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

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

-EGGM and EGGL

1. To Trade in EGG [Physical delivery]

- Any Individual or Institution is allowed to trade.
- Customer needs to have their own operational account in Bank of Kathmandu [BOK] or E-Sewa, compulsorily.

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 basis]
- Equity hit level is 4% of Used Margin + Half Commission.
- Contract Expiry Liquidation will be followed as 3 PM from Monday to Friday. Contract Expiry falling on market holiday shall 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 + 2 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 Delivery Vendor.

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 of trade execution before 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 then storage charge would be applicable till it takes the delivery.
- During above normal condition, customers open order 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 center as prescribed by the Delivery Vendor.

Or,

Described in a Flow chart:

Opens account in BOK or E-Sewa and becomes a customer of MEX

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Deposit's 'Initial Margin [10% of Contract value] + Commission' in Clearing House's Segregate Account of BOK or E-Sewa and inform the CH

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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 House's Segregate Account (BOK or E-Sewa) within T+2 days by 3 PM; before Equity Hit

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

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Exchange will liquidate the open position with Open Price

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Finally, Customer can present the delivery receipt [available in the trading console] and take the delivery of the product at the date, time and delivery center as prescribed by the Delivery vendor.

4. Default Cases

- There are 2 conditions of default case;

  1st Condition: If the remaining amount is not deposited within T+2 days before contract expiry, 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 within T+2 days before 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 total contract value 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, vendor will try its best to inform the customers about the condition, however it's not the responsibility of vendor. 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' and 'Remaining Contract Value' in Clearing House's Segregate account of BOK or E-Sewa.

6. An Example, with calculation

Suppose, the customer had bought EGG-L @ Rs. 360 per Crate; then

Total Contract Value (per lot)	=	Rs. 360 * 7
	=	Rs. 2520
Initial Margin (per lot)	=	10% of Rs. 2520
	=	Rs 252
Applicable Commission	=	Rs 10 + VAT (13%)
	=	Rs 11.30
Equity Hit Level	=	4 % of Used Margin [252] + Half Commission [5.65]
	=	Rs. 10.08+ 5.65
	=	Rs. 15.73

Balance required to initiate Buy position = Initial Margin + Applicable commission

= Rs 252 +11.30

= Rs 263.30

If the customer doesn't deposit the remaining amount [i.e. Rs. (2520-252) = Rs. 2268] within contract validity before 3 PM, then, Exchange will liquidate the open position/s in the current market price at contract expiry and vendor will search for a new buyer.

Customer had bought @ Price Rs 360/Crate

Current Market Price is Rs 350/Crate

Actual Loss in Trading Console = (360-350)*7

= Rs 70

If a new buyer is willing to pay Rs.340 per crate for the customer's product, then customer will be liable to pay the difference too.

Price Difference loss = (350-340)*7

= Rs 70

Again, 2% of Penalty will be charged on the contact value i.e,

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

= 2% of [2520- (70 + 70)]

= 2% of 2380

= Rs 47.6

Note: If 2 % penalty amount is higher than the remaining amount [Initial Margin – (Actual Loss+ Price Difference loss)] then remaining amount will be used as the penalty amount.

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:

252 –70 – 70 – 47.6 = Rs 64.4

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.
- The above example is for EGGL and same shall be applicable for EGGM as well.

7. Disclaimer

- Customer can only initiate BUY for this product. Customer will not have option to liquidate the product.
- As contract validity is continuous days after trade execution; public holidays and international 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 before 3 PM.