

REGULATION - 7

Format of Agreement between Clearing Member and Trading Member

[ON STAMP PAPER OF RS. 20 IN MUMBAI]

[THE CLEARING MEMBER SHALL ENTER INTO A SEPARATE AGREEMENT WITH EACH OF THE TRADING MEMBER ON WHOSE BEHALF HE WILL BE CLEARING TRADES.]

Agreement between CLEARING MEMBER and TRADING MEMBER

This agreement is made and executed at this day of 20... between:

Mr./Ms./M/s. _____, an individual/ a sole Proprietary concern/ a Partnership firm/ a body corporate, registered/ incorporated under the provisions of the Indian Partnership Act, 1932/ the Companies Act, 1956, being a Clearing Member of the Derivatives Segment of the Stock Exchange, Mumbai, having Clearing Member Code No. _____ and registered as a Clearing Member with SEBI under Registration No. _____, having his/her/its registered office at _____ (hereinafter called "**the Clearing Member**") which expression shall, unless repugnant to the context or meaning thereof, be deemed to mean and include his/her heirs, executors, administrators and legal representatives/ the partners for the time being of the said firm, the survivor or survivors of them and their respective, heirs, executors, administrators and legal representatives/ its successors, as the case may be, of the One Part;

And

Mr./Ms./M/s. _____, an individual/ a sole proprietary concern/ a partnership firm/ a body corporate, registered/ incorporated under the provisions of the Indian Partnership Act, 1932/ the Companies Act, 1956, being a Trading Member of the Derivatives Segment of the Stock Exchange, Mumbai, having Trading Member Code No. _____ and registered as a Trading Member with SEBI under Registration No. _____, having his/her/its registered office at _____ (hereinafter called "**the Trading Member**") which expression shall, unless repugnant to the context or meaning thereof, be deemed to mean and include his/her heirs, executors, administrators and legal representatives / the partners for the time being of the said firm, the survivor or survivors of them and their respective, heirs, executors, administrators and legal representatives/ its successors, as the case may be, of the Other Part;

WHEREAS

(i) The Trading Member has requested the Clearing Member to clear and settle the Trading Member's contracts in the Derivatives Segment of the Stock Exchange, Mumbai

("the Exchange"), and the Clearing Member has agreed to do so in accordance with the Rules, Bye-laws and Regulations of the Derivatives Segment of the Exchange and SEBI and on the terms and conditions contained in this Agreement;

(ii) Under the Rules, Bye-laws and Regulations of the Derivatives Segment of the Exchange, the Clearing Member and the Trading Member are required to enter into an agreement which should clearly state the nature of the relationship between the two and also should specify the duties, responsibilities, obligations and code of conduct of the concerned parties; and

(iii) The Clearing Member and Trading Member are accordingly executing this Agreement.

NOW, THEREFORE, THIS AGREEMENT WITNESSETH AND THE CLEARING MEMBER AND THE TRADING MEMBER AGREE AS FOLLOWS:

1. Deposit from Trading Member:

(i) The Trading Member shall deposit and maintain on a continuing basis a minimum amount of Rs. _____ as an interest-free deposit with the Clearing Member. **(IF THE PARTIES AGREE TO AN INTEREST BEARING DEPOSIT THEN APPROPRIATE PROVISIONS SHOULD BE INSERTED FOR RATE OF INTEREST, INTEREST PAYMENT DATE, ETC.)**

(ii) The Trading Member shall from time to time deposit with the Clearing Member such further amounts as may be required by the Member from time to time. **[PARTIES MAY INSERT TERMS OF SUCH FURTHER AMOUNTS. IF THE PARTIES AGREE TO AN INTEREST BEARING DEPOSIT THEN APPROPRIATE PROVISIONS SHOULD BE INSERTED FOR RATE OF INTEREST, INTEREST PAYMENT DATE, ETC. ELSE IT SHOULD BE STATED THAT THE DEPOSIT WOULD BE INTEREST FREE.]**

(iii) In case of any failure or delay on the part of the Trading Member in payment of any deposit or if the Trading Member fails to maintain the minimum deposit mentioned above with the Clearing Member then the Clearing Member may restrict or prohibit further trading by the Trading Member or may close-out all or any of the Trading Member's positions to the extent deemed necessary by the Clearing Member or may prohibit or restrain the Trading Member from trading or creating any further positions till the failure has been rectified or may exercise any other right or power which the Clearing Member may have under this Agreement or the Rules, Bye-laws and Regulations of the Derivatives Segment of the Exchange.

2. Exposure limit:

(i) The Trading Member shall have the following exposure limits:

(VARIOUS EXPOSURE LIMITS TO BE INSERTED)

(ii) The Clearing Member may from time to time in its discretion unilaterally increase or decrease the Trading Member's exposure limits, subject to the requirements prescribed by the Derivatives Segment, the Clearing House and SEBI from time to time.

(iii) In case the Trading Member exceeds his prescribed exposure limit, the Clearing Member may, at the Clearing Member's option and discretion, require the Trading Member to forthwith deposit additional amounts with the Clearing member and/or reduce the Trading Member's exposure to limits acceptable to the Clearing Member by closing out the Trading Member's open positions and/or may restrict, withdraw or disable the trading facility of the Trading Member by intimation to the Derivatives Segment / Clearing House and/or exercise any other right or power which the Clearing Member may have under this Agreement or the Rules, By-laws and Regulations of the Derivatives Segment of the Exchange..

3. Fees:

The rate of fee to be charged by the Clearing Member to the Trading Member in respect of various services provided by the Clearing Member shall be as provided below:

Sr. No.	Nature of Service	% of Fee
1.		
2.		
3.		

