
NATIONAL COMMODITY & DERIVATIVES EXCHANGE LIMITED

Circular to all members of the Exchange

Circular No. : NCDEX/MEMBERSHIP-036/2018

Date : November 13, 2018

Subject : Participation of members as “Authorized Stock Brokers (ASB)”

Attention of the Members is drawn towards SEBI circular no: SEBI/HO/CDMRD/DMP/CIR/P/2018/134 dated October 9, 2018 on Participation of Eligible Foreign Entities (EFEs) in the commodity derivatives market, attached to Exchange Circular No. NCDEX/TRADING-066/2018 dated October 10, 2018. SEBI has permitted Eligible Foreign Entities (EFEs), as defined in its circular, to participate in the commodity derivatives segment of recognized stock exchanges for hedging their exposure.

As per the said circular, EFEs desirous of taking hedge positions in Indian commodity derivatives market shall approach ASBs, from amongst the Brokers which are registered under SEBI (Stock brokers and sub-brokers) Regulations, 1992 having minimum net-worth of INR 25 Crores and are authorized by the Exchanges for opening of such accounts.

In view of the above, member of the Exchange having minimum net worth of INR 25 crores and desirous to participate as ASB shall apply to the Membership Department of the Exchange along with the following documents:

- Application Form cum Undertaking (Annexure 1)
- Board Resolution (Annexure 2)
- Net worth Certificate and Statement of computation of Net worth (not older than six months)

In this regard, please note the following points

1. ASBs will ensure compliance with all the guidelines related to eligibility, jurisdiction and registration of EFEs in terms of the aforementioned SEBI circular dated October 9, 2018.
2. The prescribed formats as referred in this circular shall also be made available on the website of the Exchange.
3. The Exchange reserves the right to grant recognition as ASB at its absolute discretion and mere meeting of aforesaid criteria by an entity does not confer any right or entitlement to become ASB.
4. In the event of any ambiguity in any of the provisions as stated in this circular, the clarification given by the Exchange shall be final and binding.

Members may also note that the Exchange will issue circulars with regard to the Know Your Client (KYC) requirements, Hedge policy for EFEs or any other such guidelines required to be issued in this regard.

Members are required to take the note of the same.

For and on behalf of

National Commodity & Derivatives Exchange Limited

Smita Chaudhary

Assistant Vice President – Membership

For further information / clarifications, please contact

1. Customer Service Group on toll free number: 1800 26 62339
2. Customer Service Group by e-mail to : askus@ncdex.com

Annexure I – Application cum declaration letter for registration as Authorized Stock Broker (ASB) (on the letter head of the Member)

Date:

To,

Membership Department
National Commodity & derivatives Exchange Limited (NCDEX)
1st Floor, Akruti Corporate Park,
Near G.E. Garden, LBS Road,
Kanjur Marg West,
Mumbai 400 078.

Sub: Application cum declaration letter for registration as Authorized Stock Broker (ASB)

Dear Sir/ Madam,

We, _____, Member of the NCDEX (hereinafter referred to as “Exchange”) is registered with SEBI under the SEBI (Stock Brokers and sub-brokers) Regulation, 1992 vide SEBI Registration _____ and identified vide TMID_____.

We qualify to be considered for registration as Authorized Stock Brokers (ASBs) in terms of the Guidelines of Authorized Stock Brokers (ASBs) framed by the Exchange in terms of SEBI Circular no. SEBI/HO/CDMRD/DMP/CIR/P/2018/134 dated October 09, 2018 and notified by the Exchange vide its circular no _____

We agree and undertake to act as ASB for Eligible Foreign Entities (EFEs as defined in SEBI circular dated October 09, 2018) subject to the provisions of Rules, Bye Laws and Regulations of NCDEX and in accordance with the guidelines/circular issued by SEBI/Exchange in this regard from time to time. We also understand that the trades executed on the Exchange is being cleared and settled through NCCL (hereinafter referred to as the “Clearing Corporation”) and agree to settle and clear all liabilities and obligations in respect of Trades, Transactions and Deals done by the said EFEs on the NCDEX platform in accordance with the Rules, Bye Laws and Regulations of NCCL and the circulars/guidelines issued thereunder from time to time and shall take obtain necessary registration from the Clearing Corporation as may be prescribed.

We agree and undertake to perform all acts and activities required and incidental to trade, clear and settle all such Transactions done by the EFEs.

As registered ASB of the Exchange, we hereby either declare and/or undertake that:

1. We are responsible for carrying out due-diligence and complete necessary formalities/documentations as specified by the Exchanges/SEBI with regard to registration of EFE
2. We shall obtain appropriate declarations and undertakings from EFEs including the one that they are in compliance with laws, rules and regulations of the jurisdictions where the EFEs are located.
3. We shall obtain appropriate declarations and undertakings from EFEs that they have not opened a trading account with any other ASB other than ourselves and that said EFE shall place orders for trading only through the registered ASBs of the Exchange which whom this account is being opened.

