

## **MCX Stock Exchange Limited**

Circular No.: MCX-SX/MEM/4/2008/

October 4, 2008

### **Circular for Client/Constituent Registration**

In terms of the provisions of the Rules, Bye-Laws and Regulations of the Exchange, Members of the Exchange are hereby notified that:

Members are advised to complete the following formalities relating to constituent registration before commencement of trading for constituent.

1. Obtain the Client/ Constituent registration documents duly signed as per the model formats attached herewith as **Annexure 1**:
  - a. Know Your Client form
  - b. Member Constituent Agreement
  - c. Risk Disclosure Document given

The said documents shall be preserved by the Members at their respective offices and make available for any inspection by the Exchange or SEBI

2. To allot Unique Client Code (UCC) for each constituent who has submitted the above mentioned documents and upload the said UCC details as per the procedure prescribed in the document annexed herewith as **Annexure 2**.
3. To issue contract notes to each of the constituents within 24 hour of the trade executed on behalf of such constituents as per the format annexed herewith as **Annexure 3**.
4. To obtain the confirmation or acknowledgement from the constituent of the receipt of the contract notes and preserve the same.

Further, the Members may take note that currently FIIs and NRIs are not permitted to trade in the Currency Derivatives Segment of the Exchange.

Members are advised to take note of the above and ensure the compliance of the same.

For and on behalf of  
**MCX Stock Exchange Limited**

Jayesh Shah  
Senior Vice President

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For any clarifications, contact Mr. Ayanansu Panda on 022-67319000 (8978) or send email at [customerservice@mex-sx.com](mailto:customerservice@mex-sx.com)

**Model Know Your Client form**

**CLIENT REGISTRATION FORM  
(Format for Individual)**

(This information is the sole property of the trading member and would not be disclosed to anyone unless required by law or except with the express permission of clients)

To

Trading Member's Name  
Address:  
Telephone No.:  
SEBI Registration No.

Clearing Member's Name  
Address:  
Telephone No.:  
SEBI Registration No.

**Client Information**

Photograph (Please Sign on the Photograph)



**1. Name of the client:** \_\_\_\_\_  
(Surname) (Name) (Middle Name)

**2. Permanent Account Number (PAN)** :

**3. Sex** : Male / Female

**4. Date of Birth** : dd/mm/yyyy

**5. Marital Status** :

**6. Residence Address** : \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

City: \_\_\_\_\_

Pin Code: \_\_\_\_\_

State: \_\_\_\_\_

Country: \_\_\_\_\_

Nationality: \_\_\_\_\_

Telephone Number: (Res) \_\_\_\_\_

Fax No: \_\_\_\_\_

Residential Status: Resident

### **7. Bank and Depository Account Details**

Bank Name (through which transactions will generally be routed):

\_\_\_\_\_

Branch: \_\_\_\_\_

Address: \_\_\_\_\_

Account No: \_\_\_\_\_

Account Type: Savings / Current / Others:

\_\_\_\_\_

*(Copy of a cancelled Cheque leaf / pass book / bank statement containing name of the constituent should be submitted.)*

Depository Participant Name (through which securities will generally be routed.)

Address: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

BO Account Number: \_\_\_\_\_

### **8. Occupation Details**

Occupation: Employed / Self Employed / Business Professional / House-  
Wife / Others

*(Tick whichever is applicable)*

### **9. If Employed**

Name of Employer: \_\_\_\_\_

Office Address: \_\_\_\_\_

City: \_\_\_\_\_  
Pin Code: \_\_\_\_\_  
State: \_\_\_\_\_  
Country: \_\_\_\_\_  
Telephone Number (Office) \_\_\_\_\_  
Fax No / Telex No: \_\_\_\_\_

**10. If Self Employed / Business / Professional/Others**

Name of the establishment:

Office Address: \_\_\_\_\_

\_\_\_\_\_

City: \_\_\_\_\_

Pin Code: \_\_\_\_\_

State: \_\_\_\_\_

Country: \_\_\_\_\_

Telephone Number (Office) \_\_\_\_\_

Fax No / Telex No: \_\_\_\_\_

**11. Financial details of the constituent:**

Income Range (Per Annum): (Tick where applicable)

- A. Below Rs. 1,00,000
- B. Rs. 1,00,000 To Rs. 5,00,000
- C. Rs. 5,00,000 To Rs. 10,00,000
- D. Rs. 10,00,000 To Rs. 25,00,000
- E. Above Rs.25,00,000

**12. Investment/Trading Experience**

- a. No Prior Experience
- b. \_\_\_ Years in Stocks
- c. \_\_\_ Years in Derivatives
- d. \_\_\_ Years in Other investment related fields

**13. Trading Preference**

A. Exchanges on which you wish to trade (if the member is registered for such Exchanges):

- 1.
- 2.
- 3.

