

CLIENT'S HANDBOOK

Second Edition

A Smart Solution for Online Trading



CLIENT'S HANDBOOK



Mercantile Exchange Nepal Limited

Invest - Trade - Earn

AN ISO 9001:2008 CERTIFIED EXCHANGE

www.mexnepal.com



Dear Sir/Madam,

Please find enclosed Client's handbook of MEX that will provide the registered clients and registered user with the basic information's necessary to trade in Mercantile Exchange Nepal Ltd.

The document will give you an overview of general guidelines and policies followed at MEX Nepal. The contents basically include information which would help the clients to understand relevant MEX rules and procedures.

This handbook is especially designed in the interest of the clients and registered users of Mercantile Exchange Nepal Ltd and we have tried our best to make it as informative as possible.

We hope that this guideline proves helpful for the clients and registered users who are registered under MEX. We would like to thank you for your continued support and we look forward for your on-going and further participation in helping to build MEX into world class commodities exchange.

Thanking You.

Yours Sincerely,

Sonu Jain

Compliance Senior Manager
Mercantile Exchange Nepal Ltd.



ACKNOWLEDGEMENT

This Client handbook would not have been possible without the support and dedication from the following Clearing Members.

We would like to thank all of them for their contributions to the Client's Handbook.



Axis Broking
Solution Pvt. Ltd.



Himalayan
Commodity Brokers



Premier Clearing
Services

We would also like to thank all the supporting departments from the Exchange who has made this client's handbook a grand success.



TABLE OF CONTENTS

1. Criteria to become a client	4
2. Documents required for registering as a client	4
3. Procedure to register as a client	4
4. Unique Client Code	5
5. Start to trade	5
6. Commission & TDS	6
7. Bank account opening procedure	7
8. Deposit procedure	7
9. Withdrawal procedure	9
10. Wrong Narration or Wrong Deposit	10
11. Margin Call	11
12. Account block, Account release & Account [TWS] close	12
13. Equity Hit and deficit	12
14. Rights to AE	13
15. Complaint procedure	14
16. Circulars and notifications	14
17. Trade verification	15
18. Recommended system configuration	15
19. Contract specification terms	15
20. Market Open Gap [MOG]	16
21. Function of maximum deviation in TWS	16
22. Order Type	17
23. Offline Support	18
24. Nominee-demise/death of the client	19
25. Do's and Don'ts	19



1. CRITERIA TO BECOME A CLIENT

- An Individual [Individual A/c] aged 18 yrs or above
- Two Individuals [Joint Client A/c] –Both the individuals should hold a joint bank a/c
- Institutions [Corporate Account]

2. DOCUMENTS REQUIRED FOR REGISTERING AS A CLIENT

Please access it from MEX website; www.mexnepal.com

Home> Rules & Byelaws> Compliance> Documents to be submitted.

Link for it:

<http://www.mexnepal.com/webimages/compliance/documents/Clients.pdf>

3. PROCEDURE TO REGISTER AS A CLIENT

To register as a client under MEX, the applicant can use below mentioned any 2 ways:

Offline Client Registration Procedure: The applicant needs to fill "Client Registration Form [CRF]" which is available with NCM or is also available in MEX/CM website. The filled CRF along with the supporting Documents should be forwarded to the concerned NCM for further processing.

Online Client Registration Procedure: The applicant can also register under the concerned Non Clearing Member by logging into its concerned Clearing Member's website i.e.



- For Axis Broking Solution P. L.
<http://www.axisbroking.com>
- For Himalayan Commodity Brokers P. L.
<http://www.hcbnepal.com>
- For Premier Clearing Services P. L.
<http://www.premierclearing.com>

Applicants can fill-up the form online and also upload all supporting documents therein.

A guide to use **“Online client registration”** is also placed in the welcome page which appears once the applicant clicks on the “Online Registration Form” tab available in Clearing Member’s Website.

4. UNIQUE CLIENT CODE

Once the Client Registration and documentation process completed, Clearing Member shall provide the unique client code to the NCM which consists of 7 digits. It is a unique identity number given to the clients which is followed by NCM code consisting of 4 digits. For example, if NCM code is 4001 then client code shall be 4001001. Only after receiving the client code, the clients shall deposit funds in the segregate account of the concerned NCM.

