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

NORMS, PROCEDURE AND PROCESS TO BE FOLLOWED FOR PRODUCT "DGOLD10GM"

1. To Trade in DGOLD10GM [Physical delivery]

- Any Individual or Institution is allowed to trade.
- Customer needs to have their own operational account in any of MEX designated banks, compulsorily. [For banking partners, refer http://www.mexnepal.com/webpages/partners_mex.html]

2. General Rules

- Physical delivery is compulsory.
- Contract validity is T + 2 days. [T stands for trade day; 2 days will be calculated on continuous day basis]
- Equity hit level is '4 % of Used Margin+ Half Commission'.
- Contract Expiry Liquidation will be followed as 3 PM NST. Contract expiry falling on market holiday will be liquidated on next trade day, 3 PM.
- Customer is not allowed to take partial delivery of its placed orders. For example, if customer bought 2 lots at one time then customer needs to settle both at same time. Customer cannot partially take delivery for only 1 lot.
- In trading console of Customers,
  - ✓ Floating Profit shown against the open orders will not have any effect in Customer's Equity.
  - ✓ Floating Loss will have effect in Customer's Equity as normal/usual.
- Storage cost is applicable after T + 6 days, only under the below condition:
  If physical delivery is not taken after full payment; till the customer takes the delivery. Charges will be as prescribed by Gahana Griha.

3. Delivery & Settlement Procedure

Descriptive Procedure:

- Customer can place its order with ‘10% of contract value as Initial Margin + Commission’.
- Customer needs to deposit remaining 90% of contract value within T + 2 days (continuous days) of trade execution by 3 PM. After the full payment, its open position will be liquidated and customer can take the delivery.
- After full payment also if customer doesn’t take the delivery of the product within T+6 days (continuous days), storage charges would be applicable till it takes the delivery.
- During above normal condition, customers open orders will be liquidated with Open Price.
- Please note that customer have to present the delivery receipt [available in the trading console] while taking the delivery of the product and have to take the delivery at the date, time and delivery centre as prescribed below.
    - **Delivery Centers:** Gahana Griha [Newroad] and Zuleika by Gahana Griha [Kamaladi], Kathmandu, Nepal
    - **Contact Numbers:** Newroad- 4224886, 4224826 Kamaladi- 4429240, 4429241
    - **Contact Persons:** Lal Babu Sah- 9818692515 & Yurop Shrestha- 9803125941
    - **Delivery timings**: 11:30 AM to 6:00 PM on all trading days.
- Buyer will be provided with appropriate tax invoice as per the law of the land.

Or,

Described in a Flow chart:

Opens account in any of the MEX designated Bank and becomes a customer of MEX

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Deposit’s ‘Initial Margin [10% of Contract value] + Commission’ in Clearing Member’s Segregate Account and inform the CM

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Amount will be updated in the Trading Console of the Customer

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Customer can initiate Buy position

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Customer needs to deposit remaining amount [i.e. 90% of Contract Value] in Clearing Member's Segregate Account within T+2 days by 3 PM; before Equity Hit

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If Customer deposits remaining amount within T+2 days by 3 PM

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Exchange will liquidate the open position with Open Price

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Finally, Customer can take the delivery of the product at the date, time and delivery centre as prescribed by Gahana Griha

4. Default Cases

- There are 2 conditions of default case;

  1st Condition: If the remaining amount is not deposited within T+2 days by 3 PM, then;
  - ✓ Customer's open position will be liquidated at market price of contract expiry liquidation time, if in Loss.
  - ✓ Customer's open position will be liquidated with open price, if in Profit.
  - ✓ The customer cannot claim for physical delivery of the bought product in this condition.

  2nd Condition: If Customers account gets equity hit [if 'Equity' falls to '4 % of Used Margin+ Half Commission'] during contract validity, then; customer's open position will be liquidated in the market. However, customer can claim for physical delivery of the bought product in this condition if he deposits the remaining amount with T+2 days by 3 PM.
- Consequences on liquidation during above 2 conditions:
  - ✓ The customer will have to bear the actual loss [if open position is in loss during the liquidation of the product in the trading console].
  - ✓ The customer will have to bear the price difference loss [price difference loss is the amount when there is difference between the liquidated price of existing customer and the new buyer].
  - ✓ After the deduction of price difference loss, 2% penalty will also be imposed on customer. This 2% penalty shall be calculated on the balance amount of the customer after deduction of actual loss and price difference loss.

- ✓ After all the necessary deduction as mentioned above, the remaining amount will only be refunded to the customer.

- Before Equity hit, Gahana Griha will try its best to inform the customers about the condition, however it's not the responsibility of Gahana Griha. Customer should be self alerted during such cases and deposit funds prior equity hit to avoid liquidations of position/s.

5. Banking Transaction Rules

Customer needs to deposit the 'Initial Margin + Commission' & 'Remaining Contract Value' in Clearing Member's Segregate account of the bank in which the customer has opened its operational account.

6. An Example, with calculation

Suppose, the customer had bought DGOLD10GM @ 40,000 per 10 gram; then

Total Contract Value	=	Rs 40,000*1
	=	Rs 40,000
Applicable Commission	=	Rs.300
Initial Margin	=	10% of 40,000
	=	Rs 4,000
Equity Hit Level	=	4 % of Used Margin [4,000] + Half Commission [150]
	=	Rs. 160+ 150
	=	Rs. 310
Balance required to initiate Buy position	=	Initial Margin + Applicable commission
	=	Rs 4,300 [4,000 +300]

If the customer doesn't deposit the remaining amount [i.e. Rs 36,000] within contract validity by 3 PM, then Exchange will liquidate the open position/s in the current market price at contract expiry and Gahana Griha will search for a new buyer.

Customer had bought @ Price Rs 40,000/10 gm

Current Market Price is Rs 39,500 per 10 gm

Actual Loss in Trading Console = (40,000-39,500)*1

= Rs 500

If a new buyer is willing to pay 39,000 per 10 gram for the customer's product, then customer will be liable to pay the difference too.

Price Difference loss = (39,500-39,000)*1

= Rs 500

Again, 2% of Penalty will be charged on the remaining amount i.e.,

Penalty = 2% of [IM – (Actual Loss+ Price Difference loss)]

= 2% of [4000- (500 + 500)]

= 2% of 3000

= Rs 60

Hence, if client doesn't deposit the remaining amount within contract validity and clients account has not reached equity hit then; amount that will be released and refunded to the customer will be as below:

4,000 – 500 – 500 –60 = Rs 2940

Important Notes:

- This example is applicable when the customer is in Loss condition and the same calculation will be applied in **'Equity Hit'** case too.
- During profitable condition of customer, the open position will be liquidated with the Open Price and Customer will have to bear only price difference loss [if any] and 2 % penalty. Customer cannot claim for the profit amount.

7. Disclaimer

- Customer can only initiate BUY for this product. Customer will not have option to liquidate the product.
- Customer can SELL the product to Gahana Griha at prevailing NEGOSIDA declared gold rate of the day.
- Contract validity is continuous days after trade execution. Public holidays may fall within this time period. So customer needs to be self alerted on this.
- As contract validity is T+ 2 days [calculated on continuous day basis], same will be reflected in delivery receipt. But for contract expiry falling on market holiday, customers will get time till next trade day, 3 PM to deposit the remaining amount.
- Customer can claim for physical delivery of the bought product in 'Equity Hit' condition if he deposits the remaining amount within T+2 days by 3 PM.
- Customer will be billed for jewelry for the physically delivered contract.