B. Market segments you wish to trade (if the member is registered for such segment):

1. Capital Market Segment
2. F & O Segment
3. Debt Market Segment
4. Currency Derivatives Segment

**14. Whether registered with any other broker-member:** (if registered with multiple members, provide details of all)

Name of Broker: \_\_\_\_\_

Name of the Exchange: \_\_\_\_\_

Client code no. (as given by the other broker): \_\_\_\_\_

**15. Details of any action taken by SEBI/Stock Exchange/any other authority for violation of securities laws/other economic offences.**

**16. References**

Introduction: Introduced by another constituent / director or employee of trading member / any other person (please specify)

Name of the Introducer: \_\_\_\_\_  
(Surname) (Name) (Middle name)

Signature \_\_\_\_\_

PAN of introducer, if any: \_\_\_\_\_

Name and designation of the employee who interviewed the client:

Name: \_\_\_\_\_

Designation: \_\_\_\_\_

Signature of the employee: \_\_\_\_\_

### **17. Declaration**

I hereby declare that the details furnished above are true and correct to the best of my knowledge and belief and I undertake to inform you of any changes therein immediately. In case any of the above information is found to be false or untrue or misleading or misrepresenting I am aware that I may be held liable for it.

\_\_\_\_\_

(Signature of the individual constituent)

Place: \_\_\_\_\_

Date: \_\_\_\_\_

### **DOCUMENTARY REQUIREMENTS**

Copies of the following documents may be obtained after due verification with the originals thereof

#### **For Proof of Identity (any one of the following)**

PAN / Passport / Voter ID / Driving license / Photo Identity card issued by Employer registered under MAPIN

#### **For Proof of Address (any one of the following):**

Passport / Voter ID / Driving license / Bank Passbook / Rent Agreement / Ration Card / Flat Maintenance Bill / Telephone Bill / Electricity Bill / Certificate issued by employer registered under MAPIN / Insurance Policy

#### **For Office Purposes:**

Unique Client Code : \_\_\_\_\_

(To Be Inserted By The Brokerage Firm)

Original documents

Verified By \_\_\_\_\_ Authorised By : \_\_\_\_\_ Date : \_\_\_\_\_



**CLIENT REGISTRATION FORM**  
(Format for corporate, Firm and others)

(This information is the sole property of the trading member / brokerage house and would not be disclosed to anyone unless required by law or in case of express permission of clients)

To

Trading Member's Name  
Address:

Clearing Member's Name  
Address:

Telephone No.:  
SEBI Registration No.

Telephone No.:  
SEBI Registration No.

**1. Name of the company / firm**

**2. Constitution**

**3. Registered Office address**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

City: \_\_\_\_\_

Pin Code: \_\_\_\_\_

State: \_\_\_\_\_

Phone number(s) \_\_\_\_\_

Fax number(s) \_\_\_\_\_

**4. Address for correspondence**

\_\_\_\_\_  
\_\_\_\_\_

City: \_\_\_\_\_

Pin Code: \_\_\_\_\_

State: \_\_\_\_\_

Phone number(s) \_\_\_\_\_

Fax number(s) \_\_\_\_\_

**5. Date of incorporation / formation:** \_\_\_\_\_

**6. Date of commencement of business:** \_\_\_\_\_

**7. Nature of Business:** \_\_\_\_\_

**8. Registration number (with ROC, SEBI or any government authority)**

**9. Details of PAN:**

**10. Names of Promoters / Partners / Karta and residential address**

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_

**11. Names of whole time directors and residential address**

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_

**12. Names and Designation of persons authorized to deal in currency derivatives on behalf of the company / firm / others and their residential address**

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_

**13. Details of any action taken by SEBI/Stock Exchange/any other authority against the constituent or its partners / promoters / whole time directors / authorized persons in charge of dealing in securities / derivatives for violation of securities laws / other economic offences.**

**14. Bank and Depository Account Details**

Bank Name (through which transactions will generally be routed. )

Branch: \_\_\_\_\_

Address: \_\_\_\_\_

Account No: \_\_\_\_\_

Account Type: \_\_\_\_\_

*(Copy of a cancelled Cheque leaf / pass book / bank statement containing name of the constituent should be submitted.)*

**15. Depository Participant Name** (through which securities will be routed)

Address: \_\_\_\_\_

B.O Account Number: \_\_\_\_\_

**16. Investment/Trading Experience**

1. No Prior Experience
2. \_\_\_ Years in Stocks
3. \_\_\_ Years in Derivatives
4. \_\_\_ Years in Other investment related fields

**17. Trading Preference:**

A. Exchanges on which you wish to trade *(if the member is registered for such Exchanges):*

- 1.
- 2.
- 3.

B. Market segments you wish to trade (if the member is registered for such segment):

1. Capital Market Segment
2. F & O Segment
3. Debt Market Segment
4. Currency Derivatives Segment

**18. Whether registered with any other broker-member:** (if registered with multiple members, provide details of all)

Name of Broker: \_\_\_\_\_

Name of the Exchange: \_\_\_\_\_

Client code no. (as given by the other broker): \_\_\_\_\_

### **19. References**

Introduction: Introduced by another constituent / director or employee of trading member / any other person (please specify)

Name of the Introducer: \_\_\_\_\_

(Surname) (Name) (Middle name)

Signature \_\_\_\_\_

PAN of introducer, if any: \_\_\_\_\_

Name and designation of the employee who interviewed the client:

\_\_\_\_\_

(Name)

\_\_\_\_\_

(Designation)

Signature of the employee: \_\_\_\_\_

### **20. Declaration**

I / We hereby declare that the details furnished above are true and correct to the best of my / our knowledge and belief and I / We undertake to inform you of any changes therein immediately. In case any of the

above information is found to be false or untrue or misleading or misrepresenting I am / We are aware that I / We may be held liable for it.

