HEDGE POLICY DOCUMENT



MCX
METAL & ENERGY
Trade with Trust

Document Control

Document Name	**:**	**MCX Hedge Policy**
Current Version	:	3.1
Document Owner	**:**	Market Operations
Reviewed By	**:**	Market Operations
Approved By	**:**	Head of Department
Classification	:	Public
Distribution List	:	Market Participants

Issue / Revision History

Version No.	Description	Prepared/ Revised By	Approved By	Issue / Revision Date
1.0	Issue Version	MOPS	HOD	28-09-2016
2.0	The version provides further clarity and removed redundant clauses	MOPS	HOD	12-12-2018
3.0	Changes made in consultation with other Exchanges	MOPS	HOD	29-06-2021
3.1	Reviewed and made minor changes	MOPS	HOD	06-12-2025

All queries and suggestions may be emailed to marketoperations@mcxindia.com

MENTHA OIL AGRI COTTON BULLION COPPER
SILVER METAL CARDAMOM BLACK PEPPER
COTTON LEAD NICKEL MENTHA OIL NATURAL GAS
BULLION ALUMINUM GOLD COPPER

CONTENTS

Chapter	Particulars	Page No
I.	**Basic Concepts in Hedging**	5
II.	**Policy and Guidelines**	11
	A. Policy	
	B. Guidelines	
III.	**Application process and Documentation**	14
	a. Documents to be submitted for sanction of Hedge Limits	
	b. Documents to be submitted in case of Domestic Commitments or Export / Import Commitments.	
	c. Documents to be submitted in case the hedge limit is based on past track record - Production/ Purchase/ Sales/ Processing capacity	
	d. Periodic documentation after sanction of hedge limits	
	e. Documents at the time of renewal/ enhancement of limit	
IV.	**Penal Action/ Provisions**	16
V.	**Annexures**	17
	1. Application form cum write-up on hedge rationale	
	2. Declaration for availing Hedge limits	
	3. Statement of physical stocks owned by the Hedger	
	4. Summary/Periodic statement of Export/Import	

HEDGE POLICY DOCUMENT

I. Basic Concepts in Hedging

What is Hedging?

Hedging means taking a position in the futures market that is opposite to a position in the physical market with the objective of reducing or limiting risks associated with price changes. Similarly, any position in the futures market against the export or import commitments with a view to reduce / limit the price risk would be considered as hedging.

Futures contracts have been used as financial offsets to cash market risk for more than a century. Hedgers are interested in transferring risk associated with the physical asset. They use commodity futures to reduce or limit the price risk of the physical asset. Hedging is an insurance used to avoid or reduce price risks.

Commodity futures markets provide insurance opportunities to commercials, merchants, importers, exporters, producers and processors, against the risk of price fluctuation. In the case of a trader, an adverse price change brought about by either supply or demand change, affects the total value of his commitments. Larger the value of his inventory, larger the risk to which he is exposed. Hedging allows a market participant to lock in prices and margins in advance and reduce the potential for unanticipated loss or competitive disadvantage. A hedge involves establishing a position in the futures market that is equal and opposite of a position in the physical market. The principle behind establishing equal and opposite positions in the cash and futures markets is that a loss in one market should be offset by a gain in the other market. Hedging works because cash prices and futures prices tend to move in tandem, converging as the futures contract reaches expiration.

The degree of effectiveness of a hedge is determined by the percentage of the actual gain or loss incurred in a futures transaction. Though most hedges reduce risks related to price variations, they do not eliminate them altogether.

Example 1: If an electric cable manufacturer has fixed price commitment for purchase of copper as raw material, which would be utilized to manufacture electric cables made of copper, there is a risk of fall in price of copper and therefore eventually, the risk of fall in price of the copper made electric cables. The manufacturer would like to reduce his risk by hedging his exposure in Copper on the futures market.

Example 2: An importer of Crude Palm Oil would like to mitigate his import risk of price changes and exchange rate fluctuations by taking a position in futures market

In the above cases, the profit / loss incurred on account of price movement in the underlying market is offset by the loss /profit in the futures market thereby reducing / mitigating the adverse price movements.

