



Mercantile Exchange Nepal Limited

— Where the Nation Trades —

AN ISO 9001:2015 CERTIFIED EXCHANGE

MEX

Margin Rule Book

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I. Preamble

This document shall be known as “Mercantile Exchange Nepal Ltd Margin Rules” (here in after referred as Rule Book). These rules were framed by the Board of Directors of Mercantile Exchange Nepal Limited (MEX) based on the exchange Bye-Laws and Rules as guideline for the application and exercise of various types of Margins by the exchange participants to contracts listed on MEX.

The contents of this rule book shall come in to force with immediate effect.

II. Definition

1. In these rules, unless the context requires otherwise, the following words and expressions shall have the following meanings.
 - 1.1 **Margin:** Shall be known as commitment bond that market participant should not be defaulted on his/her contractual obligation.
 - 1.2 **Initial Margin:** The percentage or part of the total contract value required to initiate any new position. Either buy or sell on listed and available contracts.
 - 1.3 **Maintenance Margin:** Minimum amount of equity to be maintained in the segregate account by traders or market participants to continue holding positions till the contract expiry or till the last trading day of the contract.
 - 1.4 **Additional Margin:** Applicable based on contract value change or Tick size change. Once contract value or tick value changes, additional margin will be calculated with new value.
 - 1.5 **Special Margin:** Applicable based on the volatility of the Market and shall be calculated based on the opening day of the contract to daily MTM.
 - 1.6 **Variation Margin:** Applicable based on the exposure of the initial margin. Once initial margin exposure ratio is crossed, this margin shall be implemented.
 - 1.7 **Intraday Margin:** Initial margin for Intraday trading of listed contract is known as Intraday margin.
 - 1.8 **Overnight Margin:** The margin applicable to hold an open position overnight.
 - 1.9 **Delivery Margin:** Defined as commitment bond to receive delivery for the underlying asset.
 - 1.10 **Initial margin exposure Ratio:** Ratio of exposure on open positions which is defined to hold without fulfilling variation margin.

2. Exchange on its sole discretion shall define the required margins which should be maintained and applicable from time to time by the exchange participants.

III. Initial Margin

1. Initial margin to be maintained by Clients with MEX clearing members to initiate any fresh positions in market on available contracts for trading.
2. Without initial margins none of the position for buy/sell shall be executed.
3. Initial Margin shall be fixed based on % or fixed amount and for the easy computation figure of amount to be rounded off.
4. Initial margin may be fixed by MEX based on each instrument and the Product Specification shall specify the fixed initial margin or % based initial margin of products to be applicable
5. Initial margin percentage or fixed amount can be changed based on sole discretion of exchange and shall be applicable as and when the exchange notifies.
6. Once initial margin is changed, it shall be applicable for the new positions and for open / existing positions both within stipulated time as mentioned in notification or circular.

IV. Additional Margin

1. Additional margin should be applicable based on Tick value change or contract value change of contracts.
2. Additional margin notice shall be issued by MEX to the Clearing member of the exchange and clearing member shall circulate the notification as earliest possible to the market participants.
3. The additional margin requirement should be fulfilled prior to the hair cut time as defined by MEX so as to keep the position open.
4. Once additional margin notice is issued the figure of initial margin shall change and the changed additional margin shall be applicable for new and open contracts on market.

V. Maintenance Margin:

1. Maintenance margin shall be fixed by MEX at its sole discretion.
2. Clients must maintain the maintenance margin at any market fluctuation, once it's been affected by market fluctuation margin call shall be issued and should be fulfilled within stipulated time as defined on contract specification.

3. The margin call notice as per 2.0 shall be fulfilled based on the margin call notice issued or value at the time of fulfillment which ever will be higher.
4. Margin call notice shall be issued based on Daily Settlement price.
5. If the margin is not fulfilled as per clause 2. 3. and 4, existing position shall precede for the haircut .
6. While following the procedure of the haircut as mentioned in 5 existing open positions of traders should be liquidated till the maintenance margin to be freed.

VI. Special Margin

1. Special margin caps and bands shall be decided at the sole discretion of the exchange.
2. Special margins shall be applicable once the defined volatility of the contract on given period is breached.
3. Volatility should measure based on 2 criteria:
 - a. Based on opening price of the contract when it was available for trading, or
 - b. Based on previous day's closing price.
4. Based on nature and volatility of the underlying assets volatility band shall be mentioned in contract specification of the underlying assets. It should be fulfilled within stipulated time as mentioned on contract specifications.
5. The volatility margin once imposed shall be relaxed only after volatility comes under the defined range as mentioned in contract specification.
6. Special margin calls issued to clearing member by the exchange shall be liable to notify its affiliated Brokers and clients by the respective CMs.
7. While calculating the volatility based on 3.0 whichever comes (a or b) as higher percentage shall made applicable.

VII. Variation Margin

1. Variation margin shall not be applicable until any notification or circular is issued from the Exchange. Once the Exchange deems necessary to implement it shall issue 24 hours prior notice with the detail provision of variation margin.

VIII. Intraday Margin

1. Intraday margins shall be applicable for those contracts which are available for overnight trading also.



2. Intraday margin facilitates contracts to be traded from the daily opening of the contract to till the day session close.
3. Intraday margin shall act equal to initial margin for the contract till the day close.
4. Any purchase or sale of contract made under intraday margin shall not be carry forwarded after day session close unless the MEX makes any amendment to this provision.
5. Any such of market situation which may arise against the intraday margin, margin call shall be issued immediately and should be fulfilled within 2 hours from the issuance time of the margin call.

IX. Overnight Margin

1. Overnight margin is a higher margin set by MEX to hold open position/s overnight.
2. Overnight margin is applied at market close for the particular contracts to hold till next day.
3. Non fulfillment of overnight margin shall force to liquidation of open orders at market close. If fulfilled, the open orders shall be eligible to carry forward till next day market.
4. No alert message/information is forwarded to traders for shortage of fund in this regard

X. Delivery Margin

1. Delivery margin shall be applicable only for the Delivery contracts.
2. Any position which shall be regarded as outstanding position on last trading day of contract shall bound to enhance capital adequacy through delivery margin.
3. Fails to increase margin by fulfilling delivery margin shall be treated as default position and members should be financially liable for these positions.
4. Delivery margin shall be 25% of the contract value, when purchase or sell of contract is made.