COMPLIANCE GUIDE

(FOR THE MEMBERS OF MULTI COMMODITY EXCHANGE OF INDIA LIMITED)

MEMBER COMPLIANCE
DEPARTMENT

Multi Commodity Exchange of India Ltd.
Exchange Square, Suren Road, Chakala, Andheri
East, Mumbai – 400 093

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Compliance Guide

Multi Commodity Exchange of India Ltd.

Exchange Square, A wing, 5th Floor, Gundavali, Suren Road, Chakala, Andheri (East), Mumbai 400 093.
Tel. +91-22-6649 4090, Fax +91-22-6726 9567,
Website: www.mcxindia.com, email: compliance@mcxindia.com

PREFACE

Rules, Bye Laws and Business Rules of Multi Commodity Exchange of India Limited (MCX) and Circulars issued by MCX and Forward Markets Commission (FMC) require the members of MCX to comply with certain requirements relating to their functions in commodities derivatives market. This guide is a compilation of relevant sections and provisions of the above mentioned rules, etc. The guide is arranged topic-wise and further segregation is made at sub-topic level wherever possible for the convenience of the readers. At the end of each topic, list of relevant rules and circulars is given along with a link to the relevant rules / circulars issued up to November 2013.

As per the Exchange's Circular no.: MCX/207/2006 dated May 19, 2006, it is mandatory for every member to appoint a Compliance Officer who shall be responsible for monitoring the compliance of the member in respect of various circulars, guidelines, notifications, etc. issued by the Exchange / FMC or any other relevant authority from time to time. This guide will be particularly useful for the Compliance Officers of the members.

Feed-back and suggestions on enhancement / improvement of this guide are welcome.

Compliance Guide

DISCLAIMER

This Compliance Guide is not an exhaustive reference for all compliance related issues. It mainly attempts to guide the members regarding requirements relating to client protection which are examined during inspections by the Exchange. This guide provides information, solely as a reference manual and it is not held out that this guide is exhaustive. Members are advised to read this guide along with circulars issued from time to time as well as the Bye-Laws, Rules and Business Rules of the Exchange.

This guide includes circulars issued by MCX up to March 2015 and members should refer to the circulars issued after that date to update themselves. The titles given in the guide are meant to draw the attention of the readers and do not purport to summarize the contents of the circulars.

Compliance Guide

INDEX

Point no.	Particulars	Page Nos.
Chapter I		
Membership Requirements		
1	Membership related requirements to be followed by each Member	7
2	Appointment of Authorized Person	8
2.1	Eligibility for Authorized Person	8
2.2	The Member's Obligations with respect to Authorized Person	9
2.3	Trading Terminal to Authorized Person	10
2.4	The members are informed that	11
2.5	Member Authorized person Agreement	11
2.6	Change in Authorized Person status	12
2.7	Authorized Person-Processing Fees	12
Chapter II		
Verification of Books of Accounts and Other Records		
1	Maintenance of Books of Accounts/Documents/ Records	13
2	Records in Soft Forms/ Systems	14
2.1	Register of Transactions	15
2.2	Client Ledger	15
2.3	Bank Book	15
2.4	Cash Book	16
2.5	Margin Deposit Book	16
2.6	Trade Log and Order Log	16
2.7	Order Book	16
2.8	Trade Files	16
2.9	Log of Trades/client code modification	16
2.10	Register of Commodity	17
2.11	Register of Complaints	17
Chapter III		
Agreements, Documents, Authorizations, etc		
1	Member-Client Agreement	18
2	Common/uniform Client registration form/process (w.e.f. April 1, 2012)	18
3	Know Your Client(KYC) Forms/ Client Registration Forms	19
3.1	Format of KYC Form	19
3.2	Documents required from client(s) along with KYC form	19
3.3	Risk Disclosure Document (RDD) and Investors' Rights and Obligations (IR&O)	20
4	List of Do's and Don'ts	21

Compliance Guide

5	Client Account Closure	21
Chapter IV		
Clientele Transactions		
1	Creation and allotment of Unique Client Code (UCC)	22
1.1	UCC Uploading to the Exchange	22
1.2	Allotting Single Client Code	22
2	Modification of Client Code	22
3	Brokerage	23
4	Portfolio Advisory and Management Services	24
5	Bank Accounts	24
6	Handling the Commodities of Clients for Deliveries	26
7	Margin Collection	27
8	Pre-Funded Instrument	29
9	Cash Dealings	30
10	Issue of Statement of accounts/funds to Clients	30
11	Inactive Clients	31
Chapter V		
Trading System		
1	User Id and Approved Users	32
1.1.	Approved users	32
1.2.	User ID	32
2	Computer to Computer Link (CTCL)	32
2.1	Development of CTCL software	32
2.2.	Some of the guidelines/requirements for use of CTCL terminals	33
3	Internet Based Trading (IBT)	33
4	Automated Trading Facility	34
5	Terminal Location	35
6	Antivirus Software	36
6.1	Regular backup of important data on the systems.	36
7	Pro-Account Trading Terminals	37
7.1	No. of Terminals	37
7.2	Approval from Exchange	37
8	System Audit of Algorithmic Trading Facility	37
Chapter VI		
Contract Notes		
1	Requirements on Issue of Contract Notes to Clients	39
Chapter VII		
Miscellaneous		
1	Trading Activity	42

Compliance Guide

2	Internal Review	42
3	Notification to the Exchange	42
4	Display of Notice Board	42
5	Stamp Duty and Service Tax	42
6	Statutory Dues	43
7	Exchange LOGO/Emblem	43
8	Advertisement	43
9	Market data	43
10	Circular Trading, cross deals, price rigging, price manipulation and other market Abuses	44
11	Certified Commodity Professional	44
12	Code of Conduct for Members	45
13	Compliance with Regulatory Directives	45
14	Appointment of Compliance Officer	45
15	Adherence to Anti Money Laundering norms	45
16	Registration on FINnet Gateway:	46
17	Submission of Annual Returns	46
18	Submission of Annual Compliance Report (ACR)	47
19	BPO / KPO Services – Segregation thereof from Commodity Derivatives Market	47
20	Insurance Policy	47
21	Open Position	47
22	Applicability of Commodity Transaction Tax (CTT)	47
Compendium of Circulars		49-55

Compliance Guide

CHAPTER I
Membership Requirements

1. Membership related requirements to be followed by each Member:

Net worth Requirement:

- As per Circular No. MCX/012/2006 dated January 10, 2006, Circular no. MCX/COMP/009/2008 dated January 12, 2008, Circular No. MCX/MEM/259/2009 dated June 16, 2009 and MCX/COMP/358/2011 dated October 11, 2011, Members are required to ensure that minimum amount of net-worth as prescribed by the Relevant Authority/Exchange from time to time is maintained throughout the year.

- In case, the member is having membership of Commodity Exchange and that of National Commodity Spot Exchange, the minimum amount of networth as prescribed by each such Exchange from time to time is required to be maintained throughout the year by the concerned member In terms of Circular no. MCX/COMP/358/2011 dated October 11, 2011.

Approval Requirements:

Following changes require Forward Markets Commission's prior approval:

- Every Member of the Exchange is required to submit these requests to the Exchange and the Exchange in turn will seek FMC's prior approval: (Refer Circular No. MCX/MEM/092/2012 dated March 15, 2012 and MCX/MEM/181/2012 dated May 4, 2012)
- Change of Name
- Change in Shareholding pattern / sharing pattern leading to "Change in control" of the company / firm.
- Change in proprietor excluding cases of transfer within the Hindu Undivided Family
- Change in constitution of Member
- Surrender / Transfer of Membership

Every Member of the Exchange is required to take prior approval of the Exchange or will promptly notify the Exchange in writing (as the case may be) about any change in the information provided by the Member of the Exchange at the time of admission or at a later stage to the Exchange as per relevant Circulars, Rules, Bye Laws and Business Rules. Such changes include:

- Change in constitution
- Change in trade name
- Change in share holding pattern / sharing pattern
- Change in Dominant Promoter Group
- Change in Directors/ Managing Partners
- Change in address (both registered and correspondence)
- Change in contact details

Compliance Guide

- Change in Compliance Officer / Principal Officer

Documents required to be submitted for the aforesaid changes are available on website at link www. mcxindia.com /membership

Members are required to obtain prior written permission of the Exchange for any change in shareholding /sharing pattern / Dominant Promoter Group (DPG) except when such change in shareholding / sharing pattern (Refer Rule 26(b) and Circular No. MCX/MEM/132/2008 dated April 15, 2008):

- Does not alter the shareholding /sharing of DPG constituents in percentage terms
- Does not lead to addition or deletion of a DPG constituent
- Does not result in change in management/ control

2. Appointment of Authorized Person

(Bye Laws 2.3.5, Business Rules 10A Refer circular no. MCX/MEM/282/2010 dated August 07, 2010, Circular No. MCX/MEM/290/2010 dated August 16, 2010; Circular No. MCX/MEM/428/2010 dated December 01, 2010; Circular No. MCX/MEM/002/2011 dated January 03, 2011; Circular No. MCX/COMP/113/2010 dated April 05, 2010; Circular No. MCX/MEM/317/2010 dated September 07, 2010; Circular no. MCX/MEM/047/2011 dated February 23, 2011; Circular No. MCX/ MEM/044/2012 dated February 02, 2012 and Circular No. MCX/MEM/230/2012 dated June 25, 2012)

An Authorized Person means and includes any person whether being an individual, (including proprietors), a partnership firm as defined under the Indian Partnership Act, 1932, a Limited Liability Partnership (LLP) or a body corporate as defined under the Companies Act, 1956 or a co-operative society as defined under the co-operative societies Act, 1912/Multi state co-operative societies Act, 2002 / any other respective/UT co-operative Act (including federations of such co-operative societies) – who is appointed as such by a Member of a recognized Commodity Derivative Exchange upon the approval of such Commodity Exchange, for providing access to the trading platform of a Commodity Derivative Exchange, an agent of the Member of the Commodity Derivatives Exchange.

2.1 Eligibility for Authorized Person

An Individual (including Proprietors), Partnership Firm as defined under the Indian Partnership Act, 1932, a Limited Liability Partnership (LLP), body corporate under the Companies Act 1956 or a co-operative society as defined under the co-operative societies Act, 1912 is eligible to be an Authorized person of the Exchange subject to fulfilling below mentioned criteria:

- **For an Individual:**

Compliance Guide

- Is a citizen of India
- Is not less than 18 years of age
- Has not been convicted of any offence involving fraud or dishonesty
- Has not been suspended or barred by any Stock or Commodity Exchange for a period of more than six continuous calendar months
- Has a good reputation and character
- Has passed at least 10th standard or equivalent examination from an Institution recognized by the Central Government/State Government
- Possesses such certification that may be required by the Commodity Derivatives Exchange, as approved by the Commission from time to time

➢ **For a Partnership Firm/LLP/Body Corporate:**
All partners or directors, as the case may be, comply with the requirements as contained above. The object clause of the Partnership Deed or Memorandum of Association contain a clause permitting the person to deal in **commodities derivative contracts**.

➢ **For co-operative society:**
If all the Members / Directors by whatever name called, of the Managing Committee /Governing Body comply with the requirements contained above. However, in respect of clause above, the Exchange may at their discretion relax the criteria of educational qualifications

If the object clause of the Memorandum of Association of the co-operative society contain a clause permitting the co-operative society to deal in commodities derivative contracts.

2.2 The Member's Obligations with respect to Authorized Person:

The Member is required to enter into an agreement prescribed by the Exchange with each of such Authorized Persons after receipt of communication of acceptance of such Authorized Person by the Exchange.

The Member will permit the Authorized Person to admit or introduce clients and accept orders from the clients on their behalf only after execution of the agreement as stated above. Members are responsible for all acts of omission and commission of his Authorized Person and /or their employees, including liabilities arising therefrom.

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

The Member will display at each such branch office, additional information such as particulars of Authorized Person, in - charge of that branch, terms and conditions of his appointment, time lines for dealing through Authorized Person etc. as may be specified by the Exchange. Further, as per Circular No. MCX/ 295/2006 dated July 26, 2006; information/notice board is also required to be displayed at the office of Authorized Person. Members are required to notify changes, if any, in the Authorized Person to all registered clients of that

Compliance Guide

branch at least thirty days before the change.