MENTHA OIL AGRI COTTON BULLION COPPER
SILVER METAL CARDAMOM BLACK PEPPER
COTTON LEAD NICKEL MENTHA OIL NATURAL GAS
BULLION ALUMINUM GOLD COPPER

Selling hedge or Short hedge

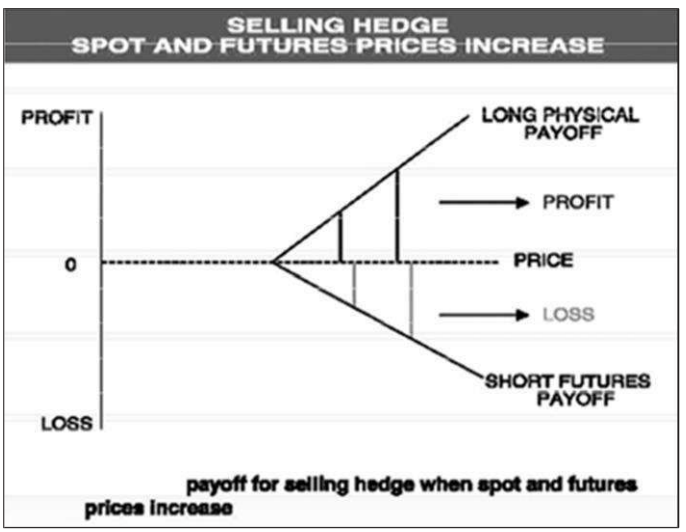
Selling hedge is also called Short hedge. Selling hedge means selling a futures contract to hedge a cash position. Selling hedge strategy is used by manufacturers, processors and others. who have exposure in the physical market.

Uses of selling hedge strategy.

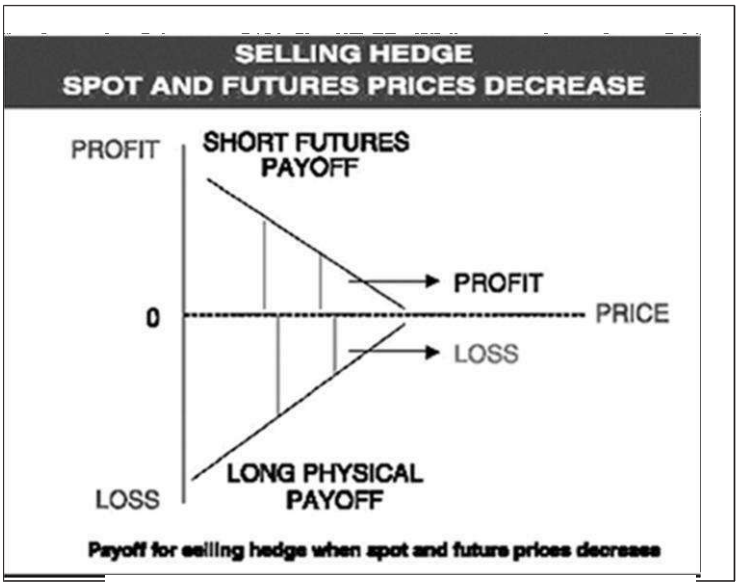
- To protect the price of finished products.
- To protect inventory not covered by forward sales.

Short hedgers are merchants and processors who acquire inventories of the commodity in the spot market and who simultaneously sell an equivalent amount or less in the futures market. The hedgers in this case are said to be long in their spot transactions and short in the futures transactions.

For example: A tea masala manufacturer requires cardamom and other spices for the manufacture of end product. He may either have an unsold inventory of cardamom, or he may have bought it for later delivery. Since the manufacturer owns the commodity, he would suffer losses if prices drop. By hedging, the manufacturer can optimize his inventory levels while managing his production levels. To hedge, the manufacturer would have to sell the futures contracts. Now if prices drop, the cash market loss will be offset by a gain in the futures contract. When the manufacturer sells his inventory at the lower cash market price, he will simultaneously lift his hedge by buying back the futures contracts at the lower price. The loss in the cash market will be compensated by gain in futures' contract.