Authorised Signatory (with company seal)

Name:

Place:

Date:

## **DOCUMENTARY REQUIREMENTS**

Copies of the following documents may be obtained after due verification with the originals thereof

1. Copies of the balance sheet for the last 2 financial years (copies of annual balance sheet to be submitted every year)
2. Copy of latest share holding pattern including list of all those holding more than 5% in the share capital of the company, duly certified by the company secretary / Whole –time director / MD. (copy of updated shareholding pattern to be submitted every year)
3. Copies of the Memorandum and Articles of Association in case of a company / body incorporate / partnership deed in case of a partnership firm
4. Copy of the Resolution of board of directors approving participation in currency derivatives and naming authorized persons for dealing in currency derivatives.
5. Photographs of Partners / Whole time directors, individual promoters holding 5% or more, either directly or indirectly, in the shareholding of the company and of persons authorized to deal in currency derivatives.

### **For Office Purposes:**

Unique Client Code: \_\_\_\_\_

(To Be Inserted By the Brokerage Firm)

Original documents

Verified By \_\_\_\_\_ Authorised By: \_\_\_\_\_ Date : \_\_\_\_\_

**MODEL MEMBER CONSTITUENT AGREEMENT BETWEEN TRADING  
MEMBER AND CLIENT**

This agreement is made and executed at ..... this ..... day of .....  
20\_\_.

Between:

Mr./Ms/M/s. \_\_\_\_\_, an individual / a sole  
proprietary concern / a partnership firm / a body corporate, registered /  
incorporated under the provisions of the Indian Partnership Act, 1932 /  
the Companies Act, 1956, being a member of the **MCX Stock Exchange  
Ltd.** (hereinafter called "the Exchange"), and having his / her / its  
registered office at .....

.....  
(hereinafter called "the trading member") which expression shall, unless  
repugnant to the context or meaning thereof, be deemed to mean and  
include himself in the capacity of a trading member while trading in the  
Currency Derivatives Segment, his/her heirs, executors, administrators  
and legal representatives/the partners for the time being of the said firm,  
the survivor or survivors of them and their respective heirs, executors,  
administrators and legal representatives/its successors, as the case may  
be, of the One Part;

**And**

Mr./Ms/M/s.....  
....., an individual/ a sole proprietary concern/a partnership firm/a body  
corporate, registered/incorporated, under the provisions of the Indian  
Partnership Act, 1932/the Companies Act, 1956, having his/her/its  
residence/ registered office at .....

.....  
(hereinafter called "the client") which expression shall, unless repugnant  
to the context or meaning thereof, be deemed to mean and include  
his/her heirs, executors, administrators and legal representatives/the  
partners for the time being of the said firm, the survivor or survivors of  
them and their respective heirs, executors, administrators and legal  
representatives/its successors, as the case may be, of the Other Part;

Whereas the trading member is registered as the trading member of the  
Exchange with SEBI registration number \_\_\_\_\_ in the  
Currency Derivatives Segment.

- A. Whereas the client is desirous of investing/trading in those  
securities / contracts / other instruments admitted to dealings  
on the Exchange as defined in the Rules, Byelaws and

Regulations of the Exchange and circulars issued there under from time to time.

- B. Whereas the client has satisfied itself of the capacity of the trading member to deal in securities and / or deal in equity / currency derivatives contracts and wishes to execute its orders through the trading member and the client shall from time to time continue to satisfy itself of such capability of the trading member before executing orders through the trading member.
- C. Whereas the trading member has satisfied and shall continuously satisfy itself about the genuineness and financial soundness of the client and investment / trading objectives relevant to the services to be provided; and
- D. Whereas the trading member has taken steps and shall take steps to make the client aware of the precise nature of the trading member's liability for business to be conducted, including any limitations, the liability and the capacity in which the trading member acts.
- E. Whereas the trading member and the client agree to be bound by all the Rules, Byelaws and Regulations of the Exchange and circulars issued there under and Rules and Regulations of SEBI and relevant notifications of Government authorities as may be in force from time to time.

**Now, therefore, in consideration of the mutual understanding as set forth in this agreement, the parties thereto have agreed to the following terms and conditions:**

1. The client agrees to immediately notify the trading member in writing if there is any change in the information in the 'client registration form' provided by the client to the trading member at the time of opening of the account or at any time thereafter.
2. The trading member declares that it has brought the contents of the risk disclosure document to the notice of client and made him aware of the significance of the said document. The client agrees that:
  - a. He has read and understood the risks involved in trading on the Exchange.
  - b. He shall be wholly responsible for all his decisions and trades.
  - c. The failure of the client to understand the risks involved shall not render a contract as void or voidable and the client shall

be and shall continue to be responsible for all the risks and consequences for entering into trades in the segment

