

Following policies of Ludhiana Commodities Trading services Limited were reviewed/modified in the board meeting held on 9.02.2019.

- 1) Business Rules
- 2) Internal control system
- 3) KYC norms
- 4) AP inspection policy
- 5) Investor grievance redress mechanism
- 6) Error code policy
- 7) Surveillance policy
- 8) Outsource activity policy
- 9) Unauthenticated news policy
- 10) Pre funded instrument policy
- 11) PMLA policy

For Ludhiana Commodities Trading Services Ltd



Director

## **LUDHIANA COMMODITIES TRADING SERVICES LIMITED**

### **BUSINESS RULES OF LUDHIANA COMMODITIES TRADING SERVICES LIMITED IN THE DERIVATIVE SEGMENT OF MULTI COMMODITIES EXCHANGE OF INDIA LIMITED (MCX).**

#### **INTRODUCTION**

The Business Rules detailed herein are applicable in respect of trades executed on the Derivatives Segment of Multi Commodities Exchange of India Limited (MCX) through Ludhiana Commodities Trading Services Limited. The Business Rules detailed herein are framed on the basis of existing Bye-Laws, Rules and Regulations of MCX and MCXCCL with modifications to suit our business environment and are subjected to change from time to time.

#### **ELIGIBILITY**

Only the members of Ludhiana Stock Exchange approved by MCX as Authorized Persons of Ludhiana Commodities Trading Services Limited for trading in Derivatives Segment of MCX and the clients introduced by them would be eligible to trade in the Derivatives Segment of Multi Commodities Exchange of India Limited through Ludhiana Commodities Trading Services Limited.

#### **CONSTITUENT REGISTRATION/ CONSTITUENT AGREEMENT AND OTHER DOCUMENTS**

The Authorized Persons of Ludhiana Commodities Trading Services Limited and the clients introduced by them desirous of trading in the Derivatives Segment of Multi Commodities Exchange of India Limited through Ludhiana Commodities Trading Services Limited before being permitted to trade shall :-

Register themselves with Ludhiana Commodities Trading Services Limited as Constituent in the prescribed format.

Enter into Agreement with Ludhiana Commodities Trading Services Limited in the prescribed format.

Read and sign the Risk Disclosure Documents (RDD) appended to the Agreement as their acknowledgement that he/she has understood the risks involved in trading in the Derivatives Instruments and would be fully responsible for the dealings in these instruments.

Further, the Authorized Persons of Ludhiana Commodities Trading Services Limited would be required to submit an undertaking in respect of each of the clients introduced by them for meeting the margin/ pay-in obligations in case of failure of any of their clients to meet the margin/ pay-in obligations.

#### **ADDITIONAL CAPITAL**

The Authorized Persons of Ludhiana Commodities Trading Services Limited in Derivatives Segment of MCX and the clients introduced by them desirous of availing higher Exposure Limits would be required to deposit Additional Base Capital in the form and proportion prescribed by Ludhiana Commodities Trading Services Limited from time to time.

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## **LUDHIANA COMMODITIES TRADING SERVICES LIMITED**

Since the Trading Software being used by the company would be computing margins upfront, the Authorized Persons and their clients would be required to maintain adequate margin deposit with Ludhiana Commodities Trading Services Limited for conducting their trading smoothly.

### **TRADING SYSTEM**

The Trading on the Derivatives Segment of Multi Commodities Exchange of India Limited (MCX) through Ludhiana Commodities Trading Services Limited would be carried out through the CTCL Based ODIN Trading Software being developed by 63 Moons Technology Limited.

### **SETTLEMENT MECHANISM**

Derivatives Contracts are presently cash settled.

For the purpose of pay-in and pay-out of funds, all the Authorized Persons of Ludhiana Commodities Trading Services Limited and the clients introduced by them would be required to open a bank account with HDFC Bank, Clearing Bank of Ludhiana Commodities Trading Services Limited. The pay-in/ pay-out obligations of the Authorized Persons and the clients introduced by them would be debited/ credited to their respective bank accounts with HDFC Bank as per the schedule given hereunder:

#### **Future Contracts:**

##### **Daily Settlement**

The pay-in and pay-out of Mark-to-Market profit/ losses in case of future contracts would be effected on T+1 basis at prescribed time where T is Trading Day.

