



Mercantile Exchange Nepal Limited
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Rules of the Mercantile Exchange Nepal Limited, 2008
(Rules of the Exchange)



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Rules of the Mercantile Exchange Nepal Limited, 2008

(Rules of the Exchange)

Preamble

These rules shall be known as the rules of the Mercantile Exchange Nepal Limited, 2008 (hereinafter referred to as the “Rules of the Exchange”)

They shall come in to force on the date of their publication by the Mercantile Exchange Nepal Limited (hereinafter referred to as the “Exchange”)

2. Definitions

2.1 In these rules of the Exchange unless, the context otherwise requires:-

- i) ‘Adult’ shall mean a person who attained the age of majority under the laws of Nepal
- ii) “authorised representative” shall mean a person authorised by the Member to represent and to do all act, and sign necessary document on behalf of that Member before the Exchange.
- iii) “Bye laws” shall mean the Bye –Laws of the Mercantile Exchange Nepal Limited and any amendments thereto.
- iv) “Board of the Exchange” shall mean the Board of directors of the Exchange including the Chairman.
- v) ‘Clearing’ shall mean a process in which all trading transactions are matched, confirming that both the buyer’s and seller’s trade information are in agreement.

vi) "Clearing Member" shall mean a registered company admitted by the Exchange as a Clearing Member conferring right to trade and clear through the Clearing department of the Exchange as a clearing member and who may be allowed to trade and settle such trades on the exchange for himself as well as on behalf of his clients.

vii) "Client" shall mean an individual or an entity on whose instructions, and on whose account, the member of exchange enters into contract for the purchase or sale of any contract or does any act in relation thereto.

viii) "Committee" shall mean any committee appointed by the Board of Directors empowering it to perform such functions as the Board may determine from time to time, including framing and amending the Rules and Regulations of the Exchange.

ix) "Contracts" shall mean and include all types of contracts in instruments permitted for trading on the Exchange.

x) 'Disciplinary committee' shall mean the committee constituted by the Exchange

xi) "Exchange" shall mean Mercantile Exchange Nepal Limited, and it also refers to the trading and clearing system for executing transactions on the exchange, and also denotes the Board of Directors, committees of the Exchange, Management or personnel of the Exchange.

xii) 'Individual' refers to a person as defined and admitted by the Exchange as a Non Clearing Member, who may be allowed to trade in the Exchange and shall be eligible to trade only for himself and not on behalf of others.

xiii) 'Institution' refers to an institution, as defined and admitted by the Exchange as a Non Clearing Member, who may be allowed to trade for themselves as well as on behalf of their clients. The institution includes partnership firm, companies, trust, banking and financial institutions or any other entity admitted by the board in the category of institution.

xiv) "Instrument" shall mean a tradable asset or negotiable item and includes security, commodity, derivative or index or any thing which can be traded in the Exchange as permitted by the Board of the Exchange.

xv) "Lock in period" refers to a period within which the member cannot withdraw the amount deposited with the Exchange.

xvi) "Margin" shall mean a deposit or payment in cash or other specified assets or negotiable instruments to establish or to maintain a position in a contract and includes initial margin or any other type of margin as may be specified by the Exchange from time to time.

xvii) 'Member' of "member of the Exchange" shall mean, an individual, professional, institution, registered company or corporate body or any other entity admitted by the Exchange as a Member of the Exchange but shall not mean the shareholder in the Exchange. Member includes both Clearing and Non Clearing Members of the Exchange.

xviii) 'Non Clearing Member' – shall mean an individual, professional or institution, admitted by the Exchange as the member of the Exchange holding right to directly participate in the trading in the Exchange and who may be allowed to make deals for himself/itself as well as on behalf of his/its clients and clear and settle such deals through a Clearing Member.

xix) "Prescribed" shall mean prescribed by the Exchange.

xx) 'Professional' refers to a professional, who qualifies the criteria of a professional in accordance with the Rules of the Exchange and is admitted by the Exchange as a Non Clearing Member, who shall be eligible to trade for himself as well as for corporations based on the Rules of the Exchange.

xxi) Publication – shall mean the publication by the Exchange in a form prescribed by the Board of the Exchange

xxii) 'Rules' shall mean the rules of the Exchange and any amendments or clarification or direction issued there-under.

xxiii) 'regulations' shall mean the regulations made and published by the Board of the Exchange from time to time.

xxiv) "Registered User" shall mean a person approved by the Exchange to operate the trading terminals of the Exchange on behalf of the Member.

xxv) "Settlement" shall mean a process of finalizing a sale or purchase of an instrument on the Exchange at a pre determined price.

xxvi) "Annual Subscription fee" shall mean Annual subscription fee defined by the Rules of the Exchange.

xxvii) "Trade" shall mean a transaction for purchase and sale of a contract resulting from the matching of a bid to buy or a part of a bid to buy with an offer to sell or a part of an offer to sell, or vice versa on the online trading system permitted by the Exchange.

xxviii) " Trading system" shall mean such online systems and networks as the Exchange may from time to time determine and which shall be notified by the Board as reserved for trading in contracts for specific instruments permitted on the exchange.

xix) "Working day" shall mean a day on which the sale and purchase of contracts is permitted by the Exchange.

2.2 words and expression not defined in this Rules of the Exchange, but defined in the Bye-Laws of the Exchange or any of its regulations shall have the same meaning respectively assigned to them in the Bye- Laws or any of its regulations.

3. **Membership of the Exchange**

Membership of the Exchange is classified into two categories namely (1) Clearing Membership and (2) Non Clearing Membership. A person or entity desirous of securing membership in the exchange may apply for any of these categories subject to fulfilling the requirements/ criteria laid down in these Rules of the Exchange. The rights and privileges of each category of memberships are:

1. **Clearing Membership**

The Clearing Member shall have the right to participate directly in both trading and clearing processes in the Exchange. Clearing Membership is restricted to registered companies only. Clearing members shall play the role of market makers by accepting the risk of holding any of the traded instruments in order to facilitate trading in those instruments. They shall also meet all the financial requirements, as prescribed by the Exchange, related to trading, clearing and settlement on a day-to-day basis. Clearing Member shall not be permitted to lease its membership.

2. **Non-Clearing Membership**

Non-clearing member shall have the right to directly participate in trading in the exchange; however, the clearing process of such non clearing member shall only be facilitated through a clearing member approved by the Exchange. Non-Clearing Membership is classified into three categories, namely, Individual, Professionals and Institutions.

- a) **Individual:** An Individual member shall be permitted to trade on the Exchange only for himself and he shall not be permitted to trade on behalf of any other person or entity.
- b) **Professional:** A Professional member shall be eligible to trade for himself as well as for institutions. He shall be entitled to some special privileges other than the individual member, which the Exchange may determine from time to time.

- c) **Institution:** Institution shall have the privilege to trade for itself as well as on behalf of its Clients. The institution includes partnership firm, companies, trust, banking and financial institutions or any other which the Board deem fit and proper in this category.

Non Clearing Member shall be permitted to lease its membership as per these Rules and Regulations of the Exchange.

4 **Criteria for Admission:**

1. **Clearing Member:**

Any institution, whose objectives in the Memorandum and Articles of Association and/or its constitution permits such institution to involve in trading in instruments, and who possess the minimum net worth prescribed by the Exchange, necessary infrastructure to effectively discharge its clearing and trading activities with experienced professionals and undertakes to comply with the financial and other requirements as may be specified by the Exchange from time to time shall apply for Clearing Membership in the form prescribed in Annexure 1. If the institution is domiciled outside Nepal, it shall also require the necessary permission from the Government of Nepal to carry out its business activities in Nepal.