In case of any change in partners/ directors, change in shareholding/sharing pattern of the Authorized Person, Members are required to intimate the Exchange of the details of the proposed change at least 30 days in advance in the format prescribed by the Exchange.

In case of any change in status and /or constitution of the Authorized Person, Members are required to intimate the Exchange of the details of proposed change and submit all the documents of the proposed change at least 30 days in advance in the format prescribed by the Exchange. Members are required to conduct periodic inspection of branches assigned to Authorized Persons and records of the operations carried out by them. The copies of such inspection reports will be retained by the Member as a record for inspection of the Exchange and/or FMC, if required. It is the responsibility of the Member to audit the records of its Authorized Person to ensure that they comply with the Rules, Bye laws, Business Rules and Circulars of the Exchange issued from time to time.

The clients dealing through an Authorized Person are required to be registered with the Member only. The funds, monies, commodities, warehouse receipts etc. of the clients will be settled directly between the Member and client. No fund/commodities of clients will be deposited / transferred / credited into any account of Authorized Person. All documents like contract note, statement of funds and commodities would be issued to client by the Member. Authorized Person will only provide administrative assistance in procurement of documents and settlement, but are not allowed to issue any document to client in its own name.

On noticing irregularities, if any, in the operations of Authorized Person, the Member will forthwith seek withdrawal of approval, withhold all moneys due to Authorized Person till resolution of client grievances, alert clients in the location where Authorized Person operates, file a complaint with the police, and take all measures required to protect the interest of clients and market. Members are required to ensure that no orders are executed by Authorized Person before all documents as prescribed by the Exchange/Commission as the case may be, including obtaining of all KYC related documents for each client registered through such Authorized Person. Uploading of details pertaining to the Unique Client Code (UCC) is the responsibility of the Member and the Authorized Person cannot create/allot such UCC to any client. All documents as mentioned above should be made available with the Member for the audit / inspection or as and when required by Exchange or the Commission.

2.3 Trading Terminal to Authorized Person

If any trading terminal is provided by the Member to the Authorized Person, the place where such trading terminal is located will be treated as a branch office of the Member

In addition to display of the Information board at the branch offices, members are also

Compliance Guide

required to display information regarding particulars of the Authorized Person in charge of that branch, terms and conditions of his appointment, time lines for dealing through Authorized person, etc., as may be specified by the Exchange,

2.4 The Members are informed that:

The system of sub-brokers by whatever name called is discontinued w.e.f. from January 31, 2011. Members are allowed to provide access to their clients either through themselves or through "Authorized Persons" from the said date.

- The Authorized Persons appointed by the Member must be registered with the Exchange.
- The Authorized Person(s) shall be assigned a Unique Code by the Exchange.
- The Member should enter into an agreement prescribed by the Exchange with each of the Authorized Persons after receipt of communication of acceptance of such Authorized Person by the Exchange.
- The Member should conduct periodic inspection of the branches assigned to the Authorized Person(s) and records of the operations carried out by them, as prescribed by the Exchange.
- The audit of the Authorized Person(s) has been conducted based on the guidelines prescribed by the Exchange and FMC.

2.5 Member Authorized Person Agreement:

The Member shall comply with the following requirements:

- The Agreement should be printed on a non-judicial stamp paper of appropriate value and is dated.
- The Agreement should be filled completely and properly.
- Date of Agreement should be after date of stamping and within six months of stamping.
- The Agreement should be signed by Authorized person, Member as well as witnesses.
- All the pages of the Agreement should be signed.
- Agreement should contain clauses prescribed by Exchange / FMC from time to time. Further agreement should not contain any clause related to adjustment of deposit/brokerage/commission/salary of the Authorized person against the debit balances of the clients introduced by the Authorized Person.
- The Authorized Person is required to inform the Member of any proposed change in directors, change in its status and constitution, change in shareholding/sharing pattern along with the details of the proposed changes at least 45 days in advance in the format prescribed by the Exchange.

Compliance Guide

2.6 Change in Authorized Person status:

The Member is required to intimate the Exchange any change in status and / or constitution, including change in partners/ directors, change in shareholding / sharing pattern of the Authorized Person along with the details of the proposed change at least 30 days in advance in the format prescribed by the Exchange.

2.7 Authorized Persons – Processing Fees:

With effect from **July 1, 2012,** the Exchange charges

- Rs. 1000/- (plus applicable Service Tax) per application, as the processing fee towards the applications received for Authorized Persons registration.
- Rs. 500/- (plus applicable Service Tax) per application, as the processing fee for cancellation of previously registered Authorized Persons.

Members are required to note that all applications received by the Exchange on or after said date must be accompanied by the processing fees. Further, it may also be noted that the aforesaid charges are applicable as revised by the Exchange from time to time.

It is further stated that the processing fee is not refundable in case of withdrawal of applications by the Member at any stage.

Please refer www.mcxindia.com/Membership/AuthorisedPersons for details.

Compliance Guide

CHAPTER II

Books of Accounts and Other Records

1. Maintenance of Books of Accounts/Documents/ Records

All Members of the Exchange as well as other market intermediaries are required to maintain such Books of Accounts, Registers, Statements and other Records, in physical form or electronically, as may be specified by the Relevant Authority and will be kept in good order and preserved at least for such period as may be specified.

The Members are required to maintain following Books of Account / Records / Registers / details, as per Bye-law 4.8, 11.5, Business Rules 21 (d), Rules 38 (f), and Circular No. MCX/12/2006 dated January 10, 2006, Circular No. MCX/COMP/195/2008 dated June 06, 2008, Circular No. MCX/COMP/399/2009 dated September 02, 2009, Circular No. MCX/COMP/113/2010 dated April 05, 2010 and Circular No. MCX/COMP/358/2011 dated October 11, 2011:

- Order log / Order Book
- Trade log
- Trade File
- Register of Transactions (Sauda Book)
- Complaint / grievance register
- Margin Deposit Book / Register of Margin Deposit
- General Ledger
- Exchange wise separate client ledger
- Clients Bills along with bill summary
- Commodity register/ledger
- Records in respect of premium/discount
- Records in respect of brokerage
- Journals (JVs)
- Cash Book
- Bank Book
- Bank Pass Book/Bank Statements
- Bank Reconciliation statements up to date
- Daily Margin Statement and Client wise Margin reports
- Records of transaction of all purchases and sales of commodities / contracts
- Record of all statement received from the appropriate agencies and record of all correspondence with them
- Copies of all instructions obtained in writing from constituents including participants for order placement, order modification, order cancellation, trade cancellation.(up to June 05, 2008) thereafter evidence of client placing / modifying / cancelling orders in

Compliance Guide

any form, which may include written or electronic or voice recording instrument, since September 2009 Record of contract-wise Deliveries received / tendered.

- Duplicate copy of Contract Notes issued to clients
- Proof of dispatch of contract notes to the clients
- Proof of receipt / delivery of Contract Notes by clients
- Evidences of making payment to the clients on account of Mark-To-Market gains by the clients
- Separate Books for each branch / Authorized Person
- Any other books of accounts/documents/records as prescribed by the FMC, Exchange and / or any relevant authority from time to time

The above records/details are required to be preserved for a minimum period of **three years** except Trade log which is to be preserved for a minimum period of **seven years** unless explicitly provided for. However, records of transactions are required to be preserved for a minimum period of **ten years as per PMLA guidelines**. Records with respect to orders placed by the clients are required to be maintained for at least **2 years** and in disputed cases till six months from the final disposal of the dispute.

It may be noted that a Member of the Exchange who is also a member on the National Commodity Spot Exchanges, is required to ensure that separate ledgers are maintained for business done by clients on Commodity Futures Exchanges and National Commodity Spot Exchanges.

In case of Corporate Member, the Member should ensure maintenance of the Statutory Register as required to be maintained under the Companies Act, 1956:

- Register of Members
- Register of Directors
- Register of loans
- Register of Investment.
- Register of Charges.
- Register of Director's Shareholding
- Minutes of Board / Committee meetings, etc.

2. Records in Soft Forms/ Systems

With computerization of Members' back office operations, some of these accounts and records may be maintained by the Members in their Systems. Hence, the members are required to ensure the reliability of such system and provide the access of such systems to the Exchange/FMC officials and/ or inspection team appointed by them if so demanded. Further the member should ensure to take and maintain the backup of the records from time to time and also the back office software should be protected against any unauthorized access or threat by installing anti-virus software.

Compliance Guide

2.1 Register of Transactions

All Members are required to maintain a register of transaction, which contains details of all trades transacted by them. This is a basic record, which each Member is required to maintain regularly on day-to-day basis. It contains the details regarding the name of commodity, name of the client on whose behalf the deals have been done, rate and quantity of commodity bought or sold. These details are maintained date-wise and include transactions related to both –

- Member's own business on the Exchange
- Member's business on the Exchange on behalf of clients

The member should ensure that all the transactions are recorded in the said register.

2.2 Client Ledger

As per Circular No. MCX/357/2006 dated September 02, 2006, every Member of the Exchange is required to segregate and maintain Exchange-wise client ledger.

This ledger contains the details of the bills raised by the Member on the clients and the payment received from or made to them for trade executed and /or any other charges debited by Member to clients. The Member must ensure that there has been no delay in making payment of funds / delivering commodities to the clients.

If the Member happens to have membership of more than one Exchange in the commodity derivatives market then the Member must ensure that receipts and payments from one account and debits from another, solely for the purpose of convenience should not be done.

Members must ensure that no adjustment of funds is made between commodities market and equities segment membership held under sister/associate concerns.

Members are required to ensure that separate ledgers are maintained for business done by Clients' on Commodities Futures Exchange and National Commodity Spot Exchange.

2.3 Bank Book

All Members are required to maintain bank book for different bank accounts including own account, client account, settlement account as opened by the Member. It is mandatory for the member to prepare the Bank reconciliation statement.

Compliance Guide

2.4 Cash Book

All Members are required to maintain cash book. Member's attention is also drawn towards circular no. MCX/COMP/401/2009 dated October 01, 2009, wherein it is stated that members should not accept cash from the clients whether against obligation or as margin money for trading in commodity derivatives.

2.5 Margin Deposit Book

The Members are required to maintain a margin deposit book wherein details of all the margins collected from the clients are recorded. Margin Deposits received by Members from their clients in any form are required to be accounted for and maintained separately in segregated accounts and should be used solely for the benefit of the respective clients' positions.

2.6 Trade Log and Order Log

Members are required to download and save, on a daily basis, the files containing details of the orders placed and the trades executed by them during the entire trading session of the day, available at their Trading Work Stations (TWS) through File Transfer Protocol (FTP) at the end of the trading session.

2.7 Order Book

Maintenance of order log as mentioned above will be construed as maintenance of order book.

2.8 Trade Files

Trade file is downloaded by the Member from the Exchange on daily basis. This file shows the details of all the transactions executed by a Member across all his terminals for a particular trading day. It shows Trade date, trade no., order no., time of execution of a trade, quantity, rate, commodity code, Client ID etc.

2.9 Log of Trades/client code modification:

All the trade/client code modifications should be reported to Exchange. Further members are required to maintain the records of such trade/client code modifications done at the Exchange platform. It may be noted that any trade/client code modification should be done only for genuine punching error and not for any non-genuine purpose. Members may refer to the Chapter IV, point 2 of this compliance guide for further details.

Compliance Guide

2.10 Register of Commodity

A Member is also required to maintain a Register of Commodities where delivery taken/received Commodity wise and client wise is maintained.

The Member shall mandatorily comply with the Exchange requirement of maintaining a Register of Commodities in the event of delivery being given / taken. The details of delivery taken/received must be reflected as Commodity-wise and Client-wise in the Register as furnished below:

Register of Commodity														
Commodity	**Contract Symbol**	**Date of receipt from the Exchange**	**Date of delivery to Client**	**To Whom delivered**	**Purpose**	**Quantity received from the Exchange in lots**	**Quantity received from the Exchange in Kg**	**Quantity delivered to the Client in lot**	**Quantity delivered to the Client in Kg**	**Balance Quantity**	**Price at which the commodity received**	**Whether received at Premium / Discount / or on price**	**Amount of Premium or Discount**	**Remarks**

2.11 Register of Complaints

Members should maintain a register of complaint where the Member should keep a record of all written complaints received from clients, showing the name and UCC of the client, date and particulars of the complaint, action taken by the Member and whether the matter is referred to arbitration of the Exchange, the particulars thereof must be mentioned as per Bye-laws, Rules, Regulations, Circular No. MCX/COMP/304/2007 dated September 01, 2007 of the Exchange.

