



Mercantile Exchange Nepal Limited
— Where the Nation Trades —
AN ISO 9001:2015 CERTIFIED EXCHANGE

COMPLIANCE - FREQUENTLY ASKED QUESTIONS???

1. What should be the minimum age of an applicant to register as a client?

S/he should be at least 18 or above to apply as an individual client.

2. Can any individual having joint bank account apply to register as a client?

Yes, individuals having joint bank account can apply to register as a client, the additional document to be submitted is the letter authorizing one of the client to receive user and trade. There is a different format of Client Registration Form for these types of individuals.

3. What if a married woman is using her husband's surname while filling Client Registration Form and it doesn't match with the name mentioned in her citizenship card or bank statement?

If this is the case, she needs to provide marriage certificate in order to verify her name with the one mentioned in CRF and Bank records.

4. What are the other additional documents for a Non-Nepalese applicant to register as a client?

Following are the additional documents to be submitted by a Non- Nepalese applicant:

- Proof of Identity issued by his/her country (citizenship card, registration card, PAN card, Ration card, Voter's I.D etc)
- Passport of the applicant.
- Registration card provided by the embassy in Nepal. (If any)

5. Can electricity or telephone bills or any utility bills be collected as an address proof for registering as a client?

Yes, it can be collected but such bills should not be of more than three months older.

6. Do Clients need to provide PAN certificate for registering as a client?

Yes, PAN certificate is compulsory for registering as a client.

7. Can institutions apply for registering as a client?

Yes, individuals as well as institutions can apply for registering as a client.



Mercantile Exchange Nepal Limited
— Where the Nation Trades —
AN ISO 9001:2015 CERTIFIED EXCHANGE

8. What can be done for the person whose one hand is injured and can't provide one of the thumb impressions?

If applicant can't provide any of the thumb print with some reason, he needs to provide a letter mentioning detail of his left/right hand operation and same should be signed by the authorized person of his concerned Broker and also provide the copy of operation papers from the doctor.

9. What if in the citizenship card of an individual, the date of birth (DOB) mentioned is incomplete?

If the applicant is having ID with incomplete DOB following methods can be used:

- Applicant can provide other supporting documents like: passport, driving license, in which his/her DOB is mentioned.
- If only the year is mentioned in his/her ID, like 2044 BS with no month and date mentioned, then s/he can mention the DOB as 01/01/2044. This is legally defined and if anything is mentioned in passport and other government issued documents then the same should be mentioned.

10. In the case of green saving account, what documents can be provided for proof of bank account number?

If bank statement is provided it is fine or else the applicant can get letter from Bank stating his/her bank account number and other details.

11. Can individual holding payroll account (salary account) apply for registering as a client?

Yes, they can apply and it's their responsibility to inform Clearing House via their broker/clearing member during the close down of their payroll account.

12. Are foreigners [residing out of Nepal] allowed for registering as client or not?

Yes, they are allowed to register as client. They need to fulfill all the criteria required to be a client.

13. Can already registered client transfer his client code to another person?

No. Once a person is allotted with a particular client code, he can't transfer his code to some other person. The client code assigned must be used only by that particular client.

14. Who can be a Sub Broker/AE?

Sub Brokers can be an Individual or an Institution.



Mercantile Exchange Nepal Limited
— Where the Nation Trades —
AN ISO 9001:2015 CERTIFIED EXCHANGE

15. What are the criteria to become an AE?

S/he should fulfill any one of the below mentioned criteria:

- S/he must be a bachelor's degree holder.
- S/he must have a trading experience of the exchanges registered in Nepal or abroad exchanges.
- S/he must have passed "MEX Certified Derivative Basic[MCDB]"
- S/he can give AE examination

16. What should be the minimum age of an applicant to register as a Sub Broker/ AE?

S/he should be at least 21 or above to apply for a Sub Broker/AE.

17. Can already registered Sub Broker/AE become a client?

Yes, s/he is allowed to register as a client but s/he cannot be client under himself/herself (AE).