MENTHA OIL AGRI COTTON BULLION COPPER
SILVER METAL CARDAMOM BLACK PEPPER
COTTON LEAD NICKEL MENTHA OIL NATURAL GAS
BULLION ALUMINUM GOLD COPPER



Hypothetical example:

In April 2016 Mr. Ramesh, a Mumbai based gold Jeweller buys 2 Kg of gold in the spot market at a price of Rs. 26700 per 10 gm as raw material to make Jewellery from it. Mr. Ramesh wants to protect the reduction in the price of gold till the Jewellery is ready for sale in May 2016. For the above purpose Mr. Ramesh sells 2 contracts (1 kg. each) of Gold June futures at the price of Rs. 26800 per 10 gm

In May 2016 Mr. Ramesh sells 2 Kg of Jewellery at the reduced spot price of Rs. 26600 per 10 gm and squares off his Gold June futures open short position at Rs. 26700 per 10 gm. The above transactions have resulted in a profit of Rs.100 per 10 gm in Gold June futures contract and a loss of Rs.100 per 10 gm in the spot transaction, thereby protecting the price of the finished material i.e Jewellery at Rs. 26700 per 10 gm.

In the above example, we have assumed basis to remain unchanged

Basis is the difference between the spot price and the relevant futures price of Gold

Selling hedge with basis risk:

When future price increases more than that of the spot price due to widening of basis, the hedger incurs a larger loss on short futures position and a smaller profit on the corresponding cash position. But when the spot price increases more than that of the futures price due to narrowing of basis, the hedger incurs a smaller loss on the futures position and a larger profit on the corresponding cash position. In order to ensure that an effective hedge is made, historical data should be used to arrive at an optimal hedge ratio.

MENTHA OIL AGRI COTTON BULLION COPPER
SILVER METAL CARDAMOM BLACK PEPPER
COTTON LEAD NICKEL MENTHA OIL NATURAL GAS
BULLION ALUMINUM GOLD COPPER

Hedge ratio

Hedge ratio is the ratio of the number of futures contracts to be purchased or sold to the quantity of the cash asset that is required to be hedged.

ΔCP	Change in cash price
ΔFP	Change in futures price
σΔCP	Standard deviation of ΔCP
σΔFP	Standard deviation of ΔFP
ρ	Coefficient of correlation between ΔCP & ΔFP
HR	Hedge ratio

Hedge Ratio(HR) that minimizes the variance is
HR=ρ*(σΔCP/σΔFP)

Hypothetical Example

On 3rd March 2016, Mr. Vinod, a Mumbai based gold Jeweller buys 8 Kg of gold in the cash market as a raw material to make Jewellery from it. Mr. Vinod wants to protect himself from a decline in the prices of gold till the Jewellery is ready for sale in 45 days. He decides to hedge by selling futures contract of gold. The standard deviations of the change in the cash price of gold and change in futures price of gold over the last 45 day period is 0.86 and 0.62 respectively. The coefficient of correlation between the change in cash price and the futures price of gold for 45 days is
0.85. Standardised futures contract size of gold is 1 kg. The optimal hedge ratio is 0.85*0.86/0.62 = 1.17

Mr. Vinod should sell 1.17*8/1=9.43 kgs or sell 9 (rounded off) gold futures contracts to hedge the physical exposure of 8 kgs. of gold.

A hedge limit can also be taken if there is an exposure in an underlying whose price movement is co-related with similar contract(s) traded in derivatives market.

eg Underlying exposure is in RBD Palm Oil and the historical trend of price movement of RBD Palm Oil and Crude Palm Oil are co-related, then hedge limits can be taken in Crude Palm Oil contracts.

Similarly, if the underlying is same, the hedger can participate in any of the contract variants available on the Exchange platform.

e.g. GOLD, GOLDMINI, GOLDPETAL, GOLDGUINEA. Other examples of this could be SILVER and other mini contracts in SILVER.