- d. He is liable to pay applicable initial margins, withholding margins, special margins or such other margins as are considered necessary by the trading member or the Exchange or as may be directed by SEBI from time to time as applicable to the segment. The trading 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 SEBI) and the client shall be obliged to pay such margins within the stipulated time.
  - e. 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 closing of its trade, be obliged to pay (or entitled to receive) such further sums as the contract may dictate / require.
3. The Client agrees to pay to the trading 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 trading member renders to the Client.
  4. The trading member agrees that it shall not charge brokerage more than the maximum brokerage permissible as per the rules, regulations and bye -laws of the Exchange / SEBI.
  5. The client agrees to abide by the exposure limits, if any, set by the trading member or by the Exchange or Clearing House/Clearing Corporation or SEBI from time to time.
  6. Without prejudice to the trading member's other rights (including the right to refer a matter to arbitration), the trading 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.
  7. The trading member agrees that the money / securities 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 trading member for himself / itself or for any other client or



for any purpose other than the purposes mentioned in SEBI Rules and Regulations circulars / guidelines / the Exchange's Rules / Regulations / Byelaws and circulars.

8. The client agrees to immediately furnish information to the trading member in writing , if any winding up petition or insolvency petition has been filed or any winding up or insolvency order or decree or award is passed against him or if any litigation which may have material bearing on his capacity has been filed against him.
9. The trading member agrees to 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 Exchange.
10. In the event of death or insolvency of the client or his / its otherwise becoming incapable of receiving and paying for any contracts which the client has ordered to be bought or sold, or of delivering or transferring securities, the trading member may close out the transaction of the client and claim losses, if any, against the estate of the client. The client or his successors, heirs and assigns shall be entitled to any surplus which may result there from.
11. The client and the trading member agree to refer any claims and / or disputes to arbitration as per the Rules, Byelaws and Regulations of the Exchange and circulars issued there under as may be in force from time to time.
12. The trading member hereby agrees that he shall ensure faster settlement of any arbitration proceedings arising out of the transactions entered into between him and the client and that he shall be liable to implement the arbitration awards made in such proceedings.
13. Information about default in payment / delivery and related aspects by a client shall be brought to the notice of the Exchange(s). In case where defaulting client is a corporate entity / partnership / proprietary firm or any other artificial legal entity, then the name(s) of director(s) / promoter(s) / Partner(s) / proprietor as the case may be, shall also be communicated to the Exchange(s).
14. The trading member and the client agree to reconcile their accounts at the end of each quarter with reference to all the settlements where payouts have been declared during the quarter.

15. The trading member and the client agree to abide by any award passed by the Ombudsman under the SEBI (Ombudsman) Regulations, 2003.
16. The trading member and the client declare and agree that the transactions executed on the Exchange are subject to Rules, Byelaws and Regulations and circulars issued there under of the Exchange and all parties to such trade shall have submitted to the jurisdiction of such court as may be specified by the Byelaws and Regulations of the Exchange for the purpose of giving effect to the provisions of the Rules, Byelaws and Regulations of the Exchange and the circulars issued there under.
17. The instructions issued by an authorized representative, if any, of the client shall be binding on the client in accordance with the letter authorizing the said representative to deal on behalf of the said client.
18. Where the Exchange cancels trade(s) suo moto all such trades including the trade/s done on behalf of the client shall ipso facto stand cancelled.
19. This agreement shall forthwith terminate; if the trading member for any reason ceases to be a member of the Exchange including cessation of membership by reason of the trading member's default, death, resignation or expulsion or if the certificate issued by the Board is cancelled.
20. The trading member and the client shall be entitled to terminate this agreement 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 agreement 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.
21. In addition to the specific rights set out in this Agreement, the trading member and the client shall be entitled to exercise any other rights which the trading member or the client may have under the Rules, Bye-laws and Regulations of the Exchange and circulars issued there under or Rules and Regulations of SEBI.
22. Words and expressions which are used in this Agreement, 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 of the Exchange and circulars issued there under.

23. The provisions of this agreement shall always be subject to Government notifications, any rules, regulations, guidelines and circulars issued by SEBI and Rules, Regulations and Bye laws of the Exchange that may be in force from time to time.
24. The trading member hereby undertakes to maintain the details of the client as mentioned in the client registration form or any other information pertaining to the client in confidence and that it shall not disclose the same to any person / authority except as required under any law / regulatory requirements; Provided however that the trading member may so disclose information about its his client to any person or authority with the express permission of the client.

This agreement can be altered, amended and /or modified by the parties mutually in writing without derogating from the contents of this Agreement.

Provided however, if the rights and obligations of the parties hereto are altered by virtue of change in Rules and regulations of SEBI or Bye-laws, Rules and Regulations of the Exchange, such changes shall be deemed to have been incorporated herein in modification of the rights and obligations of the parties mentioned in this agreement.

IN WITNESS THEREOF the parties to the Agreement have caused these presents to be executed as of the day and year first above written.

Client's Signature / Authorised Signatory      Trading Member's Signature /  
Authorised Signatory:

Signed by:

Signed by:

Title:

Title:

Name of the client:  
member:

Name of the trading  
member:

Witness:

Witness:

1.

1.

2.

2.

**Note:** All references to the specific quantity/rate/fee mentioned in this agreement are subject to change from time to time, as so agreed to in writing between the parties.