The Membership Service Department of the Exchange shall consider the common interest of the Public and the Exchange, while deciding an application for clearing membership.

2. **Non-Clearing Member:**

a) **Individual** - Any person, who is an adult by age, and who possess sufficient knowledge and experience in the financial and future markets, and who is ready to undertake all the risks of such financial and futures markets, shall apply for Non Clearing Membership in this category. Provided such person:-

- i) shall be competent to enter in to a contract under the laws of Government of Nepal;
- ii) should be of good moral character, reputation, integrity;
- iii) shall be possessing adequate financial resources and credit to assume the responsibilities required for individual- Non Clearing Membership; and
- iv) shall be in compliance with all aspects of Anti Money Laundering laws.

b) Professional:- Any person, who is possessing all the qualification and requirements for individual membership, and who has five years or more of experience in financial and futures trading inside or outside Nepal as a trading professional may apply for Non Clearing Membership in this category. He should also

c) Institution:- Any institution, as defined by these whose objectives in the Memorandum and Articles of Association and/or its constitution permits the institution to involve itself in financial and futures markets, who possess the minimum net worth prescribed by the Exchange, necessary infrastructure to effectively discharge its clearing and trading activities with experienced professionals and undertakes to comply with the financial and other requirements as may be specified by the Exchange from time to time shall apply for Non Clearing Membership in the Institution category. If the institution is domiciled outside Nepal, it shall also require the necessary permission from the Government of Nepal to carry out its business activities in Nepal to the Exchange.

All such Non Clearing Members shall apply for membership in the form prescribed in Annexure 2 and also enter into a separate agreement with a Clearing Member with the approval of the Exchange for clearing and settling their trade in the Exchange.

Explanation: A decision as to whether the applicant is an Individual or Professional or Institution, and is entitled to a membership shall be made solely by the judgment of the Membership Service Department of the Exchange considering the merits of the application and the common interest of the Public and the Exchange.

5 Application requirements:

1. The applicant shall submit the duly filled application form for Membership in the form prescribed by the Exchange in person at the Membership Services Department of the Exchange during working hours on any working day. Every application shall be accompanied with:
 - a) 50% of the prescribed admission fee, by way of crossed Demand Draft in favour of “Mercantile Exchange Nepal Limited”, payable at Kathmandu as stated in Annexure - 3 (Fee Structure) If application is rejected, the Exchange shall refund the admission fee so paid after deducting a processing fee of Rs.50,000 (Rupees Fifty Thousand), or the processing fee prevailing at the time of application.
 - b) If the applicant is an institution, a certificate showing the net worth of the institution issued by a Chartered Accountant of the applicant in the form prescribed in Annexure - 4 of these rules.
 - c) If the applicant is a professional, a certificate showing the experience in financial and futures trading inside or outside Nepal for five years
 - d) A reference letter from the bank in the form prescribed in Annexure 5 of these rules showing the financial credibility of the applicant.
 - e) If the applicant is institution, a certified copy of the resolution of the Board of Directors authorizing the institution to apply for membership and stating the name of the person authorized to execute the documents on behalf of the applicant in the form prescribed in Annexure 6 and the bio-data of the directors in the form prescribed in Annexure 7 of these rules .

- f) A duly executed undertaking in the prescribed form Annexure 8 stating that the applicant shall not undertake any legal recourse against the Exchange in the event of the Application for Membership is rejected.
- g) An undertaking that he/it has understood the contents of and be bound by the Bye-laws, Rules of trading, clearing and settlement and these Rules of the Exchange.

6 General Membership Requirements:

1. In addition to the specific criteria mentioned hereinabove, every applicant shall also observe and comply with the following general membership requirements:
 - a) Compliance with capital requirement adequacy norms as prescribed by the Exchange for membership to all categories.
 - b) Compliance with necessary statutory provisions, rules and regulations of the Government of Nepal.
 - c) Every applicant for membership shall comply with and be bound by the bylaws, rules and regulations of the Exchange, and accept any decision made by the Membership Service Department or Board of the Exchange as final.
 - e) The applicant or his/its authorized representatives shall, during the admission process, when required by the Membership Service Department shall appear personally before the Membership Service Department of the Exchange thereof, for an interview and/or fit and proper test as may be prescribed.
2. The Exchange shall change or amend the rules, requirements and/or criteria for admission as a member and including those specified above, whenever warranted by the Exchange.

7 Fee and Capital Requirements

- 1. Admission Fee:** Every applicant shall pay 50 % of the Admission Fee to the Exchange vide a crossed Demand Draft in favour of “Mercantile Exchange Nepal Limited” payable at Kathmandu, at the time of submitting the application for membership of that category. On approval of the application by the Exchange, and before entering into the membership agreement with the Exchange, the applicant shall pay the balance 50% of the Admission Fee to the Exchange. Admission Fee once paid shall not be refunded to the applicant. If the application for membership is rejected, the Exchange shall refund the 50% of the Admission Fee, so deposited by the applicant, after deducting a processing fee of Rs.50,000 or the processing fee prevailing at the time of application.
- 2. Membership Fee:** Every applicant shall pay the membership fee to the Exchange vide a crossed Demand Draft in favour to “Mercantile Exchange Nepal Limited” payable at Kathmandu on approval of the application and before entering into the membership agreement with the Exchange and this one time membership fee shall not refunded to the applicant.
- 3. Processing Fee:** No Processing Fee shall be charged by the Exchange at the time of filing of an application for membership. However, the Exchange shall deduct a processing fee of Rs.50,000 or the processing fee prevailing a the time of application, from the initially paid 50% of admission fee by the applicant to meet the expenditure incurred towards processing the application.
- 4. Annual Subscription:** An Annual Subscription charges shall be paid by every applicant on approval of the membership and it is non refundable. The Annual Subscription charges shall become due on the 15th of July of every year and shall be payable not later than 30th of July each year. If the member fails to pay the annual subscription within the above time limit, the Board may declare such member as a defaulter within the meaning of these Rules of the Exchange.

5. **Annual Insurance:** Every member of the Exchange shall obtain himself/itself an insurance cover, so as to protect from the risks and hazards relating to their business operations at the Exchange and a copy of the receipt of the premium paid shall be submitted to the Exchange every year along with the Annual subscription charges. The quantum of insurance cover shall be prescribed by the Exchange considering the nature of the membership from time to time
6. **Advance Transaction Fund:** Advance Transaction Fund shall be paid by every member as collateral for trading and clearing on the Exchange. During trading or clearing, if the Advance Transaction Fund exceeds the transaction charges received in advance, the excess transaction charges shall be recovered from the member at the time of incurrence. The Clearing Member shall pay the Advance Transaction Fund to the Exchange and the Non Clearing Member shall pay the Advance Transaction Fund to the Clearing Member. Both these Advance Transaction Fund shall be deposited in a segregated account controlled by the Exchange and is refundable, after settlement of all outstanding of such member on termination /cancellation of the membership by the Exchange. The Exchange shall provide proportionate increase of trading and clearing limits on deposit of additional Advance Transaction Fund. In case of clearing member, as it involved in both clearing and trading, exchange shall distribute the Advance Transaction Fund proportionately, as it deem fit, for the purpose of trading and clearing.
7. **Capital Requirement:** Members shall meet with the capital requirements as prescribed by the Exchange from time to time.
8. Exchange shall prescribe the kind and amount of fees, subscription charges and deposits payable by Members to the Exchange for Membership, maintenance of Membership and advance transaction deposits, as may be required from time to time. The current fee and capital requirement are described in Annexure 3 to these Rules. Exchange shall at its own discretion change this fee, charges and deposits by prior notification. Prior to making any

application for membership, every applicant should contact the Exchange to know the prevailing fee and capital requirement of the Exchange.

