

**NATIONAL MULTI-COMMODITY EXCHANGE OF INDIA LIMITED**

**CIRCULAR**

**Ref.No.:NMCE/2009-10/0018**

**25<sup>th</sup> June, 2009**

**Annual Compliance Report (ACR) for the year 2008-09**

To,  
The Members,

In terms of Bye- Laws, Rules and Regulations of the Exchange, the Members are notified as under:

Members are required to conduct an annual review of their business to assist them in complying with the provisions of Bye-laws, Rules and Regulation of the Exchange. The review is structured in the manner that would assist the Members in detecting and preventing violations of compliance required by the Exchange.

The above Annual Compliance Report (ACR) is mandatory for each Member for its submission in the prescribed format. Members whose membership was activated on or before March 31, 2009 are required to submit Annual Compliance Report for the year 2008-09 (irrespective of the financial year followed by the Members) in the Annexure 1 enclosed to circular on their letter head. The said Compliance Report should be submitted so as to reach the Exchange on or before August 17, 2009.

Failure to submit the Annual Compliance Report to the Exchange, by August 17, 2009 would be treated as non- compliance and attract a penalty of late submission charges of Rs 250/- per week till the date of submission of the said report.

For and on behalf of  
**National Multi-Commodity Exchange of India Limited**

(Dinesh Shukla)  
VP (M D)

**(To be typed on the letter head of the Member)**

**Annual Compliance Report (ACR)**

To,  
Compliance Department,  
National Multi-Commodity Exchange of India Limited  
4<sup>th</sup> Floor, H.K. House,  
Behind Jivabhai Chambers,  
Ashram Road,  
Ahmedabad – 380 009.

I / We, M/s. \_\_\_\_\_ a Trading cum Clearing Member of the Exchange ( Membership Number \_\_\_\_\_ ) hereby confirm that for the year / period ended \_\_\_\_\_ , have complied with all the provisions of the Bye-Laws, Rules, Regulations, Circulars and Directives issued by the Exchange from time to time, in general and in particular all specific areas listed in the Annexure 1 of this Report; subject to the non-compliance (s), deviation(s) and exception(s) as listed therein.

Place: \_\_\_\_\_  
Member)

For and on behalf of \_\_\_\_\_ ( Name of

Date: \_\_\_\_\_  
/

Signature of Designated Director / Managing Director

Partner / Proprietor / Karta

Name: \_\_\_\_\_

Official seal.

- Strike out whichever is not applicable.

Sr no	Bye-Laws/ Regulations/Rules/ Circulars of the Exchange	Particulars	Status of Compliance (Yes/No/ N.A)	Remarks (Reasons for Non- Compliance)
<b>Maintenance of Records/Documents/Books</b>				
1	Regulation 11.1	All books of accounts, registers and records are maintained and preserved for prescribed period in respect of the Head Office and branches as required under the Rules, bye-laws and Business rules		
2	Regulation 11.1	Register of Commodities, client wise and commodity wise, giving inter alia the following has been maintained (A) Date of receipt/delivery of commodity (B) Quantity received/delivered (c) Purpose of receipt/delivery		
3	Regulation 11.1	<b>Order Confirmation</b> Confirmation order instructions have been obtained from the clients before placing the order on the system		
4	Regulation 11.1	<b>Order modification/cancellation-</b> Order modification /cancellation instructions have been obtained in writing from the clients. Order confirmation/modification/cancellation slips or copies thereof have been provided to clients		
5	Regulation 11.1	Maintenance of trade log and order log as per the requirement of the Exchange		
6		Records in respect of premium/ discount on Final settlement amount including taxes and charges on commodities of clients constituents.		
7		Segregation of Exchange wise clients' ledgers are maintained		
8	Regulation 4.3.1, 4.3.2 and Circular under Reference no: NMCE/2003-04/0039 dated Nov 21, 2003 and NMCE/2006-07/0062 dated Jan 1,2007	<b>Know Your Client Forms-</b> Client registration forms in respect of all clients is complete in all respects with necessary supporting documents along with PAN Details		