The Member shall maintain a Register of Complaints and also ensure that no complaint in the register is pending for more than such number of days as specified by the Bye- laws, Rules, Regulations, Circular No. MCX/012/2006 dated January 12, 2006.

Compliance Guide

CHAPTER III

Agreements, Documents, Authorizations, etc.

1. Member-Client Agreement

The said requirement of Execution of Member Constituent Agreement is Omitted Vide circular No. MCX /COMP/469/2011 dated December 22, 2011.

2. Common/uniform client registration form/process (w.e.f. April 1, 2012):

Requirements regarding Opening of Client Accounts

As per the format prescribed under Circular No. MCX/COMP/469/2011 dated December 22, 2011 on common/uniform client registration form/process, the client will be required to fill in only one set of documents applicable to all commodity Exchanges with effect from April 1, 2012. The member shall make available a folder/booklet containing following documents required for registration of a client as specified in the circular and ensure that a copy of the whole set is provided by them to the clients.

a. List of mandatory documents:

- Know Your Client application form captures the basic information about the constituent.
- Uniform Risk Disclosure Document detailing risks associated with dealing in the commodities market.
- Rights & Obligations of Members, Authorized persons & Clients for trading on Exchanges (including additional rights & obligations in case of internet/Wireless technology based trading).
- Do's and Don'ts for the Clients.

b. Tariff sheet specifying various charges including the rate/amount of brokerage for trading on the Commodity Exchange(s).

c. Contact details of senior officials and Investor Grievance cell.

The non-mandatory documents may also be obtained from clients subject to following conditions:-

- The clauses should not be in contravention of any clauses in mandatory documents and Rules, Business Rules and Bye laws of the Exchange.
- Any authorization sought has to be a separate document and shall require specific consent of the client.
- Authorization sought shall always be subject to following conditions:-

Compliance Guide

- ✓ The client may revoke the authorization at any time.
- ✓ Authorisation should be in writing and signed by client only.
- ✓ Authorisation should not be obtained for Inter family/group company related accounts adjustment and not for any adjustment of funds among securities exchange and commodity exchange.

Further in this regard, it may be noted that the Exchange has issued circular no. MCX/COMP/080/2015 dated March 18, 2015 which is required to be adhered to by the Members effective from April 1, 2015 on optional basis and mandatorily from July 01, 2015 for new clients and from December 01, 2015 for existing clients.

As per the said circular, KYC documents of the Commodity Derivatives Market will be identical to that prescribed by the Securities and Exchange Board of India (SEBI) for the securities market.

The main components of the KYC form as per this circular are:

Annexure 1: Part I – KYC Form for "Individuals only" and "Non-Individuals only" prescribed by SEBI vide their Circular no. F/C/MIRSD/SE/Cir-21/2011 dated October 05, 2011

Annexure 1: Part II – For individuals and non-individuals

Annexure 2: Uniform Risk Disclosure Document (Refer Circular no. MCX/COMP/469/2011 dated December 22, 2011)

Annexure 3: Rights and Obligations of Members, Authorised Persons and Clients (Refer Circular no. MCX/COMP/116/2014 dated April 01, 2014 & MCX/COMP/406/2014 dated December 26, 2014)

Annexure 4: Do's and Don'ts for the clients (Refer Circular no. MCX/COMP/469/2011 dated December 22, 2011)

The KYC form – **Annexure 1: Part I** will stand modified as decided by SEBI from time to time.

General guidelines as laid down in the said circular with respect to KRA are as under:

All Members of the Exchange shall be registered with any one or more KRAs registered by SEBI as per the SEBI's KRA Regulations 2011 as per the timelines provided in the circular and also specified above.

KYC for New Clients:

a) The Member shall perform the initial due diligence of the new client whose KYC data are not available with the KRAs, upload the KYC information as contained in **Annexure 1 –**

Compliance Guide

Part I for both individuals and non-individuals with proper authentication on the system of the KRA, furnish the scanned images of the KRA, furnish the scanned images of the KYC documents to the KRA, and retain the physical KYC documents.

b) The Member shall furnish the physical KYC documents or authenticated copies thereof to the KRA, whenever so desired by the KRA.

c) A new client can be allowed to start trading / dealing in commodity futures on the Exchange platform through the Member as soon as the client is registered by completing the necessary KYC documentation process. However, the Member shall be under obligation to upload KYC details with proper authentication on the system of the KRA, within 10 days of receipt of the KYC documents from the client.

KYC for existing clients:

a) With respect to the existing clients, who are presently registered with the Members but whose **KYC Data are not available with any of the KRAs**, follow the same procedure as of new clients.

b) With respect to the existing clients, who are presently registered with any of the Members and whose **KYC data are already uploaded on the system of any of the KRAs**, the Member to whom such client approaches, shall download the client's details from the system of KRA.

Provided that upon receipt of information on change in KYC details and status of the clients by the Member or when it comes to the knowledge of the Member, at any stage, the Member shall be responsible for uploading the updated information on the system of KRA with proper authentication on the system of the KRA, furnish the scanned images of the additional KYC documents to the KRA, and retain the physical KYC documents.

c) The Members shall also upload the KYC details about their existing clients which are missing/ not available with them by calling for the same from their clients.

The Member shall not use the KYC data of a client obtained from the KRA for purposes other than it is meant for; nor shall it make any commercial gain by sharing the same with any third party including its affiliates or associates.

The Member shall have the ultimate responsibility for the KYC of its clients, by undertaking enhanced KYC measures commensurate with the risk profile of its clients.

The Member shall at all times, have adequate internal controls to ensure the security / authenticity of data uploaded.

In-Person Verification (IPV):

Compliance Guide

a) It shall be mandatory for the Member to carry out IPV of all the new clients. The IPV should be recorded on the KYC form or any of the supporting documents including the details like name of the person doing IPV, his designation, organization with his signatures and date.

b) Authorized Persons (after getting approval from the concerned Commodity Exchanges) can perform the IPV.

The KRA system shall be made available to the Members for uploading /downloading details for all the new client accounts opened from **April 01, 2015 on optional basis. However from July 01, 2015 it shall be mandatory for all members to upload the KYC details and documents on the KRA system/server for all the new client accounts opened, if the KYC does not exist in the KRA system. The registration of clients form July 01, 2015 can be done only through the KRA system.**

Members shall upload the KYC details and documents of all their existing clients on the KRA system/server latest by December 01, 2015. Till then such clients can continue to trade/deal with their Members as per their existing KYC.

In case of Non-resident Indians and Foreign Nationals, self- attested copies of statutory approval must be attached with KYC.

3. Know Your Client (KYC) Forms / Client Registration Forms

The Members of the Commodity Exchanges have to complete all the details pertaining to the clients in Know Your Client Forms and obtain all necessary documents in support to information provided by the clients as prescribed in Business Rule 27(b), Annexure XII of Business Rules / Circular No. MCX/COMP/080/2015 dated March 18, 2015 and MCX/COMP/469/2011 dated December 22, 2011. Member must ensure that all fields are filled in by the clients in the KYC forms.

3.1 Format of KYC Form

When establishing a relationship with a new Client, Members of the Exchange must take reasonable steps to assess the background, genuineness, beneficial identity, financial soundness of such person, and his trading objectives by registering the client with them in the format prescribed as Client Registration Form in terms of Business Rule 27(b), Annexure XII of Business Rules/ Circular No. MCX/COMP/469/2011 dated December 22, 2011 and circular no. MCX/COMP/080/2015 dated March 18, 2015.

The KYC form should include all the details as prescribed by the Exchange from time to time. Members are advised to evolve and put in place an appropriate mechanism to assess financial strength, performance tracking, trading pattern vis-à-vis their clients' position and dealings in respect of all clients.

Compliance Guide

3.2 Documents required from client(s) along with KYC form (Refer Circular No. MCX/COMP/469/2011 dated December 22, 2011 MCX/COMP/286/2013 dated August 28, 2013, MCX/COMP/162/2014 dated April 30, 2014 and MCX/COMP/080/2015 dated March 18, 2015)

The KYC form shall have all the documents (including copy of PAN card) as prescribed by the Exchange / FMC in this regard from time to time. Further, in the cases of Non-Resident Indians / foreign nationals / foreign entities / foreign shareholders trading in the commodity derivatives market; self-certified copies of statutory approvals in compliance with FEMA guidelines and by regulatory authorities like FIPB, RBI etc. are required to be available with the Member.

However, Members may exempt prospective individual clients, residing in the state of Sikkim from PAN requirements. But the Members need to ensure that a system of proper verification exists to verify that such clients are residents of the state of Sikkim.

The Member is hereby informed about the following requirements with respect to KYC Forms:

- Client registration documents are to be executed with any new client before commencing transactions with the client.
- The KYC should be as per format prescribed by the Exchange / FMC. KYC should be completely filled and signed by client (For example: details such as net worth, details of introducer etc.)
    1. Photograph should be pasted on the KYC forms
    2. Photograph should be cross signed
- It must be ensured that all the documents as mentioned above should be attached along with KYC forms and should be self-attested by the Clients.
- All the documents must be verified against the original by the Member.
- Trades must not be executed before an account is opened.
- Provide copy of set of all KYC documents to client. Electronic Contract note declaration is to be obtained by the Member from the clients who opt to receive the Contract Note in Electronic Form in place of physical Contract Note. The Member may note that this declaration will remain valid till it is revoked by the client as per the circular no. MCX/COMP/087/2014 dated March 19, 2014. Further, w.e.f. December 26, 2014, the Members are required to comply with the detailed guidelines on the use of Electronic Contract Notes as issued by the Exchange vide Circular no. MCX/COMP/406/2014 dated December 26, 2014. The list of valid documents with respect to above is mentioned in the Circular No. MCX/COMP/469/2011 dated December 22, 2011, MCX/COMP/286/2013 dated August 28, 2013 and MCX/COMP/080/2015 dated March 18, 2015.

Compliance Guide

3.3 Risk Disclosure Document (RDD) and Investors' Rights and Obligations (IR&O) (Refer Bye Laws 14.1.1, 14.1.2):

The Exchange has specified the format of RDD in Business Rule 27 (c), Annexure-XIII, and subsequently modified by the Exchange vide Circular No. MCX/COMP/469/2011 dated December 22, 2011 through which the Clients are made aware of the risks associated with business in trading in contracts listed on the Exchange including any limitations on that liability and the capacity in the Member's acts and the Client's liability thereon. Further the IR&O has been introduced through Appendix 3 of the aforementioned circular which is required to be read in conjunction with the RDD.

Further, vide Circular no. MCX/COMP/116/2014 dated April 01, 2014 the format of RDD has been modified which is applicable to all the clients with effect from May 01, 2014. The Members are required to obtain the said set of revised documents from all their existing clients' latest by December 31, 2014 and further maintain sufficient proof of delivery of such document issued.

The Member shall furnish a copy of these documents to all his clients and further ensure that the same is issued in the format as prescribed by the Exchange.

4. List of Do's and Don'ts.

As a part of KYC documents, it is mandatory to give list of Do's and Don'ts to the clients as prescribed by the Exchange/ FMC as per circular MCX/COMP/469/2011 dated December 22, 2011 and MCX/COMP/080/2015 dated March 18, 2015.

5. Client Account Closure

In the event of any account being closed by the Member, the member must ensure that prior written confirmation of the account closure request had been received from the Client and such written request has been maintained by the Member in his records.

In the event that the account is closed by the Member, the Member shall maintain documentary proof / evidence of the same and mark the client inactive in UCC database of the Exchange.

Compliance Guide

Compliance Guide

CHAPTER IV
Clientele Transaction

1. Creation and allotment of Unique Client Code (UCC)

1.1 UCC Uploading to the Exchange

The Member shall upload UCC details before execution of the trade whenever a new client is registered as per Circular No. MCX/T&S/085 dated March 05, 2007, Circular No. MCX/T&S/109/2007 dated March 24, 2007, Circular No. MCX/T&S/405/2008 dated December 20, 2008 and MCX/T&S/355/2011 dated October 10, 2011. Further, as per Circular no. MCX/T&S/050/2013 dated February 13, 2013 and Circular No. MCX/T&S/093/2013 dated March 07, 2013, all the members are required to upload the mobile number and / or email address of the new clients while updating the UCC database and registering new clients. It may be noted that uploading the mobile number is a mandatory field in the UCC application. Hence, the members are directed not to place orders of the clients whose mobile number is not uploaded in the UCC database of the Exchange. However, as per circular no. MCX/T&S/224/2013 dated June 25, 2013 registration of email id of the clients is not a mandatory requirement for execution of trade. Hence, the members should not prevent their clients from trading in case they have not submitted their email address to the member / Exchange.