8 Submission of Application

Exchange shall receive the application only if it is accompanied by all supporting documents and necessary fee for that category of membership as prescribed by the Exchange. Exchange shall not process the application until all the requirements for application are met by the applicant.

9 Approval of Membership

1. On receipt of an application for membership along with the prescribed fee, the Membership Service Department shall review the application. The applicant shall be called for an interview and /or also for a fit and proper test by the Membership Service Department. The applicant or the authorized director of the institution shall appear in person to such interviews.
2. The Membership Service Department shall enquire into and be satisfied with respect to the reputation and financial stability of the applicant and the details of the financial arrangements made in connection with membership. After reviewing all the information, a decision shall be made by the Membership Service Department as to whether the applicant is eligible for membership or not and the decision thereof shall be communicated to the applicant to the address mentioned in the application.
3. If the application is approved, applicant shall be granted 30 days time from the date of intimation of the approval from the Membership Service Department to pay all other fees required for membership on the Exchange.
4. On fulfilling all the formalities, the applicant shall be granted the membership by the Board of the Exchange. An applicant approved for membership by the Membership Service

Department shall not assume the responsibilities and privileges of membership until the grant of Membership by the Board of the Exchange.

10 **Membership Agreement:**

On approval of the application by the Board, after satisfying all other requirements required for membership, every Member shall execute an agreement with the Exchange in a format prescribed by the Exchange.

11 **Certificate of Membership**

- 1 Upon executing an agreement with the Exchange, member shall open the necessary bank accounts, prescribed by the Exchange.
2. On completion of all the formalities after approval of membership by the Board, a Certificate of Membership, under the Common Seal of the Exchange, shall be issued to the member and a copy shall be retained in the Exchange. The copy of the Certificate of Membership shall be exhibited by the member in a prominent place in the office and the certificate shall remain the property of the MEX.
3. Certificate of Membership shall indicate the effective date from which the member shall enjoy the rights and privileges of a member of the Exchange.
4. The member shall commence trading or clearing, on payment of the Advance Transaction Fund prescribed by the Exchange.
5. Every member of the Exchange shall promptly notify the Exchange in writing regarding any change in the information provided by the member at the time of admission. If the Exchange came to know that a member fails to do so, the Exchange shall conduct an enquiry through

the Disciplinary Committee of the Exchange, if the allegation is found to be true, then Exchange shall charge a penalty and/or take disciplinary action against such member.

4. If the Certificate of membership is lost, destroyed, defaced or worn out, the Board shall issue a duplicate Certificate to the member under the following circumstances:
 - a) on submission of proof of destruction or loss of the original Certificate; or
 - b) on the return of the worn out or defaced Certificate to the Exchange; and
 - c) on payment of a fee prescribed by the Board.

12 Publication of admission of a Member

When a member is admitted and a Certificate of Membership is issued to the member, notice of such admission shall be communicated to the member in writing and also published or notified by way of broadcast to the members of the Exchange through the automated trading system or any other electronic system of the Exchange.

13 Rejection of Application and Appeal

1. An applicant, who is not approved for membership by the Membership Service Department shall request for a review with or without a personal hearing of his application by a Membership Committee constituted by the Board of the Exchange within 30 days of such decision.
2. On receipt of such request, the application shall be referred to the Membership Committee, consisting of a chairman and two members, designated by the Exchange. The Membership Committee shall review the application and a unanimous decision of the Committee is required for approval of the application for membership.

3. If an application for membership is rejected by the Membership Committee, the applicant may appeal against the decision to the Appellate Membership Committee of the Exchange within 30 days of decision of the Membership Committee. The Appellate Membership Committee, consisting of a chairman and five members constituted by the Board, after due deliberations shall decide, by a majority vote, whether the applicant is qualified for membership or not. The decision of the Appellate Membership Committee shall be final. An application rejected by the Appellate Membership Committee may be reconsidered only if new or additional information is subsequently brought to the attention of the Appellate Membership Committee. If an applicant is rejected for membership or if, for any reason, the Exchange shall retain the processing fee from the advance admission fee so paid by the applicant.
4. If the applicant is appealing against the decision of the Membership Service Department or Membership Committee, the Exchange shall retain the admission fee so paid until the decision of the Appellate Membership Committee.

14 Register of Members:

1. The Exchange shall maintain a register of Members of the Exchange. In the register, Exchange shall record the details of the member and any information as may be considered appropriate by the Exchange, for the use of the Exchange and its members. Exchange shall also store such details of members in electronic forms.
2. Every member shall promptly notify the Exchange in writing of any changes in the information provided by the member at the time of admission or at a later stage, failing which, the Exchange shall impose a penalty or take disciplinary action against such member.

15 Misrepresentation of the Member

1. An applicant may be terminated from the Membership upon the unanimous decision of the Disciplinary Committee of the Exchange, if he is found to be:
 - (a) Guilty of fraud or gross financial misconduct declared by a court of law; or
 - (b) Dishonest conduct prior to becoming a member and of failing to make full disclosure thereof in his application for membership; or
 - (c) Guilty of having made a false statement of a material fact in connection with his application; or
 - (d) Made any willful misrepresentation

16 Bank Accounts:

1. **Operational Account:** Every member shall open an operational account in a bank designated by the Exchange (“designated bank”). This account exists for member’s operational purpose. This account shall be subjected to audit and the Exchange shall have rights to call for details of transaction of this account as and when required.
2. **Segregated account-** For dealing with the Exchange, every member shall open a bank account in a designated bank with sole operational rights vested with the Exchange and for every client of the Member, a sub ledger/sub account shall be maintained, which shall be named as Segregated Account. All client deposits with the member and members deposit will be kept in this account noted in sub ledgers. This account shall not have funds from anybody intended for operational purposes. Exchange shall give instructions to the designated bank at the end of each trading day to transfer funds in this account and sub ledger accounts based on margin requirements and profit/loss for the day. A copy of such adjustments shall be made available to the member concerned through electronic means. This

account shall be maintained in the name of member, while irrevocable provision should be given to the Exchange. Every depositor shall have a sub-ledger in this account. This account shall be absolutely used for trading purpose only. Every depositor of this account shall be treated as client of member who trades in the ATS. This account shall have 2 gateways to access online. One for the Exchange and the other for the respective member. Member shall access from its own user ID and password to view the account details of his account as well as his client's accounts. The Exchange shall access this account to check the deposit, floating, settled profit and loss amount. The Exchange, after closing of each trading day under intimation to the respective member, shall inform the designated bank to adjust the balance level of sub ledgers in accordance with floating loss/profit based on MTM settlement and final settlement. While depositing money in segregated account, the client shall sign a disclosure with the designated bank which provides authority to treat client fund for trading purpose and withdrawal shall be according to final settlement of his trade, as per authority given by the Exchange, only. Calculation and netting based on member to client is on net basis and Exchange to Member at gross level.