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9	Circular under Reference no: NMCE/2003-04/0039 dated Nov 21, 2003 and NMCE/2006-07/0062 dated Jan 1,2007	<b>Obtainment of PAN details/Declaration-</b> Details of Income Tax PAN numbers or the declaration of not having PAN have been obtained from all active clients and uploaded		
10	Regulation 4.3.	<b>Member client Agreements-</b> Member Client Agreements(MCA) franked , containing all provisions specified by the Exchange have been entered into, with all the active clients, before accepting or placing orders on their behalf		
11	Regulation 4.3.2	<b>Board Resolution-</b> Member has obtained approved Board resolutions from non-individual clients, permitting trading in derivatives		
12	Regulation 4.3.3	<b>Risk Disclosure Document-</b> All clients of the Exchange have been issued a copy of the Risk Disclosure Document as specified by the Exchange and the same is duly signed by the clients		
<b>Banking Operations</b>				
1	Regulation 11.1.5	Books of accounts, as are necessary, to show and distinguish, clients funds and own funds in connection with our business as Member of the Exchange have been maintained.		
2	Regulation 4.4.11	Funds of the clients have always been kept in a separate account and operation of such account has been as per the provisions.		
3	Regulation 11.1.5 ( C)	Member has not used clients' money for his own transactions or for transactions of such other client for any purpose other than margin and pay in relation to transactions entered into by such client paying the margin.		
4	Regulation 11.1.6	There was no transfer/ withdrawal from clients' account except under circumstances enumerated in Rules/ Bye-laws/regulation of the Exchange.		

Sr no	Bye-Laws/ Regulations/Rules/ Circulars of the Exchange	Particulars	Status of Compliance (Yes/No/ N.A)	Remarks (Reasons for Non-Compliance)
5	Circular under reference no: NMCE/2009-10/0017 dated June 23, 2009	No cash transactions undertaken.		
<b>Dealing with Clients</b>				
1	Regulation 4.3.2 & 4.3.1	Client codes have been allotted to all clients and the correct client codes have been entered in the system while placing orders on behalf of clients		
2	Circular under Reference no: NMCE/2008-09/0050 dated Oct 31st 2008	Mapping of the client code, used at the time of order entry in the trading system with unique codes in the back office is maintained as prescribed by the Exchange		
3	Regulation 4.3.1 & 4.3.2	Client details as required have been maintained and have been provided to the Exchange as required		
4	Regulation 4.3.2	Member has taken reasonable steps to assess the background, genuineness, beneficial identity, financial soundness of their clients and their trading objectives at the time of entering in to agreement with them.		
5	Regulation 3.7.3	Brokerage has been separately charged and indicated separately, in the contract notes		
6	Regulation 3.7.2	Brokerage has been charged within the maximum brokerage rate as specified by the Exchange		
7		Pay-in of funds/ commodities due from clients is received from the respective clients only		
8		Pay-out of funds/ commodities due to clients is made to the respective clients only		
9		Statement of accounts for settlements has been sent to all the clients, with periodicity not exceeding 6 months		
10		Commodities of the clients have always been kept in a separate client beneficiary account and operation of such account has been as per provisions of Rules, Bye-laws, regulations and circulars of the Exchange		