Rolling over the Hedge Positions

If the time period required for a hedge position is later than the expiration date of the current futures contracts, the hedger can roll over the hedge position. Rolling over the hedge position means closing out the existing position in one futures contract and simultaneously taking a new position in a futures contract with a later expiry date. If a person wants to reduce or limit the risk due to fall in prices of the finished material to be sold after 6 months and if futures contracts up to 2 months are liquid, then he can roll over the short hedge position three times till the date when the actual physical sale takes place. Every time the hedge position is rolled over, there is a possibility of basis risk but at the same time it limits or reduces the price risk.

Hypothetical Example

In April 2016 Mr. Malhotra, a Mumbai based gold Jeweller buys 10 Kg of Gold in the spot market at a price of Rs. 26700 per 10 gm as raw material to make Jewellery from it. Mr. Malhotra wants to protect himself from the reduction in the price of raw gold till the Jewellery is ready for sale in October 2016. In April 2016, Mr. Malhotra also sells 10 June Gold futures contracts (each of 1 Kg) at Rs. 26725 per 10 gm, which he closes out in June just before the expiration date at Rs. 26675 per 10 gm for a profit of Rs. 50 per 10 gm. In June 2016, Mr. Malhotra sells 10 August gold futures contracts at Rs. 26650 per 10 gm, which he closes out in August just before expiration date at Rs. 26740 per 10 gm for a loss of Rs.90 per 10 gm. In August 2016 Mr. Malhotra sells 10 October gold futures contracts at Rs. 26750 per 10 gm, which he closes out in October before the expiration date at Rs. 26650 per 10 gm for a profit of Rs.100 per 10 gm. In the above futures transaction Mr. Malhotra makes a profit of Rs. 60 per 10 gm whereas Mr. Malhotra sells Jewellery for a spot price of Rs. 26625 per 10 gm in October 2016 thus incurring a loss of Rs. 75 per 10 gm. So Mr. Malhotra managed to reduce the net loss to Rs.15 per 10 gm by rolling over the hedge position for 6 months.

Advantages & Limitations of Hedging

Advantages:

1. Hedging reduces or limits the price risk associated with the physical commodity.
2. Hedging can be used to protect the price risk of a commodity for long periods by rolling over contracts.
3. Hedging makes business planning more flexible without interfering with routine business operations.
4. Hedging can facilitate low cost financing

Limitations:

1. Hedging cannot eliminate the price risk associated with the physical commodity in totality due to the standardized nature of futures contract.
2. Because of basis risk, hedging may not provide full protection against adverse price changes.

Disclaimer:

This hedging brochure is not intended as professional counsel or investment advice and is not to be used as such. While the exchange has made every effort to assure the accuracy, correctness and reliability of the information contained herein, any affirmation of fact in the hedging brochure shall not create an express or implied warranty that it is correct. This hedging brochure is made available on the condition that errors or omissions shall not be made the basis for any claims, demands or cause of action. MCX shall also not be liable for any damage or loss of any kind, howsoever caused as a result (director indirect) of the use of the information or data in this hedging brochure.

MENTHA OIL AGRI COTTON BULLION COPPER
SILVER METAL CARDAMOM BLACK PEPPER
COTTON LEAD NICKEL MENTHA OIL NATURAL GAS
BULLION ALUMINUM GOLD COPPER

II. Policy and Guidelines

A. Policy:

a) The hedge limit to be granted by the Exchange to the bona fide hedgers shall be in addition to the normal position limit allowed to it. Such hedge limit is non-transferrable and shall be utilized only by the Hedger to whom the limit has been granted and not by anyone else.

b) This additional hedge limit granted for a commodity derivative shall not be available for the near month contracts of the said commodity from the date of applicability of near month limit.

c) Hedge limits for a commodity shall be determined on a case to case basis, depending on applicant's hedging requirement in the underlying physical market based upon his/its Export or Import commitments/ Stocks held/ Past track record of Production or Purchase or Sales/ Processing capacity and other factors as the Exchange may deem appropriate.

