

|| श्री || **LAKSHMISHREE**  
*The Quality of Being Virtual*

# *Hand Book*



**LAKSHMISHREE COMMODITIES PVT. LTD.**

## RISK DISCLOSURE DOCUMENT

The Exchange /Forward Markets Commission (FMC) does not singly or jointly, expressly or impliedly, guarantee nor make any representation concerning the completeness, the adequacy or accuracy of this disclosure documents nor has the Exchange / FMC endorsed or passed any merits of participating in the Commodity Derivatives market/trading. This brief statement does not disclose all of the risks and other significant aspects of trading. You should, therefore, study derivatives trading carefully before becoming involved in it.

In the light of the risks involved, you should undertake transactions only if you understand the nature of the contractual relationship into which you are entering and the extent of your exposure to risk.

You must know and appreciate that investment in commodity futures contracts/ derivatives or other instruments traded on the Commodity Exchange(s), which have varying element of risk, is generally not an appropriate avenue for someone of limited resources/ limited investment and/ or trading experience and low risk tolerance. You should, therefore, carefully consider whether such trading is suitable for you in the light of your financial condition. In case, you trade on the Exchange and suffer adverse consequences or loss, you shall be solely responsible for the same and the Exchange, its Clearing House and/ or Forward Markets Commission shall not be responsible, in any manner whatsoever, for the same and it will not be open for you to take the plea that no adequate disclosure regarding the risks involved was made or that you were not explained the full risk involved by the concerned member. The Client shall be solely responsible for the consequences and no contract can be rescinded on that account.

You must acknowledge and accept that there can be no guarantee of profits or no exception from losses while executing orders for purchase and/or sale of a commodity derivatives being traded on the Exchange.

It must be clearly understood by you that your dealings on the Exchange through a member shall be subject to your fulfilling certain formalities set out by the member, which may, *inter alia*, include your filing the know your client form, client registration form, execution of an agreement etc. And are subject to Rules, Bylaws and Business Rules of the Exchange and its Clearing Corporation/Clearing House, guidelines prescribed by FMC from time to time and circulars as may be issued by the Exchange or its Clearing Corporation/Clearing House from time to time.

The Exchange does not provide or purport to provide any advice and shall not be liable to any person who enters into any business relationship with any member of the Exchange and/ or third party based on any information contained in this document. Any information contained in this document must not be construed as business advice/investment advice.

No consideration to trade should be made without thoroughly understanding and reviewing the risks involved in such trading. If you are unsure, you must seek professional advice on the same.

In considering whether to trade, you should be aware of or must get acquainted with the following:-

### Basic Risks involved in the trading of Commodity Futures Contracts and other Commodity Derivatives Instruments on the Exchange.

#### Risk of Higher Volatility

Volatility refers to the dynamic changes in price that commodity derivative contracts undergo when trading activity continues on the Commodity Exchange. Generally, higher the volatility of a commodity derivatives contract, greater is its price swings. There may be normally greater volatility in thinly traded commodity derivatives contracts than in actively traded commodities/ contracts. As a result of volatility, your order may only be partially executed or not executed at all, or the price at which your order got executed may be substantially different from the last traded price or change substantially thereafter, resulting in real losses.

#### Risk of Lower Liquidity

(1) Liquidity refers to the ability of market participants to buy and/ or sell commodity derivative contract expeditiously at a competitive price and with minimal price difference. Generally, it is assumed that more the number of orders available in a market, greater is the liquidity. Liquidity is important because with greater liquidity, it is easier for investors to buy and/ or sell commodity derivatives contracts swiftly and with minimal price difference and as a result, investors are more likely to pay or receive a competitive price for commodity derivative contracts purchased or sold. There may be a risk of lower liquidity in some commodity derivative contracts as compared to active commodity derivative contracts. As a result, your order may only be partially executed, or may be executed with relatively greater price difference or may not be execute at all.

(2) Buying/ Selling without intention of giving and/ or taking delivery of certain commodities may also result into losses, because in such a situation, commodity derivative contracts may have to be squared-off at a low/ high prices, compared to the expected price levels, so as not to have any obligation to deliver/ receive such commodities.

#### Risk of Wider Spreads

Spread refers to the difference in best buy price and best sell price. It represents the differential between the price of buying a commodity derivative and immediately selling it or *vice versa*. Lower liquidity and higher volatility may result in wider than normal spreads for less liquid or illiquid commodities/ commodity derivatives contracts. This in turn will hamper better price formation.

#### Risk Reducing orders

(1) Most of the Exchanges have a facility for investors to place "limit orders", "stop loss orders" etc. Placing of such orders (e.g. "stop loss" orders or "limit" orders) which are intended to limit losses to certain amounts may not be effective many a time because rapid movement in market conditions may make it impossible to execute such orders.

