

Dos & Don'ts in Commodity Futures Market

(This document shall be signed by the client and form part of the KYC documentation during client registration)

A. Dealing in Commodity Futures

Do's	Don'ts
<ul style="list-style-type: none"> ✓ Read, understand and be updated about the guidelines and circulars of the Exchange and of the Forward Markets Commission. ✓ Refer and understand all the provisions of Forward Contracts (Regulations) Act, 1952 dealing with futures trading in commodities and amendments thereof from time to time, including provisions and rates relating to the sales tax, value added tax, APMC Tax, <i>Mandi</i> Cess and Tax, octroi, excise duty, stamp duty, etc., applicable on the underlying commodity of any contracts offered for trading by ACE. ✓ Read the commodity contracts circulars issued by ACE and carefully note the contract specifications of the commodity in which you wish to trade. The contract specifications are subject to change from time to time. So the clients and the members have to keep themselves aware about the changes in the contract specifications from time to time. ✓ Before entering into buy and sell transactions please be aware of all the factors that go into the mechanism of pricing, trading and clearing. ✓ Read the product document of the commodity in which you wish to deal to understand the commodity and parameters that impact on the trading and settlement of the commodity. ✓ Understand the Delivery & Settlement Procedures of the commodity that you wish to deal in the futures market. ✓ Study historical and seasonal price movements of the commodity that you wish to deal in the futures market. ✓ Keep track of Governments' Policy 	<ul style="list-style-type: none"> ✗ Do not fall prey to market rumours. ✗ Do not go by any explicit/implicit promise made by analysts/advisors/experts/market intermediary until convinced. ✗ Do not deal based on Bull/Bear run of commodity markets sentiments. ✗ Do not go by the reports/predictions made in various print and electronic forms without verification. ✗ Do not trade on any product without knowing the risk and rewards associated with it.

announcements from time to time of the commodity that you wish to deal in the futures market.

- ✓ Apply your own prudent judgment for investments in commodity futures and take informed decisions.
- ✓ Comply with Taxation and other Central Government/State Governments regulatory issues.
- ✓ Go through all Rules, Bye Laws, Regulations, Circulars and directives issued by ACE.
- ✓ Since the investment is based on various types of margins, be aware of the risks associated with your positions in the market and margin calls made from time to time.
- ✓ Collect/Pay Mark-to-Market margins on your futures positions on a daily basis from/to your member.
- ✓ Be aware of your risk taking ability and fix stop-loss limits. Liquidate your positions at such levels to reduce further losses, if any.

B. Dealing with members

Do's	Don'ts
<p>Trade only through registered members of the Exchange. Check with the Exchange to see whether the member is registered with the Exchange.</p> <p>✓ Insist on filling up a standard 'Know Your Client (KYC)' form and on getting a Unique Client Code</p> <p>✓ Insist on reading and signing standard 'Risk Disclosure Agreement'.</p> <p>✓ While trading through an authorized person ensure that a duly signed contract note has been issued by the member for every executed trade, highlighting the details of the trade along with your unique Client Code.</p> <p>✓ Obtain receipt for collaterals deposited with the member towards margins.</p> <p>✓ Go through the Rules, Bye-laws, Regulations, Circulars, directives, notifications of the Exchange as well as of the Regulators, Governments and other authorities and details of Client-Trading Member Agreement to know your rights and duties <i>vis-à-vis</i> those of the member.</p> <p>✓ State clearly who will be placing orders on your behalf. Give precise and clear instructions while placing, modifying or canceling orders.</p> <p>✓ Ask all relevant questions and clear your doubts with your member before transacting.</p> <p>✓ Ensure that the Contract Note contains all the relevant information such as Member Registration Number, Order No., Order Date, Order time, Trade No., Trade rate, Quantity, Arbitration Clause.</p> <p>✓ Insist on receiving the bills for every settlement.</p> <p>✓ Insist on periodical statements of your ledger account.</p>	<p>✗ Do not start trading before reading and understanding the Risk Disclosure Agreement and entering into the prescribed agreement with the Member.</p> <p>✗ Do not deal with unregistered intermediaries even if their charges are lower and/or margins are lesser.</p> <p>✗ Do not undertake off-market transactions in commodities with a member of the Exchange, unless such member records in the agreement for sale, note or memorandum that he is selling/purchasing the goods as the case may be, for his own account and obtains a consent from you in respect thereof as required u/s 15(4) of the Forward Contracts (Regulation) Act, 1952.</p> <p>✗ Do not neglect to set out in writing, orders for higher value given over phone.</p> <p>✗ Do not accept unsigned/duplicate contract note/confirmation memo.</p> <p>✗ Do not accept contract note/confirmation memo signed by any unauthorized person.</p> <p>✗ Do not delay payment/deliveries of commodities to member.</p> <p>✗ Do not get carried away by luring advertisements, rumours, hot tips, promise of unrealistic returns, etc.</p> <p>✗ Do not forget to take note of risks involved in the investments.</p> <p>✗ Do not sign blank Delivery Instruction Slips (DIS) while furnishing securities deposits and/or keep them with Depository Participants (DP) or broker to save time.</p>

- | | |
|---|--|
| <ul style="list-style-type: none">✓ Scrutinize minutely both the transaction as well as the holding statements that you receive from your Depository Participant.✓ Keep Delivery Instruction Slips (DIS) book issued by DPs in safe possession.✓ Ensure that the DIS numbers are preprinted and your account number (Client-Id) is mentioned in the DIS book.✓ Freeze your Demat account in case of your absence for longer duration or in case of not using the account frequently.✓ Pay required margins in time and only by Cheque and ask for receipt thereof from the member.✓ Deliver the commodities in case of sale or pay the money in case of purchase within the time prescribed. | |
|---|--|

C. Rights of a client

- In case of any disputes with the Member regarding the trades done on the Exchange platform, the client could contact the Exchange for suitable redressal as per Bye laws of the Exchange including use of mediation/arbitration mechanisms of the Exchange. The clients would be required to produce copies of the agreements entered into by them with their member, for obtaining relief through the process of arbitration. Hence, clients are advised to obtain copies of signed agreement from members and keep such copies with them. Further, all copies of all correspondence to and from members may be preserved for producing them to the arbitrators, if required.
- All rights as per the Rules, Bye Laws and Regulations of the Exchange are available to a client in respect of all transactions traded on the Exchange and for which the clients have a contract note duly issued by the member.
- In case of any disputes in respect of the trades on the Exchange or in the contract notes or any complaint against the member, take up the issue with member directly. In case of non-resolution, file written complaint against the member with the Exchange within 6 months from the date of cause of action. (Details and Format are available on the website www.aceindia.com)