follows.

Renewal Date	Amount	New Maturity Date

We hereby confirm that

i) There is no lock in period for encashment of the said FDR.

ii) The amount under the said FDR would be paid to Exchange on demand, without demur, on or before the maturity of the said FDR without any reference to the …… (name of Member).

iii) Encashment whether premature or otherwise would not require any clearance from any other authority / person.

iv) We agree that on the encashment of FDR, the interest accrued will also be released to Exchange.

v) We agree that the FDR will be renewed for such periods as Exchange may instruct.

vi) Old instrument will remain valid.

Yours faithfully,

Authorised Signatory

(Name of the Bank & Bank Stamp)

Annexure – 7C

Letter from the Bank confirming the Lien on Fresh Fixed Deposit
(In case of Auto Renewal where the old FDR no. is changed)

Date:
To,

Multi Commodity Exchange of India Ltd.
Exchange Square, CTS No.255,
Suren Road, Chakala,
Andheri (East),
Mumbai – 400 093

We refer to the fixed deposit receipt (FDR) issued, in the name of MCX A/c ……. (Member's name). Details are as under.

FDR No	Issue Date	Amount	Maturity Date

The above FDR has been renewed for further period of_____months under the autorenewal facility on the request of the Member. Details are as follows.

New FDR No	**Issue Date**	**New Maturity Date**	**Amount**

We hereby confirm that

i) There is no lock in period for encashment of the said FDR.

ii) The amount under the said FDR would be paid to you on demand, without demur, on or before the maturity of the said FDR without any reference to the …….... (Name of Member).

iii) Encashment whether premature or otherwise would not require any clearance from any other authority / person.

iv) we agree that on the encashment of FDR, the interest accrued will also be released to Exchange.

v) we agree that the FDR will be renewed for such periods as Exchange may instruct.

vi) Old instrument will remain valid and no new instrument with new FDR No._____is /will be issued.

Yours faithfully,

Authorised Signatory
(Name of the Bank & Bank Stamp)

Annexure – 8

Deed of pledge by a Member

(To Be Executed on Non-Judicial Stamp Paper Of Rs 300/- or in Accordance With The Stamp Duty Rates Applicable at The Place Of Execution, whichever Is Higher).

DEED OF PLEDGE TO BE EXECUTED BY MEMBERS FOR PLEDGE OF SECURITIES

This Deed of Pledge (hereinafter referred to as "this Deed") is executed at _____on this day of_____20 by_____, S/o / d/o / w/o_____residing at_____and having his office at _____

_____, a partnership firm registered under the Indian Partnership Act, 1932 and having its office at _____

_____Limited incorporated as a company under the Companies Act, 1956 and having its registered office at _____

(hereinafter referred to as " Member**"** which expression shall unless repugnant to the context thereof include its successors, administrators and assigns) in favour of Multi Commodity Exchange of India Limited, a company incorporated under the Companies Act, 1956 and having its registered office at Exchange Square, CTS No. 255, Suren Road, Chakala, Andheri (East), Mumbai – 400093, (hereinafter referred to as " MCX" which expression shall unless repugnant to the context thereof, include its successors and assigns).

WHEREAS

a The Member is admitted as a Member of MCX.

b One of the requirement of Membership is that the Member if desirous of availing exposure, shall maintain with MCX initial margin deposits/additional margin deposits (hereinafter, for brevity purpose, referred to as "margin deposits") in the form of cash, bank guarantees or securities for the due performance and fulfillment by him/it of his/its engagements, commitments, operations, obligations or liabilities as such Member including any sums due by such member to MCX or any other party as decided by MCX arising out of or incidental to any contracts made, executed, undertaken, carried out or entered into by such member.

c Securities to be deposited by the Member for the purpose of availing additional exposure shall be in demat form and as approved by MCX from time to time.

d The Members shall deposit the securities with such custodian(s) acting as depository participants as may be determined by MCX from time to time.

NOW THIS DEED WITNESSETH AS FOLLOWS:

1. In consideration of MCX having agreed to accept approved dematerialized securities as approved by it towards additional margin deposits to an extent of Rs._____/- (Rupees_____only), the Member hereby pledges securities (hereinafter referred to as "Said Securities" and which are described in the Schedule annexed hereto and shall include all the securities deposited from time to time in addition to, substitution of or replacement thereof) with MCX as security for due performance and fulfillment by the Member of all his/its engagements, commitments, operations, obligations or liabilities as a Member of MCX including any sums due by the Member to MCX or any other party as decided by MCX, arising out of or incidental to any contracts made, executed, undertaken, carried out or entered into by the member.