(2) "Market" order will be executed promptly, subject to availability of orders on opposite side, without regard to price and that while the customer may receive a prompt execution of a "market" order, the execution may be at available prices of outstanding orders, which satisfy the order quantity, on price time priority. It may be understood that these prices may be significantly different from the last traded price or the best price in that commodity derivatives contract.

(3) "limit" order will be executed only at the "limit" price specified for the order or a better price. However, while the client received price protection, there is a possibility that the order may not be executed at all.

(4) Stop loss order is generally placed "away" from the current price of a commodity derivatives contract, and such order gets activated if and when the contract reaches, or trades through, the stop price. Sell stop orders are entered ordinarily below the current price, and buy stop orders are entered ordinarily above the current price. When the contract approaches pre-determined price, or trades through such price, the stop loss order converts to a market/limit order and is executed at the limit or better. There is no assurance therefore that the limit order will be executable since a contract might penetrate the pre-determined price, in which case, the risk of such order not getting executed arises, just as with a regular limit order.

#### **Risk of News Announcements**

Traders/Manufacturers make news announcements that may impact the price of the commodities and/or commodity derivatives contracts. These announcements may occur during trading and when combined with lower liquidity and higher volatility may suddenly cause an unexpected positive or negative movement in the price of the commodity / commodity derivatives contract.

#### **Risk of Rumours**

Rumours about the price of a commodity at times float in the market through word of mouth, newspaper, websites or news agencies, etc., the investors should be wary of and should desist from acting on rumours.

#### **System Risk**

(1) High volume trading will frequently occur at the market opening and before market close. Such high volumes may also occur at any point in the day. These may cause delays in order execution or confirmation.

(2) During periods of volatility, on account of market participants continuously modifying their order quantity or prices or placing fresh orders, there may be delays in execution of order and its confirmation.

(3) Under certain market conditions, it may be difficult or impossible to liquidate a position in the market at a reasonable price or at all, when there are no outstanding orders either on the buy side or the sell side, or if trading is halted in a commodity due to any action on account of unusual trading activity or price hitting circuit filters or for any other reason.

#### **System / Network Congestion**

Trading on the Exchange is in electronic mode, based on satellite/ leased line communications, combination of technologies and computer systems to place and route orders. Thus, there exists a possibility of communication failure or system problems or slow or delayed response from system or trading halt, or any such other problem/glitch whereby not being able to establish access to the trading system/network, which may be beyond the control of and may result in delay in processing or not processing buy or sell orders either in part or in full. You are cautioned to note that although these problems may be temporary in nature, but when you have outstanding open positions or unexecuted orders, these represent a risk because of your obligations to settle all executed transactions.

### **As far as Futures Commodity Derivatives are concerned please note and get yourself acquainted with the following additional features**

#### **Effect of "Leverage" or "Gearing"**

(1) The amount of margin is small relative to the value of the commodity derivatives contract so the transactions are 'leveraged' or 'geared'. Commodity Derivatives trading, which is conducted with a relatively small amount of margin, provides the possibility of great profit or loss in comparison with the principal investment amount. But transactions in commodity/derivatives carry a high degree of risk. You should therefore completely understand the following statements before actually trading in commodity derivatives contracts and also trade with caution while taking into account one's circumstances, financial resources, etc.

(2) Trading in Futures Commodity Derivatives involves daily settlement of all positions. Every day the open positions are marked to market based on the closing price. If the closing price has moved against you, you will be required to deposit the amount of loss (notional) resulting from such movement. This margin will have to be paid within a stipulated time frame, generally before commencement of trading on the next day.

(3) If you fail to deposit the additional margin by the deadline or if an outstanding debt occurs in your account, the Member of the Exchange may liquidate/square-up a part of or the whole position. In this case, you will be liable for any losses incurred due to such square-up/ Close Outs.

(4) Under certain market conditions, an Investor may find it difficult or impossible to execute the transactions. For example, this situation can occur due to factors such as illiquidity i.e. when there are insufficient bids or offers or suspension of trading due to price limit or circuit breakers etc.

(5) Steps, such as, changes in the margin rate, increase in the cash margin rate etc. may be adopted in order to maintain market stability. These new measures may be applied to the existing open interests. In such conditions, you will be required to put up additional margins or reduce your positions.

(6) You must ask your Member of the Exchange to provide the full details of the commodity derivatives contracts you plan to trade i.e. the contract specifications and the associated obligations.

#### **Trading through Wireless Technology or any other Technology**

Any additional provisions defining the features, risks, responsibilities, obligations and liabilities associated with commodities trading through wireless technology or any other technology should be brought to the notice of the client by the stock broker.

### **GENERAL**

#### **Deposited cash and property**

You should familiarize yourself with the protections accorded to the money or other property you deposit particularly in the event of a firm become insolvent or bankrupt. The extent to which you may recover your money or property may be governed by specific legislation or local rules. In some jurisdictions, property, which has been specifically identifiable as your own, will be pro-rated in the same manner as cash for purposes of distribution in the event of a shortfall. In case of any dispute with the Member of the Exchange, the same shall be subject to arbitration as per the Rules, Bye-laws and Business Rules of the Exchange.