- 3. Member Deposit account-** This account shall be opened by a member in a designated bank, while the Exchange shall exercise total control in this account. A member's own funds for trading and clearing in the Exchange shall be deposited in this account. The Exchange shall be signatory to this account with irrevocable powers. During every trading day, when specific market volatility happens against trading positions availed or cleared by the respective member, the funds in this account will work as collateral. End of day margin calls on member accounts will be fulfilled through this account and then a margin call notice will be issued to member to refill the depleted amount by next working day 12 Noon. This account shall provide pooling facility to segregated account, as required. This account shall be locked for withdrawal (except to transfer funds to segregated account) as specified by Exchange.

17 Training:

A member should have sufficient experience before taking part in trading or clearing activities. He should attend an initial educational program conducted by the Exchange about the functioning of the Exchange in general, rules of trading, clearing and settlement of the Exchange and consequences of violating the legal and professional responsibilities, code of conduct, ethics of a member, treatment of customer's orders and handling of customer business, maintaining member customer relationships, surveillance and compliance of rules and byelaws of the Exchange.

18 Technology Requirements

On approval of membership, member shall comply with all the necessary norms and requirements prescribed by the Exchange relating to the use of technology for accessing the trading system of the Exchange, which include equipments, software, hardware, network components etc. Member shall only purchase, install and maintain such software, hardware, network components and equipments only from the vendors approved by the Exchange. A list of necessary software required for each category of members is prescribed in Annexure 9 to this Rules. Exchange shall amend this schedule as may be required from time to time.

19 Membership Compliance:

1. It shall be presumed by the Exchange that a member is aware of the rules, byelaws and regulations of the Exchange and also shall abide by all such circulars, rules, regulations, byelaws and amendments that may be issued by the Exchange from time to time.
2. In the event of an institution owning a membership, the institution shall provide a legalized resolution/authorization indicating the name of the person, who is authorized to sign the document on behalf of the institution as and when required by the Exchange.
3. Member shall nominate person(s) with necessary professional qualifications, as Registered User to conduct the trading and clearing on the Exchange on its behalf. He shall be admitted

- after interview and/or examination by the Exchange as a Registered User. Member shall apply for registration as a Registered User in the form prescribed in Annexure 10 to this Rule.
4. A Registered User shall be certified by the Exchange to function as a Registered User and he should be well versed with all rules, byelaws and regulations of the Exchange. Exchange shall assign a separate login details to each Registered User to transact on behalf of its member. Exchange shall publish the list of such certified Registered Users and number of Registered Users for each member in the Exchange
 5. The Exchange does not limit the number of Registered Users that the members may employ. However, member shall pay separate fees, prescribed by the Exchange, for every such Registered Users. The member shall notify immediately of any suspension, termination or resignation of such Registered User to the Exchange, failing which the member shall be subject to disciplinary proceedings.
 6. A member shall not mortgage, pledge or hypothecate his right of membership or any rights or privileges attached thereto, and any such attempt to do so shall not be effective under the Rules of the Exchange. The Board shall terminate any member of the Exchange who acts or attempts to act in violation of the provisions of this rule.
 7. Membership of the Exchange may be sold or leased to any qualified person or an institution, approved by the Exchange, subject to these rules of the Exchange and any other terms and conditions that may be prescribed by the Exchange.
 8. A member can surrender the membership by giving letter of resignation to the Exchange. In case of resignation, the Exchange shall return the balance Advance Transaction Fund, if any, after deducting any claims and outstanding in the Exchange, subject to a lock-in period as may be specified by the Board.

- 9 A member shall not be permitted to surrender or resign from the membership until such time the membership is under suspension by the Exchange.

20 **Approved Clearing Member**

1. A non clearing member shall not clear his trades through a clearing member other than his clearing member with whom he had executed an agreement to clear all his trades and which is , approved by the Exchange (hereinafter referred to as the “**approved clearing member**”).
2. A non clearing member shall place all trades, including trades for his own account and for any account, which he controls, on the books of his approved clearing member unless a written authorization to the contrary, received from the said clearing member, has been filed with the Membership Services Department.
3. No clearing member shall provide online access or clear any trade of another clearing member without the written consent of such clearing member. A written consent shall be filed with the Membership Services Department of the Exchange and advance permission shall be obtained before such clearing.
4. If a non clearing member places orders through a clearing member other than his approved clearing member without its consent, such approved clearing member may request with the Membership Services Department of the Exchange to initiate disciplinary proceeding against such non clearing member. Such conduct from a Non Clearing member shall be a reason for disqualification and disciplinary action.
5. A non Clearing member shall not change his approved clearing member unless he/it obtains a written consent from such approved clearing member. A Clearing member shall not withhold such consent, unless the non clearing member has an unsatisfied indebtedness to such approved clearing member. A non clearing member, who believes that his approved

- clearing member is unreasonably withholding such consent he/it may make a request before the Membership Services Department for appropriate order.
6. A clearing member shall, without prior notice, revoke a non clearing member's authorization to trade by filing a notice of revocation with the Membership Services Department of the Exchange. Such revocation shall be effective and the non clearing member's qualification to trade shall be terminated, when the notice of the revocation is approved by the Membership Service Department. A non clearing member may not appear for trading on the Exchange until he/it has been re-qualified.
 7. Upon cancellation of the membership of a clearing member by the Exchange, non clearing members, who are clearing their trades through him/it shall transfer their open positions available with that clearing member to another clearing member, subject to prior approval from the Exchange. In the case where, the clearing member is declared a defaulter, the clearing member shall be obliged to pay for any loss incurred during close-out of such positions to all non clearing members except to those non clearing members because of whom , the clearing member may have been defaulted.

21 Membership Dues

1. Every member of the Exchange shall pay the annual subscription charges and any other fee as may be fixed by the Board.
2. Exchange shall send notices to such defaulting members and any member, who does not pay the dues within 14 days after receipt of such notice shall be suspended for a period specified by the Exchange and until the payment of the dues. The Exchange shall also charge a fine for such default.
3. If any member of the Exchange fails or neglects to pay the dues for a continuous period of 30 days, the Board may declare such member of the Exchange as a defaulter within the meaning

of these rules and forfeit all membership privileges. Exchange shall use reasonable efforts to notify the member before any privileges are being forfeited.

4. The defaulting member of the Exchange shall apply for re-activation of his membership by curing such default and subject to any other terms and conditions which the exchange may prescribe considering the nature of the default, which may be a fine or penalty.

22 **Penalty:**

1. A member may be liable to pay a penalty upon non-compliance with Exchange Bye-Laws, rules and regulations. This shall include both the failure to pay the dues pertaining to the member within 14 days after a notice in writing has been served upon the member by the Exchange. Exchange shall also suspend the membership until curing such default. The Exchange shall levy a penalty based on the outstanding dues and number of failures to comply with Exchange Bye-laws, rules and regulations. The Exchange shall also levy interest on the outstanding dues as per the rules and regulations of the Exchange.
2. If a member fails to cure the default within 30 days of notice, the Board may declare such member of the Exchange as a defaulter within the meaning of these rules and forfeit all membership privileges. If the default continues for a period of 60 days, the member may be terminated from the membership.
3. For the purpose of these Rule, the minimum penalty to be imposed against a member for default/offence shall not be less than Rs.10,000 (NPR Ten Thousand only), but which may extend to Rs.1,00,000 (NPR One hundred thousand only). If a member, who had already been penalized for a default/offence again violated the Bye-Laws, Rules and Regulations of the Exchange shall be penalized for his second and subsequent offence/default, which shall not be less than Rupees One hundred thousand only but which may extend to a higher amount which the Board of Directors considers appropriate.

