



National Spot Exchange Limited

Circular

Ref. No.: NSEL/MEM/2012/154

August 6, 2012

Dear Members,

Issuance of Advertisements and Do's & Don'ts by the Members

In terms of the provisions of the rules, Bye-laws and Business Rules of the Exchange and in continuation of our earlier circular no. NSEL/MEM/2012/024 dated February 07, 2012, the members of the Exchange are notified as under:

It has been brought to the notice of the Exchange that some members either directly or through their authorized users are soliciting business by making advertisements with the logo of the Exchange without any approval from the Exchange. Members are hereby informed that this is strictly prohibited. Members shall refrain from doing it, else disciplinary action will be initiated by the Exchange.

Further, in respect of contacts traded on spot exchange, members shall refrain from using terms like 'assured / guaranteed return' or any other misleading statements. This is strictly prohibited. Members' attention is also drawn towards guidelines issued by the Exchange vide circular number NSEL/MEM/2012/024 dated February 07, 2012.

Members are advised to desist from issuing such statements. In case any member or their authorized user/s are found and identified violating these rule then they shall become liable for necessary disciplinary action by the Exchange.

Further, members are requested to issue the following guidelines to their clients dealing on the Exchange:

GUIDANCE NOTE - DO'S AND DON'Ts FOR THE CLIENTS

- ❖ Trade only through Registered Members of the Exchange. Check from the Exchange website at following link www.nationalspotexchange.com / to see whether the Member is registered with the Exchange.
- ❖ Insist on filling up a standard 'Know Your Client (KYC)' form before you commence trading.
- ❖ Insist on getting a Unique Client Code (UCC) and ensure all your trades are done under the said UCC.
- ❖ Obtain a copy of your KYC and / or other documents executed by you with the Member, from the Member.
- ❖ Cross check the genuineness of trades carried out at the Exchange through the trade verification facility available on the Exchange website at the following link www.nationalspotexchange.com. The trades can be verified online where trade information is available up to 5 working days from the trade date.
- ❖ Insist on a duly signed Contract Note or electronic contract note (ECN) in specified format for every executed trade within 24 hours of trade, highlighting the details of the trade along with your UCC.
- ❖ 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, etc.
- ❖ Obtain receipt for collaterals deposited with the Member towards margins.
- ❖ Go through the Rules, Bye-laws, Circulars, Directives, Notifications of the Exchange and the notices issued by other regulatory authorities from time to time to know your rights and duties vis-à-vis those of the Member.

- ❖ Ask all relevant questions and clear your doubts with your Member before transacting.
- ❖ Insist on receiving the bills for every settlement.
- ❖ Insist on Monthly statements of your ledger account and report the discrepancies (if any) to your Member within 7 working days. In case of non-response / unsatisfactory response, report the matter to the Exchange within 15 working days from the date of cause of action.
- ❖ Scrutinize minutely both the transaction & holding statements that you receive from your Depository Participant.
- ❖ Keep Delivery Instruction Slips (DIS) book issued by DPs in safe custody.
- ❖ Ensure that the DIS numbers are preprinted and your account number (UCC) is mentioned in the DIS book.
- ❖ Freeze (for debit) 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.
- ❖ Ensure to read, understand and then sign the voluntary clauses, if any, agreed between you and the Member. Note that the clauses as agreed between you and the Member cannot be changed without your consent.
- ❖ Get a clear idea about all brokerage, commissions, fees and other charges levied by the Member on you for trading and the relevant provisions / guidelines specified by the regulator / Exchange.
- ❖ Make the payments by account payee cheque in favour of the Member. Ensure that you have a documentary proof of your payment / deposit of commodities with the Member, stating date, commodity, quantity, towards which bank / demat account such money or commodities (in the form of warehouse receipts) deposited and from which bank / demat account.
- ❖ The payout of funds or delivery of commodities (as the case may be) shall not be made to you within one working day from the receipt of payout from the Exchange, in case you have given specific authorization for maintaining running account to the member. Thus, in this regard, the running account authorization provided by you to the Member shall be subject to the following conditions:
 - 1) Such authorization from you shall be dated, signed by you only and contains the clause that you may revoke the same at any time.
 - 2) You need to bring any dispute arising from the statement of account to the notice of the Member in writing preferably within 7 (seven) working days from the date of receipt of funds / commodities or statement, as the case may be. In case of dispute, refer the matter in writing to the Investors Grievance Cell of the Exchange without delay.
 - 3) In case you have not opted for maintaining running account and pay-out is not received on the next working day of the receipt of payout (either normal pay out or through swapping) from the Exchange, please refer the matter to the Member. In case there is dispute, ensure that you lodge a complaint in writing immediately with the Investors Grievance Cell of the exchange.
 - 4) Please register your mobile number and email id with the Member, to receive trade confirmation alerts / details of the transactions through SMS or email, by the end of the trading day, from the member (if providing). This will also help to receive confirmation alerts / details of the depository transactions through SMS or email from NSDL / CDSL.
- ❖ You should familiarize yourself with the protection accorded to the money or other property you may deposit with your member, particularly in the event of a default in the commodity market or the member becomes insolvent or bankrupt.
- ❖ Please ensure that you have a documentary proof of having made the deposit of such money or property with the member, stating towards which account such money or property deposited.

- ❖ In case your problem / grievance/issue is not being sorted out by concerned Member / Authorized Person then you may take up the matter with the Exchange.

Don'ts

- ❖ Do not deal with any unregistered intermediaries.
- ❖ Do not undertake off-market transactions as such transactions fall outside the jurisdiction of the Exchar
- ❖ Do not enter into assured returns arrangement with any Member.
- ❖ Do not get carried away by luring advertisements, rumors, hot tips, explicit / implicit promise of returns
- ❖ Do not make payments in cash / take any cash towards margins and settlement to / from the Member.
- ❖ Do not start trading before reading and understanding the Risk Disclosure Agreement.
- ❖ Do not neglect to set out in writing, orders for higher value given over phone.
- ❖ Do not accept unsigned / duplicate contract note / confirmation memo.
- ❖ Do not accept contract note / confirmation memo signed by any unauthorized person.
- ❖ Don't share your internet trading account's password with anyone
- ❖ Do not delay payment / deliveries of commodities to Member.
- ❖ Do not forget to take note of risks involved in the investments.
- ❖ Do not sign blank Delivery Instruction Slips (DIS) while furnishing commodities, deposits and/or keep Participants (DP) or member to save time.
- ❖ Do not pay brokerage in excess of that rates prescribed by the Exchange
- ❖ Don't issue cheques in the name of Authorized Person.

Members are requested to take a note of the same.

For any clarification, Mr. V Gopinathan or Ms. Mikita Modi can be contacted at 022 - 6761 9900 Extn. 9901 / 9920 or through email at membership@nationalspotexchange.com

For and on behalf of

National Spot Exchange Ltd.,

Santosh Mansingh

Asst. Vice President

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