### Commission and other charges

(1) Before you begin to trade, you should obtain a clear explanation of all commissions, fees and other charges for which you will be liable. These charges will affect your net profit (if any) or increase your loss.

(2) For rights and obligations of the Members/Authorized Persons/ clients, please refer below Headlines.

(3) The term "Constituent" shall mean and include a Client, a Customer or an Investor, who deals with a member for the purpose of trading in the commodity derivatives through the mechanism provided by the Exchange.

(4) The term "member" shall mean and include a Trading Member or a Broker, who has been admitted as such by the Exchange and got a Unique Member Code from FMC.

## RIGHTS AND OBLIGATIONS OF MEMBERS, AUTHORIZED PERSONS AND CLIENTS As prescribed by FMC and Commodity Exchanges

(01) The client shall invest/trade in those commodities / contracts/other instruments admitted to dealings on the Exchanges as defined in the Rules, Bylaws and Business Rules / Regulations of Exchanges/ Forward Markets Commission (FMC) and circulars/notices issued there under from time to time.

(02) The Member, Authorized Person and the client shall be bound by all the Rules, Byelaws and Business Rules of the Exchange and circulars/notices issued there under and Rules and Regulations of FMC and relevant notifications of Government authorities as may be in force from time to time.

(03) The client shall satisfy himself of the capacity of the Member to deal in commodities and/or deal in derivatives contracts and wishes to execute its orders through the Member and the client shall from time to time continue to satisfy itself of such capability of the Member before executing orders through the Member.

(04) The Member shall continuously satisfy itself about the genuineness and financial soundness of the client and investment objectives relevant to the services to be provided.

(05) The Member shall take steps to make the client aware of the precise nature of the Member's liability for business to be conducted, including any limitations, the liability and the capacity in which the Member acts.

(06) The Authorized Person shall provide necessary assistance and co-operate with the Member in all its dealings with the client(s).

### Client Information

(07) The client shall furnish all such details in full as are required by the Member in "Account Opening Form" with supporting details, made mandatory by commodity exchanges/FMC from time to time.

(08) The client shall familiarize himself with all the mandatory provisions in the Account Opening documents. Any additional clauses or documents specified by the Member shall be non-mandatory, as per terms & conditions accepted by the client.

(09) The client shall immediately notify the Member in writing if there is any change in the information in the 'account opening form' as provided at the time of account opening and thereafter; including the information on winding up petition/ insolvency petition or any litigation which may have material bearing on his capacity. The client shall provide/update the financial information to the Member on a periodic basis.

(10) The Member and Authorized Person shall maintain all the details of the client as mentioned in the account opening form or any other information pertaining to the client, confidentially and that they shall not disclose the same to any person/authority except as required under any law/regulatory requirements. Provided however that the Member may so disclose information about his client to any person or authority with the express permission of the client.

### Margins

(11) The client shall pay applicable initial margins, withholding margins, special margins or such other margins as are considered necessary by the Member or the Exchange or as may be directed by FMC from time to time as applicable to the segment(s) in which the client trades. The Member is permitted in its sole and absolute discretion to collect additional margins (even though not required by the Exchange, Clearing House/Clearing Corporation or FMC) and the client shall be obliged to pay such margins within the stipulated time.

(12) The client understands that payment of margins by the client does not necessarily imply complete satisfaction of all dues. In spite of consistently having paid margins, the client may, on the settlement of its trade, be obliged to pay (or entitled to receive) such further sums as the contract may dictate/require.

### Transactions and Settlements

(13) The client shall give any order for buy or sell of commodities derivatives contract in writing or in such form or manner, as may be mutually agreed between the client and the Member however ensuring the regulatory requirements in this regard are complied with. The Member shall ensure to place orders and execute the trades of the client, only in the Unique Client Code assigned to that client.

(14) The Member shall inform the client and keep him apprised about trading/settlement cycles, delivery/payment schedules, any changes therein from time to time, and it shall be the responsibility in turn of the client to comply with such schedules/procedures of the relevant commodity exchange where the trade is executed.

(15) The Member shall ensure that the money deposited by the client shall be kept in a separate account, distinct from his/its own account or account of any other client and shall not be used by the Member for himself/itself or for any other client or for any purpose other than the purposes mentioned in Rules, circulars, notices, guidelines of FMC and/or Rules, Business Rules, Bye-laws, circulars and notices of Exchange.

(16) Where the Exchange(s) cancels trade(s) suo moto all such trades including the trade/s done on behalf of the client shall ipso facto stand cancelled, Member shall be entitled to cancel the respective contract(s) with client(s).