The penalty applicable for non-submission of UCC details will be charged on a daily basis. The details uploaded in UCC with Exchange must be up to date with respect to address/PAN details/Contact details.

1.2 Allotting Single Client Code

As per Bye-law 5.21, Circular No. MCX/COMP/088/2008 dated March 04, 2008, Circular No. MCX/COMP/317/2008 dated October 07, 2008, Circular No. MCX/COMP/113/2010 dated April 05, 2010, and Circular No. MCX/ T&S/ 074/2011 dated March 12, 2011 Members are not permitted to allot multiple client code to the single client. All additional client codes to a single client (inactive client) are to be deactivated / frozen immediately and should not be used for trading.

2. Modification of Client Code

A special facility is provided to Members for client code modification by the Exchange in case of genuine punching error of the dealer while entering the client codes. The same is presented as below:

- Member can change client ID of executed trades only in the post-closing session of that commodity as per Business Rules 27(v), Circular No. MCX/T&S/166/2007 dated April 30, 2007 and Circular no. MCX/T&S/343/2011 dated September 30, 2011 and MCX/T&S/483/2011 dated December 29, 2011.

- The system driven restriction has been implemented by the Exchange which do not allow client code modification during intra-day. The same is implemented by MCX with effect from May 19, 2007 as per Circular No. MCX/T&S/198/2007 dated May 25, 2007.
- The Members should not indulge in modification of client codes through their back office software after trading hours. The Member must ensure the following:
- The Member shall not transfer the trades executed in the Client Code in to PRO code and vice versa.
- The Member shall report to the Exchange if there is any client code modification at back office. Modification of client codes, control has been provided in the Admin Terminal of the member- brokers facilitating the main member broker to control the user who can be permitted to perform this activity.
- The member broker shall enter correct client code while placing the order and the modification of client codes should be used sparingly to rectify bonafide mistakes or genuine errors and to minimum extent possible.

The guidelines on client code modifications provided by FMC are given as under:

- The client code modification facility is allowed only for carrying out correction of genuine punching error(s) in the client code.
- The facility will be extended only during 5.00pm to 5.15pm in respect of contracts traded upto 5.00pm and during 11.30pm to 11.45pm for contracts traded upto 11.30pm on all trading days. In respect of the trading days when the trading takes place up to 11.55pm the client code modifications will be allowed only from 11.45pm upto 11.59pm. In no circumstances, changes in the

Compliance Guide

client codes will be permitted on the next trading day or thereafter.

- Intra-day modifications of client codes other than as above will not be allowed.
- Proprietary trades will not be allowed to be modified as client trade and vice-versa. Any violation of this provision will lead to disciplinary action against the Member by the Exchange.

Further, the directives issued by FMC from time to time should be complied with in this regard.

3. Brokerage

The Member shall ensure that the total brokerage (including the share of brokerage of the Member) payable by the client to the Member does not exceed the maximum brokerage (currently 1% in case of non-delivery transactions and 2% plus expenses in case of transactions relating into delivery) exclusive of statutory levies. (Refer Business Rule 28 and Circular No. MCX/012/2006 dated January 10, 2006). No brokerage is shared with any entity other than registered Authorized Person(s). The member broker shall levy brokerage on all the trades executed on behalf of its clients.

A trading member shall not share brokerage with:-

- Another Member
- An employee of another member or a person for or with whom members are forbidden to do business
- Persons who are not approved users/Authorized Persons

Further, please note that the member has to provide Tariff Sheet (along with Set of Account Opening Document) to their clients while opening their account, which is a document detailing the rate/amount of brokerage and other charges levied on the client for trading on the Commodity Exchange(s).

4. Portfolio Advisory and Management Services

The Member should not indulge in any **Portfolio Advisory Services (PAS), Portfolio Management Services (PMS) and such other services directly** or indirectly (i.e. any act of the Member which may be considered as PMS/PAS etc. Though not clearly indicated by the Member) as per Rules 38 (f), Circular No. MCX/COMP/259/2013 dated July 26, 2013, MCX/COMP/261/2010 dated July 26, 2010, Circular No. MCX/COMP/399/2008 dated December 18, 2008, Circular No. MCX/561/2006 dated December 15, 2006 and Circular No. MCX/551/2006 dated December 13, 2006. Further, as per Circular no. MCX/COMP/332/2013 dated October 4, 2013 and MCX/COMP/349/2013 dated October 15, 2013, Members must also not indulge themselves in the following activities which are not allowed in the Commodity Derivatives Segment:

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

Compliance Guide

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.

Further, the Members may note that if they are found indulged in any of the above activities, the Exchange shall take strict disciplinary action such as deactivation of terminal (s), suspension/ termination from Membership and in addition, the Member shall also be liable for a penalty of minimum Rs.1 lakh per case in terms of the Rules, Bye Laws, Business Rules and Circulars of the Exchange.

5. Bank Accounts

All Members are required to open following three types of bank accounts.

- **Settlement bank account**

  As per Bye-law 9.2, Business Rule 19 (c), every Member of the Exchange is required to have designated bank account (called settlement bank account) with any of such branches of a designated Clearing Bank, which has electronic funds transfer facility. Members are required to operate the Settlement account only for the purpose of settlement of deals entered through the Exchange, for the payment of margin money and for any other purpose as may be specified by the Exchange, where the Member can transfer funds to Clients account from this account. Apart from such transfer, only the Exchange will have the power to withdraw money from this account by way of direct debit instruction.

- **Client bank account**

  As per Bye-law 9.2, Business Rule 19 (c), the Member can deposit cheques received from the Client and he should issue cheque/DD from this account to his Clients towards their receivable amount in the Client bank account. The Member will have a cheque book facility in this account and he will also be entitled to issue transfer instructions to the bank for transferring money from this account to the Settlement account to meet his pay-in or margin obligations. Members are not allowed to use Client funds for their own transactions or for transactions of any other client or for the purpose other than specified by the Exchange. (Refer Business Rule 27(q))

- **Business/Own/Expense account**

  As per Bye-law 9.2, Circular No. MCX/012/2006 dated January 10, 2006 all

Compliance Guide

Members are required to ensure that they have maintained separate bank accounts for their own transactions.

As per Circular No. MCX/012/2006 dated January 10, 2006the Exchange Member will at all times keep the money of the Constituent in the Clients account maintained with the Clearing bank. Client funds should not be deposited in own bank account.

The member must ensure compliance with the following requirements:

- As per Business Rule 27(q), every Member shall maintain the Constituent/client funds in the Member Clients' account maintained with the Clearing bank. He should not use this money for his own transactions or for transactions of such other client or for any purpose other than margin and pay in relating to transactions entered into by such client paying the margin.
- All monies received from the clients and all the payment made to the clients should be routed through the clients' bank accounts. Whenever Member trades as a principal (Pro trade), he cannot use the client's account for payment.
- Every Member who holds or receives money on account of a client is required to forthwith deposit such money in the designated clients account.
- No money should be withdrawn from clients account other than money required for payment towards a debt which is due to the Member from clients or money drawn on clients' authority or money in respect of which there is a liability of clients to the Member, provided that the money so drawn should not exceed the total of the money so held for the time being for each such client.
- Member should not use clients' money for making payment for office expenses such as salary, telephone bills, TDS payments, purchase of office equipment etc. It should be noted that amounts withdrawn from client bank to own bank on account of brokerage, should be an amount due to the Member towards brokerage receivable from clients on transactions entered into with clients.
- Members are required to make all payments towards the office expenses, purchase or sale of any fixed asset etc. from their own account and not from client account.
- Ensure that funds are received from respective clients' accounts only.
- Authorization should be obtained from clients for deposit of their collaterals with exchange / clearing corporation towards margin.
- As per Circular No. MCX/COMP/052/2012 dated February 14, 2012 and MCX/COMP/226/2013 dated June 26, 2013 members are required to settle accounts of their clients every quarter. The time difference between 2 periods should not be more than 90 days. Further, the settlements should be done once in a quarter and such settlement need not be on a particular date for all the clients of the member. However, members are not required to refund amounts below Rs.10000/- to their clients for the purpose of quarterly settlement (Refer

Compliance Guide

circular no. MCX/COMP/192/2013 dated May 24, 2013).

- Further, with effect from October 28, 2014, members are required to settle the accounts of their clients every six months. Also, in order to do away with the need of transferring small amounts in the client account, members are not required to refund amounts below Rs.50,000/- to their clients for the purpose of settlement on six monthly basis (For more details refer Circular no. MCX/COMP/352/2014 dated October 28, 2014),
- It is the responsibility of the Members to use clients' funds only to meet exchange obligation on their behalf for trading in commodity market. The money collected from clients should be on requirement basis and not adhoc basis.

6. Handling the Commodities of Clients for Deliveries

Types of Demat Account:

As per Circular No. MCX/238/2005 dated June 29, 2005 and Circular No. MCX/267/2005 dated July 22, 2005 all Members are required to open two accounts with their Depository Participants for handling the receipt and deliveries of commodities in demat form. They are:

- **Beneficiary Owner (BO) Account:**
  It is opened by an investor or a Member of the Exchange who wants to hold and transact commodities through dematerialized warehouse receipts. The beneficial owner account can be opened in the name of Individual, Corporate, and Registered Trusts etc.

- **Pool account:**

  It is popularly known as CM Pool Account. In CM Pool account clearing Members are authorised to make pay-in and receive pay-out from a Clearing Corporation / Clearing House against trades done by them or their clients. This account is meant only to transfer commodities to and receive delivery of commodities from the clearing corporation/clearing house and hence, the Member does not have any ownership (beneficiary) rights over the commodities held in such an account.
  A Clearing Member (CM) is required to open both Clearing Member (Pool) Account as well as a BO Account with each of the depositories (i.e. NSDL and CDSL).

  Members are required to maintain a proper record of all commodities received and delivered from their Pool Account and transferred to BO, if any. Further Member should preserve acknowledged copies of the Delivery Instruction Slip (DIS) given/to their DP for transferring the commodities from the Pool Account to the clients' account after Pay-out from the Exchange. The Member must keep

Compliance Guide

and maintain the Register of Commodities and details of premium and discount, in case of delivery. Further member may refer to circular no. MCX/405/2005 dated December 3, 2005 and MCX/309/2005 dated September 2, 2005.

It may be noted that as per Circular No. MCX/C&S/283/2013 dated August 22, 2013, delivery in all commodities on Exchange platform expiring from August 2013 contract onwards shall be settled only by Physical Mode viz. by submitting valid vault receipts/ warehouse receipts (duly endorsed and signed by the depositor and the member) and quality certificate issued by designated quality certifying agency.

7. Margin Collections

As per Bye-law 8, Business Rule 27(r), the Members are required to collect specified margin from their clients before entertaining any order from them Members may note that 100% upfront initial margin must be collected by them from their clients before placing any order on their behalf. The member must ensure that the margin has been collected in the form prescribed by the Exchange and that the same has not been used for another client. Further, the margin collected from the Clients should be highly liquid in nature and in the beneficial ownership of the depositing Client. Thus, it may be noted that the member is required to accept only such collaterals from the clients which are in their own name or in respect of which the client is the beneficial owner of pledged securities. In cases, where the client is not the beneficial owner of the pledged securities offered as collaterals, the Member should not utilize such securities 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. (Refer Circular No. MCX/Compl/429/2010 dated December 4, 2010 and MCX/C&S/214/2011 dated June 09, 2011.)

In case if the member is also the member on the National Commodity Spot Exchanges, they should ensure that they do not allow any cross margining between exposure of a client on Commodity Futures Exchanges and National Commodity Spot Exchanges. (Refer MCX/COMP/358/2011). Further if the member is also a member of the Securities Exchanges through Group Company, then its client's margin requirement should not to be adjusted against balances of the same client in Securities Exchanges. Further if the client desires of adjusting his credit balances in other Commodities Derivative Exchanges then such credit balances should be free from any margin obligation in that Commodity Derivative Exchange.