23 **Suspension of membership:**

A member may be suspended by the Exchange for the following reasons:

- a) non-compliance with the bye-laws, rules and / or regulation of the Exchange;
- b) non compliance with the payment of dues and other fees Prescribed by the Exchange within the time limit; unless the Exchange grants an extension of time for payment.
- c) a member fails to comply with an arbitration award made against him; or
- d) the insolvency of a member, if declared by a Court of Law.

Explanation: If insolvency is on account of an order by a Court of Law, the member shall immediately notify the Exchange of such insolvency. The insolvency shall be announced and notified by the Exchange and thereupon such member shall be deemed automatically suspended. If a member of the Exchange becomes insolvent, or for other reasons is suspended from the Exchange, the Registered Users, officers or authorized representatives of the member shall also stand as suspended from the Exchange until such time the suspension is valid.

A member shall be deemed insolvent by the "Exchange":

- i) If such member files a voluntary petition of bankruptcy and/or is adjudicated as bankrupt;
 - ii) If such member fails to fulfill or promptly adjust all of its legal and financial obligations to the Exchange and fails to comply such financial obligation within 15 days of such financial obligation being aroused ; or
 - iii) If satisfactory proof is made to the Membership Department of the Exchange that such member is unable to pay its debts to the Exchange as they fall due in the ordinary course of business.
- c) A member of the Exchange may be suspended by the Membership Service Department of the Exchange if the member fails to meet the capital requirements of the Exchange, or if the

member's financial condition is such that its continued operation would jeopardize the integrity of the Exchange.

- d) A suspended member may be granted a hearing before the Disciplinary Committee on receiving a request from such member within 30 days from the date of suspension.

24. Termination

1. A member may be terminated from the membership for non-compliance of rules, byelaws and regulations of the Exchange or for any other reasons stated in any of the provisions of these rules. This is inclusive of:
 - a) Notification from the Government of Nepal on prohibition of performing business with the member or such notification by a Court of law.
 - b) Notification from any of the Committee of the Exchange.
 - c) A member's inability to perform and continue as a member of the Exchange.
 - d) The inability to protect the integrity of the Exchange, in the interest of other members and clients in general and in the interest of the Public in particular.
 - e) Inability to pay the dues and outstanding to the Exchange within the prescribed time limits.
2. Members terminated in accordance with this rule shall be notified and he may be permitted to request for a hearing before the Disciplinary Committee of the Exchange within 30 days of such termination.

25 Procedure for hearing

1. The disciplinary committee shall initiate proceeding under this provision either on receipt of reliable information of gross negligence and / or violation of any rules, byelaws, regulations

- and / or circulars of Exchange by a member or on receipt of request from an aggrieved member.
2. The disciplinary committee shall call for an explanation from such member in writing within 7 days from the date of notice or such time as prescribed by the Committee. If requested, such member shall also be given a chance to represent the matter in person, before the Disciplinary Committee.
 3. If the Disciplinary Committee find the allegation is true, a show cause notice shall be served on such member calling for further explanation as to why action under appropriate rules byelaws shall not be taken against such member. After obtaining further explanation from the member in writing, the Disciplinary Committee find that the member is guilty, it may take a decision against such member and impose a penalty, suspension or termination, as it may consider appropriate, and the decision shall be communicated to the member in writing
 4. The Disciplinary Committee may also grant such time to the member to correct its practices which are found in violation of rules and regulations of the Exchange during the period of suspension. After such period of suspension, the Disciplinary Committee shall conduct another enquiry or employ a duly competent person authorized in this behalf to conduct an enquiry against such member and to furnish a report thereof for the further consideration for the Disciplinary committee.
 5. If the member fails to correct himself/itself, after granting sufficient time, the Disciplinary Committee may take necessary steps to terminate the membership of such member. During such proceedings, the member shall be given an opportunity represent its version, which shall be taken in to active consideration before taking any action against such member.
 6. A member against whom any such decision has been taken under this provision or any of the committees authorized in this behalf, such member may apply for a review of such decision before the Board of the Exchange within 30 days of such decision. The Board of the Exchange

shall constitute a five member committee to review the decision of the disciplinary committee. The decision of the five member committee in this regard shall be final and binding on the member.

26 Sale of Membership

1. A membership in the Exchange may be sold by a member either by himself or through the exchange, subject to the rules and regulations of the Exchange.

a) When the member wishes to sell his membership directly shall settle all his dues and fees prior to intimating the Membership Service Department about the details of the prospective purchaser. The member shall also pay a fee, prescribed by the Exchange, for transfer of membership, which shall not be refundable. On approving the qualification of such prospective purchaser, the prospective purchaser shall submit all relevant documents required for membership with a processing fee, prevailing at the time, which shall not be refundable. The Membership Service Department shall approve such application for transfer only when it is satisfied with the qualification and financial stability of the prospective purchaser and other criteria to be fulfilled under the Rules of the Exchange. It shall also notify about such transfer in the Exchange and shall direct the seller to settle any claims or objections of its clients or any third party associated with the trade. In the event, Exchange receives any objection to the transfer, the Exchange shall conduct an enquiry and the decision thereof shall be binding on the seller.

Membership Service Department shall refer such application to the Board of the Exchange, the Board may either reject or accept the transfer of membership and the decision thereof shall be intimated to the seller and the purchaser. On acceptance, the Exchange shall enter into an agreement with the purchaser and he / she shall enjoy the rights and privileges of a member of the Exchange.

b) When the member desires to sell a membership through the Exchange, he / it shall submit an offer to sell with the Exchange, which shall set forth the price at which the member is offering his / its membership, and append an agreement regarding the conditions of sale as set forth in these rules. In case of non clearing members, as part of the sale procedure, the member's respective approved clearing member shall file a No Objection Certificate, stating that there is no pending dues or claims and the clearing member has no objection to the sale of the membership.

The offer to sell such membership shall be matched with the best purchase price quoted for such membership. In instances where there is a multiple bid for a given membership type, then the mechanism shall be to match the lowest offer to sell with the highest bid to purchase such membership.

2. Post-Sale Notification:

a) In the event of bid price being matched, the Exchange (Membership Service Department) shall promptly notify the purchaser and the seller. Within two business days of such notification, the purchaser shall deposit a Demand Draft payable to the Exchange (amount includes purchase price, processing fee for membership and other charges as levied by the Exchange from time to time) along with all necessary documents, agreements and applications required for membership on the Exchange.

b) On completion of the admission formalities the Exchange (Membership Service Department) shall notify the transfer of membership. Upon sale of a membership, all membership privileges of the seller shall be terminated.

3. Claims against Membership and Application of Proceeds:

a) Claims against a membership shall be limited to claims involving incidents that prior to the sale of the membership and which arose in connection with transactions on the

Exchange or membership in the Exchange. Claims resulting from conduct subsequent to the sale of a membership may not be asserted against that membership or its proceeds. All claims against the seller's membership or its proceeds shall be submitted in writing to the Membership Service Department within 20 days of the posting of notice of the sale of the said membership. At the conclusion of the 20 days claim filing period, the Membership Service Department shall conduct an investigation of all claims properly filed against the seller's membership or its proceeds. This investigation shall be completed within 20 days unless the investigation cannot be resolved within that period.