(17) The transactions executed on the Exchange are subject to Rules, Byelaws and Business Rules and circulars/notices issued there under of the Exchanges where the trade is executed and all parties to such trade shall have submitted to the jurisdiction of such court as may be specified by the Byelaws and Business Rules of the Exchanges where the trade is executed for the purpose of giving effect to the provisions of the Rules, Byelaws and Business Rules of the Exchanges and the circulars/notices issued there under.

#### **Brokerage**

(18) The Client shall pay to the Member brokerage and statutory levies as are prevailing from time to time and as they apply to the Client's account, transactions and to the services that Member renders to the Client. The Member shall not charge brokerage more than the maximum brokerage permissible as per the Rules, Business Rules and Bye-laws of the relevant commodity exchanges and/or Rules of FMC.

#### **Liquidation and close out of position**

(19) Without prejudice to the Member's other rights (including the right to refer a matter to arbitration), the client understands that the Member shall be entitled to liquidate/close out all or any of the client's positions for non-payment of margins or other amounts, outstanding debts, etc. And adjust the proceeds of such liquidation/close out, if any, against the client's liabilities/obligations. Any and all losses and financial charges on account of such liquidation/closing-out shall be charged to and borne by the client.

(20) In the event of death or insolvency of the client or his/its otherwise becoming incapable of receiving and paying for or delivering or transferring commodities which the client has ordered to be bought or sold, Member may close out the transaction of the client and claim losses, if any, against the estate of the client. The client or his nominees, successors, heirs and assignee shall be entitled to any surplus which may result there from. The client shall note that transfer of funds/commodities in favor of a Nominee shall be valid discharge by the Member against the legal heir.

#### **Dispute Resolution**

(21) The Member shall co-operate in redressing grievances of the client in respect of all transactions routed through it.

(22) The client and the Member shall refer any claims and/or disputes with respect to deposits, margin money, etc., To arbitration as per the Rules, Byelaws and Business Rules of the Exchanges where the trade is executed and circulars/notices issued thereunder as may be in force from time to time.

(23) The Member shall ensure faster settlement of any arbitration proceedings arising out of the transactions entered into between him vis-à-vis the client and he shall be liable to implement the arbitration awards made in such proceedings.

(24) The client/Member understands that the instructions issued by an authorized representative for dispute resolution, if any, of the client/Member shall be binding on the client/Member in accordance with the letter authorizing the said representative to deal on behalf of the said client/Member.

#### **Termination of Relationship**

(25) This relationship between the Member and the client shall be terminated; if the Member for any reason ceases to be a member of the commodity exchange including cessation of membership by reason of the Member's default, death, resignation or expulsion or if the certificate is cancelled by the Exchange.

(26) The Member, Authorized Person and the client shall be entitled to terminate the relationship between them without giving any reasons to the other party, after giving notice in writing of not less than one month to the other parties. Notwithstanding any such termination, all rights, liabilities and obligations of the parties arising out of or in respect of transactions entered into prior to the termination of this relationship shall continue to subsist and vest in/be binding on the respective parties or his/its respective heirs, executors, administrators, legal representatives or successors, as the case may be.

(27) In the event of demise/insolvency of the Authorized Person or the cancellation of his/its registration with the Board or/withdrawal of recognition of the Authorized Person by the commodity exchange and/or termination of the agreement with the Authorized Person by the Member, for any reason whatsoever, the client shall be informed of such termination and the client shall be deemed to be the direct client of the Member and all clauses in the 'Rights and Obligations' document(s) governing the Member, Authorized Person and client shall continue to be in force as it is, unless the client intimates to the Member his/its intention to terminate their relationship by giving a notice in writing of not less than one month.

#### **Additional Rights and Obligations**

(28) The Member and client shall reconcile and settle their accounts from time to time as per the Rules, Business Rules, Bye Laws, Circulars, Notices and Guidelines issued by FMC and the relevant Exchanges where the trade is executed.

(29) The Member shall issue a contract note to his clients for trades executed in such format as may be prescribed by the Exchange from time to time containing records of all transactions including details of order number, trade number, trade time, trade price, trade quantity, details of the derivatives contract, client code, brokerage, all charges levied etc. and with all other relevant details as required therein to be filled in and issued in such manner and within such time as prescribed by the Exchange. The Member shall send contract notes to the investors within 24 hours of the execution of the trades in hard copy and/or in electronic form using digital signature.

(30) The Member shall make pay out of funds within 48 hours or delivery of commodities as per the Exchange Rules, Bye-Laws, Business Rules and Circulars, as the case may be, to the Client on receipt of the payout from the relevant Exchange where the trade is executed unless otherwise specified by the client and subject to such terms and conditions as may be prescribed by the relevant Exchange from time to time where the trade is executed.