d) The Exchange shall grant hedge limits to the applicant on verification of documentary evidence of the underlying exposure and ensuring that the hedge limit granted is genuine and does not have the potential to disturb the equilibrium of the market of that particular derivative contracts.

e) The hedge limit may also be made available in respect of the short open position acquired by an entity for the purpose of hedging against the stocks of commodities owned by it and,

1. Pledged with the Scheduled Commercial Banks/ Co-operative Banks or
2. Lying in any Government Entity's warehouse/ WDRA Approved warehouses or
3. Lying in any other premises (warehouse, factory etc.), provided the premises is either owned by the hedger or taken on lease by the hedger in its name.

f) With regard to point (e) above, the Exchange may ascertain that such premises are well equipped with quality control safeguards for storage of the relevant commodity. In order to ascertain this, the Exchange may obtain a certification from the management of the Company/ firm to this extent. Exchange may also require a certificate from a third party assayer/ warehouse service provider/ independent auditor. Further, relevant Bank Certificate/ Warehouse Receipt, as the case may be, provided by the Hedger shall be subject to verification regarding ownership of the stocks etc., by the Exchange.

g) At any point of time during the hedge period, hedging positions taken in derivatives contracts by hedger, across multiple Exchanges/ Contracts, shall not exceed his/ its actual/ anticipated exposure in the physical market, even if there is a usable hedge limit available as per hedge limit sanctioned by the Exchanges to the hedger.

h) If under any circumstances, a hedger is found availing hedge limit in contrary to the guideline framed by the SEBI/Exchanges or submits false document or fails to inform the Exchange in a timely manner about reduction of underlying exposure based upon which it has been sanctioned hedge limit by the Exchange, it shall be liable for expulsion from membership/prohibition from trading as the case may be. Such action shall be without prejudice to other disciplinary actions, including penalties prescribed by the Exchange.

MENTHA OIL AGRI COTTON BULLION COPPER
SILVER METAL CARDAMOM BLACK PEPPER
COTTON LEAD NICKEL MENTHA OIL NATURAL GAS
BULLION ALUMINUM GOLD COPPER

i) A Hedger having availed of benefit of hedge limits, shall preserve relevant records for a period of minimum three years for inspection by SEBI/Exchange.

j) The hedge limit approved by the Exchange shall be valid for a period as mentioned in the approval letter and such hedge limit shall stand cancelled automatically upon expiry of such period without any notice. The Exchange shall review periodically the maximum quantum of hedge limits to be sanctioned to each applicant subject to fulfilment of prescribed conditions.

k) The Exchange shall be disclosing on its website the hedge position allocated to various hedgers, indicating the period for which approval is valid, in an anonymous manner. The disclosure shall be made in the following format:

Sr. No.	***Name of the Commodity***	***Hedger***	***Long Hedge Limits***	***Short Hedge Limits***	***Date of making application***	***Application Approval Date***	***Approval Start Date***	***Date till Approval is valid***
1.		Hedger 1						
2.		Hedger 2						

B. Guidelines:

a) The request for Hedge limit shall be considered only on receipt of all the documents complete in all respects. The Exchange reserves the right to reject any application or to stipulate any additional conditions or ask for additional documentation before and/ or after sanctioning hedge limit.

b) Members shall:

i. Not put through any trade by a Hedger violating the limit or any of the terms or conditions on which hedge limits are sanctioned.

ii. Monitor the Hedger's position continuously to ensure that it does not exceed the sanctioned limit.

iii. Ensure that the Hedger reduces the open positions in the near month contract within the normal limit for that contract prior to the date of applicability of near month position limits.

iv. Immediately inform the Exchange of any violation of limit or terms and conditions by a Hedger.

c) An Exporter/ Importer availing hedging limit on open position on account of his unfulfilled export/ import commitment should in the event of his not being able to ship the goods during the contract period, either for reason of non-availability of freight or for any other reason, forthwith liquidate his equivalent open position exceeding the limit prescribed specifying reasons to the Exchange. Failure to do so would render him ineligible for availing hedging limit on open position in respect of his export/ import contracts thereafter.

