



**UNITED STOCK EXCHANGE OF INDIA LIMITED
CURRENCY DERIVATIVES SEGMENT
CIRCULAR**

Circular No: USE/CMPL/8/2010

Date: June 16, 2010

Dear Members,

Subject: Uniform Documentary Requirements for Trading

In terms of the provisions of the Rules, Bye-Laws and Regulations of the Exchange, Members of the Exchange are hereby notified as under.

SEBI vide its circular no. SEBI/MIRSD/DPS-1/Cir-31/2004 dated August 26, 2004 had specified the model format for the Member Client Agreements.

Members are advised to obtain the following client registration documents duly signed as per model formats enclosed herewith as **Annexure I**, before commencement of trading for any client.

1. Know Your Client form
2. Member Client Agreement
3. Risk Disclosure Document enclosed

Please note that the soft copy of the above mentioned documents is available for download on the USE website at the following link <http://www.useindia.com/downloads.php>

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

Further, members are advised to

1. Collect copies of PAN cards of clients, issued by the Income Tax Department and maintain the same in their records after verifying with the original.
2. Verify the aforesaid details collected from their clients with the details on the website of the Income Tax Department.

Further to the above, SEBI has issued a circular no. MIRSD/ SE /Cir-19/2009 dated December 03, 2009 regarding dealings between a client and a stock broker (trading members included). The aforesaid mentioned circular may be accessed from the SEBI website by clicking on the following link, <http://www.sebi.gov.in/circulars/2009/mirsdcir1909.pdf>.

Clarifications on certain provisions of the above mentioned circular are enclosed as **Annexure II**. Members are advised to ensure compliance with the requirements mentioned in the said circular in respect of existing as well as new clients, on or before June 30, 2010, in compliance with SEBI circular no. MIRSD/SE/Cir-5/2010 dated March 31, 2010.

Further, information regarding the compliance requirements on the following points at the time of registration of clients is enclosed as **Annexure III**.

1. Eligibility conditions to participate in the currency futures market
2. Mandatory and voluntary documents
3. Delivery of copies of executed client registration documents to clients
4. In-person verification of clients by trading members

For any clarifications, members are advised to contact the following official(s):

Name of the Official	Telephone No.	Email Id
Ms. Nikita Mehta	022- 42444936 022- 22728909	nikita.mehta@useindia.com

For and on behalf of
United Stock Exchange of India Ltd.

P. K. Ramesh
Chief Regulatory Officer

Model Know Your Client form

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

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

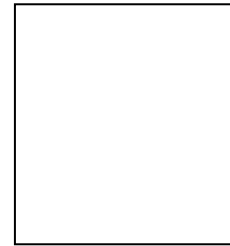
To

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) _____ (Mob) _____ 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 client 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 client:

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 Currency Market
- e. ___ Years in Other investment related fields

13. Trading Preference

A. Stock 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. Currency Derivatives Segment

- a) Currency Futures Contract
- b) Interest Rate Futures Contract
- c) Other products which may be introduced in this segment (please specify)

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

Name of Broker: _____

Name of 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 client / 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 client)

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, Telephone No.,
SEBI Registration No.

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

1. Name of the company / firm

2. Constitution (Company/Partnership/Proprietary)

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 client 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 client 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 Currency Markets
5. ___ Years in Other investment related fields

17. Trading Preference:

A. Stock 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. Currency Derivatives Segment
2. Interest Rate Derivatives Segment

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

Name of Broker: _____

Name of Exchange: _____

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

19. References

Introduction: Introduced by another client / 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 Client Agreement

MODEL 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 **United Stock Exchange of India Limited** (hereinafter called "Exchange" or "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 and/or Interest Rate Derivatives, 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; SEBI registration number _____ in the Interest Rate 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 a stock 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 relevant stock 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 / 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 stock 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 relevant stock 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 relevant stock 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 stock 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 relevant stock 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 relevant stock 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.

The client's Signature / Authorised Signatory

The trading member's Signature / Authorised Signatory:

Signed by:

Signed by:

Title:

Title:

Name of the client:

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/INTEREST RATE DERIVATIVES SEGMENT (TO BE GIVEN BY THE TRADING MEMBER TO THE CLIENT)

This document is issued by the member of the United Stock Exchange of India Limited (hereinafter referred to as "Exchange" or "the Exchange") which has been formulated by the Exchange 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 the Exchange. All prospective clients should read this document before trading in Currency Derivatives Segment of the Exchange.