The Exchange provides Margin files to the Members at the end of each day. These files contain details of the margin that is needed to be collected from the Client in respect of the Client's open position during that day. A sample format of the margin file is furnished below which may be prescribed by the exchange:

Compliance Guide

Date	Member ID	User ID	Client / Pro	Client / Pro Code	Regular Margin	Additional Margin	Tender Margin	Delivery Margin	Benefit	Total Margin Required

The Margin calculation must be made available in the form of ledger balance, securities, Fixed Deposits etc., as may be prescribed by the Exchange.

Accounting of Margin Deposit and maintaining margin deposit book

As per bye-Law 8.6.10, Margin deposits received by Members from their Trading Members and clients in any form will be accounted for and maintained separately in segregated accounts and will be used solely for the benefit of the respective clients' positions. As per bye-Laws, Margin accounts of clients of the Members will be marked to market daily by Trading-cum-Clearing Members and further margin should be collected when necessary to maintain the appropriate margin. Members are required to maintain one book/records of the entire margin collected from its clients.

Utilization of Margin Amount and Margin Call

The margin account of Trading Members is required to be utilized by clearing Members only for settling the dues to the clearing Member upon marking-to-market or for fulfilling the obligations resulting from their open positions. As per Bye-law 8.6.5, the member may close out an open position of a client when the call for further margin or any other payment due is not complied-with by the client.

As per Bye-law 8.6.10, Members are required to furnish their clients in writing such reports and at such intervals for margin collection and its utilization as may be specified by the Relevant Authority.

As per Bye law 8.6.1, no member will directly or indirectly enter into any arrangement or adopt any procedure for the purpose of evading or assisting in the evasion of the margin requirements prescribed under the Bye-Laws, Rules and Regulations or any orders issued there under.

Regular monitoring of short collection/ non-collection of Margin:

As per Circular No. MCX/C&S/109/2014 dated March 29, 2014 it is mandatory for all the Clearing/ Trading Members to report the details of margin collected from the clients to the Exchange. It may be noted that the Exchange has laid down the procedure for reporting Client level margin by the Members from the said clients as per Circular no. MCX/C&S/117/2014 dated April 01, 2014. Further, the Members are required to monitor their clients' trade and put up a suitable mechanism to:

- Update their clients on their margin utilization levels
- Define margin call triggers

Compliance Guide

Further, as per Circular no. MCX/C&S/383/2014 dated December 01, 2014, members are provided with the facility of revision of the margin collections of clients reported to the Exchange in case of any errors due to technical reasons within the time as stipulated in the said Circular. Members must ensure that proper internal controls are in place so as to avoid repeated instances of technical errors in margin reporting.

8. Pre Funded Instruments

The members are required to comply with the circular on Pre funded Instruments if the aggregate value of the pre funded instruments like demand draft / Pay order is Rs. 50,000 or more per day per client. (Refer Circular No. MCX/COMP/348/2011 dated October 4, 2011).

Further, the Members of the Exchange are notified that:

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

- Issuing bank will certify on its letterhead or on a plain paper with its seal duly affixed;
- Copy of the requisition slip duly certified by the bank which issues the instrument;
- Copy of the passbook/bank statement as proof of the account debited to issue the instrument;
- On the reverse side of the instrument, the bank account-number debited and name of the
- account holder will be authenticated by the issuing bank.
- In respect of electronic fund transfers, Members are required to maintain an audit trail of the funds received through such transfers to ensure that the funds are received from their clients only.

The above directives are applicable with effect from October 04, 2011.

9. Cash Dealings

Member should not accept/give cash from /to clients for their transactions.

All payments will be received/made by the members from/to the clients strictly by account payee crossed cheques /demand drafts or by way of direct credit into the bank account through EFT, or any other mode allowed by RBI. The members are required to accept cheques drawn only by the clients and also issue cheques in favor of the clients only for their transactions. However, in exceptional circumstances, a Member may

Compliance Guide

receive/make payments in cash, to the extent permissible under the Income Tax Act, Prevention of Money Laundering Act and any other law as may be in force from time to time as per Business Rules 27 (s), 27 (t), Circular no. MCX/COMP/304/2007 dated September 01, 2007, Circular No. MCX/COMP/401/2009 dated October 01, 2009, MCX/COMP/313/2010 dated September 3, 2010 and MCX/COMP/082/2014 dated March 15, 2014.

10. Issue of Statement of accounts/funds to Clients

Disputes can arise between the Member and their clients pertaining to payments due to /from the clients. This may be due to non-submission of statement of accounts / funds by the Member to the clients on a regular basis.

As per Business Rule 27 (d), Circular No. MCX/357/2006 dated September 02, 2006 and Circular No. MCX/COMP/304/2007 dated September 01, 2007, all Members are required to send statements of funds (with error reporting clause) to all clients, with periodicity not exceeding three months. However, as per Circular No. MCX/COMP/469/2011 dated December 22, 2011 members are required to send a detailed statement of margin every month and as per Circular No. MCX/COMP/256/2011 dated July 20, 2011, members are required to send a detailed statement of accounts every month to all their clients in physical form and the proof of delivery of the same should be preserved by the Member.

11. Inactive Clients

A client is considered as Inactive Client if he / she have not executed any trade during the last 6 months.

As per Business Rules 27 (u), Circular MCX/COMP/513/2009 dated December 15, 2009 and Circular No. MCX/COMP/298/2010 dated August 21, 2010, members are required to follow the below mentioned guidelines with respect to inactive clients:

- The Members should keep close watch on such accounts.
- The Members should accept trades in these accounts only on completion of below mentioned compliances:

An undertaking having specific written request from the clients to re-open their inactive trading account If there is no material change in KYC information (such as address, bank account, PAN no. etc.) provided by the client at the time of opening their account with the member then in such cases instead of taking KYC formalities again, Member may take undertaking from the client mentioning:

- He (the client) has already completed KYC formalities at the time of original registration with the member
- There is no material change in respect of the information contained in the said KYC.

Compliance Guide

- After completion of above mentioned compliances, the Member may execute the orders on behalf of such clients in the same client code i.e. the client code issued earlier by the member to the concerned client.
- If trade takes place in such inactive account without following the above procedure, the same would be treated as members' proprietary trade for all practical purposes and also as misuse of client's UCC.

Compliance Guide

CHAPTER V
Trading System

As per Business Rule 29 (f), a Member will not, permit itself or any other person(s) to:

a) Use the trading software provided by the Exchange for any purpose other than the purpose as approved and specified by the Exchange
b) Use the trading software provided by the Exchange on any equipment other than the workstation approved by the Exchange
c) Copy, alter, modify or make available to any other person the trading software provided by the Exchange
d) Use the trading software in any manner other than the manner as specified by the Exchange.
e) Attempt directly or indirectly to decompile, dissemble or reverse engineer the same.

1. User Id and Approved Users

1.1 Approved users

As per Circular No. MCX/010/2005 dated January 11, 2005, for every TWS to be used by a Member, he is required to obtain registration of the Approved User in the specified format who will be responsible for such TWS. Such Approved Users can be his own employees responsible for such TWS. Before termination of such Approved Users, the Member is required to obtain prior permission of the Exchange.

1.2 User ID

As per Circular No. MCX/006/2005 dated January 03, 2005, no user ID should be given by Members to any persons who have not been registered by the exchange as approved user so that the risk in the market is reduced. Members may also ensure that no client of the member or an unauthorised user is trading on behalf of a client.

2. Computer to Computer Link (CTCL)

2.1 Development of CTCL Software

Members of Exchange are allowed to develop their own trading front end (CTCL) software in- house using the API of the Exchange or procure CTCL software from Non-empanelled vendors. Exchange will provide the technical specifications (message formats/protocols etc.) i.e. API for the interface with the Exchange trading system after submission of application form, undertaking and the documents as mentioned in Annexure 1 of Circular No. MCX/CTCL/043/2007 dated February 02, 2007 and relevant circular/directives from time to time.

Compliance Guide

The Exchange permits only single CTCL ID per VSAT and Leased Line on which CTCL facility can be used. Members will not be permitted to use any other user id for the purpose of CTCL.

2.2 Some of the guidelines/requirements for use of CTCL terminals

Following are some of the requirements for the use of CTCL terminals as per Circular No. MCX/CTCL/043/2007 dated February 02, 2007 Circular No. MCX/CTCL/171/2008 dated May 15, 2008 and Circular No. MCX/CTCL/120/2009 dated March 20, 2009:

Members developing CTCL software in-house/procuring CTCL software from Non-empanelled vendors are required to pay prescribed charges to the Exchange from time to time.

Members are required to provide list of approved persons who would handle each CTCL terminal of the Member. Approved person may be an employee or any Authorized Person of the Member who has been approved by the Exchange. Members will not entrust the CTCL terminals to their clients or to any unregistered intermediary other than Approved Persons. Necessary written approval of the Exchange is required to be obtained before CTCL terminal is entrusted to an Authorized Person, failing which it will be treated as violation. (Refer Bye-law 6.1.7, Business Rule 29(b), Business Rule 30, Business Rule 32,)

A Member will also ensure to undertake periodic audit of their systems. (Refer Circular No. Circular No. MCX/CTCL/433/2010 dated December 10, 2010)

3. Internet Based Trading (IBT) (for the Exchanges applicable):

As per circular No. MCX/CTCL/152/2012 dated April 16, 2012; the Exchange has specified new approval process for IBT and Wireless Trading. As per Circular No. MCX/28/2004 dated May 7, 2004, the Members are advised to comply with guidelines such as Network Security, Risk Management, Order matching etc.

Further, the Exchange has come up with the Circular no. MCX/26/2004 dated April 29, 2004 and Circular No. MCX/CTCL/042/2007 dated January 31, 2007 for use of Internet based trading for expanding Members' Trading terminal.

Further the Member has to install the necessary safeguards and access restrictions to prevent unauthorised use of their computer systems and ensure that no unauthorised person can gain access to the computer systems.

Members are mandatorily required to undertake periodic audit of their Computer to Computer Link (CTCL) and Internet based Trading systems.

Compliance Guide

4. Automated Trading Facility

The term `Automated Trading Facility´ means any software or program facility by the use of which, upon the fulfillment of certain specified parameters and without the necessity of manual entry of orders, buy/sell orders are automatically generated and entered by the software/ program facility through CTCL software into the Trading System of MCX.

Members may avail the Automated Trading Facility (ATF) through CTCL solutions subject to following conditions:

Members may install the ATF through CTCL software only at the locations of the members after ensuring that all the requirements stipulated by the MCX in this regard have been complied with. Members are required to obtain prior written permission of the Exchange for any changes in the software for the purpose of availing Automated Trading Facility through CTCL.

All automated trading orders need to be placed through specified CTCL IDs allotted for the purpose and all automated trading orders should be placed in the system through these IDs only. System audit that is being done for CTCL is required to be extended to the automated trading software and the same may be carried out in conjunction with the CTCL audit.

The Members are required to execute, sign, and subscribe, to documents, papers, agreements, covenants, bonds, and / or undertakings as may be prescribed or required by the Exchange from time to time. Members are required to ensure that the trades routed through Automated Trading facility do not result into abnormal trades or manipulative trades.

Members are required to comply with the terms and conditions as agreed upon in the undertaking submitted by them for availing Automated Trading Facility.

As per Circular No. MCX/CTCL/120/2009 dated March 10, 2009, Exchange may at any time undertake inspection / audit of the Automated Trading system which is being used by them and members are required to co-operate with the Exchange for such inspection / audit.

As per circular No. MCX/TECH/110/2011 dated April 1, 2011, Members shall be required to pay annual fee for the first year in advance along with the application (The said charges are revised vide circular No. MCX/TECH/149 dated April 28, 2011). The annual fee for the first year shall be calculated on pro-rata basis from the date of receipt of Member's application till March 31st of the respective financial year. Any excess amount paid for the first year (on pro-rata basis) shall be adjusted towards annual fees for the next financial year. The annual fee shall be payable on or before 30th April of every financial year. In case of delay in payment, Members shall also be liable to pay

Compliance Guide

interest at the rate of 18% p.a. However, it may be noted that as per Circular no. MCX/CTCL/196/2013 dated May 28, 2013, the annual charges per ATF user ID payable by the Members will be discontinued with retrospective effect from April 01, 2013.

Members are requested to note that the Automated Trading Software approved by the Exchange should be exclusively used for Trading on MCX Trading platform. Members who are already using ATF are requested to submit the revised undertaking as per Annexure A latest by April 30, 2011.