##### **Final Settlement**

The final pay-in and pay-out of Mark-to-Market profit and losses in case of future contracts would be effected on T+1 basis at prescribed time where T is expiry day of Future Contract.

#### **Option Contracts**

##### **Daily Settlement**

The pay-in and pay-out in respect of daily premium payable and receivable would be effected on T+1 day at prescribed time where T is Trading Day.

### **RISK MANAGEMENT**

#### **On-line computation of margin**

In the CTCL based Trading Software developed by 63 Moons Technology Limited, there would be provision for On-line Computation of Span Margin, Exposure, Margin, Premium margin and MTM and the same are computed upfront.

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Director

## **LUDHIANA COMMODITIES TRADING SERVICES LIMITED**

The validation for computation of margins would be at order level i.e. as soon as an order would be input by a user into the Trading System, the system would first compute the margin required on that particular order and would compare the same with the total deposit available in the system against that user. In case adequate deposit would be available for execution of that order then only the order would be executed otherwise the order would be rejected by the system due to inadequate margin.

### **Updation of Span Files**

During a trading day, the Span Margin is updated four times by Multi Commodities Exchange of India Limited. These span files are also made available by MCX on its web-site. The said Span Files would be downloaded by Ludhiana Commodities Trading Services Limited from the web-site of MCX and would be uploaded into the ODIN Trading Software so as to compute the Span Margin on the lines of MCX from its constituents.

### **Differential Margin**

At the end of a trading day, MCX downloads a file (MRG 14000) relating to margin requirements of each client and in case there would be any shortfall in the deposit of an Authorized Person/ Client as compared to the margin requirement computed by MCX then the shortfall amount would be debited to the bank accounts of the concerned Authorized Persons/ Clients on T+1 day. A report on the demand of margin on this account would be sent to the Authorized Persons and their clients at the end of each trading day through the system devised by the company for the purpose.

In case any Authorized Person of Ludhiana Commodities Trading Services Limited or the client introduced by them fails to maintain adequate balance in their bank account against their margin obligations then the terminal of the erring Authorized Person/ Client would be de-activated till the meeting of pay-in obligations. Further, the open positions of such Authorized Person/ Client shall also be squared off if the situation so arises.

### **TRANSACTION CHARGES**

All the Authorized Persons of Ludhiana Commodities Trading Services Limited and the clients introduced by them for trading in the Derivatives Segment of Multi Commodities Exchange of India Limited (MCX) through Ludhiana Commodities Trading Services Limited would be required to pay the transaction charges, GST, stamp duty and any other charges as may be defined by Ludhiana Commodities Trading Services Limited from time to time.

### **CONTRACT NOTES**

The contract notes and other documents relevant to the transactions executed by the Authorized Persons of Ludhiana Commodities Trading Services Limited and by the clients introduced by them on Derivatives Segment of Multi Commodities Exchange of India Limited (MCX) through Ludhiana Commodities Trading Services Limited would be issued by Ludhiana Commodities Trading Services Limited.

Further, the reports relating to transactions, pay-in and pay-out of funds, margin demand etc. relating to trading of Authorized Persons and their clients in Derivatives Segment of MCX through Ludhiana Commodities Trading Services Limited would be down loaded to them at the end of each trading day through the system devised by the company for the purpose.

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## LUDHIANA COMMODITIES TRADING SERVICES LIMITED

### GENERAL

The clauses mentioned in the Business Rules would be binding on all the trades executed by the Derivatives Segment of Multi Commodities Exchange of India Limited (MCX) through Ludhiana Commodities Trading Services Limited.

Ludhiana Commodities Trading Services Limited can carry out the Inspection of Books of Accounts of Authorized Persons as and when it deems fit.

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