Exchange /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 the Exchange /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 interest rate derivatives or other instruments traded on the Stock 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 the Exchange and suffer adverse consequences or loss, you shall be solely responsible for the same and the Exchange, 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 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 currency/interest rate derivative contract 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 filling the know your client form, client registration form, execution of an agreement, etc., and are subject to the Rules, Byelaws and Regulations of the Exchange and its Clearing House/Clearing Corporation, guidelines prescribed by SEBI and in force from time to time and Circulars as may be issued by the Exchange or its Clearing House/ Clearing Corporation and in force from time to time.

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 trading member and/or sub-broker of the exchange 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/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 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/interest rate derivatives contract undergoes when trading activity continues on the Stock Exchange. Generally, higher the volatility of a contract, greater is its price swings. There may be normally greater volatility in thinly traded currency/interest rate 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/interest rate 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/interest rate 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/interest rate derivatives contracts purchased or sold. There may be a risk of lower liquidity in some currency/interest rate 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/interest rate 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/interest rate 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/interest rate 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/interest rate 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/interest rate 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/interest rate 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/interest rate 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 Rumors:

Rumors about currencies/interest rates 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 rumors.

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/interest rate derivatives contract hitting circuit filters or for any other reason.

1.8 System/Network Congestion:

Trading on the Exchange 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/interest rate 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/interest rate derivatives contracts you plan to trade i.e. the contract specifications and the associated obligations.

2.2 Currency/Interest Rate 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/Interest Rate 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 'client' 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/interest rate derivatives contracts through the mechanism provided by the Exchange.

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 the Exchange 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/Interest Rate 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 the Exchange 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 the Exchange and / or its Clearing Corporation/Clearing House.

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 Exchange 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/Interest Rate 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 the Exchange and whether they are enabled to trade may be verified from the Exchange website (www.useindia.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 the Exchange /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 the Exchange and /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/interest rate 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/interest rate 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 the Exchange, without delaying.

1.3.7 Facility of Trade Verification is available on the Exchange website (www.useindia.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 the Exchange.

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 the Exchange and /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 the Exchange and/ 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 the Exchange.

1.3.10 Every member is required to send a complete 'Statement of Accounts', for both settlements and margins, to each of its clients, 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 the Exchange, without delaying.

1.3.11 In case of a complaint against a member/registered sub-broker, you should address the complaint to the Office as may be specified by the Exchange from time to time.

1.4 In case where a member surrenders his membership, Exchange 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 /Clearing Corporation/Clearing House 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, Exchange 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 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 first out of the amount vested in the Committee for Settlement of Claims against Defaulters, on pro-rata basis if the amount is inadequate. The balance amount of claims, if any, to a maximum amount of Rs.10 lakhs per investor claim, per defaulter/expelled member may be payable subject to such claims being found payable under the scheme of the IPF.

Notes:

1. The term 'client' shall mean and include a client, a customer or an investor, who deals with a trading member of the Exchange for the purpose of buying and / or selling of currency/interest rate derivatives contract through the mechanism provided by the Exchange.

The term 'member' shall mean and include a trading member or a broker or a stock broker, who has been admitted as such by the Exchange and who holds a registration certificate from the Exchange

Annexure II

Clarifications to Annexure – A of SEBI Circular MIRSD/SE/Cir-19/2009 dated December 03, 2009

Note: In this Annexure, “existing client” means a client registered with a member prior to the date of the above SEBI Circular and “prospective client” means a client registered after the said date.

Main Header	Relevant Points	Clarification
Client Registration Procedure	Point no.1 - Segregation of mandatory & non-mandatory documents in folder/book.	This requirement is applicable only to prospective clients. In case of existing clients trading members shall collect additional information if any, in the form of an addendum.
Mandatory Documents	Point no. 3 - Mandatory documents as prescribed by SEBI.	All the documents falling under “Mandatory Documents” should be as per format prescribed by SEBI. However for existing clients if any additional voluntary clauses are forming part of mandatory documents and such clauses are not in conflict with any of the clauses in the model formats, rules, regulations, articles, byelaws, circulars , directives & guidelines of SEBI/Exchange, in such scenario trading member may not execute fresh documents.
	Point no. 4 - Signature against market segments/ stock exchanges in which client intends to trade.	This requirement is applicable only to prospective clients. For existing clients, trading members should send information pertaining to segments/ exchanges along with quarterly statement of accounts for funds & securities and maintain proof of dispatch/delivery of the same.
	Point no. 5 - Capturing Identity & address of the Introducer.	This requirement is applicable only to prospective clients.
	Point no. 6 - Documentary evidence of financial details.	<p>In respect of clients trading in derivative segment, the member shall collect documentary evidence for financial information.</p> <p>An illustrative list of documents is as below:</p> <ol style="list-style-type: none"> 1. Copy of ITR Acknowledgement 2. Copy of Annual Accounts 3. Copy of Form 16 in case of salary income