Sr no	Bye-Laws/ Regulations/Rules/ Circulars of the Exchange	Particulars	Status of Compliance (Yes/No/ N.A)	Remarks (Reasons for Non-Compliance)
11	Regulation 11.2.6	After the closing of any clients account all records which relate to the terms and conditions with respect to the opening and maintenance of such account, date of entering into agreement with the clients, date of modification thereof, date of termination and representatives of such clients who signed in each case are being maintained for such period as prescribed by the Exchange.		
12	Circular under reference No: NMCE/2006-07/005 dated Dec 9, 2006	Members are not including in any Portfolio Advisory Services, Portfolio Management Services and such other services directly or indirectly.		
13		Along with agreement, Whether the Member has taken Blanket Confirmation from the Clients with specimen copy		
14		Trade done before Clients' account being opened		
15		Maintenance of Voice Recording System		
<b><u>Dealings with Intermediaries</u></b>				
1	Bye-Laws Chapter 9(28 a)	Brokerage has not been shared with another member of the Exchange or an employee of another Member or a person with whom Member are forbidden to do business under Rules, Bye-laws, Regulations of the Exchange		
2	Rules Chapter 4 (5 e)	Brokerage has not been shared with and/or business has not been transacted with any of the suspended or expelled or defaulting Trading Members		
3	Rules Chapter 4 (5 e)	No business has been done with or for the trading members who are prohibited to transact, including suspended/ expelled/ defaulter trading members; defaulting constituents and employees of other trading Members		
<b><u>Contract Notes</u></b>				
1	Bye-Laws Chapter 9(8) & Regulation 13.2.2	Contract notes have been issued to all clients within 48 hours from the close of the trading hours when trade is executed		

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2	Regulation 3.6.1	Contract note have been issued in the prescribed format with all relevant details filled in bearing signature of authorized signatory, a running serial number which is initiated at the beginning of each financial year bearing separate series number with dealing office name or code as prefix to the serial number, if the member has more than one office		
3		Copies/ duplicates of Contract Notes issued by the Member are maintained and should be acknowledged by clients.		
4	Regulation 3.6	Unique Membership code allotted by the Exchange/ FMC printed on the contract note		
5	Regulation 3.6	Contract notes are authenticated by digital signatures only after obtaining digital signature certificate from the certifying Authority under the IT Act, 2000 and mode of confirmation by the client is specified in the agreement between the Member and the client		
6	Circular under Ref no: NMCE/2005-06/0026 dated Jan 1, 2005	If digital contract notes have been issued to clients, necessary log reports are maintained and physical contract notes have been issued to the clients at their request		
7		Trades executed for a client have not been subsequently transferred to another client		
8		Trades executed for own account have not been subsequently transferred to a client and vice-versa		
9		Trades on own account have been executed under PRO code only		
<b>Margin</b>				
1	Bye-Laws chapter 10(3) & Regulation 4.4.12	Margin is collected from the clients as prescribed		
2	Bye-Laws Chapter 10 (3)	MTM settlement is collected from the constituents as prescribed		
3	Bye-Laws Chapter 10 (3)	Initial Margin and Daily Margin partially collected from the clients		
4		Client codes changes with its impact on margin collection		

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<b><u>Risk Management</u></b>				
1	Bye-Laws Chapter 9 (16)	Trading is as per the Gross exposure, net exposure as well as intraday limit prescribed by the Exchange/ Relevant Authority from time to time		
2		Appropriate risk management system/limit checking/ surveillance mechanism is installed at appropriate level for all terminals and overall exposure as well as intra day limit is being used properly		
3	Regulation 8.1	The open interest limit at Member Level and Client Level respectively is not violated as per Exchange Provision / FMC Directives		
<b><u>Membership Requirements</u></b>				
1		No change in share holding/sharing pattern of the corporate/firm has been undertaken without prior approval of the Exchange		
2		No change in directors/ partners of the corporate/ firm has been undertaken without prior approval of the Exchange.		
3		Maintaining of Net-Worth on an ongoing basis and net-worth did not fall below the limit stipulated by the Exchange / Submission of an Undertaking if the Net-Worth of the Member is below the limit stipulated by the Exchange.		
4	Circular under reference no: NMCE/2008-09/0043 dated Oct 13, 2008	Submission of Annual Returns / Reports to the Exchange within 6 months from the close of Financial Year		
5	Regulation 12.6	Annual Compliance report for the relevant financial year has been submitted to the Exchange		
6	Rules 5H Chapter 40F	No advertisements have been released for business purpose without prior approval of the Exchange		
7		<b>Member acting for another Member-</b> Member has not acted through or on behalf of another Member for trading on the Exchange either for proprietary trading or for trading on behalf of clients without the prior approval of the Exchange in writing		