Members who wish to apply for ATF through CTCL Software are required to submit the required documents along with the applicable charges as per Circular no. MCX/TECH/110/2011 dated April 1, 2011 mentioned above.

As per circular No. MCX/CTCL/132/2012 dated April 4, 2012, Members using Automated Trading Facility through approved software of empanelled CTCL vendor or software developed in-house or procured from non-empanelled vendor shall submit to the Exchange Compliance certificate as mentioned in the annexure of the said circular. The said compliance certificate is to be submitted latest by 30th June on yearly basis.

Members of the Exchange having Exchange approved Algorithmic Trading Facility (ATF) are required to undertake system audit of their ATF software on yearly basis through Exchange empanelled System auditors as required as per Circular no. MCX/CTCL/191/2013 dated May 23, 2013.

Further, it may be noted that as per Circular no. MCX/T&S/402/2012 dated November 30, 2012 algo / high frequency trades are not allowed in mini and micro contracts. However, as per Circular no. MCX/T&S/258/2013 dated July 24 2013 algo / high frequency trading is allowed in gold mini contracts. It may thus be noted that algo / high frequency trades shall be allowed as permitted by the Commission from time to time.

5. Terminal Location

As per Bye Law 5.15.1, Rule 36 (c),Business Rule 29(b , 30, Trading on the Exchange will be allowed only through approved Workstation(s) located at approved locations for the office(s) of a Member. If an approved workstation of a Trading Member is connected by LAN or any other way to other workstations at any place it will require an approval of the Exchange. For every TWS, a member will be required to take specific permission from the Exchange and obtain user id in advance. Further, the Members must ensure compliance with the guidelines prescribed by the Exchange with regard to installation of trading terminals at the Member offices.

As per Circular No. MCX/CTCL/042/2007 dated January 31, 2007 , the member should submit an undertaking of not to develop or use any software / program which will either directly or indirectly facilitate orders to cross trades of their clients with each

Compliance Guide

other. All orders will be offered to the market for matching.

6. Antivirus Software (Refer Circular No. MCX/028/2004 dated May 07, 2004)

As per Circular No. MCX/028/2004 dated May 07, 2004, Members should ensure that:

- Operating system (Windows) of their respective Desktop/Laptops used for Exchange trading is updated with the latest security patches released by the operating system vendor (Microsoft). The members can ask their systems personnel or their hardware vendor to update the systems with the latest security patches.
- Members should ensure that standard anti-virus software is loaded on their systems.
- The members should use good anti-virus software for their systems.
- Further, the antivirus software with the latest virus signatures has been updated periodically and the periodic updates for the antivirus are available on the respective anti-virus vendor websites.
- Update the antivirus software with the latest virus signatures every week. Further, they should ensure that the weekly updates for the antivirus are available on the respective anti- virus vendor websites and that the antivirus software for the Admin terminal is latest and is updated.

6.1 Regular backup of important data on the systems (Refer Circular No. MCX/028/2004 dated May 07, 2004)

The Member must keep the backup periodically and maintain the register of the same. It must be ensured that Members do not download executable files from non-trusted sources on the Internet or from emails. Internet users should have desktop firewalls to protect their systems against unauthorised access from the Internet. Members planning to use personal/desktop firewalls are requested to contact Exchange systems personnel for the necessary information required to allow Exchange Trader Workstation to communicate to the Exchange.

Members having corporate internet access like Internet Leased line, Cable Internet, ISDN or any other type of Internet connectivity should use firewalls to protect their networks from malicious and unauthorised access arising from the internet.

Further as per Circular No. MCX/012/2006 dated January 10, 2006, the Member is required to ensure that he has installed antivirus software which is capable to take care of operating systems and in case of members using internet for trading has installed firewalls to protect their networks.

Compliance Guide

7. Pro-Account Trading Terminals

7.1 No. of Terminals

As per Circular No. MCX/241/06 dated June 15, 2006, Members will place orders in 'Pro- Account' / OWN Account from not more than 2 terminals from one location and details of the terminals shall be informed to the Exchange in the format enclosed as Annexure 1 of the said circular.

Trading terminals other than the above will have a facility to place orders only for and on behalf of a client by entering client code details as required / specified by the Exchange / FMC. Further, Member desirous to have facility of placing 'Pro-Account' / OWN Account orders from more than one location, the Member has to submit an undertaking in the format, enclosed as Annexure 2 of Circular no. MCX/241/06 dated June 15, 2006 to the Exchange stating the reason for use of such facility from multiple locations. The Exchange may on case to case basis consider extending the facility of allowing use of 'Pro-Account' from more than one location; further, such permission will not be given for more than 5 terminals for a member across all locations for this purpose.

As per Circular No. MCX/347/2006 dated August 29, 2006 if any Member, undertaking pro- account trading for arbitrage, desires to place pro-account trades through more than 2 terminals in one location or more than 5 terminals across all locations, then he is required to submit a request to the Exchange stating the reasons for the same.

As per Circular No. MCX/T&S/314/2011 dated September 14, 2011, while placing an order on the Exchange platform for purchase / sale of contracts in the trading system, Members are required to choose the Account type' option as 'Own' while placing orders for proprietary trades. Members are advised to strictly use 'Own' account facility for trades to be executed for their proprietary account. No client code including client code styled as OWN / PRO should be allotted for proprietary trading.

Members are not allowed to modify proprietary trades into client trade and client trade into proprietary trades**.**

7.2 Approval from Exchange

The Members having CTCL terminals are required to obtain approval from the Exchange for Pro- Account trade facility as per Bye-law 6.1.7, Circular No. MCX/241/06 dated June 15, 2006.

8. System Audit of Algorithmic Trading Facility

(Refer circular no. MCX/358/2006 dated September 02, 2006, MCX/CTCL/171/2008 dated May 15, 2008, MCX/CTCL/120/2009 dated March 10, 2009, MCX/TECH/110/2011 dated April 01,

Compliance Guru

2011, MCX/TECH/149/2011 dated April 28, 2011, MCX/CTCL/116/2013 dated March 22, 2013 and MCX/CTCL/191/2013 dated May 23, 2013)

- Members must ensure that all the algo orders should be placed through specified CTCL id allotted and approved by the Exchange
- Members are required to obtain the order level risk controls at the individual level as well as client level like Daily Price Limit, Maximum Order Size, Position Limit, and Market Price Protection etc.
- Members of the Exchange having Exchange approved Algorithmic Trading Facility (ATF) are required to undertake system audit of their ATF software on yearly basis through Exchange empanelled system auditors.

Compliance Guide

CHAPTER VI
Contract Notes

The Contract note is a document through which a contractual obligation is established between a Member of the Exchange and its client. This is the prime document on the basis of which all the dispute between the Member and his clients are settled.

Every Member has to issue contract notes to his clients for the commodities traded by him on behalf of them in compliance with the Rules, Bye-laws, Regulations, Business Rules and Circulars issued from time to time. (Refer Bye-law 4.7, Business Rule 27(p), Circular No. , MCX/012/2006 dated January 10, 2006, Circulars No. MCX/409/2005 dated December 05, 2005, Circulars No. MCX/COMP/304/2007 dated September 01, Circular No. MCX/COMP/195/2008 dated June 06, 2008, Circular No. MCX/LEGAL/363/2008 dated November 15, 2008, Circular No. MCX/COMP/046/2011 dated February 23, 2011 Circular No. MCX/COMP/256/2011 dated July 20, 2011, Circular No. MCX/COMP/358/2011 dated October 11, 2011 Circular no. MCX/LEGAL/404/2011 dated November 3, 2011, Circular no. MCX/LEGAL/137/2012 dated April9, 2012 and MCX/LEGAL/138/2012 dated April 9, 2012 and MCX/COMP/227/2013 dated June 28, 2013).

1. Requirements on Issue of Contract Notes to Clients

Following are the some of the requirements from Member of the Exchange to follow on issue of Contract notes to their clients:

- Members of the Exchange are required to issue contract note for each of the transactions done by them for their respective clients on the trading system of the Exchange. Members are not allowed to issue contract note for any transaction, which has not been executed through the trading system of the Exchange.
- Contract notes should be issued strictly as per the format prescribed by the Exchange. (Refer Circular No. MCX/LEGAL/363/2008 dated November 15, 2008, MCX/LEGAL/404/2011 dated November 03, 2011, MCX/LEGAL/137/2012 dated April 9, 2012 and MCX/LEGAL/138/2012 dated April 9, 2012 and MCX/COMP/227/2013 dated June 28, 2013)
- The Members are required to issue contract notes to clients, which are serially numbered.
- The contract notes issued to the clients are required to be numbered with unique running serial number commencing from one which will be reset only at the beginning of every financial year. Contract notes should not be left blank.
- Members are required to charge brokerage separately and they should ensure that the same is indicated separately on the contract note.
- The Contract notes are required to be signed either by the Member himself or by the authorised signatory.

Compliance Guide

- Members are required to dispatch and ensure that the same are delivered to their clients within 24 hours of execution of the trade.
- The members are required to issue contract notes to their clients only in physical form unless the Client specifically indicates his preference for contract notes in electronic form. Accordingly, the member may also issue digitally signed contract note at the request of his constituents subject to the compliance of all the provision of Information Technology Act, 2000. If the Member is issuing digital contract notes then it should be authenticated by digital signatures from certifying authority as per Information Technology Act, 2000.
- As per Circular no. MCX/COMP/087/2014 dated March 19, 2014, the Member should obtain ECN Declaration Form from the clients who wish to avail such facility and the said declaration shall be valid till it is revoked by the client.
- The ECN declaration form should normally be in English. In case a Client is not conversant with the English language, the Member has to provide the ECN form which should be bi- lingual i.e., in English and the local language known to the applicant.
- The Client also has the option of revoking the ECN facility and opting for the contract note in the physical form only by giving 7 working days' notice to the Member. The copy of the same is required to be retained by the Client.
- In case of ECN mail getting bounced at the Member's mail box then member needs to deliver the contract notes in physical form to the respective client.
- Further, w.e.f. December 26, 2014, the Members are required to comply with the revised guidelines of ECN (Refer Circular no. MCX/COMP/406/2014 dated December 26, 2014)
- Member should keep necessary log reports if digital contract note have been issued to their clients.
- The Member is required to maintain and preserve proper record for dispatch of contract notes to the clients if the same are dispatched through post, courier etc. Further, the members are also required to maintain proof of receipts of contract notes issued to the clients. (Refer Circular No. MCX/COMP/399/2009 dated September 30, 2009, MCX/COMP/113/2010 dated April 5, 2010)
- Every Member will maintain and preserve counterfoils or duplicate copies of the contract notes issued to the clients for a period of **three years**.
- The Member should print UMC (Unique Membership Code) on Contract note along with its Membership no. obtained from the Exchange.
- The Members are also required to print the Unique Client Code (UCC) allotted to the client along with name and address of clients on the contract note.
- Contract Notes must be delivered within 24 hours of the transactions made by or on behalf of the client and the proof of delivery of the same needs to be preserved by the member.
- The members are required to issue separate contract notes for trades on Commodity Futures and Spot Exchanges.
- The Member shall not issue consolidated contract notes to the clients.

Compliance Guide

- The members are also required to comply with the following: (Refer Circular No.MCX/COMP/046/2011)
- Members will dispatch the contract notes within 24 hours of the transaction.
- All contract notes issued to the individual investors other than the corporate investors will be in physical form.
- The delivery of the contract notes should be at the address of the client. Delivery of contract notes to an address (either email or physical address) other than that of the Client will be deemed to be non-delivery of the contract notes.
- The proof of the physical delivery of contract note need to be preserved by the Member.

Compliance Guide

CHAPTER VII
Miscellaneous

1. Trading Activity

As per Circular No. MCX/011/2006 dated January 10, 2006, each Member should ensure that they will not undertake their trading activities with /on behalf of any Member who has been suspended, expelled or declared defaulter by the Exchange / FMC / SEBI / NSE / BSE or any regulatory body/authority

2. Internal Review

Members should ensure that adequate internal review of their business to assist in detecting and preventing violations of and achieving compliance with Rules, Bye Laws, Regulations, Business Rules and Circulars of the Exchange is in place.

3. Notification to the Exchange

As per Bye-Law 11.4, Members should notify the Exchange of any incident, which may endanger member's financial strength or interfere with member's ability to conduct its business in the best interests of the Exchange.