**(31)** The Member shall send a complete 'Statement of Accounts' for both funds and commodities in respect of each of its clients in such periodicity and format within such time, as may be prescribed by the relevant Exchange, from time to time, where the trade is executed. The Statement shall also state that the client shall report errors, if any, in the Statement immediately but not later than 30 calendar days of receipt thereof, to the Member. A detailed statement of accounts must be sent every month to all the clients in physical form. The proof of delivery of the same should be preserved by the Member.

**(32)** The Member shall send daily margin statements to the clients. Daily Margin statement should include, inter-alia, details of collateral deposited, collateral utilized and collateral status (available balance/due from client) with break up in terms of cash, Fixed Deposit Receipts (FDRs), Bank Guarantee, warehouse receipts, securities etc.

**(33)** The Client shall ensure that it has the required legal capacity to, and is authorized to, enter into the relationship with Member and is capable of performing his obligations and undertakings hereunder. All actions required to be taken to ensure compliance of all the transactions, which the Client may enter into shall be completed by the Client prior to such transaction being entered into.

**(34)** In case, where a member surrenders his/ her/ its membership, Member gives a public notice inviting claims, if any, from investors. In case of a claim relating to transactions executed on the trading system of the Exchange, ensure that you lodge a claim with the Exchange or its Clearing Corporation / Clearing House within the stipulated period and with the supporting documents.

#### **Electronic Contract Note (ECN)**

**(35)** In case, client opts to receive the contract note in electronic form, he shall provide an appropriate e-mail id (created by the client) to the Member (Kindly refer Appendix A of Annexure 1). Member shall ensure that all the rules/ Business Rule/Bye-Laws/ circulars issued from time to time in this regard are complied with. The client shall communicate to the Member any change in the email-id through a physical letter. If the client has opted for internet trading, the request for change of email id may be made through the secured access by way of client specific user id and password.

**(36)** The Member shall ensure that all ECNs sent through the E-mail shall be digitally signed, encrypted, non-tamper able and in compliance with the provisions of the IT Act, 2000. In case, ECN is sent through e-mail as an attachment, the attached file shall also be secured with the digital signature, encrypted and non-tamperable.

**(37)** The client shall note that non-receipt of bounced mail notification by the Member shall amount to delivery of the contract note at the e-mail ID of the client.

**(38)** The Member shall retain ECN and acknowledgment of the e-mail in a soft and nontamperable form in the manner prescribed by the exchange in compliance with the provisions of the IT Act, 2000 and as per the extant rules/irculars/guidelines issued by FMC/Commodity exchanges from time to time. The proof of delivery i.e., log report generated by the system at the time of sending the contract notes shall be maintained by the Member for the specified period under the extant rules/ circulars/guidelines issued by FMC/Commodity exchanges. The log report shall provide the details of the contract notes that are not delivered to the client/e-mails rejected or bounced back. The Member shall take all possible steps to ensure receipt of notification of bounced mails by him at all times within the stipulated time period under the extant rules/ circulars/guidelines issued by FMC/Commodity exchanges.

**(39)** The Member shall continue to send contract notes in the physical mode to such clients who do not opt to receive the contract notes in the electronic form. Wherever the ECNs have not been delivered to the client or has been rejected (bouncing of mails) by the e - mail ID of the client, the Member shall send a physical contract note to the client with in the stipulated time under the extant Regulations/ Rules, Bye-Laws, Business Rules and Circulars of FMC/commodity exchanges and maintain the proof of dispatch and delivery of such physical contract notes.

**(40)** In addition to the e-mail communication of the ECNs to the client, the Member shall simultaneously publish the ECN on his designated web-site, if any, in a secured way and enable relevant access to the clients and for this purpose, shall allot a unique user name and password to the client, with an option to the client to save the contract note electronically and/or take a print out of the same.

**(41)** The Electronic Contract Note (ECN) declaration form obtained from the Client who opts to receive the contract note in electronic form must be obtained afresh before 1st April of every financial year by following the same procedure. Thus, such declaration would be valid for that financial year only.

#### **Law and Jurisdiction**

**(42)** In addition to the specific rights set out in this document, the Member, Authorised Person and the client shall be entitled to exercise any other rights which the Member or the client may have under the Rules, Bye-laws and Business Rules of the Exchanges in which the client chooses to trade and circulars/notices issued there under or Rules of FMC.

**(43)** The provisions of this document shall always be subject to Government notifications, any rules, guidelines and circulars/notices issued by FMC and Circulars, Rules, Business Rules and Bye laws of the relevant commodity exchanges, where the trade is executed, that may be in force from time to time.

**(44)** The Member and the client shall abide by any award passed by the Arbitrator(s) under the Arbitration and Conciliation Act, 1996. However, there is also a provision of appeal, if either party is not satisfied with the arbitration award.

**(45)** Words and expressions which are used in this document but which are not defined herein shall, unless the context otherwise requires, have the same meaning as assigned thereto in the Rules, Byelaws and Regulations/Business Rules and circulars/notices issued thereunder of the Exchanges/FMC.