d) If any member/ non-member (client hedger) is found availing hedging limit in any manner without having stock of physical goods/ export commitment or submits false document, availing hedging limit on the same stock at two different Exchanges, he shall be liable to expulsion/ debarment and other severe disciplinary measures and penalties. Therefore, the Member, while seeking limit on behalf of their clients, shall exercise due diligence on their part during the period of hedge.

e) Hedge limits would be valid till underlying exposure in physical market such as stocks held, Domestic/ Import/ Export commitments, anticipated sales/ purchases are open. Positions established in the hedge code should be liquidated in an orderly manner in accordance with sound commercial practices. The initiation and unwinding of hedge positions should correspond to the underlying position in the physical markets.

f) As the hedge positions are typically larger than the normal client level limits, the Member may, in addition to the Exchange prescribed margins, also collect additional margins based on the assessment of the risk profile of the client.

g) The approved hedge limit will be valid from the date of sanction for a period as specified in the sanction letter. In case a member /non-member (hedger) intends to avail the additional open position limits beyond

the specified date, he will have to approach the Exchange stating the reasons thereof, for extension, at least a month before expiry of the hedge limit sanctioned period, failing which the hedge limit will stand cancelled upon expiry. In such a case concerned member shall square off the additional limit acquired on or before the date of expiry. The Exchange may at its discretion, however, direct the parties concerned to liquidate the approved excess positions before expiry without assigning reasons thereto. Members and their clients are advised to follow the guidelines while availing additional open position limit.

h) The Exchange reserves the right to amend/ modify the terms and conditions for sanctioning additional open position at any time without any notice and the member/ non-member client (hedger) shall accordingly be bound by them.

III. Application Process and Documentation:

a) Documents to be submitted for sanction of Hedge Limits

1. Application form cum write-up on hedge rationale as per **Annexure - 1.**
2. Joint declaration for availing Hedge Limit as per **Annexure - 2.**
3. In case hedge limit is based on Physical Stock, the following documents are required.
   - A statement containing details of physical stocks owned by the applicant along with warehouse Location /address certified by a Chartered Accountant/ Company Secretary as per **Annexure3.**
   - Copy of Financial statement of at least one financial year certified by a Chartered Accountant/ Company Secretary.
   - Bank certificate in case stock of commodities is pledged with the Scheduled Commercial banks/ Co-operative banks.

b) Documents to be submitted in case of Domestic Commitments or Export/Import Commitments.

- Summary/ Periodic Statement of Export/ Import certified by Chartered Accountant/ Company Secretary as per **Annexure - 4.**
- Copy of Financial statements of at least one financial year certified by a Chartered Accountant/ Company Secretary.
- The Exchange reserves the rights to call Export/Import documents in the form of invoice or shipping/cargo bills etc.

c) Documents to be submitted in case the hedge limit is based on past track record - Production/ Purchase/ Sales/ Processing capacity

- A statement containing Quarterly/Half-yearly actual Production/ Purchase/ Sales/ Processing capacity for at least one year certified by Chartered Accountant/ Company Secretary.
- Copy of Financial statement of at least one year certified by a Chartered Accountant/ Company Secretary.
- A statement showing details of installed capacity along with utilized capacity of all the plants during the past one year for the company certified by a Chartered Accountant.

Note: If the applicant entity is in existence for less than 1 year then the above statement will be applicable for the actual period.

MENTHA OIL AGRI COTTON BULLION COPPER
SILVER METAL CARDAMOM BLACK PEPPER
COTTON LEAD NICKEL MENTHA OIL NATURAL GAS
BULLION ALUMINUM GOLD COPPER

d) Periodic documentation after sanction of hedge limits

- A statement containing details of Physical stocks owned by the applicant along with warehouse Location/address as per **Annexure - 3.** Statement shall be duly certified by Self and/or Chartered Accountant/ Company Secretary as per the periodicity defined by the Exchange from time to time.
- Summary Statement of Export/Import certified by Chartered Accountant/ Company Secretary as per **Annexure - 4.**
- Updating of any information provided in any annexures/ application.

e) Documents at the time of renewal/ enhancement of limit

- Hedge renewal/ enhancement request.
- A statement containing details of Physical stocks owned by the applicant along with warehouse Location/address duly certified by a Chartered Accountant as per **Annexure - 3.**
- Summary Statement of Export/Import certified by Chartered Accountant/ Company Secretary as per **Annexure - 4.**
- Any change in the information provided in any Annexure/ application documents submitted earlier along with documentary evidence, if applicable.

