

Circular to all Members

Ref. No.: PetEx/MEM/2019/010

July 26, 2019

Dear Members,

Know Your Client Norms

The Members of PetEx are advised to adopt the following procedure for dealing with clients:

1. Definition of Client

A client is an individual / body corporate / partnership firm / HUF registered with PetEx through a Petex Member permitted for participating / dealing in services provided by PetEx trading platform.

2. Know Your Client Norm

When establishing a relationship with a client for the first time or accepting a new Client, Members of PetEx must take reasonable steps to assess the background, genuineness, beneficial identity, financial soundness of such person or their companies, whether such person or companies have the statutory licenses including the storage license as applicable and their trading objectives by registering the client with them in the format prescribed as CLIENT REGISTRATION FORM as specified in the enclosed **Annexure 1**. The Member of the PetEx shall also obtain a Board Resolution authorizing the company officials to execute all the deeds/ operations with the PetEx on behalf of the company, or in case of Partnership firm, a letter of Partnership firm on the letterhead authorizing partners to execute all the deeds / operations with the PetEx on behalf of firm.

2. Agreement with client before accepting order

2.1 Every Member of the PetEx shall enter into an agreement with each of his Client, before accepting or placing orders on Client's behalf.

2.2 Such agreement shall include provisions specified by the PetEx in this regard in **Annexure 2**. Depending upon the category of Clients as may be necessary for the above purpose, the PetEx may specify the clauses to be included in agreements to be entered by the Member of the PetEx. The member is free to add more clauses in the specified agreement, however, no additional clause should in any way dilute the content or purpose of the clause stated in the specified agreement by PetEx. The responsibility of the Member shall not in any way be reduced due to non-execution of agreement with the Clients.

3. Orders execution for client:

3.1 The Member shall not accumulate client's order / unexecuted balances of order where such aggregate orders / aggregate of

unexecuted balance is greater than the Regular lot size, specified for that commodity by the PetEx. The Member shall place forthwith all the accumulated orders where they exceed the Regular lot size.

3.2 The Member shall provide client with a copy of the trade confirmation slip as generated on the Trading System through the back-office software maintained by the member forthwith on execution of the trade, if so desired by the client.

3.3 Where a Member receives a request for order modification or order cancellation from the client, it shall duly bring it to their notice that if the order results in a trade in the meantime, the requests for modification or cancellation cannot be executed. Where the Client requires any of his order to be cancelled after the order has been entered in the system but has not been executed, the PetEx Member shall obtain the order cancellation details in writing from the Client. The PetEx Member shall accordingly provide the Client with the relevant order cancellation details, forthwith.

4. Contract Note

4.1 Every Member shall issue a contract note to his clients for trades executed in the prescribed format enclosed as **Annexure 3**.

4.2 The contract notes issued by the Member to be filled in and issued in such manner and within such time as prescribed by the PetEx with all relevant details as required therein and the prescribed terms and conditions should be printed overleaf.

4.3 A contract note shall only be signed by a Member or his authorised signatory or constituted Attorney.

4.4 The Contract Notes shall be with unique running pre-printed serial number commencing from one which shall be reset only at the beginning of every financial year. In case separate series are maintained in respect of different dealing offices of the Member, then the dealing office name or code shall be prefixed to the serial number.

5. Client's Money and Commodities:

5.1 In addition to the guidelines issued by PetEx relating to the regulation of transactions between clients and members, member shall always keep the moneys of the client in his designated PetEx Client Account, which should be a separate bank account.

5.2 The Member shall make pay out of funds from his account designated as PetEx-Client Account and make the delivery of commodities to the Client within the specified delivery time on receipt of the pay-out from the PetEx.

5.3 Members should not accept cash from the Clients beyond the limits specified under Income tax Laws whether against obligations or as margin for purchase of commodities and/or give cash against sale of commodities to the Clients beyond the limits specified under Income tax laws.

5.4 All payments shall be received / made by the Members from / to the Clients strictly by account payee crossed cheques / demand drafts or by way of direct credit into the bank account through electronic funds transfer (EFT), or any other mode allowed by RBI. The Members shall accept cheques only for their transactions.

6. Other precautions to be taken by the Members

6.1 No Member or person associated with the Member shall guarantee a client against a loss in any commodities transactions effected by the Member with or for such client.