**(46)** All additional voluntary clauses/document added by the Member should not be in contravention with Rules/ Business Rules/ Notices/ Circulars of Exchanges/ FMC. Any changes in such voluntary clauses/ document(s) need to be preceded by a notice of 15 days. Any changes in the rights and obligations which are specified by Exchanges/FMC shall also be brought to the notice of the clients.

**(47)** If the rights and obligations of the parties hereto are altered by virtue of change in Rules of FMC or Bye-laws, Rules and Business Rules of the relevant commodity exchanges where the trade is executed, such changes shall be deemed to have been incorporated herein in modification of the rights and obligations of the parties mentioned in this document.

## INTERNET & WIRELESS TECHNOLOGY BASED TRADING FACILITY PROVIDED BY MEMBERS TO CLIENT

All the clauses mentioned in the "Rights and Obligations" document(s) shall be applicable. Additionally, the clauses mentioned herein shall also be applicable.

**(01)** Member is eligible for providing Internet based trading (IBT) and commodities trading through the use of wireless technology that shall include the use of devices such as mobile phone, laptop with data card, etc. which use Internet Protocol (IP). The Member shall comply with all requirements applicable to internet based trading/- commodities trading using wireless technology as may be specified by FMC & the Exchanges from time to time.

**(02)** The client is desirous of investing/trading in commodities and for this purpose, the client is desirous of using either the internet based trading facility or the facility for commodities trading through use of wireless technology. The Member shall provide the Member's IBT Service to the Client, and the Client shall avail of the Member's IBT Service, on and subject to FMC/Exchanges Provisions and the terms and conditions specified on the Member's IBT Web Site provided that they are in line with the norms prescribed by Exchanges/FMC.

**(03)** The Member shall bring to the notice of client the features, risks, responsibilities, obligations and liabilities associated with commodities trading through wireless technology/internet or any other technology should be brought to the notice of the client by the Member.

**(04)** The Member shall make the client aware that the Member's IBT system itself generates the initial password and its password policy as stipulated in line with norms prescribed by Exchanges/FMC.

**(05)** The Client shall be responsible for keeping the Username and Password confidential and secure and shall be solely responsible for all orders entered and transactions done by any person whosoever through the Member's IBT System using the Client's Username and/or Password whether or not such person was authorized to do so. Also the client is aware that authentication technologies and strict security measures are required for the internet trading/ commodities trading through wireless technology through order routed system and undertakes to ensure that the password of the client and/or his authorized representative are not revealed to any third party including employees and dealers of the Member

**(06)** The Client shall immediately notify the Member in writing if he forgets his password, discovers security flaw in Member's IBT System, discovers/suspects discrepancies/ unauthorized access through his username/password/ account with full details of such unauthorized use, the date, the manner and the transactions effected pursuant to such unauthorized use, etc.

**(07)** The Client is fully aware of and understands the risks associated with availing of a service for routing orders over the internet/ commodities trading through wireless technology and Client shall be fully liable and responsible for any and all acts done in the Client's Username/password in any manner whatsoever.

**(08)** The Member shall send the order/trade confirmation through email to the client at his request. The client is aware that the order/ trade confirmation is also provided on the web portal. In case client is trading using wireless technology, the Member shall send the order/trade confirmation on the device of the client.

**(09)** The client is aware that trading over the internet involves many uncertain factors and complex hardware, software, systems, communication lines, peripherals, etc. Are susceptible to interruptions and dislocations. The Member and the Exchange do not make any representation or warranty that the Member's IBT Service will be available to the Client at all times without any interruption.

**(10)** The Client shall not have any claim against the Exchange or the Member on account of any suspension, interruption, non-availability or malfunctioning of the Member's IBT System or Service or the Exchange's service or systems or non-execution of his orders due to any link/ system failure at the Client/Members/Exchange end for any reason beyond the control of the Member/Exchanges.