Main Header	Relevant Points	Clarification
		<ol style="list-style-type: none"> 4. Net worth certificate 5. Salary Slip 6. Bank account statement for last 6 months 7. Copy of demat account Holding statement. 8. Any other relevant documents substantiating ownership of assets. 9. Self declaration along with relevant supporting. <p>Further, for existing clients trading members shall collect documents pertaining to financial information at the time of periodic (annual) updation of financial information.</p>
	Point no. 7 - Capturing details of actions taken against the client.	The term “action taken against a client” would mean action by any financial sector regulator. The primary onus of declaring the information rests with the client. However with respect to regulatory orders available in public domain, trading members should also verify the details provided by the client.
	Point no. 8 - Documents pertaining to policies & procedures.	<p>For existing clients, wherever terms pertaining to policies & procedures are not explicitly elaborated in the already executed documents, trading members should intimate the said policies/procedures to them & maintain records of dispatch/delivery of such documents.</p> <p>In case of internet trading clients, if information pertaining to all procedures/policies is made available to respective clients in a secured manner electronically the same shall be treated as sufficient compliance with this requirement.</p>
Non Mandatory documents	Point No. 9	This requirement is applicable only to prospective clients.
Running Account Authorization	Point no. 12	<p>The main rule of “settlement of funds/securities shall be done within 24 hours of the payout” should be read as “settlement of funds/securities shall be done within 1 working day of the payout”.</p> <p>Sub-clause (a) to (c) - For all existing clients the requirement of revised running account authorization with a clause of revocation would become applicable whenever the existing authorization completes one year and becomes due for renewal.</p> <p>Sub-clause (d) - For calculation of “funds expected to be required to meet margin obligation for next 5 trading days”</p>

Main Header	Relevant Points	Clarification
		<p>it is clarified that</p> <ul style="list-style-type: none"> ▪ In respect of derivative market transactions, apart from margin liability as on the date of settlement, trading member may retain additional margins (maximum up-to 75% of margin requirement on the day of settlement) to take care of any margin obligation arising in next 5 days. <p>Sub-clause (e) - For the purpose of quarterly/monthly settlement trading member may settle across segments of the same exchange for a particular client.</p> <p>Sub-clause (e) - Trading member is required to send statement of accounts for funds & securities monthly/quarterly as applicable, at the time of settlement. This is an adequate compliance for the purpose of sending quarterly statement of accounts for funds/securities.</p>
Authorization for Electronic Contract Notes	Point no. 13	<p>Where trading members have generated e-mail ids for existing clients, they would be required to obtain duly signed physical confirmation letters from the clients, confirming the e-mail id and exercising choice to receive documents on the said e-mail id.</p> <p>For all prospective clients, e-mail id should be created / provided by the investor only.</p>
General	Point no. 14 – All documents to be printed in font size 11	<p>This requirement is applicable only to prospective clients. Additionally, trading members should ensure that the contents are legible for investors to read.</p>
	Point no. 15 - Sending of executed documents to clients.	<p>In case of existing clients to whom trading members have not already sent the executed documents earlier, the same should be sent upon request by the clients and proof of dispatch/delivery should be maintained.</p> <p>In case of Internet Trading Clients, if documents are made available to the client through secured access electronically the trading members may not send physical documents.</p> <p>The timeline of 7 days should start from the day of upload of UCC to the Exchange by the trading member.</p>
	Point no. 16 - Display of standard	<p>Trading members having their own website shall display the set of standard documents on the website for</p>

Main Header	Relevant Points	Clarification
	documents / information on the website.	information.
	Point no. 18 - Policy regarding treatment of inactive accounts.	Trading member shall appropriately define the term "Inactive accounts" while framing the Policy.
	Point no. 19 - Statement of balance of funds & securities on 31 st March	In view of the requirement for trading members to send monthly/quarterly statement of accounts for both funds & securities, the statement as on March 31, every year needs to be sent to the clients only upon request.