2. The Member shall place the Said Securities in the absolute disposition of such Custodian/Depository Participant as may be appointed by MCX for the purpose, in such manner as decided by MCX and such disposition shall be indisputable notwithstanding the fact that the Member may be permitted to have access to the Said Securities in the manner and subject to such terms and conditions as determined by MCX from time to time. The Member confirms, affirms and covenants with MCX that he/it shall do all such acts and things, sign such documents and pay and incur such costs, debts and expenses as may be necessary without prejudice to any other obligations, liabilities, duties which he/it owes as a Member.

3. The Member declares and assures that all the Said Securities are in existence, owned by him/it and free from any prior charge, lien or encumbrance and further shall ensure that all the Said Securities over which pledge may be created in future shall be in existence and owned by him/it at the time of creation of such pledge and shall be unencumbered, absolute and exclusive property of the Member.

4. The Member agrees and undertakes that he/it shall not without the prior written permission of MCX create any charge, lien or encumbrance of any kind upon or over the Said Securities hereby pledged or those which may hereafter be pledged except to MCX, that the Member shall not suffer any such charge, lien or encumbrance that may affect the Said Securities or any part thereof, and further undertakes that he/it shall not do or allow anything to be done that may prejudice the Said Securities while he/it remains liable to MCX in any manner.

5. The Member agrees, declares and undertakes that he/it shall be bound and shall abide by the terms and conditions of the Scheme for the Deposit of securities in dematerialized form as formulated and determined by MCX pertaining to margin deposits, or such other requirements either in their existing form or as modified/changed/altered/amended from time to time pursuant to requirement/compliance of Membership.

6. The Member agrees and hereby authorizes that if in the opinion of MCX, the Member has failed to perform and/or fails to fulfill his/its engagements, commitments, operations, obligations or liabilities as a Member of MCX including payment of any sums due by him/it to MCX or to any other party arising out of or incidental to any contracts made, executed, undertaken, carried out or entered into by him/it, then the Member agrees that MCX may invoke the pledge and thereafter on giving one working day notice to the Member shall be empowered/entitled to, sell, dispose of or otherwise effect any other transfer of the Said Securities in such manner and subject to such terms and conditions as it may deem fit and that the money if any realized from such

sale/disposal/or other transfer shall be utilized towards dues/may be disbursed by MCX in such manner and subject to terms and conditions as it may deem fit and further the Member shall do all such things, deeds, acts and execute all such documents as are necessary to enable MCX to effect such sale/disposal/or other transfer. The decision of MCX as to the obligations or liabilities or commitments of the Member and the amount claimed shall be final and binding on the Member. The Member agrees that one working day notice mentioned above shall be deemed to be a reasonable notice, as this pledge of securities is being accepted as margin deposits by MCX in lieu of cash deposits or bank guarantees, which can be invoked forthwith upon any amount becoming due and appropriated under the Rules, Bye-laws and Business Rules of MCX.

7. The Said Securities pledged as security shall be available at the disposal of MCX as a continuing security and shall remain available for and in respect of all the obligations, liabilities or commitments of the Member jointly or severally and may be utilized as such at the discretion of MCX, as if each of the obligations, liabilities or commitments is secured by the Said Securities. This Deed shall not be considered as cancelled or in any way affected upon the utilization or realization by MCX of the Said Securities for meeting any specific obligation, liability or commitment of the Member and shall continue and remain in operation in respect of all subsequent obligations, liabilities or commitments of the Member.

8. The Member agrees to be bound by the instructions of MCX to its custodian or the Depository Participant as the case may be, in respect of creation of pledge, invocation of pledge, release thereof, transfer of securities or sale of securities arising out of any obligations of the Member as referred hereinabove and the Member further agrees that MCX shall not be bound to notify the Member in case of invocation of pledge created by the Member by these presents.

9. The Member shall be released from his/its obligations, liabilities under this Deed only when MCX, in writing, expressly provides for the release of the Said Securities.