6.2 Member of the PetEx shall make the Client aware of particulars of Member's registration number allocated by the PetEx, employee primarily responsible for the Clients affairs, the precise nature of business to be conducted, the risk associated with business in trading in contracts permitted in the PetEx for Spot Trading, including any limitations on that liability and the capacity in which the Member of the PetEx acts and the Client's liability thereon. The Member of the PetEx shall furnish a copy of the Client Member Agreement to all his clients and to get and maintain their acknowledgement on second copy of the same document.

6.3 The PetEx Member shall make adequate disclosures of relevant material information in his dealing with his Client including the current best price of order and trade or order quantities on the Trading System, any relevant announcement from the PetEx relating to margin, trading restrictions as to price, quantity or whether the PetEx Member is the counter party to a trade executed on the PetEx with the Client.

6.4 The PetEx Member shall not furnish any false or misleading information or advice with a view to inducing the Client to do business in a particular contract or contracts and which shall enable the PetEx Member to profit thereby.

6.5 The PetEx Member shall explain the trading system and order matching process to the Client before accepting any orders from him.

6.6 The PetEx Member shall not accumulate or withhold Client's order/ unexecuted balances for contracts listed in the PetEx, if he has adequate margin of such client with him. The PetEx Member shall place all orders forthwith.



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6.7 The PetEx Member shall act promptly in accordance with the instructions provided by the Client unless he has discretion as to the timing relating to entering and/or execution of the order, in which case he must exercise prudently his judgment as to the best moment for entering that order in the system.

6.8 PetEx member shall always keep the money of the Client in the Member Clients account maintained in a separate bank account exclusively opened for handling all clients' money. He shall not use this money for his own transactions or for transactions of such other client or for any purpose other than EMD and pay in relating to transactions entered by such client paying the EMD.

6.9 The member shall collect adequate margin from his client before entertaining any order from him.

6.10 The Member shall not recommend to the client a sale or purchase of commodities traded on the Trading System, unless he has reasonable grounds to believe that such recommendation is suitable for the client on the basis of the facts, if any, disclosed by the client, whether in writing or orally, regarding the client's commodity holdings, financial soundness and investment objectives.

6.11 The Member shall make adequate disclosures of relevant material information while dealing with the client including the current best price of trade and trade or order quantities on the Trading System, any allocation policy inter se clients, any relevant announcement from the PetEx relating to EMD, trading restrictions as to price, quantity or whether the Member is the counter party to a trade executed on the PetEx Trading Software with the client.

Mr. Nilesh Bhattacharya can be contacted at +91 9920494214 or 022 – 28548100 for any clarification.

For and on behalf of

Petroleum PetEx of India Private Ltd.

Abhijit Bhattacharya

CMD

Enclosed: As above

-----Head Office -----

1106, Tower -B, Western Edge II, Off Western Express Highway, Borivali (East), Mumbai – 400 066

Tel.: 022 – 28548100 / 28548200

www.petexindia.com email: membership@petexindia.com

(ON THE LETTER HEAD OF THE APPLICANT)

Annexure 1

Client Registration Form

To

(Name of Member)
Membership Registration Number
Address of Member

Photograph of
One of the
Authorized
Signatories

Sign Across
the
Photograph

Dear Sir,

We request you to register us as your client. The Details of Registration is as under:

(01) Name of the Company / Firm: _____

(02) Client Profile: _____

(Oil Refinery / Trader / Importer / End User)

(03) Details of Registered Office:

• Correspondence Address: _____

• City: _____

• State: _____ Pin code: _____

• Telephone Number: _____

• Mobile Number: _____

• Fax Number (including STD code): _____

• Email ID: _____

(04) Date of Incorporation: _____ DD/MM/YY

(05) Details of Authorised Signatory: _____

(06) Permanent Account Number (PAN): _____

(07) Details of Bank Account: • Name & Address of Bank : _____

• Account Number of the Bank : _____ &

Account Type :

(09) Goods & Service Tax Registration Details:

• GST Registration No: _____ dated _____ (Encl. certificate)

(10) License Details: _____ (Please enclose licenses copy)

The information furnished above is true to the best of my knowledge and belief. I undertake to inform changes in any of the above points in writing immediately to PetEx. I shall enter into agreement to abide by all the terms and conditions of PetEx.

