

**NATIONAL COMMODITY & DERIVATIVES EXCHANGE LIMITED**  
**Member Compliance Guide – Activities prohibited to be carried out by the Member**

Trading on Exchange platform is governed by Bye Laws, Rules, Regulations and Circulars of the Exchange and also the directives of the Regulator. As per the present regulatory framework there are some activities which are prohibited to be carried out by the Members, as given below.

Activities/Services	Description	Remarks
Commex / Comdex	These words should not be part of the name of a Member	Circular no. 104 of 2006
Sharing of Brokerage	Sharing of brokerage should not be done with any person other than approved Authorised Persons	Bye Law 8.7.2
Dealing in Cash	<p>All payments shall be received / made by the stock brokers from / to the clients strictly by account payee crossed cheques / demand drafts or by way of direct credit into the bank account through electronic fund transfer, or any other mode permitted by the Reserve Bank of India.</p> <p>The stock brokers shall accept cheques drawn only by the clients and also issue cheques in favour of the clients only, for their transactions. Stock Brokers shall not accept cash from their clients either directly or by way of cash deposit to the bank account of stock broker.</p> <p>The penalty structure for dealing in cash with clients is as follows – 10% of the amount of cash dealing or Rs. 1,000/- whichever is higher. For repetitive instances, the penalty.</p>	<p>Circular no.170 of 2018</p> <p>Circular No. COMPLIANCE-019/2018 dated November 01, 2018</p>
PMS	Members should not undertake any advisory services in the nature of portfolio advisory services, portfolio management services and similar such other services resulting in fund based portfolio management services to clients	Circular no. 242 of 2016 and 242 of 2016
	A member will undertake business as	Rule 8(1)(f) and 8(3)(f) of

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BPO/KPO	specified in Securities Contracts (Regulation) Rules, 1957, Rule 8(1)(f) and 8(3)(f). Further, borrowing and lending of funds, by a trading member, <i>in connection with or incidental to or consequential upon the securities business</i> , would not be disqualified under Rule 8(1)(f) and 8(3)(f).	SCRR, 1957 and SEBI circular no. SMD/POLICY/CIR-6/97 dated May 07, 1997
Network Connectivity to NCDEX- Exclusiveness	<ol style="list-style-type: none"> <li>1. The VSAT or leased line network connected to NCDEX should not be linked to any other network.</li> <li>2. The personal computer having NCDEX's TWS should have only one network card connected to NCDEX network only.</li> <li>3. If the Member wishes to utilize the same physical infrastructure for two or more networks, a logical separation between such networks using virtual LAN (VLAN) must be maintained.</li> <li>4. There must be a fire-walling mechanism between two or more networks and data flow from one network to another should be strictly prohibited.</li> </ol>	Circular no. 041 of 2007
Discretionary powers	<p>No Member shall exercise discretionary power in client's account except as provided in the Rules, Bye-laws and Regulations of the Exchange</p> <p>Member cannot utilize the funds and commodities of one Constituent for and on behalf of another Constituent</p>	<p>Regulation 6.6, circular no. 295 of 2009</p> <p>Regulation 5.1</p>
Third Party Collaterals etc.	Third Party Collaterals, immovable properties and other illiquid collaterals should not be accepted towards settlement/ margin requirements of clients	Circular no. 184 of 2011
Issuance of multiple client codes to a single	The additional Client IDs of those clients who have been given more than	Circular no. 068 of 2011

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client	one client ID should be frozen/deleted and no trading should be carried out in such IDs	
Trading in deleted client codes	No orders shall be placed in deleted client codes. Square off trades in deleted client codes would also be considered as incremental instances and penalty will be levied accordingly	Circular no. 063 of 2009 and 066 of 2016
Trading on terminals of Foreign Commodity Exchanges in India	Real time trading in commodities by opening terminals of foreign commodity exchanges in India without approval of Central Government or the Regulator, would be deemed to be illegal.	Circular no. 061 of 2007
Change in control / constitution / name of member entity	<p>1) Members are required to take prior approval from SEBI for change in control. Control would have same meaning as defined in the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.</p> <p>2) Members are required to take prior approval from the Exchange for change in status or constitution which would include the following;</p> <p>(a) in case of a body corporate —</p> <p>(i) amalgamation, demerger, consolidation or any other kind of corporate restructuring falling within the scope of section 391 of the Companies Act, 1956 (1 of 1956) or the corresponding provision of any other law for the time being in force;</p> <p>(ii) change in its managing director, whole-time director or director appointed in compliance with clause (v) of sub-rule (4A) of rule 8 of the Securities Contracts (Regulation) Rules, 1957; and</p> <p>(iii) any change in control over the body corporate;</p> <p>(b) any change between the following legal forms - individual, partnership firm, Hindu undivided family, private</p>	<p>1) SEBI Circular no. MIRSD/MSS/Cir-30/13289/03 dated July 09, 2003</p> <p>2) SEBI Circular no. CIR/MIRSD/2/2011 dated June 03, 2011</p> <p>3) SEBI Circular no. CIR/MIRSD/14/11 dated August 02, 2011</p> <p>4) Circular no. 297 of 2017</p> <p>5) Circular no. MEMBERSHIP-028 of 2018</p>