Trading members are advised to ensure due compliance with aforesaid Circular of SEBI (MIRSD/SE/Cir-19/2009) read with the above clarifications in true spirit.

ANNEXURE III

Eligibility conditions to participate in currency futures market

As per Reserve Bank of India circular no. RBI/2008-09/122 A.P.(Dir Series) circular no. 05 dated 6 August 2008, persons resident in India are permitted to participate in the currency futures market in India subject to directions contained in the Currency Futures (Reserve Bank) Directions, 2008. Further,

- (i) No person other than 'a person resident in India' as defined in section 2(v) of the Foreign Exchange Management Act, 1999 (Act 42 of 1999) shall participate in the currency futures market.
- (ii) Notwithstanding sub-paragraph (i), no scheduled bank or such other agency falling under the regulatory purview of the Reserve Bank under the Reserve Bank of India Act, 1934, the Banking Regulation Act, 1949 or any other Act or instrument having the force of law shall participate in the currency futures market without the permission from the Reserve Bank. Similarly, for participation by other regulated entities, concurrence from their respective regulators should be obtained.

Mandatory and voluntary documents

Attention of the members is also drawn to SEBI's circular no. SEBI/MIRSD/DPS-I/Cir-31/2004 dated August 26, 2004 whereby SEBI has prescribed, inter alia, that additional clauses may be incorporated in the client registration documents provided these are not in conflict with any of the clauses in the model documents, as also the Rules, Regulations, Articles, Byelaws, Circulars, directives and guidelines.

Accordingly, trading members are advised to ensure the following:

1. The client registration documents are to be divided into two parts
 - a) Mandatory part consisting of only the above mentioned three forms viz. KYC, MCA and RDD
 - b) Voluntary part consisting of additional documents, if any.
2. At the top of each additional document, the word "VOLUNTARY" shall be printed in bold format.
3. Such additional documents may be taken for the purpose of providing additional features like internet trading or for facilitating clients in the trading / settlement operations with the member. However, the clauses in the additional documents shall not contravene the Rules, Regulations and Circulars of SEBI and the Rules, Byelaws, Regulations and Circulars of the Exchange.
4. An authorization may be taken from a client so as to confer right on trading member or third party over the demat account or bank account or trading account of the client, to the extent of the client's obligation to the trading member in respect of the transactions done or to be done by the trading

member on behalf of the client on the Exchange. However, such authorization shall not restrain the client from operating his own account.

Delivery of copies of executed client registration documents to clients

At the time of registration, several documents are executed by the clients and lot of information is provided by them to trading members. For enabling investors to have access at any time to the contents of such documents and the information provided by them, the trading members are required to comply with the following.

1. Upon registration of a client, trading members shall deliver to the client a complete set of copies of all the executed documents viz. KYC, MCA and RDD and also voluntary documents, if any.
2. The code allotted to the client for the purpose of trading and the email id (in case the client has intimated to the member in writing, for the purpose of receiving electronic contract notes) of the client shall be confirmed by the trading member, by way of a separate letter to the client.
3. Proof of such delivery and communication to clients is to be maintained along with the registration documents pertaining to the respective clients.

In-person verification of clients by trading members

SEBI vide circular no. SEBI/MIRSD/DPS-I/Cir-31/2004 dated August 26, 2004 has also prescribed that it shall be the responsibility of the trading member to satisfactorily identify the clients and for the purpose, the trading member may also seek additional information so as to satisfy himself about the antecedents of the client. SEBI has also mentioned that it would be trading member's responsibility to provide client details as and when required.

Accordingly, members are required to ensure that in-person verification is done In respect of individual and HUF clients and that a complete audit trail is kept for the same. It may be noted that in-person verification is done by trading member's own staff while registering the clients, including clients of branches and that this function is not outsourced. Further name and signature of the official who has done in-person verification, the date of verification and the stamp of the member should be incorporated in the client registration form.

SEBI has issued a circular providing clarification regarding 'in-person' verification of clients stating that. "*in-person verification done for opening beneficial owner's account by a Depository Participant (DP) will hold good for opening trading account by a stock broker and vice versa, if the stock broker and DP is the same entity or if one of them is the holding or subsidiary company of the other*". The said circular may be accessed from the SEBI website by clicking on the following link, <http://www.sebi.gov.in/circulars/2010/mirsdcir0210.pdf>