Authorized Signature

Authorized Signature

P l a c e:

D a t e:

For office Purpose

Client Code:

Verified by: _____
(Name)

Authorized by: _____
(Name)

Date:

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Documents to be submitted along with Client Registration Form : (I) Address Proof, (II) Proof of Bank Account Number (Enclose copy of cancelled cheque of current bank account), (III) Copy of Memorandum & Articles of Association (for corporates), (IV) Copy of Partnership Deed (for Partnership Firm) (V) Board Resolution authorizing the company officials in to execute all the deeds/ operations with the PetEx on behalf of the company, (VI) Letter of Partnership firm (letterhead) authorizing partners to execute all the deeds / operations with the PetEx on behalf of firm, (VII) Copy of applicable statutory licenses and storage licenses.

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Member - Client Agreement

This agreement is made atthisday of..... by and between....., a company/firm/individual or any other body duly formed and registered under the Relevant Act, hereinafter called MEMBER OF THE PetEx, having its registered office address atand, a company / firm / individual or any other body duly formed and registered under the Relevant Act, hereinafter called CLIENT, having its registered office address at

Witness: Whereas the member is registered as MEMBER OF THE PETROLEUM EXCHANGE OF INDIA PRIVATE LIMITED (hereinafter called PetEx).

Whereas the CLIENT is desirous of trading in those contracts admitted for dealing on PetEx as defined in the General Terms and conditions of PetEx.

Whereas the CLIENT has satisfied himself of the capability of the MEMBER OF THE PetEx to deal in those contracts admitted for dealing on the PetEx and wishes to execute his orders through him and the CLIENT shall continue to satisfy him of such capability of the MEMBER OF THE PetEx before executing any orders through him.

Whereas the MEMBER OF THE PetEx has satisfied and shall continuously satisfy himself about the genuineness and financial soundness of the CLIENT and trading objectives relevant to the services to be provided.

Whereas the MEMBER OF THE PetEx has taken steps and shall take steps to make the CLIENT aware of the precise nature of the MEMBER liability for business to be conducted, including any limitations on that liability and the capacity in which it acts.

In consideration of handling transactions carried out on the PetEx, THE CLIENT understands the following risks disclosed by the Member and states as follows:

- A. I / We understand that the spot trading involves daily settlement. Every day the traded positions (whether purchase or sale) at the end of the day shall result into compulsory delivery. I/We shall ensure that the commodities are as per the contract specifications of the PetEx and within tolerance limits set out in the contract specification and such commodities are delivered at the designated warehouse of the PetEx before the scheduled pay-in time fixed by the PetEx. I/We further understand that in case of failure on my part to deliver the specified commodity at the specified delivery centre within the specified time set by the PetEx, EMD to the extent submitted by me to PetEx shall be forfeited and my sell position closed out at my cost and risk. I / we shall

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be liable to make good of such losses that may be recovered from the members by the Petex on my account.

- B. I / We understand that in case of my liability of funds pay-in position, I shall ensure transfer of funds to the members account well before the schedule pay-in time to enable the member to meet his funds pay-in obligation on my account. I/We further understand that in case of failure on my/our part to pay/transfer funds before the scheduled pay-in date, the commodities purchased by the member on my account will be treated as default by the PetEx by the Member at my cost and risk. I / We shall be liable to make good of such losses that may be recovered from/suffered by the members on my account.
- C. I / we hereby authorize the member to execute all my written/verbal order for purchase and sale of petroleum products and comply with the GST related liabilities on my behalf. I / we irrevocably authorize the member to recover all the dues from my account against Goods and Service Tax and other liabilities that may arise in the course of executing my orders on the PetEx platform. I further undertake that the member shall be authorized to take all actions for compliance with the GST regulations.
- D. I / We understand that my purchase and sales positions shall be allowed subject to maintaining EMD as per the contract specifications of PetEx. This EMD will have to be paid within a stipulated time frame, generally before commencement of trading next day.
- E. If I / we fail to deposit the additional EMD by the deadline or if an outstanding debt occurs in my account, the Member of the PetEx may liquidate a part of or the whole position or substitute commodities. In this case, I / we shall be liable for any losses incurred due to such close outs.
- F. My order for purchase or sale of any commodity may not be executed when there are insufficient bids or offers or suspension of trading due to price limit or circuit breakers etc.
- G. In order to maintain market stability, the PetEx may change the EMD rate, increases in the EMD rate or others. These new measures may be applied to the existing outstanding position, which are yet to be settled. In such conditions, I / We shall be required to put up additional EMD'S against my positions.
- H. I / We shall ask my Member of the Petex to provide the full details of the spot contracts launched for trading by PetEx before I / WE plan to trade i.e. the contract specifications and the associated obligations.

