

**FMC/4/2012/C/14**

No. 1/2/2012/IR-I/Client-Protect/

Date : 2<sup>nd</sup> February, 2012

**To**

The MD / CEO,

All National Commodity Exchange.

**Sub: Quarterly settlement of account of client by Member.**

Sir,

With a view to bringing in greater transparency and discipline in the dealings between the clients and the Member, the Commission, in consultation with the National Commodity Exchanges, has decided that the members of the National Commodity Exchanges would settle accounts of their clients every quarter subject to the condition that, for the clients having open position on such quarterly settlement date, the member may retain the requisite funds to meet the maximum likely margin obligations for the next 3 trading days. The retention of adequate margins would ensure that the clients do not get into a square off mode unnecessarily due to such quarterly settlement.

2. While settling the account, the Member shall send to the client a 'statement of accounts' containing an extract from the client ledger of funds for the relevant quarter. The statement shall also explain the retention of funds, if any.
3. Such periodic settlement of account may not be necessary for collaterals/margin in the form of bank guarantee (BG)/Fixed Deposit receipts (FDR)/Other collaterals received from clients.
4. There shall be no inter-client adjustments like any inter family / group company / related accounts for the purpose of settlement of the client account.

5. The time difference between two settlements should not be more than 90 days.
6. Every case of non settlement of client account on quarterly basis shall attract a penalty of Rs. 5000/-.
7. This circular will be implemented with effect from 1<sup>st</sup> April 2012.
8. In order to implement these directives, the Exchanges are directed to:
  - a. Issue necessary instructions to bring the provisions of this Circular to the notice of their members and also disseminate the same on their websites;
  - b. Make amendments to the relevant bye-laws, rules and regulations for the implementation of the above, as deemed necessary.
9. This circular is also available on FMC website at [www.fmc.gov.in](http://www.fmc.gov.in) under the subhead 'circulars' within the head 'regulatory framework'.

Yours faithfully,

**SD /-**

**(Sunil Dulange)**

**Deputy Director**