IV. Penal Action/ Provisions:

Penalties and other disciplinary actions, if any would be initiated by the Exchange for non-compliance of provisions governing the hedge limits.

Sr	Nature of violation	Action
1.	Violation of overall hedge limits as prescribed by the Exchange or availed hedge limits even when there is no corresponding physical stock held by the hedger or when there is no Export /Import commitment.	Rs.50,000/- per instance or Rs. 5,000/- per expiry contract per day whichever is higher.
2.	Submission of forged / fake documents for availing hedge limit	Suspension of membership/ debarment of client together with financial penalty as deemed appropriate by the Exchange.
3.	Procedural violation of terms and conditions of approval of Hedge limits as amended from time to time like delay in submission of statement or any other document etc.	As may be decided on case-to-case basis by the Exchange.
4.	Any violation not covered above	As may be decided on case-to-case basis by the Exchange.

Penalty on Hedger shall be recovered from the concerned Member

Notes:

Amendments:

The Exchange may, subject to applicable laws amend any provision(s) or substitute any of the provision(s) with new provision(s) or replace the hedge policy entirely with a new policy.

Scope limitation:

In the event of any conflict between the provisions of this policy and SEBI circulars/ Securities Contracts (Regulation) Act, 1956 (As amended by the Finance Act, 2021 / Bye-laws and Rules of the Exchange or any other statutory enactments, rules, the provisions of such SEBI circulars Securities Contracts (Regulation) Act, 1956 (As amended by the Finance Act, 2021 / Bye-laws and Rules of the Exchange or any other statutory enactments, rules shall prevail over this policy.

Policy Review:

This policy may be amended, modified, supplemented from time to time to ensure compliance with new SEBI circular or modification, amendment or supplementation to the Securities Contracts (Regulation) Act, 1956 (As amended by the Finance Act, 2021 / Bye-laws and Rules of the Exchange or any other statutory enactments.

MENTHA OIL AGRI COTTON BULLION COPPER
SILVER METAL CARDAMOM BLACK PEPPER
COTTON LEAD NICKEL MENTHA OIL NATURAL GAS
BULLION ALUMINUM GOLD COPPER

V. ANNEXURES:

Annexure - 1

Application form cum write-up on hedge rationale

Date:

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

1. Member Name and Member ID:

2. Name of the Client applying for Hedge Code:

3. Hedge Code:

4. PAN of Client:

5. Details of hedge limit required:

Commodity/ies in which additional open position limit is sought	**Hedge limit sought**		**Period for which the additional open position limit is required**
	Long open position (Qty in units)	**Short open position (Qty in units)**	

6. Hedge limit is sought against: (Tick appropriate option)

a) Physical stock ☐

b) Export/ Import commitments ☐

c) Past track record of Production or Purchase or Sales ☐

d) Processing capacity ☐

e) Others (Please specify) ☐

MENTHA OIL AGRI COTTON BULLION COPPER
SILVER METAL CARDAMOM BLACK PEPPER
COTTON LEAD NICKEL MENTHA OIL NATURAL GAS
BULLION ALUMINUM GOLD COPPER

7. Brief Business Profile of the Hedger Client:

8. Rationale for availing Hedge Limits:

Signature and Stamp of Authorised Signatory of Member	Signature and Stamp of Authorised Signatory of Client
Name of Authorised Signatory	Name of Client seeking Hedge Limit
Date:	Date:
Place:	Place:

MENTHA OIL AGRI COTTON BULLION COPPER
SILVER METAL CARDAMOM BLACK PEPPER
COTTON LEAD NICKEL MENTHA OIL NATURAL GAS
BULLION ALUMINUM GOLD COPPER

