



Mercantile Exchange Nepal Limited  
Invest - Trade - Earn  
AN ISO 9001:2008 CERTIFIED EXCHANGE

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## GENERAL COMPLIANCE AWARENESS

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### LEGAL FRAMEWORK

Legal framework for the commodities futures market consists of the following:

1. Bye-Laws of the Exchange
2. Rules of Exchange
3. Rules of Trading, Clearing and Settlement
4. Circulars issued by the Exchange
5. Notifications issued by the Exchange

The Bye Laws, Rules and Circulars are available on our website [www.mexnepal.com](http://www.mexnepal.com), we request the members to read the rules and regulations thoroughly.

Any amendments in these rules and Bye laws shall be intimated to the members through email.

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### OPENING OF CLIENTS ACCOUNTS

#### **Summary of Requirements**

Members should take reasonable steps to assess the background, identity, legal standings, financial soundness and the experience in the field of trading of such person, and his trading

objectives when registering the Client with them as per the prescribed format of '**Client Registration Form' (CRF).**

Enter into an agreement with their Clients as per the prescribed format of '**Member-Client Agreement' provided by the Exchange.**

Make their Clients aware of the risk associated with business in trading in contracts listed with the Exchange by issuing them a copy of **Risk Disclosure Document (RDD).** Acknowledgement on the RDD is required to be maintained by the Member.

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### **BOOKS OF ACCOUNTS AND RECORDS**

Books of accounts, records and registers to be maintained by the Members on a daily basis

1. General Ledger
2. Journals
3. Cash Book
4. Customer Deposit / withdrawal
5. Bank Books / Bank Pass Book / Bank Statement
6. Margin Deposit Book
7. Order Book
8. Daily Trade Report
9. Register of Complaints
10. Register of Transactions
11. Records in respect of Commission
12. Records in respect of TDS
13. Records in respect of VAT
14. Records of all relevant particulars of persons who are approved as users by the exchange

15. Records related to AE/Registered User
16. MEX, CM, software related documents and agreements
17. Company related documents (company name, registration, address, phone number, email, authorized person, etc.)
18. Renewal of Tax / Company / VAT
19. Appointment of auditor
20. AGM requirement/ Board minutes

The above requirements lead to greater safety for both Clients and Members by defining the contractual relationship between them, and their individual responsibilities.

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### **REQUIREMENT OF INTIMATION TO EXCHANGE REGARDING CERTAIN CHANGES**

Members must notify the exchange in written format or through email regarding changes made in the company related documents, such as Company name, address, telephone number, email address, authorized signatories, board of directors in the prescribed format as prescribed by the Exchange. The notification must be supported with the relevant documents.

The changes made should be notified within 3 days, failing to which the members shall be fined as per the rules of the exchange.

Note: Regarding the Address change as per the MEX – Member agreement the member should take prior permission before changing their registered address.

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### **SEGREGATION OF FUNDS**

Members are required to segregate their funds from the Clients by maintaining separate segregate account (bank accounts) in the designated banks as instructed by the Exchange. Members are restricted to access the client's fund.

During MTM settlement, all sub-ledgers are subject to debiting / crediting on result of customer's transactions. In short, account status of segregated account is the replica of the TWS (Trader Work Station). Further, the Fund segregation is the key factor which segregates the trading fund of client to client level, member to client level and member to member level. Maximum transparency is implemented in the system by MEX, which can also be observed by all participants through their online banking consoles.

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### **UNIQUE CODE**

#### **UNIQUE CLIENT CODE:**

All the clients are provided with unique client code. Members should ensure that no trades are done by the client before the allocation of the client code. Members are not allowed to allocate multiple client codes to a single client.

#### **UNIQUE AE CODE**

The entire registered users are provided with unique AE code. These AE can trade on behalf of the clients registered under him/her [as per the trading rights provided by the client and in accordance with the Exchange Bye Laws, Rules and Trading Rules. Members are not allowed to allocate multiple AE codes to a single AE.

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### **ADVERTISEMENTS BY MEMBERS**

The members are allowed to advertise in newspaper, media or any other medium, but they are required to obtain prior permission from the exchange for using the name / logo of the exchange in any form of advertisements.

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## **PROCEDURE FOR TRADE SETTLEMENT**

### **1. Letter of complaint/claim from Client endorsed by NCM**

CM needs to receive a letter for complaint/claim from concerned clients which is endorsed by the respective NCM.

### **2. Letter of acknowledgment by the CM to NCM (Optional only for the acceptable claims)**

As soon as the receipt of complaint/claim from concerned clients that is endorsed by the respective NCM. CM have to acknowledge the same stating that, *“the matter is being investigated and will respond as fast as possible”*.

### **3. Letter of accepting complaint along with the description of settlement**

After conducting the investigation CM should respond to concerned client through NCM with acceptance of claim and the description of settlement along with the tax deduction details.

Note: TDS Deduction structure

If the adjustment given is for covering the Loss of client for the already settled trade, then the excess amount after the loss is subjected to TDS.

I.e.: any compensation which the client is getting additional is subjected to TDS.

### **4. Letter from Client with endorsement of NCM Acknowledging the full and final settlement offered by CM**

Letter from concerned client endorsed by NCM, acknowledging the full and final settlement from CM and assuring that there is no further claim on the settlement given.

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