10. The Member agrees that MCX shall be entitled to sell, negotiate or otherwise transfer the Said Securities and for the purpose to execute transfer documents and/or any other necessary documents, wherever applicable or other endorsements and that MCX shall be entitled to receive from the Member all expenses incurred by MCX/Custodian for the aforesaid purposes.

11. The Member agrees to pay promptly all such fees, charges and/or costs pertaining to pledge of the Said Securities to the Custodian and/or the Depository Participant and to execute such further documents whether of a legal nature or otherwise as may be required by MCX for the purpose of giving effect to the provisions of this Deed and also the Scheme for the Deposit of Securities in dematerialized form.

12. The Member agrees that the deposit of the Said Securities and the pledge thereof shall not be affected in any manner whatsoever if MCX takes any action against the Member including suspension or expulsion or declaration of the Member as a defaulter.

13. The Member agrees that MCX shall not be under any liability whatsoever to the Member or any other person for any loss, damage, expenses, costs, etc., arising out of the deposit of the Said Securities under these presents, in any manner, due to any cause,

whatsoever, irrespective of whether the Said Securities are in the possession of MCX at the time of such loss or damage or the happening of the cause thereof. The Member shall at all times indemnify and keep indemnified MCX from and against all suits, proceedings, costs, charges, claims and demands whatsoever that may at any time arise or be brought or made by any person against MCX in respect of any acts, matters and things lawfully done or caused to be done by MCX in connection with the Said Securities or in pursuance of the rights and powers of MCX under this Deed.

14. The Member undertakes that the deposit of the Said Securities and the pledge thereof and any pledge of securities that may be created shall be binding on the Member as continuing and that the same shall not be prejudiced by any failure on the part of the Member to comply with the Rules, Bye-laws or Business Rules of MCX or any other terms and conditions attendant to the Membership of MCX and that MCX shall be at liberty to enforce its rights hereunder, notwithstanding its rights against the Member hereunder or under its Rules, Bye-laws and Business Rules including amendments thereof or in relation to the Said Securities or to any other security now or hereafter held or taken at any time irrespective of any variation, amendment, change or alteration of any terms or conditions in general or as applicable to the Member in particular.

15. The executants hereby declare that he/it has been duly authorized to execute this Deed by way of Board Resolution of the Member (only in case of corporate members) as per the copy of Board Resolution annexed hereto.

16. This Deed shall be governed by and construed and interpreted in accordance with the laws of India and the courts in Mumbai shall have exclusive jurisdiction on all matters arising out of this Deed.

Executed at_____on the day, month and year above mentioned.

Signed, sealed and delivered by the within named Member **

_____

In the presence of witnesses

1.

2.

* Strike out whichever is not applicable

** To be signed by

a. The individual if the membership is in his/her name.
b. All partners in case of a Partnership firm
c. By any two of the following persons in the case of a Company:
    ii. Managing Director
    iii. Whole-time Director
    iv. Directors (authorized by Board Resolution for the purpose)

SCHEDULE

Company / Issuer of Security	Type of Security @	Unit Face Value	Total no. of securities	Remark

@ Give details like equity shares, GOI/Treasury Bills, FDR as approved by MCX.

Annexure – 9

Draft of the letter to be given by the Member for release of securities kept as Additional Margin Deposit

Date:

The Clearing and Settlement Department,
Multi Commodity Exchange of India Ltd.
Exchange Square, CTS No.255,
Suren Road, Chakala,
Andheri (East),
Mumbai – 400 093

Dear Sir,

Sub: Release of securities kept as additional margin deposit

Clearing Member Code: _____

We wish to withdraw the following securities kept as additional margin deposit.

Sr. No.	Symbol	Series	Security Name	Qty	Custodian

We request you to consider our request for release of the above-mentioned securities as per applicable norms for release of these securities.

Yours faithfully

For (name of the member)

Authorised Signatory

Name:

Designation:

Annexure – 10

Deed of pledge by a Member

(To Be Executed on Non-Judicial Stamp Paper Of minimum Rs. 300/- or in Accordance With The Stamp Duty Rates Applicable at The Place Of Execution, whichever Is Higher).