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- I. Before trade, I / We shall obtain a clear explanation of all commission, fees and other charges for which I / We will be liable.
- J. The PetEx offers electronic trading facilities, which are computer-based systems for order-routing, execution, matching, registration or clearing of trades. As with all facilities and systems, they are vulnerable to temporary disruption or failure. The execution of my orders shall be subject to limits on liability imposed by the system provider, the market, the Clearing House and/or Member of the PetEx firms.

In view of the above, I / WE agree that

- 1) I / WE am aware of the risks stated above and understand the trading & risks involved in the trading through the PetEx and am fully responsible for my dealings in this PetEx platform.
- 2) I / WE shall be bound by the General Terms and Conditions and Circulars of the PETROLEUM EXCHANGE OF INDIA PRIVATE LIMITED and the Clearing House of the PetEx.
- 3) I / WE shall deposit monies, Warehouse Receipts or other property, which may be required to open and carry out the transactions in my account with you as my agent at the capacity of the Member of PetEx and I / WE being your client.
- 4) I / WE shall not, acting alone or in concert with others, directly or indirectly, hold and control or create excess position than what is permitted from time to time by the PetEx or any other authority.
- 5) All monies, Warehouse Receipts or other property, which you may hold on my account, shall be held subject to a general lien for the discharge of my obligations to you under this agreement.
- 6) I / WE hereby authorize you at your discretion, should you deem it necessary for your protection to buy, sell or close out any part or all the contracts held in my account with you. I / WE will reimburse any or all such incidental expenses incurred by you.

Now, THEREFORE, in consideration of the mutual understanding as set forth in this agreement, the parties thereto have agreed to the terms and conditions, as follows:

1. The agreement entered between the Member and the CLIENT shall stand terminated by mutual consent of the parties by giving at least one-month notice to each other. Such termination shall not have any effect on the transactions executed before the date of notice of termination and the parties shall enjoy same rights and shall have same obligations in respect of such transactions.
2. In the event of the death or insolvency of the CLIENT or his otherwise becoming incapable of receiving and paying for or delivering or transferring Commodities which the CLIENT has ordered to be bought or sold, the Member may with the approval of the PetEx, close out the transaction of the CLIENT and the CLIENT or his legal representative shall be liable for any losses, costs and be entitled to any surplus which may result there from.

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- 3. All trades, transactions and contracts are subject to the Rules, Bye Laws and Business Rules of the PetEx and shall be deemed to be and shall take effect as wholly made, entered into and to be performed in the city of MUMBAI for the purpose of giving effect to the provisions of the Rules, Bye - Laws and Business Rules of the PetEx.

In WITNESS THEREOF, the parties to agreement have caused these presents to be executed as of the day and year first above written.

SIGNED for and on behalf of
 THE Member:
 By:
 Signature:
 Title:
 Witness:

SIGNED for and on behalf of
 THE Client:
 By:
 Signature:
 Title:
 Witness:

-----Head Office -----

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Annexure 3

CONTRACT NOTE

(Contract Notes issued by Members, acting for client as Agent)

(Subject to exclusive jurisdiction of the courts in Mumbai only)

Name of the Proprietor/Partner/
Authorized Signatory
Dealing Office address/ Tel no.
/ Fax no. Address of the PBP

Name of the PBP

Contract Note No:

To be stamped
as per the
provisions
applicable under
the relevant
Stamp Act

DATE:

Code No. of the PBP:
PAN No. of PBP:
To,
Client Name/ Code No./ Order Ref. No.