- b) The total proceeds of the sale of the membership shall be applied to the following purposes and in the following order of priority:
- i) Payment of all dues, fines, contributions, charges and other dues to the Exchange.
 - ii) In case of Non Clearing Member, payment of any dues to its approved clearing member which the Exchange determines to have arisen directly out of transactions on the Exchange and also arising out of any other transactions directly related to the trading and clearing activities.
 - iii) Payment of amounts due to any other members, which the Exchange determines to have arisen directly out of the transactions on the Exchange.
 - iv) Payment of amounts due based on reports of the Membership Service Department and directly related to transactions on the Exchange.
- c) No other claims against the proceeds of the sale of a membership shall be recognized and administered by the Exchange, but creditors of the seller of a membership not falling into one of the foregoing categories may pursue other legal shall mean of securing payment of their obligations.

- d) The Exchange shall make a final determination of all claims filed in time or reported by the Membership Service Department
- e) The Exchange shall distribute such proceeds within 40 days of receiving notification and confirmation of the sale of the membership.
- f) In determining the amount of any claim, the Exchange shall initially deduct any Advance Transaction Fund held by that claimant.
- g) If the sale proceeds are insufficient to meet the claims of the Exchange, the seller shall be liable for such claims and settle it within the time prescribed by the Exchange. Seller shall also execute an indemnity agreement in favour of the Exchange with the application for transfer, to indemnify the Exchange for any losses, which may have resulted in view of such sale.

27 Sale of Membership of Defaulting Members

If the Disciplinary Committee of Exchange determines that a member is in default upon any financial obligation due to the Exchange or any financial obligation to another member in connection with transactions on the Exchange, the Board of the Exchange may sell the membership of the defaulting member and the sale proceeds shall be distributed as per the rules of the Exchange. If the defaulting member cures his/its default and provides proof thereof to the Exchange, within 30 days of the order of sale by the Board, the order of sale of the membership shall be cancelled. If full payment is not made within 30 days, the membership shall be sold by public auction in accordance with the procedure stated in the provision of sale of membership by the exchange.

- 28 **Criteria for Re-entry:** A member shall opt to re-enter as a member after the sale of his / its membership either by applying for new membership or by purchasing an existing membership. All formalities applicable for admission of membership shall be applicable for such member.

29 Transfer by Lease

1. On transfer by lease, the ownership of the membership will remain with the transferor member and thereby the right to sell the membership shall be retained by the transferor. The lessee shall benefit from the membership to the extent specified in these rules, byelaws and regulations of the Exchange and any other regulation issued by the Exchange.
2. A transferor member shall submit an application to the Exchange with a copy of the lease agreement. He shall also pay the processing fee prescribed by the Exchange for transfer by lease. No lease shall be permitted without the approval of the Exchange. Any lease by a member without the knowledge of the Exchange shall be invalid and the member shall be subject to disciplinary proceedings and shall be imposed penalty and/or suspension of the membership.
3. If the Exchange shall approves the lease only if the lessee possess the criteria to become a member of the Exchange and submit the necessary documents, which are required for membership in the Exchange.
4. On approval of the lease, the lessee shall take the responsibility of maintaining Advance Transaction Fund and other daily margin requirements for trading or clearing. The lessee shall also pay the annual subscription charges to the Exchange. In the event of default, the lease shall be suspended, until such payment is being made. On subsequent default, the lease shall be terminated and all pending dues and outstanding shall be settled from the Advances Transaction Charges of the lessee.
4. If the transferor member wishes to continue the lease, he shall intimate the exchange, with the renewed terms if any at least ten working days prior to the expiration of the current lease term. If transferor member fails to intimate the renewal of lease, Exchange shall assume that the lease is not renewed upon its expiration.

5. A lease agreement which is terminated by a transferee prior to its expiration shall be liable to pay the early cancellation payment of lease to the exchange, which shall be determined by the Exchange.
6. A transferee who unilaterally terminates a lease remains obligated to make the agreed rental payments to transferor until the end of the term of the lease.

30 Inactive Members:

1. **Inactivation Procedure:** The members, subject to rules and regulations of the Exchange, issued from time to time, may request for inactive membership status for seeking benefit of exemption from maintaining capital requirement, monthly financial reporting and examination requirements. However, member shall not be exempted from submitting the annual certified financial statements and Certificate of Net worth once in every 6 months during a fiscal year. During the period of inactivation, such member shall continue to be treated as a member of the Exchange. However, the member shall not be allowed to trade in the Exchange or access the online facilities of the Exchange. Member's trading terminal shall also be de-activated during this period.
2. **Reactivation:** A members in inactivation status may at any time request for reactivation of his membership. Upon reactivation the member shall pay the reactivation charges and comply with other formalities to be maintained by a member.
- 3 **Inactivation by the Exchange:** The Exchange may inactivate a member:
 - a) if a member is not trading in minimum volumes for a prescribed period by the Exchange.
 - b) if a member is under disciplinary proceedings, suspension or termination.

31 Death or Non Existence of a Member

- 1 **Individuals or Professional:** On death of an individual or Professional member, his family members shall notify the Exchange and the approved clearing member within 10 days from the date of death. On receipt of such notice, the Exchange shall issue a notification about the death of the member and transfer the membership to his legal heirs based on the transfer request received from his legal heirs. In the case where the legal heirs opt to sell the membership, the Exchange shall sell the membership as per these rules of the Exchange.
2. **Institutions:** In case of non-existence of an institution, its authorized representative shall notify the Exchange and the approved clearing member within 10 days from the date of such non existence. On receipt of such notice, the Exchange shall issue a notification about the non-existence of that member and shall take measures as it considers appropriate.

32. Investigation

1. Where the Board of the Exchange has reasonable ground to believe that -
 - a) the transactions on the Exchange are being conducted in a manner detrimental to the investors or trading market; or
 - b) any member or person associated with the trade or clearance with the Exchange has violated any of the provisions of the Bye-Laws, Rules and Regulations of the Exchangeit shall at any time direct the disciplinary committee to investigate the affairs and business of such member or person and report thereon on to the Board of the Exchange.
2. The Disciplinary committee shall direct to any such members or person to furnish such information, to produce documents, registers, records that it may consider necessary for the purpose of the investigation.

- 3 The Disciplinary committee shall also inspect the trading premises of such member or entity for the purpose of the investigation.
4. On receipt of the report from the Disciplinary committee, the Board of the Exchange shall pass appropriate orders, which shall be binding on such members or person.

33 Amendment to the Rules

Exchange may at any time amend these Rules in accordance with the Bye-Laws of the Exchange. Any such amendment shall be notified in the exchange and be binding on the members.