DEED OF PLEDGE TO BE EXECUTED BY MEMBERS FOR PLEDGE OF WAREHOUSE RECEIPTS OF APPROVED COMMODITIES

This Deed of Pledge (hereinafter referred to as "this Deed") is executed at _____on this day of_____20 by_____, S/o / d/o / w/o_____residing at_____and having his office at_____*

_____, a partnership firm registered under the Indian Partnership Act, 1932 and having its office at_____*

_____Limited incorporated as a company under the Companies Act, 1956 and having its registered office at_____*

(hereinafter referred to as " Member**"** which expression shall unless repugnant to the context thereof include its successors, administrators and assigns) in favour of Multi Commodity Exchange of India Limited, a company incorporated under the Companies Act, 1956 and having its registered office at Exchange Square, Suren Road, Chakala, Andheri (East), Mumbai-400093, (hereinafter referred to as " MCX" which expression shall unless repugnant to the context thereof, include its successors and assigns).

WHEREAS

a) The Member is admitted as a Member of MCX

b) One of the requirement of Membership is that the Member if desirous of availing exposure, shall maintain with MCX initial margin deposits/additional margin deposits (hereinafter, for brevity purpose, referred to as "margin deposits") in the form of cash, bank guarantees, fixed deposit receipts, securities and/or warehouse receipts for the due performance and fulfillment by him/it of his/its engagements, commitments, operations, obligations or liabilities as such Member including any sums due by such member to MCX or any other party as decided by MCX arising out of or incidental to any contracts made, executed, undertaken, carried out or entered into by such member.

c) Warehouse receipts of approved commodities to be deposited by the Member for the purpose of availing additional exposure shall be from Exchange designated warehouse and as approved by MCX from time to time.

d) The Members shall deposit the warehouse receipts with the Exchange and lien should have been marked in the favour of MCX.

NOW THIS DEED WITNESSETH AS FOLLOWS:

1. In consideration of MCX having agreed to accept warehouse receipts of approved commodities towards additional margin deposits to an extent of Rs._____/- (Rupees_____only), the Member hereby pledges the warehouse receipts (hereinafter referred to as "Said WR(s)" and which are described in the Schedule annexed hereto and shall include all the warehouse receipts deposited from time to time in addition to, substitution of or replacement thereof) with MCX as security for due performance and fulfillment by the Member of all his/its engagements, commitments, operations, obligations or liabilities as a Member of MCX including any sums due by the Member to MCX or any other party as decided by MCX, arising out of or incidental to any contracts made, executed, undertaken, carried out or entered into by the member.

2. The Member shall place the Said WR(s) in the absolute disposition of the Exchange for the purpose, in such manner as decided by MCX and such disposition shall be indisputable notwithstanding the fact that the Member may be permitted to have access to the Said WR(s) in the manner and subject to such terms and conditions as determined by MCX from time to time. The Member confirms, affirms and covenants with MCX that he/it shall do all such acts and things, sign such documents and pay and incur such costs, debts and expenses as may be necessary without prejudice to any other obligations, liabilities, duties which he/it owes as a Member.

3. The Member declares and assures that all the Said WR(s) are in existence, owned by him/it and free from any prior charge, lien or encumbrance and further shall ensure that all the Said WR(s) over which pledge may be created in future shall be in existence and owned by him/it at the time of creation of such pledge and shall be unencumbered, absolute and exclusive property of the Member.

4. The Member agrees and undertakes that he/it shall not without the prior written permission of MCX create any charge, lien or encumbrance of any kind upon or over the Said WR(s) hereby pledged or those which may hereafter be pledged except to MCX, that the Member shall not suffer any such charge, lien or encumbrance that may affect the Said WR(s) or any part thereof, and further undertakes that he/it shall not do or allow anything to be done that may prejudice the Said WR(s) while he/it remains liable to MCX in any manner.

5. The Member agrees, declares and undertakes that he/it shall be bound and shall abide by the terms and conditions of the Scheme for the Deposit of Warehouse Receipts of approved commodities as formulated and determined by MCX pertaining to margin deposits, or such other requirements either in their existing form or as modified/changed/altered/amended from time to time pursuant to requirement/compliance of Membership.