## GUIDANCE NOTE - Do's AND DON'Ts FOR THE CLIENTS

### Do's

- (01)** Trade only through Registered Members of the Exchange. Check from the Exchange website at following link [www.ncdex.com](http://www.ncdex.com), [www.mcxindia.com](http://www.mcxindia.com), [www.fmc.gov.in](http://www.fmc.gov.in) to see whether the Member is registered with the Exchange.
- (02)** Insist on filling up a standard 'Know Your Client (KYC)' form before you commence trading.
- (03)** Insist on getting a Unique Client Code (UCC) and ensure all your trades are done under the said UCC.
- (04)** Insist on filling up a standard 'Member-Client Agreement'.
- (05)** Insist on reading and signing a standard 'Risk Disclosure Agreement'.
- (06)** Obtain a copy of your KYC, Member-Client Agreement and / or other documents executed by you with the Member, from the Member.
- (07)** Cross check the genuineness of trades carried out at the Exchange through the trade verification facility available on the Exchange website at the following link [http://www.ncdex.com/market\\_data/verifytrade.aspx](http://www.ncdex.com/market_data/verifytrade.aspx). [Http://www.mcxindia.com/sitepages/tradeverifications.aspx](http://www.mcxindia.com/sitepages/tradeverifications.aspx). The trades can be verified online where trade information is available up to 5 working days from the trade date.
- (08)** Insist on a duly signed Contract Note in specified format for every executed trade within 24 hours of trade, highlighting the details of the trade along with your UCC.
- (09)** Ensure that the Contract Note contains all the relevant information such as Member Registration Number, Order No., Order Date, Order time, Trade No., Trade rate, Quantity, Arbitration Clause, etc.
- (10)** Obtain receipt for collaterals deposited with the Member towards margins.
- (11)** Go through the Rules, Bye-laws, Regulations, Circulars, Directives, Notifications of the Exchange as well as of the Regulators, Government and other authorities and details of Client-Trading Member Agreement to know your rights and duties vis-à-vis those of the Member.
- (12)** Ask all relevant questions and clear your doubts with your Member before transacting.
- (13)** Insist on receiving the bills for every settlement.
- (14)** Insist on Monthly statements of your ledger account and report any discrepancies in the statement to your Member within 7 working days. In case of unsatisfactory response report the discrepancy to the Exchange within 15 working days from the date of cause of action.
- (15)** Scrutinize minutely both the transaction & holding statements that you receive from your Depository Participant.
- (16)** Keep Delivery Instruction Slips (DIS) book issued by Dps in safe possession.
- (17)** Ensure that the DIS numbers are preprinted and your account number (UCC) is mentioned in the DIS book.
- (18)** Freeze your Demat account in case of your absence for longer duration or in case of not using the account frequently.
- (19)** Pay required margins in time and only by Cheque and ask for receipt thereof from the Member.

**(20)** Deliver the commodities in case of sale or pay the money in case of purchase within the time prescribed.

**(21)** Understand and comply with accounting standards for derivatives.

**(22)** Ensure to read, understand and then sign the voluntary clauses, if any, agreed between you and the Member. Note that the clauses as agreed between you and the Member cannot be changed without your consent.

**(23)** Get a clear idea about all brokerage, commissions, fees and other charges levied by the Member on you for trading and the relevant provisions/ guidelines specified by FMC/ Commodity exchanges.

**(24)** Make the payments by account payee cheque in favour of the Member. Ensure that you have a documentary proof of your payment/deposit of commodities with the Member, stating date, commodity, quantity, towards which bank / demat account such money or commodities (in the form of warehouse receipts) deposited and from which bank/ demat account.

**(25)** In case you have given specific authorization for maintaining running account, payout of funds or delivery of commodities (as the case may be), may not be made to you within one working day from the receipt of payout from the Exchange. Thus, the Member shall maintain running account for you subject to the following conditions:

**(A)** Such authorization from you shall be dated, signed by you only and contains the clause that you may revoke the same at any time.

**(B)** You need to bring any dispute arising from the statement of account to the notice of the Member in writing preferably within 7 (seven) working days from the date of receipt of funds/commodities or statement, as the case may be. In case of dispute, refer the matter in writing to the Investors Grievance Cell of the relevant Commodity exchanges without delay.

**(C)** In case you have not opted for maintaining running account and pay-out is not received on the next working day of the receipt of payout from the exchanges, please refer the matter to the Member. In case there is dispute, ensure that you lodge a complaint in writing immediately with the Investors Grievance Cell of the relevant Commodity exchange.

**(D)** Please register your mobile number and email id with the Member, to receive trade confirmation alerts/ details of the transactions through SMS or email, by the end of the trading day, from the stock exchanges.

**(26)** You should familiarize yourself with the protection accorded to the money or other property you may deposit with your member, particularly in the event of a default in the commodity derivatives market or the member becomes insolvent or bankrupt.

**(27)** Please ensure that you have a documentary proof of having made the deposit of such money or property with the member, stating towards which account such money or property deposited.

**(28)** In case your issue/problem/grievance is not being sorted out by concerned Member/Authorised Person then you may take up the matter with the concerned Commodity exchange. If you are not satisfied with the resolution of your complaint then you can escalate the matter to FMC.

## Don'ts

**(01)** Do not deal with any unregistered intermediaries.

**(02)** Do not undertake off-market transactions as such transactions are illegal and fall outside the jurisdiction of the Exchange.

**(03)** Do not enter into assured returns arrangement with any Member.

**(04)** Do not get carried away by luring advertisements, rumours, hot tips, explicit/ implicit promise of returns, etc.

**(05)** Do not make payments in cash/ take any cash towards margins and settlement to/ from the Member.

**(06)** Do not start trading before reading and understanding the Risk Disclosure Agreement and entering into the prescribed agreement with the Member.

