



Mercantile Exchange Nepal Limited

— Where the Nation Trades —

AN ISO 9001:2008 CERTIFIED EXCHANGE

# DO'S & DON'TS

For

Clients, Sub Brokers, Brokers,

Individual & Institutional Market Makers

And

Clearing Members

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## **FOR CLIENTS & INDIVIDUAL MARKET MAKERS [I-MM]**

### **DO'S**

1. Trade only through registered Brokers and Clearing Members of the Exchange. Check from the Exchange website [www.mexnepal.com](http://www.mexnepal.com) to see whether the Broker or Clearing Member is registered with the Exchange.
2. Insist on filing up a standard "Client Registration Form (CRF)" before you commence trading as a client/I-MM.
3. Insist in getting Unique Client Code /Unique I-MM Code and ensure all your trades are done under the said Unique Code only.
4. Insist on signing up a standard "Broker-Client Agreement" or "CM-Client Agreement".
5. Insist on reading and signing a standard "Risk Disclosure Document".
6. Insist on reading and signing a standard "Terms & Conditions" for I-MM.
7. Obtain a copy of your CRF, Broker-Client/ CM-Client Agreement and/ or other documents executed by you with the Broker/CM, from the Broker/CM.
8. Go through the Rules, Bye-laws, Regulations, Circulars, Directives, Notifications of the Exchange, Client's Handbook, Bank Policies and details of Broker-Client/CM-Client Agreement to know your rights, duties and responsibilities vis-à-vis those of the Broker/CM.
9. Ask all relevant questions and clear your doubts with your Broker/CM before transacting.
10. Deposit required margins in time and only by Cheque or I- transfer or Cash [as per the limit prescribed by the concerned Bank] or any other mode as permitted by Exchange and ask for receipt thereof from the designated bank.
11. Ask for the VAT bills from the Broker for the commission [transaction fee] paid by you for the trades executed in your account.
12. Insist on getting the "TDS Withholding Certificate" for the TDS paid by you on the profit made.



## **DON'TS**

1. Do not deal with any unregistered intermediaries.
2. Do not undertake off-market transactions as such transactions are illegal and fall outside the jurisdiction of the Exchange.
3. Do not share your Trading console's login credential with your Broker/Sub-broker/any other third person.
4. Do not enter into assured returns arrangement with any Broker/CM.
5. Do not get carried away by luring advertisements, rumors, hot tips, explicit/ implicit promise of returns, etc.
6. Do not make payments in cash/ take any cash towards margins and settlement to/from the Broker/CM.
7. Do not start trading before reading and understanding the Risk Disclosure Document and entering into the prescribed agreement with the Broker/CM.
8. Do not invest until you are fully aware of the risk involved in this market.
9. Do not pay commission in excess of that rates prescribed by the Exchange

## **FOR SUB BROKERS**

### **DO'S**

1. Trade for your clients only through Registered Broker/CM of the Exchange. Check from the Exchange website [www.mexnepal.com](http://www.mexnepal.com) to see whether the Broker/CM is registered with the Exchange.
2. Insist on filling a standard 'AE Profile', signing a standard 'Broker- Sub Broker Agreement' or "CM-Sub Broker Agreement" for registering as a Sub-broker under the Broker/CM and insist on getting Unique AE Code and also obtain a copy or all the documents executed by you with the Broker/CM, from the Broker/CM.
3. Go through the Rules, Bye-laws, Regulations, Circulars, Directives, Notifications of the Exchange and details of Broker-Sub Broker or CM-Sub Broker Agreement to know your rights, duties and responsibilities vis-à-vis those of the Broker/CM.
4. Ask all relevant questions and clear your doubts with your Broker/CM before transacting.



## **DON'TS**

1. Do not deal with any unregistered intermediaries.
2. Do not undertake off-market transactions as such transactions are illegal and fall outside the jurisdiction of the Exchange.
3. Do not share your Trading console's login credential with your Broker/Client/any other third person.
4. Do not enter into assured returns arrangement with any Broker/CM.
5. Do not get carried away by luring advertisements, rumors, hot tips, explicit/ implicit promise of returns, etc.
6. Do not make payments in cash/ take any cash towards margins and settlement to/from the Broker/CM on behalf of your clients.
7. Do not start trading on behalf of your client/s before reading and understanding the Risk Disclosure Document and entering into the prescribed agreement with the Broker/CM.
8. Do not invest until you are fully aware of the risk involved in this market.