Sir/ Madam,
I/ We have this day done by order and on your account the following transactions:

Table with columns: Order No., Trade No., Trade Time, Bought for You (Contract, Quantity, Price, Value (Rs), Brokerage (Total), Amount (Rs)), Sold for You (Contract, Quantity, Price, Value (Rs), Brokerage (Total), Amount (Rs)), Total, GST, Education Cess, Higher Education Cess, Other Levies, If Any, Grand Total.

Brokerage has been charged as stated and has been at rates not exceeding the official scale of brokerage and indicated separately. This contract is subject to the Terms and conditions given overleaf, notices and directions of Petroleum Exchange of India Private Ltd. Mumbai. Date:

Yours faithfully

For _____
Authorized Signatory

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Terms and Conditions relating to the transactions executed on the Trading System of Petroleum Exchange of India Private Limited and forming part of the Contract Note.

1. **For Purchase Transactions:** The client will be liable to pay the GST, levies and other charges as applicable under the GST laws or other applicable Central and State enactments and the Rules, Terms & Conditions specified by PetEx. The Client shall issue valid GST Invoices/declaration forms as may be applicable or appoint the member as his agent for compliance of GST laws, thereunder upon sale of commodities covered under this contract. In such cases, the client shall be liable to reimburse the statutory charges/taxes paid by the member.
2. **For Sale Transactions:** The client will be responsible for recovery of GST and other levies and other charges as applicable under the GST laws/other Central and State enactments applicable and the Rules, Terms & Conditions specified by PetEx. The client shall be responsible to comply or appoint the member as his agent to comply with the requirements of GST Laws. The client shall issue the commercial as well as applicable tax as well as excise invoice and valid sales tax certificates /declaration forms and invoice copy as may be applicable, to the buyer for compliance of relevant laws and regulations, upon purchase of commodities covered in this contract note.
3. **Other Levies if any:** other statutory levies, as applicable on the buy/sell transactions, shall be collected accordingly

This contract constitutes and shall be deemed to constitute an agreement between the client /client and me/us that all claims (whether admitted or not), differences and disputes in respect of this contract or any dealings, transactions and deals/contracts of a date prior or subsequent to the date of this contract (including any question whether such dealings, transactions, deals or contracts have been entered into or not, shall be submitted to and decided by the process of arbitration as provided in the General Terms and conditions of the PetEx. A part of the relevant extract of the General Terms and conditions given hereunder, forms part of this contract.

In matters where the PetEx is a party to the dispute, the Civil Courts at Mumbai shall have exclusive jurisdiction. In all other matters where PetEx is not a party, courts having jurisdiction to try and dispose of such dispute shall have jurisdiction.

EXTRACTS FROM THE GENERAL TERMS AND CONDITIONS PERTAINING TO ARBITRATION (1) All claims, differences or disputes between the PBPs inter se and between PBPs and Clients arising out of or in relation to dealings, contracts and transactions made subject to the General Terms and conditions of the PetEx or with reference to anything incidental thereto or in pursuance thereof or relating to their validity, construction, interpretation, fulfilment or the rights, obligations and liabilities of the parties thereto and including any question of whether such dealings, transactions and contracts have been entered into or not shall be submitted to arbitration in accordance with the provisions of these General Terms and conditions. (2) In all dealings, contracts and transactions, which are made or deemed to be made subject to the General Terms and conditions of the Petex, the provisions relating to arbitration as provided in these General Terms and conditions shall form and shall be deemed to form part of the dealings, contracts and transactions and the parties shall be deemed to have entered into an arbitration agreement in writing by which all claims, differences or disputes of the nature referred to in clause (1) above shall be submitted to arbitration as per the provisions of these Bye-Laws and Rules and Business Rules.. (3) All claims, differences or disputes referred to in clause (1) above shall be submitted to arbitration within six months from the date on which the claim, difference or dispute arose or shall be deemed to have arisen. The time taken in conciliation proceedings, if any, initiated and conducted as per the provisions of the Act and the time taken by the Relevant Authority to administratively resolve the claims, differences or disputes shall be excluded for the purpose of determining the period of six months. (4) Save as otherwise specified by the PetEx, the seat of ARBITRATION shall be at Mumbai.

To be stamped as per the provisions applicable under the relevant Stamp Act

-----Head Office -----