5. START TO TRADE

After the client gets the unique client code, client shall deposit funds sufficient to trade in the segregate account of NCM. After the deposit is made, the NCM shall inform to the concerned CM about the same. Confirmation of deposit is done by CM and Username and Password for client to access the TWS shall be sent to the email address registered in Client Registration Form.



Please note that only after the confirmation of initial deposit of client; the client shall receive the Username and Password of TWS.

6. COMMISSION & TDS

Commission (Transaction Fee) - Clients are charged with commission mentioned in the Client Registration Form [CRF] for every trade executed in their account.

When a position is initiated, one side commission shall be charged and when the position is settled, other side of commission shall be charged.

For example, if a client buys 2 lot of Gold and is charged 1200+VAT in C1 category, his one side commission i.e. $(600+VAT) \times 2 = 1200 + VAT$ will be deducted.

Likewise, when he settles the same position i.e. sell 2 lot of Gold, his other side commission i.e. $(600+VAT) \times 2 = 1200 + VAT$ will be deducted.

Therefore, the total commission charged will be is 2400+ VAT for 2 lot of Gold.

TDS- TDS of 10% is applicable to client's net profit trades [excluding Commission / Charges]. TDS shall be paid to Inland Revenue Dept in the name of Client and the statement/receipt shall be provided on monthly basis to the NCM through the concerned Clearing Member.

Please be informed that clients can get the certificate of the TDS paid by them on the profit made. The following process needs to be followed if any of the clients needs TDS certificate in their name:

1. The Client needs to fill the "TDS Withholding Certificate" as per the details mentioned in the "TDS Submission Form" provided to the Non Clearing Member.



2. The NCM then needs to bring the filled "TDS Withholding Certificate" in MEX (the withholding agent) for getting it acknowledged.
3. The NCM then can make available the acknowledged certificate to its client.

7. BANK ACCOUNT OPENING PROCEDURE

For Laxmi Bank Ltd.

Clients are required to open a bank account in its own name in Laxmi Bank.

For detailed information please visit below link-

http://www.mexnepal.com/webimages/csmsd/client_procedure_for_laxmi_bank.pdf

For Bank of Kathmandu Ltd.

Clients are mandatorily required to fill a specified form named "**Commodity Market**" to open a bank account in BOK for MEX related transactions.

After the banking formalities are fulfilled, they shall avail the "**Commodity**" option in client's i Banking terminal.

For detailed information please visit below link-

http://www.mexnepal.com/webimages/csmsd/client_procedure_for_bok.pdf

8. DEPOSIT PROCEDURE

The client shall use only their registered bank account number [mentioned in CRF and its amendments] for making any deposits into the segregate account of their concerned NCM.



For Laxmi Bank Ltd.

- Clients are allowed to make such deposit via “i Banking”, “Cheque” or “Cash” [As per NRB “Directives 1 [clause 3.1]” for Bank and FIs. Client’s can also refer to exchange circular no MEX/149/2012 regarding Cash Deposit as per NRB Directives]
- Narration/description to be used while depositing funds in segregate account for add margin and margin call - Client Code followed by client’s full name [mentioned in CRF].
 - Eg: 4001001- Krishna Kumar
- Narration to be used while depositing for the use of Member Deposit Fund of NCM - Updation/ Reference number followed by client’s full name [mentioned in CRF].
 - The code will be as “Ref No” in the Deposits/Withdrawals section under accounts column in the client’s TWS.

For Bank of Kathmandu Ltd.

- Clients are allowed to make such deposit only via “I Banking”. No Cheque or cash deposit is allowed in BOK.
- For Add Margin/Margin calls which are intended to be updated in TWS, for such transfers, clients are requested to leave the space blank in the “REMARK” columns as it is set by default.
- For the Leverage given from Member deposit account: Client needs to enable the Leverage option (by clicking the check box) seen in the transfer menu and give the correct Reference Number which is confirmed from their NCM.

Please note that every deposit made by the client should be informed to Clearing Member in order to get updated in its TWS. Any of the following procedure can be used for providing information of the deposits made by clients:

1. Notification from the Clients to C.M. Back Office, from **TWS** using ‘Mail’.



Or,

2. Notification from Client to NCM and from NCM to the CM, with the details of funds and client through **Phone**.

If Client uses 'Mail':

Client need to send mail through their TWS [Mail> Compose] to Back Office which shall include

For Laxmi Bank clients

Format to be followed: ***"Client Code - Amount – Bank Name - Add margin/Margin call"***

For Bank of Kathmandu Clients

Format to be followed: ***"Client Code -Amount – Bank Name - Add margin/Margin call-***

Transaction number. "[Transaction number can be viewed under "view account> Account statement" of BOK CLICK.]