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	<p>company, public company, unlimited company or statutory corporation and other similar changes;</p> <p>(c) in case of a partnership firm any change in partners not amounting to dissolution of the firm;</p> <p>(d) any other purpose as may be considered appropriate by the stock exchanges</p> <p>The two nominated designated directors/partners shall meet the eligibility criteria as specified in Rule 8 of Securities Contract (Regulation) Rules, 1957 (SCRR).</p> <p>Further, Members are advised that in case of change in name of the member entity, an application for approval of the same has to be first submitted to the Exchange prior to making an application to the Registrar of Companies (ROC) / Registrar of Firms (ROF).</p> <p>A penalty of Rs. 5000/- + applicable GST will be levied per instance in case of failure to comply with the requirement of seeking prior written approval of the Exchange for any change in designated directors/partners by the members of the Exchange/ change in name of member entity.</p>	
<p>Change in shareholding – for unlisted company (other than subsidiary / joint venture of listed companies) or a partnership firm</p>	<p>Any change in shareholding/ sharing pattern including that of DPG or their shareholding interest or change in partners should not be made without prior written permission of the Exchange.</p>	<p>Circular no. 217 of 2010</p>
<p>Member trading through another member</p>	<p>A Member of the Exchange is not allowed to trade through another Member of the Exchange unless approval by the Exchange.</p>	<p>Regulation 4.1, Bye Law 6.7.2 Penalties – 10,000 per instance to 25,000 Per instance</p>

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Pro and Client codes	<p>The Exchange trading system provides an option to select 'Pro' or 'Client' while placing orders. The option 'Pro' is to be selected when order is placed for trading in Proprietary account and option 'Client' for placing orders for the clients.</p> <p>While placing orders in proprietary account, only the 'Pro' account option on the system should be used. No client code should be allotted for proprietary trading</p>	Circular no. 277 of 2011
Trading - Proprietary Accounts (PRO Trade)	Pro Trade through CTCL and/or more than one location and two terminals should not be carried out unless permitted by the Exchange	Circular no. 216 of 2006 and 108 of 2016
Pre-funded Instruments	<p>If the aggregate value of the pre-funded instruments (like pay-orders/demand drafts) is ` 50,000 or more per client per day, the Member may not accept the instrument unless the same is accompanied by the name of the bank account holder and number of the bank account debited for the purpose, duly certified by the issuing bank. The bank certificate shall be one of the following:</p> <ul style="list-style-type: none"> <li>(a) Issuing bank shall certify on its letter-head or on plain paper with its seal duly affixed;</li> <li>(b) Copy of the requisition slip duly certified by the bank which issues the instrument;</li> <li>(c) Copy of the pass book/ bank statement as proof of the account debited to issue the instrument;</li> <li>(d) On the reverse side of the instrument, the bank account number debited and the name of the account holder shall be authenticated by the issuing bank.</li> </ul>	Circular no. 309 of 2011

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Self Trades	Members are advised to refrain from executing transactions which are in the nature of self-trades and to put in place necessary and appropriate controls at their end to ensure that such trades are not entered from their terminals.	Circular no.075 of 2016
Non-genuine Trades	<p>Members are advised to be cautious and refrain from executing such trades, which do not appear to be genuine on their own account and/ or on behalf of their clients. Members are further advised to have appropriate internal systems and controls at their end to ensure that such trades are not entered from their terminals.</p> <p>The non-genuine trades are executed by the market participants primarily with an objective of transferring profit/loss between the concerned entities. In view of the same, penalty upto 100% of the profit made/ loss incurred/ transferred as a result of non-genuine trades will be levied on the members.</p> <p>Exchange may also take appropriate disciplinary actions against the member concerned for multiple instances of such non-genuine trades under the Bye-Laws, Rules and Regulations of the Exchange.</p>	Circular No, 204 of 2018