## **FOR BROKERS**

### **DO'S**

1. Take Brokership only with the Registered Clearing Member of the Exchange. Check from the Exchange website to see whether the CM has membership with the Exchange.
2. Insist on filling a standard 'Application form', signing a standard 'CM-Broker Agreement' for registering as a broker under the CM and insist on getting Unique Broker Code and also obtain a copy of all the documents executed by you with the CM, from the CM.
3. Insist on filling up the standard "Registration Form" to get register in the Exchange.
4. Go through the Rules, Bye-laws, Regulations, Circulars, Directives, Notifications of the Exchange, Client's Handbook, Bank Policies and details of "CM-Broker Agreement" to know your rights, duties and responsibilities vis-à-vis those of the CM.
5. Ask all relevant questions and clear your doubts with your CM before transacting.



6. Insist on getting details of TDS paid on behalf of your clients/I-MM to Inland Revenue Department.
7. Pay VAT to the government for your commission income from the Clients/I-MM.
8. Issue VAT bills to your clients/I-MM for commission [transaction fee] charged from them for the trades executed in their account.

### **DON'TS**

1. Do not deal with any unregistered Clearing Member.
2. Do not undertake off-market transactions on behalf of your clients as such transactions are illegal and fall outside the jurisdiction of the Exchange.
3. Do not enter into assured returns arrangement with any CM.
4. Do not get carried away by luring advertisements, rumors, hot tips, explicit/ implicit promise of returns, etc.
5. Do not make payments in cash/ take any cash towards margins and settlement to/from the CM.
6. Do not invest until you are fully aware of the risk involved in this market.

### **FOR CLEARING MEMBERS/ INSTITUTIONAL MARKET MAKERS**

#### **PRE TAKING MEMBERSHIP-**

#### **DO'S**

1. Familiarize yourself with the rules, regulations, Bye-Laws and Circulars issued by Mercantile Exchange Nepal Ltd. before entering into agreement with the Exchange.
2. Clear all your doubts by raising your queries with the concerned personnel of the Exchange.



## **DON'TS**

1. Do not enter into agreement with Exchange until you have fair knowledge about the commodity market and understood the Risk involved therein.

## **AT THE TIME OF ADMISSION-**

### **DO'S**

1. Read and understand and thereafter execute the Exchange-Clearing Member Agreement and Exchange-Market Maker Agreement with Mercantile Exchange Nepal Ltd.
2. Enter accurate and complete details in the forms, fill up all fields. Do not leave any spaces blank, unless specified.
3. All information provided should be factually correct and accurate since this will form basis of your relationship with the Exchange.
4. Before signing the agreement, please read and understand every annexure filled while taking the membership.
5. The correspondence address should always be updated.

## **DON'TS**

1. Do not sign the Exchange-Clearing Member Agreement and Exchange-Market Maker Agreement without clearing your doubts in respect thereof.
2. Do not fill in wrong or incomplete details. Do not overwrite, cancel, mis-spell the details.
3. Do not provide information which is factually incorrect as the same is illegal.

## **AFTER ADMISSION-**

### **DO'S**

1. Make investment based in your sound reasoning, after taking into account all publicly available information and information made available.
2. Check the veracity of the information available.



3. Access the websites of the companies, brokers, exchange and regulator for information.
4. Keep copies of the Clearing Member- Broker agreement, Clearing Member- Client agreement, Broker-Client agreement, Clearing Member –Sub Broker, Broker-Sub Broker agreement and all their supporting documents safely and in good manner.
5. Keep all trading account related documents
6. Maintain secrecy of data and information related to your brokers, individual market makers, sub brokers and clients.

### **DON'TS**

1. Do not get influenced by information which is not originated from an appropriate source.
2. Do not mislead by rumors circulating in the market.
3. Do not indulge in any trading activity which results in disturbance of market equilibrium in any manner including manipulation of price.
4. Do not follow the herd or play on momentum- it could turn against you.
5. Do not get carried away by luring advertisements, if any.
6. Do not give instructions which are not clear. They should be given verbally over recorded phone lines or in writing.