6. The Member agrees and hereby authorizes that if in the opinion of MCX, the Member has failed to perform and/or fails to fulfill his/its engagements, commitments, operations, obligations or liabilities as a Member of MCX including payment of any sums due by him/it to MCX or to any other party arising out of or incidental to any contracts made, executed, undertaken, carried out or entered into by him/it, then the Member agrees that

MCX is entitled to invoke the pledge without giving any prior notice to the Member and that the Exchange shall be empowered/entitled to, sell, dispose of , including online auction, or otherwise effect any other transfer of the Said WR(s) and/or underlying commodities in such manner and subject to such terms and conditions as it may deem fit and that the money if any realized from such sale/disposal/online auction or other transfer shall be utilized towards dues/may be disbursed by MCX in such manner and subject to terms and conditions as it may deem fit and further the Member shall do all such things, deeds, acts and execute all such documents as are necessary to enable MCX to effect such sale/disposal/online auction or other transfer and cost / damage / expenditure if any paid / incurred / borne by MCX shall have to the reimbursed by the Member to MCX. The decision of MCX as to the obligations or liabilities or commitments of the Member and the amount claimed shall be final and binding on the Member. The Member agrees that such disposal of Warehouse Receipts without any notice/ intimate in advance shall be deemed to be reasonable, as this pledge of WR(s) is being accepted as margin deposits by MCX in lieu of cash deposits or bank guarantees, which can be invoked forthwith upon any amount becoming due and appropriated under the Rules, Bye-laws and Business Rules of MCX.

7. The Said WR(s) of approved commodities pledged as security shall be available at the disposal of MCX as a continuing security and shall remain available for and in respect of all the obligations, liabilities or commitments of the Member jointly or severally and may be utilized as such at the discretion of MCX, as if each of the obligations, liabilities or commitments is secured by the Said WR(s). This Deed shall not be considered as cancelled or in any way affected upon the utilization or realization by MCX of the Said WR(s) and/or underlying commodities for meeting any specific obligation, liability or commitment of the Member and shall continue and remain in operation in respect of all subsequent obligations, liabilities or commitments of the Member.

8. The Member agrees to be bound by the instructions of MCX, in respect of creation of pledge, invocation of pledge, release thereof, transfer of warehouse receipts or sale of warehouse receipts and/or underlying commodities arising out of any obligations of the Member as referred hereinabove and the Member further agrees that MCX shall not be bound to notify the Member in case of invocation of pledge created by the Member by these presents.

9. The Member shall be released from his/its obligations, liabilities under this Deed only when MCX, in writing, expressly provides for the release of the Said WR(s).

10. The Member agrees that MCX shall be entitled to sell, endorse or negotiate or otherwise transfer the Said WR(s) and for the purpose to execute transfer documents and/or any other necessary documents, wherever applicable or other endorsements and that MCX shall be entitled to receive from the Member all expenses incurred by MCX for the aforesaid purposes.

11. The Member agrees to pay promptly all such fees, charges and/or costs pertaining to pledge of the Said WR(s) to the Exchange and to execute such further documents whether of a legal nature or otherwise as may be required by MCX for the purpose of giving effect to the provisions of this Deed and also the Scheme for the Deposit of Warehouse Receipts.

12. The Member agrees that the deposit of the Said WR(s) and the pledge thereof shall not be affected in any manner whatsoever if MCX takes any action against the Member including suspension or expulsion or declaration of the Member as a defaulter.

13. The Member agrees that MCX shall not be under any liability whatsoever to the Member or any other person for any loss, damage, expenses, costs, etc., arising out of the deposit of the Said WR(s) under these presents, in any manner, due to any cause, whatsoever, irrespective of whether the Said WR(s) are in the possession of MCX at the time of such loss or damage or the happening of the cause thereof. The Member shall at all times indemnify and keep indemnified MCX from and against all suits, proceedings, costs, charges, claims and demands whatsoever that may at any time arise or be brought or made by any person against MCX in respect of any acts, matters and things lawfully done or caused to be done by MCX in connection with the Said WR(s) and/or underlying commodities or in pursuance of the rights and powers of MCX under this Deed.

14. The Member undertakes that the deposit of the Said WR(s) and the pledge thereof and any pledge of warehouse receipts of the approved commodities that may be created shall be binding on the Member as continuing and that the same shall not be prejudiced by any failure on the part of the Member to comply with the Rules, Bye-laws or Business Rules of MCX or any other terms and conditions attendant to the Membership of MCX and that MCX shall be at liberty to enforce its rights hereunder, notwithstanding its rights against the Member hereunder or under its Rules, Bye-laws and Business Rules including amendments thereof or in relation to the Said WR(s) or to any other security now or hereafter held or taken at any time irrespective of any variation, amendment, change or alteration of any terms or conditions in general or as applicable to the Member in particular.

