Circular no.: MCX/COMP/332/2013 October 4, 2013

Portfolio Management Services (PMS)

The attention of the Members is once again drawn towards the Exchange Circular no. MCX/551/2006 dated December 13, 2006, MCX/561/2006 dated December 15, 2006, MCX/COMP/399/2008 dated December 18, 2008, MCX/COMP/261/2010 dated July 26, 2010 (and a reminder circular MCX/COMP/259/2013 dated July 26, 2013) wherein Members were advised to refrain from indulging in any activities in the nature of portfolio advisory services, portfolio management services and such other services to its clients for investment in commodity future contracts either directly or indirectly.

The Forward Markets Commission vide their letter no.1/2/2012/IR-I/Client- Protection dated September 11, 2013 (available at FMC website www.fmc.gov.in) read with addendum dated September 26, 2013 has again notified the Members that, in addition to PMS activities, the following activities will also not be allowed in the Commodity Derivative Market:

a) any activity in the nature of promise of assured returns after a certain fixed time period (for example a month, 3 months or 6 months etc.) or assured profits by the member or profit sharing activity

b) any activity without executing Member Client Agreement or completing Uniform Client Registration formalities with the client

c) any activity without presenting client with a Risk Disclosure Document

d) any activity without proper orders from the client for managing his accounts / executing trade etc.

e) any advertisement / publicity made by the Member highlighting only the benefits of futures market without highlighting the risk involved

f) any other activity which is ambiguous or misleading the client in any way.

Members are again advised that if they are found indulging in offering services like portfolio management services and others, as aforesaid, will attract strict disciplinary action like suspension from membership and deactivation of terminals in addition to imposition of deterrent monetary penalty as may be specified from time to time and/ deemed appropriate in this regard.

Members are required to please take note of the above and ensure strict compliance.

J. B. Ram

Sr. Vice President
Membership & Inspection

Kindly contact Compliance Team on 022-66494090 or send an email at compliance@mcxindia.com for further clarification.

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