## **Model Risk Disclosure Document**

### **RISK DISCLOSURE DOCUMENT FOR CURRENCY DERIVATIVES SEGMENT (TO BE GIVEN BY THE TRADING MEMBER TO THE CLIENT)**

This document is issued by the member of the MCX Stock Exchange Ltd., (herein after referred to as 'MCX-SX' or 'the Exchange') which has been formulated by MCX-SX in coordination with the Securities and Exchange Board of India (hereinafter referred to as "SEBI") and contains important information on trading in Currency Derivatives Segment of MCX-SX. All prospective constituents should read this document before trading in Currency Derivatives Segment of the Exchange.

MCX-SX/ SEBI does neither singly or jointly and expressly nor impliedly guarantee nor make any representation concerning the completeness, the adequacy or accuracy of this disclosure document nor has MCX-SX/SEBI endorsed or passed any merits of participating in the segment. This brief statement does not disclose all the risks and other significant aspects of trading.

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 trading in currency derivatives or other instruments traded on the Exchange, 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 MCX-SX and suffer adverse consequences or loss, you shall be solely responsible for the same and MCX-SX, its Clearing House/Clearing Corporation and/or SEBI shall not be responsible, in any manner whatsoever, for the same and it will not be open for you to take a 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 constituent 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 currency derivative contract being traded on MCX-SX.

It must be clearly understood by you that your dealings on MCX-SX through a member shall be subject to your fulfilling certain formalities set out by the member, which may inter alia include your filling the know your client form, client registration form, execution of an agreement, etc., and are subject to the Rules, Byelaws and Regulations of MCX-SX and its Clearing House/Clearing Corporation, guidelines prescribed by SEBI and in force from time to time and Circulars as may be issued by MCX-SX or its Clearing House/ Clearing Corporation and in force from time to time.

MCX-SX 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 trading member of MCX-SX and/or any third party based on any information contained in this document. Any information contained in this document must not be construed as business 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 or authorize someone to trade for you, you should be aware of or must get acquainted with the following:-

## **1. BASIC RISKS**

### **1.1 Risk of Higher Volatility:**

Volatility refers to the dynamic changes in price that a currency derivatives contract undergoes when trading activity continues on the Exchange. Generally, higher the volatility of a contract, greater is its price swings. There may be normally greater volatility in thinly traded currency derivatives contracts than in active 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 notional or real losses.

### **1.2 Risk of Lower Liquidity:**

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

**1.2.1** Buying/selling currency derivatives contracts as part of a day trading strategy may also result into losses, because in such a situation, contracts may have to be sold/purchased at a low/high prices, compared to the expected price levels, so as not to have any open position.

### **1.3 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 security and immediately selling it or vice versa. Lower liquidity and higher volatility may result in wider than normal spreads for less liquid or illiquid currency derivatives contracts. This in turn will hamper better price formation.

### **1.4 Risk-reducing orders:**

The placing of 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.

**1.4.1** A "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 currency derivatives contract.

**1.4.2** A "limit" order will be executed only at the "limit" price specified for the order or a better price. However, while the customer receives price protection, there is a possibility that the order may not be executed at all.

**1.4.3** A stop loss order is generally placed "away" from the current price of a currency 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 currency derivatives contract reaches the 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 currency derivatives 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.

### **1.5 Risk of News Announcements:**

News announcements that may impact the price of currency derivatives contract 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 contract.

### **1.6 Risk of Rumours:**

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

### **1.7 System Risk:**

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.

**1.7.1** 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 order execution and its confirmations.

**1.7.2** 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 security due to any action on account of unusual trading activity or currency derivatives contract hitting circuit filters or for any other reason.

### **1.8 System/Network Congestion:**

Trading on MCX-SX is in electronic mode, based on satellite/leased line based 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 control 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.

## **2. ADDITIONAL FEATURES**

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

In the derivatives market, the amount of margin is small relative to the value of the derivatives contract so the transactions are 'leveraged' or

'geared'. Derivatives trading, which is conducted with a relatively small amount of margin, provides the possibility of great profit or loss in comparison with the margin amount. But transactions in derivatives carry a high degree of risk.

You should therefore completely understand the following statements before actually trading in derivatives and also trade with caution while taking into account one's circumstances, financial resources, etc. If the prices move against you, you may lose a part of or whole margin amount in a relatively short period of time. Moreover, the loss may exceed the original margin amount.

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

B. If you fail to deposit the additional amount by the deadline or if an outstanding debt occurs in your account, the broker/member may liquidate a part of or the whole position or substitute securities. In this case, you will be liable for any losses incurred due to such close-outs.

C. Under certain market conditions, an investor may find it difficult or impossible to execute 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.

D. In order to maintain market stability, the following steps may be adopted: changes in the margin rate or others. These new measures may also be applied to the existing open interests. In such conditions, you will be required to put up additional margins or reduce your positions.

E. You must ask your broker to provide the full details of the currency derivatives contracts you plan to trade i.e. the contract specifications and the associated obligations.

## **2.2 Currency specific risks**

1. The profit or loss in transactions in foreign currency-denominated contracts, whether they are traded in your own or another jurisdiction, will be affected by fluctuations in currency rates where there is a need to convert from the currency denomination of the contract to another currency.

2. Under certain market conditions, you may find it difficult or impossible to liquidate a position. This can occur, for example when a currency is deregulated or fixed trading bands are widened.