If any of the above mentioned points is missed, the mail will not be considered.

It is the responsibility of the Clients to make sure that the deposit has reflected in their TWS correctly.

9. WITHDRAWAL PROCEDURE

Partial Withdrawal:

- For all "Partial Withdrawal", clients can apply withdrawal request in their TWS, mentioning the amount to be withdrawn. Such withdrawals are allowed only 5 times a day and client who wants to withdraw more than 5 times have to use offline procedure.
- Minimum balance of NPR 1,000/- needs to be maintained while doing the partial withdrawal.
- Clients shall not be allowed to withdraw fund from the floating profit until the fund is realized in their trading account.



- The withdrawal of the client's equity, apart from the floating profit and the margin required can always be withdrawn.
- Withdrawal of the immediate settled profit can be transferred after MTM considering the NCM fund in segregate account.
- Online Withdrawal facility is available for 24 hours on all trading days. Online withdrawals placed 2 hours, prior and after market close shall be processed only after completion of MTM for all the trading days.

Full and Final Withdrawal:

- For all "Full and Final Withdrawal", clients should send the hard copy of withdrawal form. No online withdrawal request will be accepted for full and final withdrawals. The withdrawal form should be filled [duly signed and thumb impression] by the client and should pass it onto their NCM which shall be in turn forwarded to the CM for further processing.
- Once the client does full and final withdrawal, his account [TWS] will be closed and cannot be re-activated again.
- If the client wants to trade again after full and final withdrawal, then he needs to follow all procedure to open a new account.
- Client's withdrawal other than designated/clearing bank will be processed through Managers Cheque [DD]. DD charges will be deducted by Bank for the same.

10. WRONG NARRATION OR WRONG DEPOSIT

If the client makes mistake in **Narration/description** (i.e. client code or name) while making the deposit, Narration change format should be used. Similarly, when the amount deposited is different from the source account of the client then Wrong deposit/Third party format should be used.

Note: Narration change format and Wrong deposit/Third party format is available in MEX website under **Rules & Bye Laws > Compliance >**



Compliance formats >

- Narration Change Letter
- Letter from Client for Wrong Deposit in Mdepo & Seg
- Covering Letter from NCM for Wrong Deposit in Mdepo & Seg

The cost of processing these changes by the bank is NPR 150/-

11. MARGIN CALL

Client accounts with short of margin [negative 'available security deposit'] at the end of the trade day shall be issued a call margin to fulfill the margin to 100%, such margin need to be brought on next trade day at the earliest or by 3pm, else the position in excess to the margin available at 4pm shall be liquidated.

Margin call message can be accessed in TWS under **Mail > Notices**.

- Margin call amount should be deposited prior 3 PM NST [Nepali Standard Time]. NCMs should inform about the client's margin call deposit prior to 3 PM to their concerned CM.
- Margin call cut off time is followed as 4 PM NST.
- If "Available Security Deposit" at 4 PM is negative even by 1 paisa and the client has not deposited the margin call amount, then his open position will be liquidated.
- Contract Expiry liquidation timing is 12:00 AM NST.

Liquidation during multiple contracts

If a client is holding multiple contracts, then any of the contract/s can be liquidated basing on the requirement due to non fulfillment of margin call.



Margin call liquidation is based on FIFO method if client is holding open orders in any one product/contract

12. ACCOUNT BLOCK, ACCOUNT RELEASE & ACCOUNT [TWS] CLOSE

Account block:

The trading features of Client accounts [TWS] shall be blocked if there is no sufficient fund to trade.

Account release:

When the client brings fund sufficient to initiate any position, the trading features shall be released.

Account close:

The account [TWS] shall be closed either on Full and Final withdrawal or on Client or Member request.

13. EQUITY HIT AND DEFICIT

If the Total Equity in client's TWS falls below NPR 1000 then such critical situation is referred as "**Equity Hit**" where manual liquidation of open contracts will be considered for liquidation. The point to be noted is that the Total Equity can also reach negative figures in a client's TWS and if such incident takes place then the TWS of the client will be partially blocked till the time the client deposits the required amount to convert the Total Equity into positive figure.