4. Display of Information/Notice Board

As per Circular No MCX/295/2006 dated July 28, 2006, all the Members of the Exchange are required to display Information/Notice board at prominent place in the prescribed format. Such notice board / Information Board must include details of Registration. Such board is required to be displayed at all offices of the member where the trading terminals are located.

Members are also required to ensure that copy of registration certificate issued by the Exchange is displayed at the Head office and branch offices as per Circular no. MCX/COMP/304/2007 dated September 01, 2007.

The details of the Authorized Person(s) must be duly displayed on the Information/Notice board at the branch location where the Authorized Person is located.

5. Stamp Duty and Service Tax

(Refer per Bye law 4.8, Business Rules 21 (t), and Circular No. MCX/181/2005 dated May 11, 2005, Circular No. MCX/101/2005 dated March 14, 2005 and Circular No. MCX/268/2006 dated July 04, 2006 and MCX/COMP/019/2011 dated January 19, 2011, MCX/C&S/443/2011 dated December 05, 2011 MCX/C &S/223/ 2012 dated June 09, 2012, MCX/C&S/330/2013 dated October 1, 2013, MCX/COMP/375/2013 dated November 11, 2013, MCX/COMP/086/2014 dated March 18, 2014 and MCX/MEM/282/2014 dated August 29, 2014)

Compliance Guide

The member must ensure that they pay applicable Stamp Duty (in accordance with the relevant Stamp Act) and Service Tax to the relevant authorities on timely basis

6. Statutory Dues (Refer Circular no. MCX/COMP/113/2010 dated April 05, 2010)

The member should ensure that all the statutory dues are paid on time and there is no delay

7. Exchange LOGO/Emblem

As per Circular No. MCX/058/2004 dated July 09, 2004, Circular No. MCX/069/2004 dated August 05, 2004, Circular No. MCX/COMP/374/2009 dated September 16, 2009 and Circular No. MCX/COMP/085/2010 dated March 18, 2010, Members should not use following logo/emblem of the Exchange in any form while publishing material or stationery:



Members are also prevented from using the above logo or emblem of MCX in any of their publicity materials.

8. Advertisement

- Member of the Exchange is permitted to issue advertisements to advertise their products and services offered to their clients as per Circular No.

Compliance Guide

MCX/058/2004 dated July 09, 2004, Circular No. MCX/007/2005 dated January 03, 2005, Circular No. MCX/003/2006 dated January 03, 2006 and Circular No. MCX/012/2006 dated January 10, 2006.

- The Exchange has prescribed guidelines for advertisements. Hence, the Member shall issue/circulate/publish advertisement as per guidelines prescribed by the Exchange or relevant authority from time to time.
- Further, before publishing any such kind of advertisement (i.e.: for soliciting their business) which may be in the form of booklet, leaflet, pamphlet etc.), they must obtain prior approval of the Exchange.
- Further, the Members are required to ensure strict adherence to Circular no. MCX/COMP/332/2013 dated October 4, 2013 and MCX/COMP/349/2013 dated October 15, 2013 which disallows the Members to publish any advertisement / publicity highlighting only the benefits of futures market without highlighting the risk involved.

9. Market data:

As per Circular no. MCX/TECH/247/2013 dated July 11, 2013, Members may note that the market data provided by the Exchange is used only for the purpose of trading and is not used for any other purpose which is not approved by the Exchange.

10. Circular Trading, cross deals, price rigging, price manipulation and other market Abuses:

As per Bye-law 2.3.20, Bye-law 2.3.31, Bye-law 2.3.96, Business Rule 24 (d) and 36, the member shall ensure that he is not involved in circular trading, cross deals, price rigging, price manipulation and other market abuses.

It may be noted that cross deals executed in proportions higher than a threshold shall be construed as fictitious transactions and a penalty of Rs.1 lakh to RSL. 5 lakhs shall be applicable for such transactions in accordance with Circular no. MCX/COMP/113/2010 dated April 5, 2010 (refer Circular no. MCX/T&S/325/2014 dated October 08, 2014 and MCX/T&S/330/2014 dated October 13, 2014).

Further, the Exchange may consider any other criteria or trading pattern and any other circumstantial evidence to identify other forms of market abuses and impose penalty and / or take additional disciplinary actions in accordance with the Rules, Bye-Laws and Business Rules of the Exchange.

11. Certified Commodity Professional Courses

Members are advised to enroll for Certified Commodity Professional Examination as per Circular No. MCX/TRN/260/2007 dated July 24, 2007. Further the members are required to have at least one person in their office who is MCCP qualified.

Compliance Guide

12. Code of Conduct for Members

All Members are required at all times to abide by CODE OF CONDUCT of the Members as defined in Bye Law 14 of the Exchange.

13. Compliance with Regulatory Directives

The Members shall comply with the directives issued by FMC and the Exchange from time to time. This inter-alia includes margin requirements, trading restrictions, base minimum capital etc., Submission of audit reports along with the annual accounts to the Exchange and payments of transaction charges are other requirements. Further, the member should ensure the following:

- The Member has not transacted with suspended/defaulter/debarred Members or any other Members by SEBI/BSE/NSE/other stock/commodity exchanges.
- The Member does not have any dealings with unregistered sub-Members.
- Real time trading in a commodity by opening the terminals of foreign commodity exchanges in India without prior approval of the Central Government or FMC, as the case may be, would be deemed as illegal and persons entering into such contract would be punishable under Section 21 of the FCR Act, 1952.
- No Member will trade for the purpose of creating or inducing a false market in commodity.
- With respect to the FMC directives on the segregation of BPO/KPO services from the Commodity Derivatives Market.

14. Appointment of Compliance Officer

It is mandatory for every Member to appoint a Compliance Officer who will be responsible for monitoring the compliances of the member in respect of various circulars, guidelines, notifications, etc. issued by the Exchange / FMC or any other relevant authority from time to time as per Circular No. MCX/207/2006 dated May 19, 2006 and keeps the Exchange informed of the appointment of a Compliance Officer. It is necessary that the Exchange be also informed for any change in the Compliance Officer

15. Adherence to Anti Money Laundering norms

Appointment of Principal Officer:

As per Circular No. MCX/COMP/488/2009 dated November 27, 2009, Members / intermediaries are required to designate a senior management officer as Principal Officer, who will be responsible for monitoring and reporting of all transactions and sharing of information as required under the law. The name, designation and address (including e-mail address) of the 'Principal Officer' should be intimated to the Office of the Director-FIU, 6th Floor, Hotel Samrat, Chanakyapuri, New Delhi – 110021. (Refer Circular No. MCX/COMP/488/2009 dated November 27, 2009)

It must also be ensured that the Member adheres to the Anti-Money Laundering norms as

Compliance Guide

per Circular No MCX/COMP/488/2009 dated November 27, 2009 and Circular no. MCX/COMP/313/2010 dated September 03, 2010. Further, as per Circular no. MCX/COMP/302/2013 dated September 5, 2013, Members are required to adhere to the Prevention of Money Laundering (Amendment) Bill 2011 and the Members may note that any violation or the non- compliance with the provisions of the said Act will be a legal offence and attract such legal consequences as stipulated in the said Act. Further, according to Circular no. MCX/COMP/302/2013 dated September 5, 2013, all the members of the Exchange are directed to inform the Exchange the name of such Principal officer appointed by them along with annual return for the financial year 2012-13. Henceforth while informing change in Principal Officer to FIU, Members are also required to mark copy of the letter to Membership department (additionally, a scanned of copy of the letter may be mailed at membership@mcxindia.com).

In addition to above, the Members are required to ensure compliance with Circular No. MCX/COMP/033/2015 dated February 06, 2015 with respect to Master Circular issued on Prevention of Money Laundering and combating financing of terrorism in the commodity derivatives markets in India.

16. Registration on FINnet Gateway:

As per Circular No: MCX/COMP/102/2014 dated March 26, 2014, MCX/MEM/293/2014 dated September 16, 2014 and MCX/MEM/403/2014 dated December 22, 2014, the Members are required to ensure that they register themselves on FINnet gateway (http://finnet.gov.in) and inform the compliance of the same to the Membership Dept. of the Exchange. Also, in case of any subsequent changes, the member is required to update the Exchange with such change.

17. Submission of Annual Returns

Members activated for trading as on 31st March of any year, are required to submit Annual Returns to the Exchange for the financial year ending on such 31st March.

Annual Returns are required to be submitted within the due date as prescribed by the Exchange from the end of respective financial year. Members are required to submit the documents in the format prescribed by the Exchange as part of Annual Returns; which are indicated by the issuance of a circular every year.

18. Submission of Annual Compliance Report (ACR)

Members, who have traded on the Exchange platform for that particular financial year, are required to submit the Annual Compliance Report to the Exchange for that financial year ending on such 31st March.

Compliance Guide

ACR is the gist of compliances to be followed by Members which is self-analysed by Membersand submitted to the Exchange annually.

All Members are required to submit ACR to the Exchange within the timeline as prescribed by the Exchange from time to time.

19. **BPO / KPO Services – Segregation thereof from Commodity Derivatives Market** (Refer Circular No. MCX/COMP/127/2011 dated April 16, 2011)

    Any entity or any of its subsidiaries/ parent company/ related entities which is providing BPO/ KPO services to foreign clients trading on foreign commodity exchanges cannot be a member of any of the Recognized Association, recognized under Section 6 of Forward Contracts (Regulation) Act, 1952.

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

20. **Insurance Policy** (Refer Business Rule 6(3), 10, Circular No. MCX/FIN-ACCT/097/2010 dated March 25, 2010**,** Circular No. MCX/FIN-ACCT/99/2011 dated March 28, 2011, MCX/FIN-ACCT/111/2012 dated March 27, 2012 and MCX/FIN-ACCT/120/2013 dated March 26, 2013)

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

21. Open Positions

The Commission has prescribed guidelines with respect to Clubbing of open positions. You are requested to refer below mentioned circulars in this regard:

- MCX/266/2005 dated July 22, 2005
- MCX/338/2006 dated August 21, 2006
- MCX/T&S/276/2007 dated August 8, 2007
- MCX/T&S/014/2012 dated January 12, 2012

22. **Applicability of Commodity Transaction Tax (CTT)** (Refer circular no. MCX/FIN-ACCT/222/2013 dated June 22, 2013)

    Members may note that CTT is applicable on transactions for future contracts. Further, the value of taxable commodities transaction shall be determined with respect to the

Compliance Guide

trade executed under a particular client code. Hence, the members must exercise extreme caution and diligence while entering the client code at the time of entering an order.

Members may note that non- payment of CTT will be treated as non- fulfillment of settlement obligations for the purpose of all consequential actions against the member. Members may refer Chapter VII of the Finance Act, 2013 and CTT Rules, 2013 for the various amendments and updates.