3. Currency prices are highly volatile. Price movements for currencies are influenced by, among other things: changing supply-demand relationships; trade, fiscal, monetary, exchange control programs and policies of governments; foreign political and economic events and policies; changes in national and international interest rates and inflation; currency devaluation; and sentiment of

the market place. None of these factors can be controlled by any individual advisor and no assurance can be given that an advisor's advice will result in profitable trades for a participating customer or that a customer will not incur losses from such events.

### **3. GENERAL**

#### **3.1 Commission and other charges**

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

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

You should familiarise yourself with the protections accorded to the money or other property you deposit particularly in the event of a firm insolvency or bankruptcy. 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, the same shall be subject to arbitration as per the byelaws/regulations of the Exchange.

**3.3** For rights and obligations of the clients, please refer to Annexure-1 enclosed with this document.

**3.4** The term 'constituent' shall mean and include a client, a customer or an investor, who deals with a member for the purpose of acquiring and/or selling of currency derivatives contracts through the mechanism provided by MCX-SX.

**3.5** The term 'member' shall mean and include a trading member, a broker or a stock broker, who has been admitted as such by MCX-SX and who holds a registration certificate from SEBI.

I hereby acknowledge that I have received and understood this risk disclosure statement and Annexure-1 containing my rights and obligations.

Customer Signature (If Partner, Corporate, or other Signatory, then attest with company seal)

Date:

## **ANNEXURE-1**

### **INVESTORS' RIGHTS AND OBLIGATIONS:**

**1.1** 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 Currency Derivatives market or the broking firm's insolvency or bankruptcy.

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

**1.1.2** Further, it may be noted that the extent to which you may recover such money or property may be governed by the Bye-laws and Regulations of MCX-SX and the scheme of the Investors' Protection Fund in force from time to time.

**1.1.3** Any dispute with the member with respect to deposits, margin money, etc., and producing an appropriate proof thereof, shall be subject to arbitration as per the Rules, Byelaws/Regulations of MCX-SX or its Clearing Corporation.

**1.2** Before you begin to trade, you should obtain a clear idea from your member of all brokerage, commissions, fees and other charges which will be levied on you for trading. These charges will affect your net cash inflow or outflow.

**1.3** You should exercise due diligence and comply with the following requirements of the MCX-SX and/or SEBI:

**1.3.1** Please deal only with and through SEBI registered members of the Stock Exchange and are enabled to trade on the Currency Derivatives Segment of the Exchange. All SEBI registered members are given a registration no., which may be verified from SEBI. The details of all members of MCX-SX and whether they are enabled to trade may be verified from MCX-SX website ([www.mcx-sx.com](http://www.mcx-sx.com)).

**1.3.2** Demand any such information, details and documents from the member, for the purpose of verification, as you may find it necessary to satisfy yourself about his credentials.

**1.3.3** Furnish all such details in full as are required by the member as required in "Know Your Client" form, which may also include details of PAN or Passport or Driving License or Voters Id, or Ration Card, bank

account and depository account, or any such details made mandatory by MCX-SX/ SEBI at any time, as is available with the investor.

**1.3.4** Execute a broker-client agreement in the form prescribed by SEBI and/or the Relevant Authority of MCX-SX or its Clearing Corporation from time to time, because this may be useful as a proof of your dealing arrangements with the member.

**1.3.5** Give any order for buy or sell of a currency derivatives contract in writing or in such form or manner, as may be mutually agreed. Giving instructions in writing ensures that you have proof of your intent, in case of disputes with the member.

**1.3.6** Ensure that a contract note is issued to you by the member which contains minute records of every transaction. Verify that the contract note contains details of order number, trade number, trade time, trade price, trade quantity, details of the currency derivatives contract, client code allotted to you and showing the brokerage separately. Contract notes are required to be given/sent by the member to the investors latest on the next working day of the trade. Contract note can be issued by the member either in electronic form using digital signature as required, or in hard copy. In case you do not receive a contract note on the next working day or at a mutually agreed time, please get in touch with the Investors Grievance Cell of MCX-SX, without delaying.

**1.3.7** Facility of Trade Verification is available on MCX-SX website ([www.mcx-sx.com](http://www.mcx-sx.com)), where details of trade as mentioned in the contract note may be verified from the trade date upto five trading days. Where trade details on the website, do not tally with the details mentioned in the contract note, immediately get in touch with the Investors Grievance Cell of MCX-SX.

**1.3.8** Ensure that payment of funds against settlement is given to the concerned member within one working day prior to the date of pay-in announced by MCX-SX or its Clearing House/ Clearing Corporation. Payments should be made only by account payee cheque in favour of the firm/company of the trading member and a receipt or acknowledgement towards what such payment is made be obtained from the member.

**1.3.9** In case pay-out of funds is not received on the next working day after date of pay-out announced by MCX-SX or its Clearing House/Clearing Corporation, please follow-up with the concerned member for its receipt. In case pay-out is not received as above from the member within five working days, ensure that you lodge a complaint immediately with the Investors' Grievance Cell of MCX-SX.