The above mentioned rates shall not be varied save and except with the mutual consent of the Trading Member and the Clearing Member recorded in writing.

4. Types of Services offered:

The Clearing Member shall provide the following services to the Trading Member:

[TO BE INSERTED BY MEMBERS. e.g. clearing and settlement service, advisory services, portfolio management services, etc.]

- a. _____
- b. _____
- c. _____

5. Payment of margins:

The Clearing Member shall collect margins from the Trading Member as prescribed by the relevant authority from time to time. However, if the Clearing Member finds it necessary, he shall be entitled to levy and collect additional margins from the Trading Member over and above those imposed by the Derivatives Segment or the Clearing House, and the Trading Member shall be liable to pay the additional margins within the time stipulated by the Clearing Member. The Trading Member shall collect margins from his Clients on a gross basis (i.e. in computing margins, the long position of one Client shall not be set-off against the short position of another Client of the Trading Member). The Trading Member hereby agrees to accurately and promptly report to the Clearing Member of all margins collected by the Trading member and the identities of the Clients who have paid such margins. Any loss or damage caused to the Clearing Member on

account of any misrepresentation or omission relating to the reporting of any margin or client identity by the Trading Member shall be reimbursed by the Trading Member to the Clearing Member. .

1. Liquidation/close-out of positions:

The Clearing Member shall be entitled to liquidate/close-out positions of the Trading Member for non-payment of margins, outstanding dues, exposure beyond limit specified or any other default on the part of the Trading Member.

2. Liability to reimburse losses:

The Trading Member shall be liable to forthwith reimburse to the Clearing Member, the derivatives Segment or the Clearing House any loss or financial charges arising from liquidation/close-out of positions by the Clearing Member.

3. Client Registration by the Trading Member:

The Trading Member shall comply with the provisions of the Rules, Bye-laws and Regulations of the Derivatives Segment and SEBI and other requirements relating to Know Your Client / registration of Clients and Risk Disclosure Document. The Trading Member shall promptly provide to the Clearing Member such details and documents as the Clearing Member may from time to time require to satisfy itself that the Trading member is in compliance with this clause.

4. Segregation of Client money:

The Trading Member shall keep the money deposited by his Clients in a separate account, distinct from his own account and he shall provide the details and supporting evidence of the segregated accounts to the Clearing Member forthwith upon demand by the Clearing Member.

5. Client Identification:

The Trading Member is aware that in order to enable the shifting of positions and safeguarding the money of Clients, it is necessary to be able to identify the individual Client positions. Thus in order to have the identity of the Trading Member's Clients it is necessary to structure the Client codes in such a way that it is possible to identify the actual person to whom the open positions belong. The Trading Member agrees and undertakes to structure his Client's codes in such manner as the Clearing Member may from time to time require.

11. Default by Trading Member/Client: In the event of a default of the Trading Member on his own account, the Client money shall remain safe and shall not be utilised to meet the Trading Member's liabilities. In such cases the Client's positions shall be transferred by the Clearing Member to another Trading Member or closed out. In the event of a default due to failure of a specific Client to fulfil his obligation, the money of other Clients shall remain safe and cannot be utilised to meet the obligation of the defaulting Client as set out in the Rules, Bye-laws and Regulations of the Derivatives Segment of the stock Exchange, Mumbai.

12. Default by Clearing Member:

In the event of default by the Clearing Member on his own account, the money of the Clearing Member's Clients, Trading Members own account and Trading Members' Clients shall remain safe and shall not be utilised to meet the Clearing Members liabilities. In such cases, the positions of the Clients and the Trading Members shall be transferable to some other Clearing Member or be closed out in accordance with the provisions of the Rules, Bye-laws and Regulations of the Derivatives Segment of the Stock Exchange.

13. Loss on account of close out:

Any and all loss on account of close out of Client positions because of failure of the Clearing Member or the Trading Member shall be recovered from the Clearing or Trading Member.

14. Intimation to Derivatives Segment in cases of default of the Trading Member: The Clearing Member shall immediately inform the Derivatives Segment and the Clearing House in case the Trading Member defaults in his payments or other obligations.

8. Arbitration: In case of claims or disputes between the Clearing Member and Trading Member, the same shall be referred to arbitration as prescribed in the Rules, Bye-laws and Regulations of the Derivatives Segment of the Stock Exchange.

16. Termination: Subject to the Rules, Bye-laws and regulations of the derivatives Segment, this agreement may be terminated by either party by giving one month's notice to the other party. However such termination shall not affect the rights and obligations of a party hereunder in respect of Derivatives contracts and transactions entered into prior to such termination.

17. In addition to the specific rights set out in this Agreement, the parties hereto shall be entitled to exercise any other rights which they may have under the Rules, Bye-laws and Regulations of the Derivatives Segment or SEBI.

18. The Clearing Member and the Trading Member agree to abide by the Rules, Bye-laws and Regulations of the Derivatives Segment or SEBI as made or amended from time to time and all directions issued by SEBI or the Derivatives Segment from time to time.

19. Words and expressions which are used in this Agreement, but which are not defined herein shall, unless the context otherwise requires, have the same meaning as assigned thereto in the Rules, Bye-laws and Regulations of the Derivatives Segment.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be executed on the date first above mentioned.

Signature:

Clearing Member

Signed before:

Signature:

Trading Member

Signed before:

Name of the Witness: _____

Name of the Witness: _____

- Note:**
- 1. All references to the specific quantity/rate/fee mentioned in this agreement are from time to time subject to change, as so agreed to in writing between parties.**

 - 2. All references to deposit in this agreement shall be deemed to mean cash and deposit other than cash. In the event, deposit other than cash is taken, both parties are required to record the same in writing.**