Compliance Guide

COMPENDIUM OF CIRCULARS

CIRCULAR NO.	DATE	SUBJECT
MCX/COMP/080/2015	March 18, 2015	Common/Uniform Client Registration in Commodity Derivative Markets through KRA
MCX/COMP/033/2012	February 06, 2015	Master Circular on Prevention of Money laundering and combating financing of terrorism in the commodity derivatives markets in India
MCX/COMP/406/2014	December 26, 2014	Revised Guidelines on issue of Electronic Contract Notes (ECN)
MCX/C&S/383/2014	December 01, 2014	Mechanism for regular monitoring of short collection / no-collection of margins
MCX/COMP/352/2014	October 28, 2014	Periodic settlement of Accounts of clients by members
MCX/T&S/330/2014	October 13, 2014	Market Abuse – Cross Deals / Wash Trades / Self Trades / Structured Deals
MCX/T&S/325/2014	October 08, 2014	Market Abuse – Cross Deals / Wash Trades / Self Trades / Structured Deals
MCX/MEM/293/2014	September 16, 2014	Compliance with requirements of Prevention of Money Laundering (Amendment) Act, 2012
MCX/MEM/282/2014	August 29, 2014	Details of payment of stamp duty by the members of the Exchange
MCX/COMP/162/2014	April 30, 2014	Common/ Uniform Client Registration / Process form
MCX/COMP/117/2014	April 01, 2014	Exchange procedure for Client Margin Reporting
MCX/COMP/116/2014	April 01, 2014	Implementation of FSLRC`s recommendations on Consumer Protection
MCX/C&S/109/2014	March 29, 2014	Mechanism for regular monitoring of short collection/ non-collection of Margins
MCX/COMP/102/2014	March 26, 2014	Prevention of Money Laundering (Amendment) Act 2012 - Regarding
MCX/COMP/087/2014	March 19, 2014	Common/Uniform Client Registration Form/Process: Amendment thereto
MCX/COMP/086/2014	March 18, 2014	Payment of Stamp Duty - Andhra Pradesh
MCX/COMP/072/2014	March 10, 2014	Central KYC Registry and Directions on Prevention of Money Laundering (Maintenance of Records) Rules 2013
MCX/COMP/082/2014	March 15, 2014	Dealing in Cash transactions
MCX/CTCL/431/2013	December 27, 2013	Revision in Guidelines for Algorithmic Trading Facility (ATF)/
MCX/COMP/375/2013	November 11, 2013	Payment of Stamp Duty – Maharashtra
MCX/COMP/349/2013	October 15, 2013	Portfolio Management Services (PMS)

Compliance Guide

MCX/COMP/332/2013	October 4, 2013	Portfolio Management Services (PMS)
MCX/C&S/330/2013	October 1, 2013	Online Payment of Stamp Duty through Gras System
MCX/COMP/302/2013	September 5, 2013	The Prevention of Money Laundering (Amendment) Act 2012
MCX/COMP/286/2013	August 28, 2013	Common / Uniform Client Registration form / process
MCX/C&S/283/2013	August 22, 2013	Delivery of commodities through physical mode only
MCX/COMP/259/2013	July 26, 2013	Direction to the Members of the Exchange not to indulge in Portfolio Management Services (PMS)
MCX/COMP/247/2014	July 11, 2013	Legitimate Use of MCX Market Data
MCX/T&S/258/2013	July 24, 2013	Algo / High Frequency Trades allowed in Gold Mini future contracts
MCX/COMP/227/2013	June 28, 2013	Revised Format of Contract Notes
MCX/COMP/226/2013	June 26, 2013	Quarterly Settlement of accounts of clients by Members
MCX/T&S/224/2013	June 25, 2013	E-mail Alert to End Clients
MCX/FIN-ACCT/222/2013	June 22, 2013	Commodities Transaction Tax
MCX/CTCL/196/2013	May 28, 2013	Discontinuation of Annual Charges for Algorithmic Trading facility (ATF) user id`s
MCX/COMP/192/2013	May 24, 2013	Quarterly Settlement of accounts of clients by Members
MCX/CTCL/191/2013	May 23, 2013	System Audit of Algorithmic Trading Facility (ATF) Software
MCX/FIN-ACCT/120/2013	March 26, 2013	Members Indemnity Insurance Policy
MCX/CTCL/116/2013	March 22, 2013	Guidelines for Algorithmic Trading Facility
MCX/T&S/093/2013	March 7, 2013	SMS & E-mail Alert to End Clients
MCX/T&S/050/2013	February 13, 2013	SMS & E-mail Alert to End Clients
MCX/T&S/402/2012	November 30, 2012	Not Allowing of Algo/ High Frequency Trade (HFT) in Mini and Micro Contracts

Compliance Guide

MCX/MEM/230/2012	June 25, 2012	Authorized persons - Processing Fees
MCX/MEM/181/2012	May 4, 2012	Prior Approval Requirement
MCX/CTCL/152/2012	April 16, 2012	Approval process for Internet Based Trading (IBT) and Wireless Trading
MCX/LEGEL/137/2012	April 9, 2012	Amendment to Bye Law 15.11 on Limitation Period for Reference to Arbitration
MCX/LEGEL/138/2012	April 9, 2012	Amendment to Bye Law 15.11 on Limitation Period for Reference to Arbitration
MCX/CTCL/132/2012	April 4, 2012	Compliance Certificate for Automated Trading Facility (ATF)
MCX/FIN-ACCT/111/2012	March 27, 2012	Members Indemnity Insurance Policy
MCX/MEM/092/2012	March 15, 2012	Prior Approval from Forward Markets Commission (FMC)
MCX/COMP/052/2012	February 14, 2012	Quarterly Settlement of account of client by Member
MCX/MEM/044/2012	February 2, 2012	Market Access through Authorized Person - Revised Guidelines
MCX/T&S/014/2012	January 12, 2012	Guidelines for Clubbing of Open Positions
MCX/T&S/483/2011	December 29, 2011	Client Code Modification
MCX/COMP/469/2011	December 22, 2011	Common/Uniform Client Registration Form/Process
MCX/C&S/443/2011	December 5, 2011	Collection of Stamp Duty on Un-ginned Cotton, Bullions, Spice, Oil Seeds, Yarn, etc.
MCX/LEGAL/404/2011	November 3, 2011	Revised Format of Contract Notes
MCX/COMP/358/2011	October 11, 2011	Segregation of Client Accounts in Commodity Futures Exchange
MCX/T&S/355/2011	October 10, 2011	Unique Client Code
MCX/COMP/348/2011	October 4, 2011	Guidelines on pre - funded instruments (Pay Orders and Demand Drafts)/Electronic Fund Transfer
MCX/T&S/343/2011	September 30, 2011	Client Code Modification
MCX/T&S/314/2011	September 14, 2011	Proprietary Trades

Compliance Guide

MCX/COMP/256/2011	July 20, 2011	Delivery of Contract Notes to clients - Revised Instructions
MCX/C&S/214/2011	June 9, 2011	Margin Collection from Clients
MCX/C&S/223/2012	June 9, 2011	Collection of Stamp Duty - Security related transaction
MCX/TECH/149/2011	April 28, 2011	Automated Trading Facility through CTCL Software
MCX/COMP/127/2011	April 16, 2011	BPO, KPO services / Segregation thereof from Commodity Derivatives Market
MCX/TECH/110/2011	April 1, 2011	Automated Trading Facility through CTCL Software
MCX/FIN-ACCT/099/2011	March 28, 2011	Members Indemnity Insurance Policy
MCX/T&S/074/2011	March 12, 2011	Unique Client Code
MCX/MEM/047/2011	February 23, 2011	Nomenclature of Authorized Persons
MCX/COMP/046/2011	February 23, 2011	Compliance Requirements for Members
MCX/COMP/019/2011	January 19, 2011	Levy and Collection of Stamp Duty on Trading Transaction of Goods/ Commodities
MCX/MEM/002/2011	January 3, 2011	Market Access through Authorized persons
MCX/CTCL/433/2010	December 10, 2010	Computer to Computer Link (CTCL) / Internet Based Trading (IBT) services through ASP
MCX/COMP/429/2010	December 4, 2010	Margin Money
MCX/MEM/428/2010	December 1, 2010	Market Access through Authorized persons
MCX/MEM/317/2010	September 7, 2010	Market Access through Authorized persons
MCX/COMP/313/2010	September 3, 2010	Clarification on Anti Money Laundering and Know Your Customer (KYC) Norms
MCX/COMP/298/2010	August 21, 2010	Inactive Client's account
MCX/MEM/290/2010	August 16, 2010	Market Access through Authorized persons
MCX/MEM/282/2010	August 7, 2010	Market Access through Authorized Person
MCX/COMP/261/2010	July 26, 2010	Direction to the Members of the Exchange not to indulge in Portfolio Management Services (PMS)

Compliance Guide

MCX/COMP/113/2010	April 5, 2010	List of Fines / Penalties for violations / non-compliances observed in Inspection of Members of the Exchange
MCX/FIN-ACCT/097/2010	March 25, 2010	Members Indemnity Insurance Policy
MCX/COMP/085/2010	March 18, 2010	Logo of MCX
MCX/COMP/513/2009	December 15, 2009	Inactive Client's Account
MCX/COMP/488/2009	November 27, 2009	Anti-money Laundering and KYC Norms
MCX/COMP/401/2009	October 1, 2009	Non Compliance Charges- Cash dealings
MCX/COMP/374/2009	September 16, 2009	Logo of MCX
MCX/COMP/399/2009	September 2, 2009	Customer Protection-FMC Directives
MCX/MEM/259/2009	June 16, 2009	Maintenance of minimum Networth by Trading Cum- Clearing- Member
MCX/CTCL/120/2009	March 20, 2009	Automated Trading Facility through CTCL Software
MCX/T&S/405/2008	December 20, 2008	Unique Client Code
MCX/COMP/399/2008	December 18, 2008	Direction to the Members of the Exchange not to indulge in Portfolio Management Services (PMS)
MCX/LEGEL/363/2008	November 15, 2008	Revised Format of Contract Notes
MCX/COMP/317/2008	October 7, 2008	Unique Client Code
MCX/COMP/195/2008	June 6, 2008	Changes in records to be kept by member
MCX/CTCL/171/2008	May 15, 2008	Automated Trading Facility through CTCL Software
MCX/MEM/132/2008	April 15, 2008	Change In Share Holding Pattern/Sharing Pattern of Member
MCX/COMP/088/2008	March 4, 2008	Unique Client Code
MCX/COMP/009/2008	January 12, 2008	Maintenance of minimum Networth by Trading Cum- Clearing- Member

Compliance Guide

MCX/COMP/304/2007	September 1, 2007	Compliance Requirements for Members
MCX/T&S/276/2007	August 8, 2007	Clubbing of Open Positions
MCX/TRN/260/2007	July 24, 2007	MCCP Certification Examination
MCX/T&S/198/2007	May 25, 2007	Client Code Modification
MCX/T&S/166/2007	April 30, 2007	Client Code Modification
MCX/T&S/109/2007	March 24, 2007	Unique Client Code(UCC)
MCX/T&S/085/2007	March 5, 2007	Unique Client Code(UCC)
MCX/CTCL/043/2007	February 2, 2007	Computer To Computer Link (CTCL) Facility
MCX/CTCL/042/2007	January 31, 2007	Internet Based Trading (IBT) Facility, (In-House Software Development By Member)
MCX/561/2006	December 15, 2006	Directives To The Members Of The Exchange To Stop Portfolio Management Activities-Clarification
MCX/551/2006	December 13, 2006	Direction to the Members of the Exchange not to indulge in Portfolio Management Services (PMS)
MCX/358/2006	September 2, 2006	Computer To Computer Link (CTCL) Facility and Internet Based Trading (IBT) Facility
MCX/357/2006	September 2, 2006	List Of Fines/Penalties For Violations/Non-Compliances Observed In Inspection Of Members Of The Exchange
MCX/347/2006	August 29, 2006	Proprietary Account (Pro-Account) Trade
MCX/338/2006	August 21, 2006	Guidelines for Calculation of Open Position
MCX/295/2006	July 26, 2006	Notice Board
MCX/268/2006	July 4, 2006	Payment Of Stamp Duty Under Bombay Stamp Act 1958
MCX/241/2006	June 15, 2006	Proprietary Account (Pro-Account) Trade
MCX/207/2006	May 19, 2006	Information regarding Compliance Officer
MCX/012/2006	January 10, 2006	Illustrative Compliance Checklist

Compliance Guide

MCX/011/2006	January 10, 2006	FMC Directive On Suspended/Debarred Brokers, Sub-Brokers And Other Entities
MCX/003/2006	January 3, 2006	Guidelines for Advertisement
MCX/409/2005	December 5, 2005	Issuing Contract Notes Under Digital Signature/ New Format of Contract Note
MCX/405/2005	December 3, 2005	Compulsory For Members To Open Demat Account (Cm Pool A/C) For Commodity
MCX/309/2005	September 2, 2005	Opening Demat Account for Commodities
MCX/267/2005	July 22, 2005	Delivery of Commodity
MCX/266/2005	July 22, 2005	Limits on open position against hedging
MCX/238/2005	June 29, 2005	Delivery of Commodity
MCX/181/2005	May 11, 2005	Payment Of Stamp Duty Under Bombay Stamp Act 1958
MCX/101/2005	March 14, 2005	Remission of Stamp duty under the Bombay Stamp Act, 1958
MCX/010/2005	January 11, 2005	Approved Users
MCX/006/2005	January 3, 2005	Approved Users
MCX/007/2005	January 3, 2005	Advertisement
MCX/069/2004	August 5, 2004	Monogram of MCX
MCX/058/2004	July 9, 2004	Logo/Emblem of MCX
MCX/28/2004	May 7, 2004	System Security Guidelines
MCX/26/2004	April 29, 2004	Internet Based Trading

Compliance Guide