

**FORWARD MARKETS COMMISSION  
GOVERNMENT OF INDIA  
MUMBAI**

FMC/4/2011/G/0010  
FMC/Complt/Circular

Dated the 27th September, 2011

To

All National Commodity Exchanges

Sub: Guidelines on Pre-funded Instruments (Pay Orders and Demand Drafts )/  
Electronic Fund Transfer..

It has come to the notice of the Commission that the members of the Commodity Exchanges are unable to maintain the audit trail of the funds received through pre-funded instruments like Demand Draft and Pay-Order, as the details of the name of the clients and bank account number are not mentioned on the instruments. This has often resulted in disputes regarding wrongful credit of the amount in the accounts of clients, from whose accounts the money was not drawn for getting the pre-funded instruments. Absence of audit trail also leaves scope for activities in the nature of money-laundering and other unlawful activities.

2. With a view to dealing with the above issue, the Commission directs the Exchanges to issue suitable instructions to their member to comply with the following procedures:

If the aggregate value of the pre-funded instruments is Rs. 50,000 (Fifty Thousand) 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 :

- (a) Issuing bank shall certify on its letter -head or on plain paper with its seal duly affixed;

- (b) Copy of the requisition slip duly certified by the bank which issues the instrument;
- (c) Copy of the pass book/bank instrument as proof of the account debited to issue the instrument;
- (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.

3. The Commodity Exchanges may also disseminate the above instructions on their web sites for the information of and compliance by their Members to ensure compliance of these instructions.

4. The Exchanges may also direct their Members to develop monitoring mechanism through internal audit and inspections.

5. Compliance of these guidelines may be reported to the Commission within 15 days from its receipt.

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**( M. Mathisekaran )**

**Economic Adviser**