**(07)** Do not neglect to set out in writing, orders for higher value given over phone.

**(08)** Do not accept unsigned/duplicate contract note/ confirmation memo.

**(09)** Do not accept contract note/confirmation memo signed by any unauthorized person.

**(10)** Don't share your internet trading account's password with anyone.

**(11)** Do not delay payment/deliveries of commodities to Member.

**(12)** Do not forget to take note of risks involved in the investments.

**(13)** Do not sign blank Delivery Instruction Slips (DIS) while furnishing commodities deposits and/or keep them with Depository Participants (DP) or broker to save time.

**(14)** Do not pay brokerage in excess of that rates prescribed by the Exchange.

**(15)** Don't issue cheques in the name of Authorized Person.

## POLICIES AND PROCEDURES

### A. Setting up client's exposure limits

We have margin based RMS system. Total deposits of the clients are uploaded in the system and client may take exposure on the basis of margin applicable for respective commodity. The limit may be allowed on a multiplier basis to the available capital or a specified margin depending on market conditions. Client agrees that said limit parameters is a dynamic process that is allowed at the discretion of the broker based on market conditions and their risk perception about the market. However on exceptional situations broker may use its own discretion in providing the limits and may change for client for all depending on market conditions.

### B. Applicable brokerage rate: -

Brokerage will be charged within the limits prescribed by SEBI/Exchange.

### C. The right to sell client's commodity derivative positions, or close client positions without giving notice to the client, on account of non-payment of client's dues

Without prejudice to the stock brokers other right (Including the right to refer the matter to arbitration), the client understands that the member shall be entitled to liquidate /close out all or any of the clients position for non payment of margins or other accounts , outstanding debts and adjust the proceeds of such liquidation /close out. If any against the clients liabilities/obligations. Any and all losses and financial charges on account of such liquidation /closing out shall be charged to borne by the client.

### D. Shortages in obligations arising out of internal netting of trades

The close out policy for handling internal shortages in commodities is in line with the exchange policy.

### E. Conditions under which a client may not be allowed to take further position or the broker may close the existing position of a client.-

In case overall position in derivatives contracts has reached the regulators prescribed exchange limit /market wide open interest limit then client may not be allowed to take further position till such time Regulator prescribed limit comes down to create new position. Member may close the existing position of a client to the extent of Debit balance to release the margin from the exchange. Client may take exposure upto the amount of margin available with us. Client may not be allowed to take position in case of non-availability/shortage of margin as per our RMS policy of the company

### F. Temporarily suspending or closing a client's account at the client's request:-

On the request of the client in writing, the client account can be suspended temporarily and same can be activated on the written request of the client only. During the period client account is suspended, the market transaction in the client account will be prohibited. However client ledger balance settlement can take place. On the request of the client in writing, the client account can be closed provided the client account is settled. If the client wants to reopen the account in that case client has to again complete the KYC requirement.

**1. Deregistering a client :-** Notwithstanding anything to the contrary stated in the agreement, the broker shall be entitled to terminate the agreement with immediate effect in any of the following circumstances:

- I. If the action of the client are prima facie illegal / improper or such as to manipulate the price or disturb the normal/proper functioning of commodities or disturb the normal/proper functioning of the market, either alone or in conjunction with others.
- II. If there is any commencement of a legal process against the client under any law in force;
- III. On the death/lunacy or other disability of the Client;
- IV. If the client being a partnership firm, has any steps taken by the Client and/or its partners for dissolution of the partnership;
- V. If the Client suffers any adverse material change in his/her/its financial position or defaults in any other agreement with the Stock broker;
- VI. If there is reasonable apprehension that the Client is unable to pay its debts or the Client has admitted its inability to pay its debts, as they become payable;
- VII. If the Client is in breach of any term, condition or covenant of this Agreement;
- VIII. If the Client has made any material misrepresentation of facts, including (without limitation) in relation to the Commodity
- IX. If a receiver, administrator or liquidator has been appointed or allowed to be appointed of all or any part of the undertaking of the Client;
- X. If the Client have taken or suffered to be taken any action for its reorganization, liquidation or dissolution;
- XI. If the Client has voluntarily or compulsorily become the subject of proceedings under any bankruptcy or insolvency law or being a company, goes into liquidation or has a receiver
- XII. If any covenant or warranty of the Client is incorrect or untrue in any material respect;

### Client Acceptance of Policies and Procedures stated hereinabove:

I/We have fully understood the same and do hereby sign the same and agree not to call into question the validity, enforceability and applicability of any provision/clauses this document any circumstances what so ever. These Policies and Procedures may be amended / changed unilaterally by the broker, provided the change is informed to me / us with through any one or more means or methods. I/we agree never to challenge the same on any grounds including delayed receipt / non receipt or any other reasons Whatsoever.