-
4. We ensure to obtain and provide all the required documents from EFE and as may be specified by the Exchange, Clearing Corporation, SEBI or any other law enforcing agencies as the case may be.
 5. We ensure to obtain a Half yearly certificate from EFE as on March 31 and September 30 within 60 days from the said dates, to the effect that during the preceding six months, whether the derivatives contracts entered into by the EFE exceeded or not exceeded the actual underlying exposure.
 6. We shall capture the details of the overseas bank account designated by the EFE (single non-interest bearing Rupee account) with an AD Category-I bank in India for routing the receipt and payment for transactions
 7. We shall, at all times, ensure that the participation of EFE is in compliance with the applicable norms prescribed by SEBI, RBI or any other statutory authority in India and a declaration to that effect shall be obtained from the EFE.
 8. We shall ensure that EFE meets the KYC requirements as per extant Indian Anti-Money Laundering Laws in line with extant KYC approach adopted for the equivalent category of Foreign Portfolio Investors (FPIs) and that such EFE shall provide its valid Legal Entity Identifier (LEI) issued by organizations accredited by the Global Legal Entity Identifier Foundation (GLEIF), wherever available.
 9. We shall not be in breach of the hedge policy for EFES of the Exchanges and undertake to comply with the process and provisions relating to trading, margins, position limits, hedge limits and other parameters not specifically provided but notified from time to time under the said hedge policy and shall ensure compliance of the hedge policy at all times. Further, we shall put in place necessary system to monitor hedge limits for EFES.
 10. We shall obtain and provide all such information and documents as may be required by the Exchange from the perspective of Risk Management, Monitoring of limits and physical exposure or any other aspect which in the view of the Exchange is necessary for ensuring the orderly trading on the Exchange platform.
 11. The undertakings, responsibilities, liabilities and obligations undertaken herein are in addition to and in supplement to the undertakings, responsibilities, liabilities and obligations already undertaken while taking membership as member of the Exchange/NCCL and all documents executed by us during and after registration as ASB shall continue to be in force and binding on us.
 12. We undertake that we shall comply with all such requirements, existing and future with regard to and in connection with registration as ASB for ensuring that the registration as ASB on the Exchange is continuous at all times.
 13. We shall adhere to the Bye-laws, Rules, Regulations, and Circulars of the Exchange and the Clearing Corporation as in force from time to time as applicable to Members. Further, I / we shall abide by and adopt the Bye-laws, Rules, Regulations, circulars, guidelines etc. framed by Exchange/Clearing Corporation/SEBI and other regulatory authorities pertaining to the ASBs and any amendments made thereto from time to time;
 14. We are aware that our admission as ASB on Exchange and continuation as ASB on Exchange is subject to satisfying the Net Worth Criteria as prescribed by SEBI/NCDEX from time to time and our paying the prescribed deposits, charges etc.; The ASB shall be entitled to the refund of deposits, if any, on the discontinuation to act as ASB and shall be

subject to such process and guidelines as may be prescribed by the Exchange from time to time.

15. We shall execute, sign, subscribe to such other documents, papers, agreement, covenants, bonds, and/or undertakings as may be prescribed or required by Exchange in this regard from time to time;
16. We indemnify and keep the Exchange and its employees indemnified at all times against any loss or damage including liabilities arising out of failure to comply with any or all of the above clauses and the directions of the SEBI/any law enforcing agency or Clearing Corporation, as the case may be.
17. We agree and undertake to ensure to have
 - a) appropriate arrangements with clearing bank and clearing member of Exchange and Clearing Corporation.
 - b) appropriate arrangements for receipt and remittance of money with a designated Authorized Dealer (AD) Category - I bank
 - c) appropriate systems and procedures to comply with the requirements under the FATF (Financial Action Task Force) Standards, PMLA (Prevention of Money Laundering Act, 2002) and SEBI circulars issued from time to time.
 - d) appropriate systems and procedures to handle the physical deliveries of the underlying commodities on behalf of EFEs.
18. We agree and undertake to obtain appropriate declarations and undertaking from EFEs, from time to time, as may be prescribed by Exchanges and regulators

Further to the above, we enclose herewith the following documents:-

- i. Board Resolution authorizing as ASB for trading , clearing of transactions/trades on the NCDEX platform through EFEs
- ii. Net worth certificate as on _____ (Certified by CA)

For (Name of the member)

(Signed by two authorized Signatories)

Annexure 2- Board Resolution (On Company's Letterhead)

Certified True Copy of the Extracts of the Minutes of the Meeting of the Board of Directors of _____, which was duly convened and where proper quorum was present, held on _____ 20 _____, at _____ (address). ,

The company is already a Member of NCDEX with TMID no. _____ and SEBI Registration _____

RESOLVED that the company may approach the National Commodity & Derivatives Exchange Limited (NCDEX) for permitting the Company to act as Authorised Stock Brokers (ASB) for Trading, clearing and settlement of trades done by Eligible Foreign Entities (EFEs) affiliated to us.

It was FURTHER RESOLVED that _____ and _____ Director/s / Authorised Signatory/ies are hereby jointly and /or severally /singly authorised to approach the National Commodity & Derivatives Exchange Limited (NCDEX) for the necessary action in this connection and also to execute, on behalf of the company any other document/s in favor of National Commodity & Derivatives Exchange Limited. The said directors are also severally/singly authorized to deal with the Exchange and to give instructions to it from time to time.

It was further resolved that a copy of the above resolutions be furnished to NCDEX, certified by any two directors.

Certified True Copy

Certified True Copy

(Name: _____)
Director

(Name: _____)
Director