**1.3.10** Every member is required to send a complete 'Statement of Accounts', for both settlements and margins, to each of its constituents, at such periodicity as may be prescribed from time to time. You should

report errors, if any, in the Statement immediately, but not later than 30 calendar days of receipt thereof, to the member. In case the error is not rectified or there is a dispute, ensure that you refer such matter to the Investors Grievance Cell of MCX-SX, without delaying.

**1.3.11** In case of a complaint against a member, you should address the complaint to the Office as may be specified by MCX-SX from time to time.

**1.4** In case where a member surrenders his membership, MCX-SX gives a public notice inviting claims, if any, from investors. In case of a claim, relating to "transactions executed on the trading system" of MCX-SX, ensure that you lodge a claim with MCX-SX /Clearing Corporation within the stipulated period and with the supporting documents.

**1.5** In case where a member is expelled from trading membership or declared a defaulter, MCX-SX gives a public notice inviting claims, if any, from investors. In case of a claim, relating to "transactions executed on the trading system" of MCX-SX, ensure that you lodge a claim with MCX-SX within the stipulated period and with the supporting documents.

**1.6** Claims against a defaulter/expelled member found to be valid as prescribed in the relevant Rules/Bye -laws and the scheme under the Investors' Protection Fund (IPF) may be payable as prescribed by SEBI.

**Notes:**

1. The term 'constituent' shall mean and include a client, a customer or an investor, who deals with a trading member of MCX-SX for the purpose of buying and / or selling of currency derivatives contract through the mechanism provided by MCX-SX.
2. The term 'member' shall mean and include a trading member or a broker or a stock broker, who has been admitted as such by MCX-SX and who holds a registration certificate from SEBI.
3. The term 'contract' refers to currency derivatives contract and the term 'underlying' refers to the underlying currency of such currency derivatives contracts.

## ANNEXURE 2

### **The features of the Client Code (UCC) software:**

1. Login ID – by default a member shall login with their member ID
2. Default password - admin1, later on it can be changed as per the user preference (Password should always be of alphanumerical characters).
3. Member has a facility to reset the password at his end.
4. The records of the clients can be added, query, modified and deleted. Records of the clients can be deleted before it is exported to the FTP (Extranet) server. Once the data is exported no records can be deleted.
5. Files can be exported to the FTP (Extranet) server in two ways;
  - a) Incremental: The newly added client details are only exported.
  - b) Full file: The complete file contents unlike the incremental type are exported at a time.(Details of the clients exported are to be kept in the download folder and the response file provided by the Exchange will be made available in upload folder)
6. List of error codes with error descriptions is made available in help file.
7. Files which are to be kept in the UCC/Download folder must be in sequence, otherwise the details would be rejected by the Exchange server.

### **Members can download the new UCC (version 1.0) exe file from FTP (Extranet) server**

- A) Log op to FTP Server
- B) Download the UCC set up from Common\Setup\UCCSetup as given below
- C) Download **UCCCLIENT.EXE**
- D) Download **UCCHelp.chm**

### **Step I Installing UCC Client Application (UCCCLIENT.EXE)**

After downloading **double click** on **UCCCLIENT.EXE**

Member UCC Setup window will pop up. Click on **Install** to start the installation  
Confirm File replace window will pop up. Click on **Yes** tab to continue installation.  
Click on **Yes** to restart machine.

### **Step II Coping Help File**

Copy UCCHelp.chm file to deaefault application path **C:\UCC** folder

Start the application from Start --> Programs --> Member UCC --> **MemberUCC**

The files can be placed in the extranet server from 12:00 midnight and 09:00 a.m. between Monday to Friday and 2.30 pm onwards on Saturday till Monday 9:00 am for Leased Line / VSAT Users and throughout the days for Internet Users. Members are advised not to transfer the file outside the prescribed hours on the respective days as it may affect their connectivity to other systems. Files which are kept in respective Members UCC/Download folder will be imported by the Exchange after 12:00 midnight and the Response file will be given to the members subsequently after importing the details.

**CONTRACT NOTE**  
**(Currency Derivatives Segment of MCX Stock Exchange Limited)**  
(Regulation 3.6)

Dealing Office Address of the Trading Member  
Tel. No.  
Fax. No.  
Names of authorised signatories

Name of the Trading Member  
Address of the Trading Member  
SEBI Regn. No. of the Trading Member  
Trading Member Code No.

To  
Name of the Constituent  
Address of the Constituent  
Unique Client Code No.  
Trading Code No. of the Constituent  
PAN of Constituent

CONTRACT NOTE NO.

TRADE DATE

Sir/ Madam,

I / We have this day done by your order and on your account the following transactions:

Order No.	Order Time	Trade No.	Trade Time	Contract Description	Quantity	Buy / Sell	Gross Rate per contract (Rs)	Total (Rs)	Brokerage * (Total) (Rs)	Service Tax * (Total) (Rs)	Total (inclusive / net of brokerage & service tax) (Rs)

\* **OTHER STATUTORY LEVIES (as applicable)**

NET AMOUNT DUE TO US/ YOU – Rs. \_\_\_\_\_ (in words)

\* **Alternatively, these details may be furnished separately as annexure to the Contract Note.**

Brokerage has been charged as stated and has been at rates not exceeding the official scale of brokerage and indicated separately.