ANNEXURE 1

MEX

Mercantile Exchange Nepal Limited
Clearing Membership Form

For Office Use Only

Registration Number :

Registered Office :

Fax :

Email :

A recent photograph in
light background of
the signatory

Please affix and sign
on the photograph

Mercantile Exchange Nepal Limited

Dear Sir,

We request you to register _____ (name of the company) as Clearing Member in the Mercantile Exchange Nepal Limited. Our details required for registration are as follows:

DETAILS OF FEE DEPOSITED

Amount _____ Draft No /Deposit Voucher No. _____

Bank _____ Date _____

Name of the Applicant: _____

Date of Incorporation/Registration _____ [DD/MM/YYYY]

Registered Office Address _____

City _____

VDC/Municipal _____ Ward No: _____

Street/ Block _____

Telephone _____ Fax _____

Website _____ Email _____

Address for communication (if different from the above)

City _____

VDC/Municipal _____ Ward No: _____

Street/ Block _____

Telephone _____ Fax _____

Website _____ Email _____

Name of the authorised person _____

Names of the Chairman and Directors

Name of other Exchange(s) in which the applicant is a member

Name of other Exchange(s) in which any of the director/ is a member

Permanent Account No _____

Net Worth of the Applicant _____ as on _____

Details of Bank Account

Name of Bank: _____

Branch _____

Account No. _____ Account Type _____

DECLARTIONS

a) Whether any court case is pending against the applicant or directors/promoters of the applicant?

YES/NO

b) Whether the applicant or the directors/promoters of the applicant is involved any financial irregularities and subject to any disciplinary proceedings? **YES/NO**

c) Whether the applicant or directors/promoters of the applicant were subject to any disciplinary proceedings in any other exchange **YES/NO**

(If answer is yes in clause (a) and (b) above, please furnish the details of such financial irregularities and/or disciplinary action in a separate sheet)

We hereby declare that the information furnished in this application is true and correct and the documents annexed with this application are true copies of its original. We undertake to inform the Exchange, in writing, immediately of any changes in the information furnished by us in this application. The Exchange will not be liable for any direct/indirect consequences arising on account of non intimation changes in the above information.

We agree to abide by the Bye-Laws and Rules of the Exchange.

Signature
For Clearing Member
Company Seal

Place:
Date:

For office Purpose:

Client Code:

Verified by: _____ Authorized by: _____ (Name)

.....

DOCUMENTS TO BE SUBMITTED ALONG WITH THE CLIENT REGISTRATION FORM

1. [] Proof of Bank Account Number and certificate of credit worthiness from the Bank.
2. [] Copy of latest filed Tax Return
3. [] Self certified photo copy of the PAN Card of directors and Company.
4. [] Declaration, if the director and Company do not have a PAN Card, in the form prescribed by the Tax Authority
5. [] Resolution authorizing the company to apply for membership and letter authorizing the authorized person.
6. [] Undertaking in form 2
- 7 [] Net worth certificate issued by a chartered accountant
- 8 [] Original Bank Deposit Voucher

Note: All proforma mentioned above are available in the www.mexnepal.com/downloads/forms/

ANNEXURE 2

MEX

Mercantile Exchange Nepal Limited

Application Form for Non Clearing Membership (Individual/Professional/Institution)

For Office Use Only

Registration Number :
Category :
Registered Office :

A recent photograph in
light background of
the applicant/signatory

Please affix and sign
on the photograph

Fax :
Email :

Mercantile Exchange Nepal Limited

Dear Sir,

We request you to register _____ (Name) as a Non Clearing Member
in the Mercantile Exchange Nepal Limited. Our details required for registration are as follows:

CATEGORY

Individual [] Professional [] Institutions [] _____ (please specify applied)

DETAILS OF FEE DEPOSITED

Amount _____ Draft No/Deposit Voucher No. _____
Bank _____ Date _____

TO BE FILLED BY INDIVIDUAL AND PROFESSIONAL ONLY

Name: [Mr./Mrs.] _____

Father's/Spouse Name _____

Date of Birth _____ [DD/MM/YYYY] Age: _____

Occupation: _____

Nationality/Residential Status _____

Passport No/ Citizenship No. _____

Home Address _____

City _____

VDC/Municipal _____ Ward No: _____

Street/ Block _____

Telephone _____ Fax _____

Website _____ Email _____

Address for communication (if different from the Home Address)

City _____

VDC/Municipal _____ Ward No: _____

Street/ Block _____

Telephone _____ Fax _____

Website _____ Email _____

TO BE FILLED INSTITUTION ONLY

Name: _____

Date of Incorporation/Registration _____ [DD/MM/YYYY]

Registered Office Address

City _____

VDC/Municipal _____ Ward No: _____

Street/ Block _____

Telephone _____ Fax _____

Website _____ Email _____

Address for communication (if different from the above)

City _____

VDC/Municipal _____ Ward No: _____

Street/ Block _____

Telephone _____ Fax _____

Website _____ Email _____

Name of the authorized person _____

Names of the Chairman/Managing Partner/Proprietor and Directors/Partners

TO BE FILLED BY APPLICANTS IN ALL CATEGORIES

Name of other Exchange(s) in which the applicant is/was a member

Name of other Exchange(s) in which any of the director/partner/proprietor is/was a member

PAN

Permanent Account No. _____

Net Worth of the Applicant _____ as on _____

Details of Bank Account

Name of Bank: _____

Branch _____

Account No. _____ Account Type _____

DECLARTIONS

- a) Whether any court case is pending against the applicant or partners/directors/promoters of the applicant ? **YES/NO**
- b) Whether the applicant or the partners/directors/promoters of the applicant is involved any financial irregularities and subject to any disciplinary proceedings? **YES/NO**
- c) Whether the applicant or partners/directors/promoters of the applicant were subject to any disciplinary proceedings in any other exchange **YES/NO**

(If answer is yes in clause (a) and (b) above, please furnish the details of such financial irregularities and/or disciplinary action in a separate sheet)

I/We hereby declare that the information furnished in this application is true and correct and the documents annexed with this application are true copies of its original. I/We undertake to inform the Exchange, in writing, immediately of any changes in the information furnished by me in this application. The Exchange shall not be liable for any direct/indirect consequences arising on account of non intimation changes in the above information.

I /We agree to abide by the Bye-Laws and Rules of the Exchange.

Signature of applicant/ Authorized Representative

Place:

Date:

(Institution Seal)

For office Purpose:

Client Code:

Verified by: _____ Authorized by: _____ (Name)

.....

DOCUMENTS TO BE SUBMITTED ALONG WITH APPLICATION

1. [] Proof of Identity (for Individual and Professional Member- Passport/Citizenship Card Copy. For institutions copy of M&A, Registration Certificate, List of Directors certified by company secretary/notary public/registered auditor)
2. [] Proof of Address
3. [] Proof of Bank Account Number and certificate of credit worthiness from the Bank. (see preformed in the web site)
4. [] Copy of latest filed Income Tax Return
5. [] Self certified photo copy of the PAN Card
6. [] Self declaration, if the applicant does not have a PAN Card.
7. [] Resolution authorizing the institution to apply for membership and letter authorizing the authorized person (for Institutions-)
8. [] Training Certificate and Experience certificate (for professionals)
9. [] Letter of Undertaking (see proforma in the web site)
- 10 [] Net worth certificate issued by a chartered accountant
- 11 [] Original Bank Deposit Voucher
- 12.[] Bio data of Directors/Partners/Authorized Representative(see program in the web site)

Note: All proforma mentioned above are available in the www.mexnepal.com/downloads/forms/

Annexure -3

Fee Structure

Sl. No.	Particulars	Membership Types			
		Non Clearing Members			Clearing Member (Companies)
		Individual Investors	Professionals	Institutions	
1	Admission Fee	100,000	100,000	100,000	200,000
2	Membership Fee	200,000	150,000	200,000	300,000
4	Annual Subscription*				
5	Advance Transaction Fund**	500,000	400,000	500,000	5000,000
6	Capital Requirements**	2000,000	1500,000	2000,000	10,000,000

* The Board shall prescribe the amount by notification.