### **DEALING IN COMMODITY FUTURES**

#### **DO'S**

1. Familiarize yourself with futures trading in commodities.
2. Understand the provisions and rates relating to commissions, Tax Deducted at Source (TDS) as applicable on the underlying commodity of any contracts offered for trading by MEX.
3. Read, understand and be updated about the circulars issued from time to time by the Exchange.



4. Before entering into buy and sell transactions please be aware of all the factors that go into the mechanism of pricing, trading, clearing and settlement.
5. Read the product note of the commodity in which you wish to deal to understand the commodity and parameters that impact on the trading and settlement of the commodity.
6. Study historical and seasonal price movements of the commodity that you wish to deal in the futures market.
7. Apply your own prudent judgment for investments in commodity futures and take informed decisions.
8. Go through all Rules, Bye Laws, Regulations, Circulars and directives issued by MEX.
9. Since futures trading attract various types of margins, be aware of the risks associated with your positions in the market and margin calls made from time to time.
10. Be aware of your risk taking ability and fix stop-loss limits. Liquidate your positions at such levels to reduce further losses, if any.
11. Keep a track of the holiday calendar or product calendar for the commodities.

## **DON'TS**

1. Do not fall prey to market rumors.
2. Do not go by any explicit/ implicit promise made by analysts/ advisors/ experts/market intermediary until convinced
3. Do not take trading decisions based on reports/ predictions made in various print and electronic mediums without proper evaluation.
4. Do not deal based on Bull/Bear run of commodity markets sentiments.
5. Do not trade on any product without knowing the risks associated with it.
6. Do not follow unethical trade practices.





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## **OBLIGATIONS OF A CLIENT, SUB BROKER AND INDIVIDUAL MARKET MAKER**

### **[I-MM]**

#### **DO'S**

1. Familiarize with the trading console prior to starting trading.
2. Client/I-MM should fill the standard Client Registration Form (CRF) available in Clearing Member's website before starting the trade and also has to submit the proof of address, identity and a copy of bank statement to its concerned Broker/Clearing member.
3. Client/I-MM must sign an agreement with the Broker's/Clearing member's authorized person and is advised to obtain a copy of the agreement.
4. In addition to above, I-MM must sign 'Terms & Conditions' before playing the role of Market Maker for the products offered by the Exchange
5. Sub Brokers should fill the AE Profile and also submit the proof of identity and address to its Broker/CM and also sign an agreement with the Broker's/CM's authorized person.
6. The client/I-MM has the right to request their Broker/CM to address their trade related grievances.
7. In case of disputes regarding the trades done on the Exchange platform, the client/I-MM should contact his Broker/CM.
8. If the dispute cannot be settled by the Broker/CM then the CM will approach the Exchange depending upon the case and situation of the client.
9. A claim by the Client/I-MM should be submitted to the exchange via their Broker/ CM within 5 working days along with the proof of the snap shot.
10. Client/I-MM should have all the copies of the correspondence to and from Broker/CM, may be preserved for producing them later for the Arbitration, if required.
11. All rights as per the Rules, Bye Laws and Regulations of the Exchange are available to a Client, Sub Broker and I-MM in respect of all transactions traded on the Exchange and for which they have a contract note duly issued by the Clearing Member.
12. Client/I-MM must open a personal account in the designated bank of the Exchange to avoid the third party transfer since; Exchange follows Anti- Money laundering (AML) policy.



13. Client/I-MM should be at least of 18 or above age in order to trade in the exchange platform.
14. Sub Broker should be at least 21 or above age to get registered as a Sub broker.
15. Client, Sub Broker and I-MM must have designated email address in order to correspond with their Broker/CM.

### **DON'TS**

1. Client /Sub Broker/I-MM is not allowed to claim for any disputes directly to the Exchange.
2. Client/Sub Broker/I-MM has no right to take legal action against his/her Broker/CM and Exchange for any disagreement or loss while trading in the exchange platform prior to filing for arbitration.
3. Client/I-MM should not give his/her password and username to any person including his/her Sub Broker/AE.
4. The trading account of the client/I-MM cannot be revived if s/he has done full and final withdrawal from the trading account.
5. In case of margin hike of any commodity or any changes done by the exchange time and again, it strictly applies to the clients/I-MM as well. There will not be any excuses for not maintaining the particular changes from the client/I-MM.