18. Whether Sub Broker/AE is allowed to trade on behalf of the clients registered under him?

There are 5 rights for the use of Trading Console of the clients by a Sub Broker:

Trade Right to trade and access client statement

Close Only Right to close the open position of the client, set limit/stop against client's open position and also cancel the contingent orders placed by client.

View Trade Right to view the trades executed by the client and client statement [Sub Broker cant place orders for client]

View Market Right to view only market. No right to trade or access client statement/summary

None No right to trade or access client statement/summary

19. Can already registered Sub Broker/AE transfer his AE code to another person?

No. Once a person is allotted with a particular AE code, he can't transfer that code to some other person.

20. Who can become an Individual Market Maker [I-MM]?

Individuals who have attained the age of 18 years and accepted and submitted the Terms & Conditions of a Market Maker.

21. Who can introduce Individual Market Makers [I-MM]?

Brokers can introduce Individual Market Makers.



Mercantile Exchange Nepal Limited
— Where the Nation Trades —
AN ISO 9001:2015 CERTIFIED EXCHANGE

22. Can already registered client become an Individual Market Maker? What is the additional document required for registration?

Yes. The client needs to sign an additional document- ‘Terms & Conditions for Market Maker’

23. Who can register as a Broker?

Broker must be an institution who fulfills the norms prescribed by the Exchange.

24. Can a registered broker participate in trading?

Registered Brokers, can participate in trading by registering itself as a client.

25. Should Broker be registered with Exchange as well?

Yes, Brokers should get registered with the Exchange by filling the form available in MEX website for registration.

26. Do Brokers need to open any Bank accounts?

Yes, they are required to open operational a/c in the designated bank as prescribed by the Exchange. This account shall be used to transfer the commission and bank interest.

27. Who can be an Institutional Market Maker?

Any Institution who possesses adequate financial resources and credit to assume the responsibilities required for Market Maker Membership

28. Who can be a Clearing Member?

Any institution, whose objectives in the MOA and/or its constitution permits such institution to involve in commodity market.

29. Can an individual become a Clearing Member?

No, an Individual cannot become a Clearing Member. Only Institutional can become a Clearing Member.

30. Can a Clearing Member introduce Client, Sub-Broker and Broker?

Yes, Clearing Member can introduce Client, Sub-Broker and Broker.



Mercantile Exchange Nepal Limited
— Where the Nation Trades —
AN ISO 9001:2015 CERTIFIED EXCHANGE

31. Can a Clearing Member introduce Market Maker?

Yes, Clearing Member can introduce Individual Market Maker.

32. How many times a member [Clearing Member/Institutional Market Maker] is required to provide net worth certificate of his company to the Exchange?

Members are required to provide their net worth certificate once in a year which should be in the format prescribed by the exchange and in the letter head of the registered auditor.

33. Are the members required to appoint an Auditor?

Yes, they are required to appoint an Auditor formally and they are also required to have the board minute for the same.

34. Why the Clearing Member needs to display Clearing House's segregate account detail in their notice board/ website?

It is important to disclose the Clearing House's segregate account information to make the Broker and Clients aware of the bank accounts in which their money is deposited for trading.

35. Why the Clearing House needs to display its segregate account detail in notice board/ website?

It is important to disclose its segregate account information as the brokers & clients should be aware of the details of the accounts in which their money is deposited.

36. Can a member undertake Portfolio Management Activities?

Yes, anyone involved in portfolio management activities are allowed to become a client, sub broker, broker as well as a member of the exchange.

37. Are Members allowed to accept cash from their clients, brokers & sub brokers?

No, members are not allowed to accept cash from clients, brokers & sub brokers for trading or any other purpose. This is totally against AML policy of the exchange.

38. What is third party transfer and whether it is allowed?

Third party transfer can be defined as any fund transfers or deposits made from the accounts other than the one registered with the exchange for that particular client or member. It also refers to the transfers or deposits made by third person. Third party transfer is not allowed.



Mercantile Exchange Nepal Limited
— Where the Nation Trades —
AN ISO 9001:2015 CERTIFIED EXCHANGE

39. What if the third party transfer is made?

Third party transfer is not at all accepted at the exchange level and it's totally against MEX AML policy. But sometimes third party transfer happens mistakenly. At that time, the amount transferred needs to be reverted back to the account from where the fund had come.