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8		No Change in the Clause of MOA / AOA without prior approval of the Exchange for the companies.		
9	Regulation 1.3.24	Whether Members have submitted the necessary proofs after / for change of Address.		
<b>Office Management</b>				
1	Regulation 2.2	Trading terminals (TWS) are operated by the respective approved users only		
2	Regulation 2.2.1	Member has ensured that TWS have not been extended/ CTCL terminals have not been installed without the approval of the Exchange and has not entrusted the CTCL terminals to their clients or to any unregistered intermediary other than approved persons		
3		Periodic System Audit has been undertaken for CTCL System		
4	Regulation 2.2.8 (d)	No former trading member or a user of such trading member has been appointed as a user by the member without the approval of the Exchange		
5	Regulation 2.2.15	Trading system of the Exchange has not been accessed through any other trading member or any other used ID not allotted to the member		
6		Member has not traded in Pro-Account from more than 2 specified terminals only at one location. If Member has the facility of using 'Pro-Account' through trading terminals, not exceeding 5 trading terminals, from more than one location, member has submitted an undertaking to the Exchange stating the reason for using the 'Pro-Account' at multiple locations and obtained the exchange permission for the same		
7	Regulation 2.2.16	Member has not aided nor facilitated to access the trading system from a location other than approved location, without the approval of the Exchange		

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8		No activity connected to or pertaining to Members' operation as a Member of the Exchange has been carried on in any office or premises without intimating the Exchange the full address of such office or premises with details of the activity proposed to be carried on therein and the person in whose supervision and control it is to be so carried on.		
9		Obtainment of valid Members' Fidelity Insurance cover		
10		<b>Notice Board-</b> Notice Board has been displayed at a prominent place, in the main office, branches and sub-brokers/franchise office as prescribed by Exchange		
<b>Others</b>				
1	Regulation 2.2.8	Records of all relevant particulars of persons who are approved as users by the Exchange have been maintained		
2		Compliance officer has been appointed and the same has been reported to the Exchange		
3		<b>Stamp duty-</b> Stamp duty is paid as per the provisions applicable to the Stamp Act applicable to it and relevant record has been maintained		
4		<b>Service Tax-</b> Service Tax is collected properly and the same is paid. Further, necessary records related to service tax are maintained		
5		Settlement of Sales tax/ VAT and any other applicable tax and compliance of certain formalities by the Member for delivery of commodities has been followed		
6		No action such as indictments or any such disciplinary action has so far been taken against the Member.		

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7		After the closing of any clients account all records which relate to the terms and conditions with respect to the opening and maintenance of such account, date of entering into agreement with the clients, date of modification thereof, date of termination and representatives of such constituents who signed in each case are being maintained for a period of not less than 6 years		
8	Regulation 4.2.1 (b)	An internal record of the names of all the people who are designated as supervisory personnel and the date from which such designation is or was effective have been maintained.		
9	Regulation 4.2.1 (c)	All persons who are transacting on Members behalf have been specifically authorized in writing to do so and such power of attorney has been made available to the Exchange before such person transacts any business on the Exchange		
10	Regulation 4.2.2	<b>Internal Inspection-</b> Internal review of business, to assist in detecting and preventing violations of and achieving compliance with Rules, Bye-Laws and Regulation of the Exchange, has been undertaken		
11	Regulation 11.2.9	<b>Investor Grievances-</b> ( Complaint Register) Record of all written complaints of the Clients showing the name and reference number of the client, date, particulars of the complaint, action taken by the Member and if the matter is referred to arbitration to the Exchange, the particulars thereof, etc. have been maintained. No Client complaint is pending for more than 30 days		
12	Circular under Reference no: NMCE/2009-10/0004 dated Apr 16, 2009	Not involved in any kind of circular trading, cross dealings, and any trading activity which promotes price rigging, price manipulation and such other market abuses.		
13		Statement of accounts for funds has been sent to all the clients on a quarterly basis.		

**Note:**

The Format may undergo changes every year with the change in the Bye-Laws, Rules, Regulations and Circulars etc carried out from time to time. Members are therefore advised to submit ACR to Compliance department as per the format given for that particular year.