At times when market gap opening arises in some items/contracts - the equity hit may go in negative too, depending on the gap open.



Note: Equity hit is an unforeseen situation and traders are requested to maintain sufficient funds in their trading accounts enough to hold the open orders, exchange or clearing member will not be in a position to issue notice prior liquidation of open orders, if client equity falls to / or below NPR 1000 the positions shall be cleared at the market.

Note: Clients can deposit funds prior equity hit to avoid liquidations of position/s.

14. RIGHTS TO AE/REGISTERED USER

Clients can be a self trader or also register through an AE/Registered User. There are three types of user rights a client can provide to their Registered User, they are;

Full Rights:

Rights to trade and access client statement

View Rights:

Right to view the trades executed by the client and client statement [User cant place orders for client]

No Rights:

No rights to trade or access statements

Clients can set the feasible rights for their Registered User and are at liberty to change AE Rights anytime.

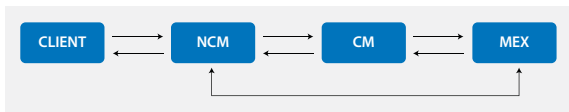


15. COMPLAINT PROCEDURE

Clients are facilitated with live chat in TWS. So any issues aroused during trading can be notified through chat. Clients can also put forward the complaint to their respective NCM for further proceedings, if required.

Clients are not allowed to directly deal with the exchange for any complaints/issues/grievances. If a complaint is not addressed satisfactorily from the members the client has the liberty to register the complaint with the exchange within 5 working days, through their NCM.

The flow chart of complaint routing is shown below:



16. CIRCULARS AND NOTIFICATIONS

Exchange issued circulars can be accessed from exchange web site; http://www.mexnepal.com/webpages/circulars_mex.asp or use the following site map

For Circulars: Home> Rules & Byelaws> Circulars

For Notifications: Home> Rules & Byelaws> Compliance >Notification of Compliance

Circulars include information related to Margin changes, holiday notices and other important information. Clients are recommended to have regular and timely update about every circular issued by the exchange related to products, trading, margin etc and they can also contact their NCM for the same.



17. TRADE VERIFICATION

Clients can verify the trades executed for their accounts, to confirm whether such trades are registered in the Exchange order book. Clients who intend to verify their trades may access exchange website and use 'Trade Verification'.

18. RECOMMENDED SYSTEM CONFIGURATION

System requirements:

- a. Operating system : Windows based operating system
[Windows 98 and above]
- b. System RAM : 512 MB recommended
- c. Storage Disk Space : Minimum 10 MB
- d. Internet bandwidth : Minimum 512 KBPS

19. CONTRACT SPECIFICATION TERMS

Item Code	represents the symbol for a particular futures contract
Name	represents the full name of a particular futures contract/product
Type	represents the type of futures contract
Delivery Margin	represents the Margin required to initiate the position in Delivery Contract
Face Value	represents the value with which the difference between the selling price and the buying price will be multiplied to calculate the amount of profit and loss.
Tick size	represents minimum amount that the price of a commodity can fluctuate upward or downward



Point Value/ tick value	represents the minimum amount profit and loss of a commodity that will be amounting when there is one tick fluctuation upward and down wards.
Bid	represents the price at which the trader can sell a particular futures contract.
Ask	represents the price at which the trader can buy a particular futures contract
C Pip	represents the contingency pip. It is the minimum price difference to be maintained from the current market price to place the Limit or Stop
Expiry date	represents the date when that particular futures contract will expire.

20. MARKET OPEN GAP [MOG]

The price gap [difference] from previous Settlement Price and Market Open Price is Market Open Gap

Opening Gaps can be caused by news releases or other events that happen while the market is closed, or traders decision what prices they will trade at and placing their orders, before the market opens. Also the price movement occurred for the physical commodity during the market closed hours can cause market open gap.

21. FUNCTION OF MAXIMUM DEVIATION IN TWS

Traders are allowed to set the deviation while placing the market orders, Deviation is the maximum affordable price difference from the current market price which trader can afford and accept, if there is a price matching within the set deviation the order will be filled else rejected.



Traders can choose to place orders without setting deviation or set deviation as shown in their TWS while placing market order. Deviation minimum allowed is 5 Pips and Maximum 10 Pip.