15. The executants hereby declare that he/it has been duly authorized to execute this Deed by way of Board Resolution of the Member (only in case of corporate members) as per the copy of Board Resolution annexed hereto.

16. This Deed shall be governed by and construed and interpreted in accordance with the laws of India and the courts in Mumbai shall have exclusive jurisdiction on all matters arising out of this Deed.

Executed at_____on the day, month and year above mentioned.

Signed, sealed and delivered by the within named Member **

_____

In the presence of witnesses

1.

2.

* Strike out whichever is not applicable

** To be signed by

d. The individual if the membership is in his/her name.

e. All partners in case of a Partnership firm
f. By any two of the following persons in the case of a Company:
    v. Managing Director
    vi. Whole-time Director
    vii. Directors (authorized by Board Resolution for the purpose)

*** In case of corporate members, common seal to be affixed.

SCHEDULE

Commodity	WR No.	Issuing Warehouse with address	Quality Assayer	QC Reference, validity date	Value of WR	Remarks

Annexure-11

Draft of the letter to be given by the Member for

release of warehouse receipt(s) kept as Additional Margin Deposit

Date:

The Clearing and Settlement Department,
Multi Commodity Exchange of India Ltd.
Exchange Square, CTS No.255,
Suren Road, Chakala,
Andheri (East),
Mumbai – 400 093

Dear Sir,

Sub: Release of warehouse receipt(s) kept as additional margin deposit

Clearing Member Code: _____

We wish to withdraw the following warehouse receipts of approved commodities kept as additional margin deposit.

Sr. No.	Commodity	WR No.	Issuing Warehouse with address	Quality Assayer	QC Reference, validity date	WR Value

We request you to consider our request for release of the above-mentioned warehouse receipt(s) as per applicable norms for release of these securities.

Yours faithfully
For (name of the member)

Authorised Signatory
Name:
Designation:

Annexure-12

For increasing margin deposits by debiting settlement account

(On the letter head of the member)

Date: _____

The Clearing and Settlement Department,
Multi Commodity Exchange of India Ltd.
Exchange Square, CTS No.255,
Suren Road, Chakala,
Andheri (East),
Mumbai – 400 093

Dear Sir,

Sub.: Increase additional deposit / margin by debiting our settlement account

Bank details		
Member ID	**Clearing bank**	**Settlement account no.**

You are requested to **debit** my abovementioned settlement account with the amount as mentioned below in **(a)**. Accordingly, my margin deposits available with the Exchange may be increased as under:

	Description	**Amount (Rs. in figures)**	**Amount (Rs. in words)**
(a)	**Debit my settlement account with:**		
(b)	**Previous debits on the same day:**		
(c)	**Total amount debited today (c=a+b):**		

We have taken into consideration the ratio of cash and non-cash collaterals as specified in the Business Rules of the Exchange. We also understand that our margin limits shall increase accordingly and that the said amount shall be withheld with the Exchange, as additional deposit / margin, until further instructions given by us.

Thanking you.

Yours faithfully
For _____

Signature of authorised signatory
Name: _____
Designation: _____

Annexure-13

For releasing margin deposits by crediting settlement account

(On the letter head of the member)

Date: _____

The Clearing and Settlement Department,
Multi Commodity Exchange of India Ltd.
Exchange Square, CTS No.255,
Suren Road, Chakala,
Andheri (East),
Mumbai – 400 093

Dear Sir,

Sub: Release part amount of additional deposit / margin available with the Exchange

Bank details		
Member ID	**Clearing bank**	**Settlement account no.**

You are requested to release the amount, as mentioned below from my margin deposits available with the Exchange and **Credit** my above-mentioned settlement account.

Description	**Amount (Rs. in figures)**	**Amount (Rs. in words)**
Amount to be released from additional deposit / margin and credit my settlement account by:		

We have taken into consideration ratio of cash and non-cash collaterals as mentioned in the Business Rules of the Exchange and understand that our margin limits shall be reduced accordingly. Also, we are aware that, if by this reduction the initial margin required to be maintained with the Exchange in cash is breached, the Exchange will not entertain the said request.

Thanking you.

Yours faithfully
For _____

Signature of authorised signatory
Name: _____
Designation: _____