This contract is subject to the Rules, Bye-laws and Regulations and usages of the MCX Stock Exchange Limited.

In the matters where the Exchange is a party to the dispute, the Civil Courts at Mumbai shall have exclusive jurisdiction and in all other matters, proper courts within the area covered under the Regional Arbitration Centre shall have jurisdiction in respect of the arbitration proceedings falling under or conducted in that Regional Arbitration Centre.

This contract constitutes and shall be deemed to constitute as provided overleaf an agreement between you and me/us, and in the event of any claim (whether admitted or not), difference or dispute in respect of any dealings, and contracts of a date prior or subsequent to the date of this contract (including any question whether such dealings, transactions or contracts have been entered into or not) shall be referred to arbitration as provided in the Rules, Bye-laws and Regulations of the MCX Stock Exchange Limited.

**The provisions printed overleaf form part of the contract.**

**Yours faithfully,**

Date :

Place:

For \_\_\_\_\_ (Name of Trading Member)

Name & Signature of Partner / Proprietor / Authorised Signatory

P.T.O.

## EXTRACTS FROM THE BYELAWS & REGULATIONS PERTAINING TO ARBITRATION

- (1) All claims, differences or disputes between the Trading Members *inter se* and between Trading Members and Constituents arising out of or in relation to dealings, contracts and transactions made subject to the Bye-Laws, Rules and Regulations of the Exchange or with reference to anything incidental thereto or in pursuance thereof or relating to their validity, construction, interpretation, fulfillment or the rights, obligations and liabilities of the parties thereto and including any question of whether such dealings, transactions and contracts have been entered into or not shall be submitted to arbitration in accordance with the provisions of these Byelaws and Regulations.
- (2) In all dealings, contracts and transactions, which are made or deemed to be made subject to the Byelaws, Rules and Regulations of the Exchange, the provisions relating to arbitration as provided in these Byelaws and Regulations shall form and shall be deemed to form part of the dealings, contracts and transactions and the parties shall be deemed to have entered into an arbitration agreement in writing by which all claims, differences or disputes of the nature referred to in clause (1) above shall be submitted to arbitration as per the provisions of these Byelaws and Regulations.
- (3) All claims, differences or disputes referred to in clause (1) above shall be submitted to arbitration within six months from the date on which the claim, difference or dispute arose or shall be deemed to have arisen. The time taken in conciliation proceedings, if any, initiated and conducted as per the provisions of the Act and the time taken by the Relevant Authority to administratively resolve the claim, differences or disputes shall be excluded for the purpose of determining the period of six months.
- (4) Save as otherwise specified by the Relevant Authority, the seat of arbitration for different regions shall be as follows:

Seats of Arbitration – REGIONAL ARBITRATION CENTRES (RAC)	STATES & UNION TERRITORIES COVERED BY THE RAC
<b>DELHI</b>	Delhi, Haryana, Uttar Pradesh, Uttaranchal, Himachal Pradesh, Punjab, Jammu & Kashmir, Chandigarh, Rajasthan
<b>KOLKATA</b>	West Bengal, Bihar, Jharkhand, Orissa, Assam, Arunachal Pradesh, Mizoram, Manipur, Sikkim, Meghalaya, Nagaland, Tripura, Chattisgarh,
<b>CHENNAI</b>	Andhra Pradesh, Karnataka, Kerala, Tamil Nadu, Andaman & Nicobar, Lakshadweep, Pondicherry
<b>MUMBAI</b>	Maharashtra, Gujarat, Goa, Daman & Diu, Dadra & Nagar Haveli, Madhya Pradesh

- (5) Save as otherwise specified by the Relevant Authority, the criteria for selection of seat of arbitration for a particular matter is as follows:

Parties Dispute	to	Place of filing the Application for Arbitration	Place of hearing
<b>TM* V/s TM</b>		a) If the dealing offices of both Trading Members from where the dealing was carried is situated in any one of the states covered by a particular RAC then the Application for Arbitration shall be filed by the Applicant-Trading Member in that RAC. b) If the dealing offices of both Trading Members from where the dealing was carried out are situated in states covered by different RAC then the Application for Arbitration shall be filed in the RAC covering the state in which the Respondent –Trading Member’s dealing office is situated.	The hearing shall be held at the RAC where the Applicant-Trading Member has filed the Application for Arbitration and the Respondent-Trading Member shall attend the hearing in that particular RAC.
<b>TM V/s C* &amp; C V/s TM</b>		The Application for Arbitration shall be filed by the Applicant at the RAC covering the state in which the dealing office of the Trading Member from which the dealing was carried out is situated.	The hearing shall be held in that RAC where the Applicant has filed the Application for Arbitration and the Respondent shall attend the hearing in that particular RAC.

- (6) Unless otherwise specifically agreed in writing between the Trading Member and the Constituent, in respect of any claims, disputes and differences arising out of internet trading between the Constituent and Trading Member, the seat of arbitration shall be the Regional Arbitration Centre within the area in which the Constituent ordinarily resided at the time of relevant trading.

\* “TM” stands for “Trading Member” and “C” stands for “Constituent.”



For more details please refer to Chapter XIV of the Byelaws and Chapter 14 of Currency Derivatives Trading & Clearing Regulations of MCX Stock Exchange Limited.