E.g. A trader Set Deviation 5 and place a market order SELL GOL AUG09 @ 35193.23 [GOL PIP = 2.41, means he can afford Max NPR 12.05[2.41 X 5] lower/higher than the asked price] if the filled price is 35181.18 or above/35205.28 or below, the given price will be confirmed to the trader Or else Server reject the order

22. ORDER TYPES

a) Market Order: An order to buy or sell at the prevailing market price.

b) Contingent Orders: An order to buy or sell at desired price, which shall be filled if the market reaches to the set price. [Fills are subject to market conditions]

Following are the contingent orders available in TWS.

Limit order: A Limit Order is an order to buy something below the current market rate, or an order to sell above the current market rate.

- Buy Limit: It is placed below the market price
- Buy Stop: It is placed above the market price

Stop Order: Stop orders are placed to stop loss from an adverse market movement, the stop order will become a market order, when the market reach to the set price and fill at same/next available price .

- Sell Limit: It is placed above the market price
- Sell Stop: It is placed below the market price

OCO [One Cancels the Other] order: An OCO consists of two orders [Limit and Stop], upon execution of one order the other immediately gets cancelled.



Note: Contingent Exposure Ratio is 1:2 which means clients are allowed to place contingent orders equivalent to two times the funds available in their Available Security Deposit.

This feature allows placing additional contingent orders, when any such orders triggers, then orders will be executed only as per the fund availability.

c) Quote order: A request for a Quotation for a particular commodity, on which a client can buy or sell.

Get quote shall activate by ATS whenever there is any issues with live price feeds or the market orders placed during such instance shall bring a Quoted price to the client and display the Quote in the TWS, client intent to purchase or sale at the Quoted price will need to click on "Confirm" in 8 seconds time or the Quote shall be expired and client need to try again.

Validity:

Day Order : Orders valid till end of the day.

GTC [Good till cancel] : Orders remains valid until the order is either executed or canceled.

GTF [Good till Friday] : Orders valid till Friday close

23. OFFLINE SUPPORT

In case of non-availability of internet service or power outage in Nepal or No connectivity to MEX.N Server [On MEX.N Confirmation], the offline support can be used by all the registered clients by consulting their respective Non- Clearing Member.

The offline support is restricted only to settle their existing open positions [liquidation of the open positions] or to keep OCO/Limit/Stop for liquidation.



For detail information please refer to **Circular No MEX/050/2010**, or visit the following link:

http://www.mexnepal.com/webimages/pdf/Offline_Support5026720117.pdf

24. NOMINEE-DEMISE/DEATH OF THE CLIENT

A registered Client can appoint a person, who is not a minor or insane, as a nominee to its account and the nominee shall receive all the benefits accrued to that account in the event of client's death. For further information please refer to **Circular No. MEX/122/2011**, or visit the following link:

http://www.mexnepal.com/webimages/pdf/Nominee_-_Demis122188201112.pdf

The format for nomination is also available in MEX website.

25. DO'S AND DON'TS

Before registering as a client through any NCM, s/he must be well aware about the do's and don'ts.

Please access it from MEX website; www.mexnepal.com

Home> Rules & Byelaws> Circulars >Serial No. 74/2010

Link for it:

<http://www.mexnepal.com/webimages/pdf/Do2710201011.pdf>

Note: *For regular market updates, you can always go through MEX Blogs and market commentary and follow us on facebook and twitter. And also don't forget to go through the circulars from the exchange which is released in the website too.*

*Client can also give their feedback in **MEX website> About us> CS, Member Service Department> Client Feedback Form***

DISCLAIMER:

The Client's handbook contains only general guidelines and information. All information contained in this handbook is intended to help clients and to understand relevant MEX policies and practices. MEX disclaims the responsibility of being this hand book a complete guideline to all the policies and procedure as well in solving the difficulties of clients. If you have any questions apart from the mentioned guidelines, you should address your specific questions to your Non Clearing Member.

The procedures, practices and policies described here may be modified or discontinued from time to time. Every attempt will be made to inform you of any changes as they occur through MEX website [www.mexnepal.com] under Rules & Bye Laws > Circulars or Rules & Bye Laws > Compliance> Notification of Compliance. However, it is your responsibility to update yourself on all the current policies and procedures from your concerned Non Clearing Member.

**For latest edition of Client's Handbook,
please visit MEX website; www.mexnepal.com**

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