** The Board may relax these limits based on the nature of the applications.

ANNEXURE -4

NETWORTH CERTIFICATE FORM

(to be submitted in the letter head of the Auditor)

**Certificate dated submitted by to the Mercantile
Exchange Nepal Limited**

CERTIFICATE

This is to certify that the Net worth of M/s. /Mr. /Ms. as on is Rupees
..... Only.

It is further certified that the computation of Net worth, based on my/ our scrutiny of the books of
accounts, records and documents, is true and correct to the best of my / our knowledge and as per
information provided to my / our satisfaction.

Place:

Date:

Chartered Accountant/Registered Auditor

Membership Number

(Affix the stamp/seal)

ANNEXURE -5

FINANCIAL CREDIBILITY CERTIFICATE FROM THE BANK

(To be submitted in a sealed envelope in the letter head of the bank)

Confidential

To,
The Membership Service Department,
Mercantile Exchange Nepal Limited
Krishna Tower 3rd Floor,
New Baneshwor,
Kathmandu, Nepal

Dear Sir/ Madam,

_____ (*Name of the Applicant*) is maintaining an account no. _____

With our bank at _____ (*address of the branch*) since

_____ (*date of opening of the account*).

The said current account is satisfactorily operated by _____ (*Name of the Applicant*).

Date:

Place:

(Signature)
Name of Authorized Signatory

Affix the seal of the Bank

ANNEXURE -6

FORM OF BOARD RESOLUTION

CERTIFIED TRUE COPY OF THE RESOLUTION PASSED BY THE BOARD OF DIRECTORS IN ITS MEETING HELD ON.....AT ITS REGISTERED OFFICE

NOW THEREFORE BE IT RESOLVED that the board of directors hereby unanimously decided to apply for membership in the Mercantile Exchange Nepal Limited, whose registered office is at Krishna Tower, 3rd Floor, New Baneshwor, Kathmandu, in the category of

BE IT FURTHER RESOLVED that the Board of authorizes Mr. _____, one of the directors of the company, whose signature is attested below be authorized to sign on behalf of the company all agreements, documents and forms as may be required by Mercantile Exchange Nepal Limited and to do all act and deed necessary for obtaining membership in the Mercantile Exchange Nepal Limited

BE IT FURTHER RESOLVED this resolution is communicated to Mercantile Exchange Nepal Limited and shall remain in force until notice of revocation of this resolution in writing be given to Mercantile Exchange Nepal Limited by the Company.

Dated on thisday of2008

Signature of the Authorized representative

Certified True copy

Attested by

Email:	
Mobile No.: (With country & area code)	
Fax No.: (With country & area code)	
Qualification(s):	
Work Experience (in detail):	
Details of other directorships held (if any)	
Membership of Professional Bodies:	
Nationality:	
Passport /Citizenship card Details*: Number: Date of Issue: Date of Expiry:	

The above information is true and correct to the best of my knowledge.	
Place:	
Date :	Signature:

Note:

- 1) Its mandatory to provide all the required information
- 2) * Please enclose a certified true copy of the passport/citizenship card

ANNEXURE -8

FORM OF LETTER OF UNDERTAKING

To,
The Membership Service Department,
Mercantile Exchange Nepal Limited
Krishna Tower 3rd Floor,
New Baneshwor,
Kathmandu, Nepal

Dear Sir,

I/We have applied for the membership in Mercantile Exchange Nepal Limited.

I hereby undertake that in the event that my application for registration as member in the Exchange is being rejected for any reason by the Exchange, I shall not take any action including any legal proceedings against the Exchange, its directors, employees or any other person acting on behalf of the Exchange against such rejection of my application.

I also have no objection if Exchange deduct the processing fee from my advance payments in the event of my application is rejected.

Signature
Applicant
Address

Place :
Date :

ANNEXURE 9

LIST OF SOFTWARES

SN	Name of software	Members
Compulsory lists of software		
1	Exchange connectivity adapter: Member to Exchange connectivity software + Member Management terminal	Clearing Member
2	Member back office downloads software and Member reports printing software.	Clearing Member
3	Member dealing terminal	For both NCM and CM
4	Member client trading software	For both NCM and CM
5	Member broker trading software	For both NCM and CM
6	Member client email system	For both NCM and CM
7	Member client/broker chat software	For both NCM and CM
8	Client advanced charting tool	For both NCM and CM
9	Member real time risk manager	For both NCM and CM
10	Member clearing trade s/w	For both NCM and CM
11	Member clearing back office	For both NCM and CM
Optional lists of software		
1	Member compliance software	For both NCM and CM
2	Market live price monitoring software	For both NCM and CM
3	Member bulk reports publishing to software	For both NCM and CM

ANNEXURE 10

FORM OF APPLICATION FOR REGISTRATION AS A REGISTERED USER

To

The Mercantile Exchange Nepal Limited

A recent photograph of
the proposed
Registered User in
light background

Please sign across the
photograph

Dear Sir,

I/We request you to register _____ (Name) as a Registered User of the Exchange under my membership with the Exchange. The details of my membership, the proposed Registered User and details of payment of fee are as follows:

A. Details of the Member

Name of MEMBER _____
Type of Membership _____
Membership Registration Number _____
Address _____

B Details of payment of fee.

Amount _____ Demand Draft No _____ dated _____
Issuing Bank _____ Branch _____

C Details of the Proposed Registered User

1. Personal Details

First Name	Middle Name	Last Name
Name _____		

Father's/Spouse Name _____

Date of Birth _____ [DD/MM/YYYY] Age _____

Gender _____ [Male / Female] _____

Occupation _____

Nationality _____

2. Permanent Account Number (PAN): _____

(a) If PAN is not available, the reasons thereof: _____

3. Correspondence Address:

House No/Block No. _____ Ward No. /Street _____
VDC/Municipal _____ Street/ Block _____
Telephone Number _____ Mobile Number _____
Fax Number _____ Email ID _____

4. Residential Address, if different from the Correspondence Address:

House No/Block No. _____ Ward No. /Street _____
VDC/Municipal _____ Street/ Block _____
Telephone Number _____ Mobile Number _____
Fax Number _____ Email ID _____

5. Details of previous Registration if any with the Exchange or any other Exchange(s) and the reason for leaving:

Name of Member _____
Registration Number _____
Reason for Leaving _____

6. Declaration of the proposed Registered User

The information furnished above is correct and latest to the best of my knowledge.
I hereby undertake to inform the Exchange, in writing, immediately of any changes in the information furnished by me in this Registration Form. The Exchange will not be liable for any direct/indirect consequences arising on account of non intimation of these changes in time by me.

By signing this registration form, I agree to abide by the Rules, Regulations, Bye-Laws and all other terms and conditions of the Exchange.

(Signature)
Proposed Registered User

For Member

(Seal)

Place:

Date:

.....
For office Purpose:

Verified by: _____ Authorized by : _____ (Name)

Membership No:
.....

Documents to be submitted along with the Registration Form :

1. Proof of Identity and Proof of Address
2. Self certified photo copy of the PAN Card