40. Who can be the authorized person of an Institutional Member/Broker?

The Board of Directors of the company is allowed to be the authorized person.

41. Can a person who is not a board member become an authorized person of a Member/Broker?

In case of an institutional Member/Broker, an employee can become the authorized person for 3 months maximum. If the institutional Member/Broker wishes to continue the authorization of that employee, it will have to send a request for extension of authorization for next 3 months.

42. Within how many days a member/broker is required to inform about any changes in company related information like phone no. , change in directors, change in share holding pattern, etc?

They are required to inform within 3 days of such changes.

43. What are the requirements for sending a mail/ letter/request?

All mails/letters/requests addressed to the Exchange and its Clearing House by Members/Brokers should contain the authorized person's signature, name and full address of the company with telephone number and email address. The exchange and its clearing house shall accept all communications only from the authorized person of the member/broker. Moreover, all mails received by the exchange and its clearing house shall only be from the registered email id of the member/broker. Any mail from the unauthorized email id shall not be entertained.

44. What are the documents required to be submitted by a member to the Exchange on annual basis?

- Audited financial report
- Board minute of their elected Board members for that year.

45. Can suspended/debarred brokers, sub-brokers and other entities of Capital Market participate in Commodity derivative market?

No, such person can't participate in commodity derivative market.



Mercantile Exchange Nepal Limited
— Where the Nation Trades —
AN ISO 9001:2015 CERTIFIED EXCHANGE

46. Are there any guidelines with respect to use of MEX logo?

Prior approval from MEX is required if any of the member/broker wants to use MEX logo.

47. In what form payment can be received / made by members/brokers from/to clients?

All payments can be received/ made by the members/brokers from/to the clients strictly by Cheque /demand drafts or by use of online banking, or any other mode allowed by MEX and NRB.

48. What is the need of inspection?

To make sure that all the rules and regulation formulated and regulated by MEX and law of land are being regularly followed and complied by members of the exchange and there is no discrepancy.

49. How often inspection will be conducted for members of the exchange?

As per the rules and regulation of the exchange, a member will be inspected twice in a year but it may be more than that as per the requirement

50. Who can inspect members?

Any member of the inspection team from Compliance department of Exchange or Clearing House can conduct the inspection at the member's premises under the instruction from the management or as per mentioned in Bye laws and rules of exchange.

51. Who can inspect Clearing House?

Any member of the inspection team from Compliance department of Exchange can conduct the inspection at the member's premises under the instruction from the management or as per mentioned in Bye laws and rules of exchange.

52. What is the reason behind maintaining the trade related documents?

The main reason for maintaining back office related documents at members & brokers level is for back up purpose and also in the case of internet crash or power cut or any disputes between member and clients such documents can be viewed in later dates.

53. What are the statutory documents that are mandatory to be maintained by Members & Brokers?

1. All Company related documents
2. Documents related to the Company such as:



Mercantile Exchange Nepal Limited
— Where the Nation Trades —
AN ISO 9001:2015 CERTIFIED EXCHANGE

- Change of any company related documents: Email, Website, Address, Telephone/Fax/ P.O.Box, Tax registration, Authorized person, Shareholding pattern, Company name, Logo change, Seal change, etc.
 - Appointment of Auditor
 - Information to ROC about the office address
 - Information of Clearing House's segregate account in notice board/ website [For CMs only]
 - Details of change of Director
3. Records of all Brokers, Sub Brokers & Clients
 4. Records of payment of TDS and VAT

54. Can clearing members inspect their respective Brokers?

Yes, the Clearing Members can inspect the Brokers registered under it.

55. Can Exchange and its Clearing House inspect the Broker?

As per the need, they may inspect the registered Brokers premises, books of account, bank statements, etc.

56. Who can inspect the exchange?

ISO (International Standardization Organization) can inspect exchange in half yearly basis or as per the requirement by ISO or any regulatory body.