Annexure - 2

Declaration for availing Hedge limits

I / We,_____, hereby declare that:

1. I/ We am/ are trading through _____(*Name of the applying member*) using the client codes _____.
2. I/ We undertake that I/we shall not violate the hedge limit as sanctioned to me/ us.
3. I/ We undertake to inform the Exchange, the details of all our positions taken in different capacities and which are required to be clubbed as per guidelines of MCX.
4. The decision of the Exchange to permit or deny a hedge position shall be final and binding on the Member/ Hedger. The Exchange has the right to inspect the physical stock against which hedge position has been permitted with or without prior intimation and the hedge position limit is subject to review during the specified period. We undertake to extend necessary cooperation during the inspection.
5. The hedge position permitted shall be for the period until which it is approved or revoked by the Exchange, whichever is earlier.
6. I/ We undertake to that no churning of positions shall be carried out in hedge code. The initiation and unwinding of hedge positions should correspond to the underlying position in the physical markets.
7. We understand that we have to seek extension of limit from time to time and if we fail to do so, we will square off the additional position limit granted to us. We understand that Exchange has the necessary authority to square off the said positions on expiry of the approved period, if warranted.
8. I/ We shall abide by the terms and conditions under which the hedge limits will be sanctioned by the Exchange. We shall also abide by the Rules, Bye-laws and Business Rules of the Exchange.
9. I/We hereby declare that, we have not taken any Hedge position/Cross-hedge position/ Back-to-back transaction on any other Exchange during past 6 months or actual period. I/ We undertake to inform the Exchange on a monthly basis, the details of all such position / transaction executed, if any, during the hedge period.
10. I/We hereby declare that the information given in this form and the Annexure/s hereto are true and correct to the best of our knowledge. We shall intimate the Exchange any material change in the facts mentioned herein above as soon as possible.

Signature and Stamp of Authorised Signatory of Member	Signature and Stamp of Authorised Signatory of Client
Name of Authorised Signatory	Name of Client seeking Hedge Limit
Date:	Date:
Place:	Place:

Annexure - 3

Statement of physical stocks owned by the Hedger

Hedge Client Name:

Hedge Code:

Commodity	Hedge Limit (Long/Short)	Month End Physical Stock	Location of Physical stock

Stock Position held by Client as on_____.

Attachments (If any) as per Section 1.e of above Hedge policy:

- Proof of ownership / stock of goods held in the warehouse
- Bank certificate in case stock of commodities is pledged with the Scheduled Commercial banks/ Co-operative banks

Signature and Stamp of Authorized Signatory of Client

Signature and Stamp of the Chartered Accountant/Company Secretary

Name of Client seeking Hedge Limit

Name of the Chartered Accountant/Company Secretary

Unique Document Identification Number (UDIN)

Date:

Date:

Place:

Place:

MENTHA OIL AGRI COTTON BULLION COPPER
SILVER METAL CARDAMOM BLACK PEPPER
COTTON LEAD NICKEL MENTHA OIL NATURAL GAS
BULLION ALUMINUM GOLD COPPER

Annexure - 4

Summary/Periodic statement of Export/Import

a) Summary of Export/ Import contracts outstanding as on ____

Sr. No	Name of Counter Party	Commodity	Quantity
1			
2			
3			
4			
		Total Quantity	

b) Details of Export/ Import fulfilled during the period _____

Sr. No	Name of Counter Party	Commodity	Quantity
1			
2			
3			
4			
		Total Quantity	

(Not applicable at the time of application of hedge limit)

The Exchange reserves the rights to call Export/Import documents in the form of invoice or shipping/cargo bills etc.

Signature and Stamp of
Authorized
Signatory of Client

Signature and Stamp of the
Chartered
Accountant/Company
Secretary

Name of Client seeking
Hedge Limit

Name of the Chartered
Accountant/Company
Secretary

	Unique Document Identification Number (UDIN)
Date:	Date:
Place:	Place: