

## Frequently Asked Questions – New Membership

### GENERAL ISSUES

#### 1. Who can become member of MSEI?

- a) Individuals /Sole Proprietors
- b) Registered Partnership Firms
- c) Limited Liability Partnerships (LLP)
- d) Corporates
- e) Banks

#### 2. What are the various segments offered by MSEI?

- a) Equity Market (ECM)
- b) Equity Derivatives (EDM)
- c) Wholesale Debt Market (Debt)
- d) Currency Derivatives (CDS)/IRF

#### 3. What are the categories of Membership offered by MSEI?

- a) Trading Member (TM)
- b) Self-Clearing Member (SCM)
- c) Trading-cum-Clearing Member (TCM)
- d) Professional Clearing Member (PCM)

#### 4. What are the trading / clearing rights available to various categories of members?

- a) **Trading Member (TM):** A trading member can trade on own account as well as on account of its clients, but cannot clear such trades by itself.
- b) **Self-Clearing Member (SCM):** A Self Clearing member can trade & clear the transactions on its own account or on account of its clients only and not for any other Trading Members or their clients.
- c) **Trading-cum-Clearing Member (TCM):** A TCM can trade on its own account as well as on account of its clients. He can also clear and settle the trades for self and for other member through Metropolitan Clearing Corporation of India Limited (MCCIL)
- d) **Professional Clearing Member (PCM):** A PCM is entitled to clear and settle trades executed by other members of the Exchange but does not have the right to trade on its own account. Only corporate entities or banks are eligible to apply for PCM

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**5. What are the benefits offered by MSEI to its members?**

MSEI offers a new way of doing business, where focus is placed on ease of doing business for market participants. The entire eco-system of trading is customized and incentivized for members to avail state of the art connectivity and efficiency. Exchange offerings are tailored towards building strong exchange-member ties and develop ownership of the members towards their exchange.

MSEI offers the lowest admission fee and membership deposit requirement for any segment across the industry. The membership deposit funds are also considered towards regulatory requirement of BMC (Base Minimum Capital). Any funds over and above BMC may be utilized towards margin requirements by members. The above offerings ensure least capital requirement, as well its most optimum utilization. Refer Circular No [MSEI/MEM/4845/2017](#) dated January 11, 2017.

**6. Can a foreign entity take membership in MSEI?**

No. As per SEBI requirements, all entities registered as members of an Exchange have to be incorporated in India.

**7. Can a sub-broker in other Stock Exchange become member of MSEI?**

A sub-broker in other Stock Exchange can become member of MSEI. It is not compulsory for the applicant to cancel his sub-broker registration while applying for Trading Membership at MSEI.

**8. What will be the cost involved for taking Membership in MSEI(TM)?**

Fees Structure (Period - from January, 2017)		
Membership of Equity Capital Market / Equity Derivatives / Currency Derivatives / Debt Segment		
₹ in lakhs		
Segments (ECM, EDS, CDS, Debt)	Admission Fee	Processing Fee
Any one segment	2.50	0.10
Any two segments	3.50	
Any three segments	4.50	
All segments	5.00	
- Admission and processing fee are one-time charge paid towards initiating membership of the Exchange. The fees shall not be considered towards Base Minimum Capital and/or margin. - Service tax at applicable rates will be payable on Admission & Processing fee.		

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### 9. What is the Deposit & Net worth Structure for Equity Capital Market / Equity Derivatives / Currency Derivatives / Debt Segment?

Net worth Requirements and Deposit Structure			
Trading Membership of Equity Capital Market / Equity Derivatives / Currency Derivatives / Debt Segment			
₹ in lakhs			
Segment	Membership Type	Net worth Requirements	Membership Deposit
Capital Market	TM-SCM	30	10#
Futures & Options	TM	30	10#
Currency Derivatives	TM	100	10#
Debt Segment	TM	50	Nil

Membership deposit of ₹ 10 lakhs per segment will be collected in Cash only.  
# Payable by Member on Activation of trading

Additional Requirement for Clearing Membership of Equity Derivatives / Currency Derivatives / Debt Segment					
₹ in lakhs					
Segment	Membership Type	Net-worth	Deposit Structure		
			MCCIL		Total
			Cash	Non Cash	
Futures & Options	SCM/TCM	100/300	25	25	50
Currency Derivatives	SCM/TCM	500/1000	25	25	50
Debt Segment	SCM/TCM	100/300	1	-	-

Requirement for PCMs						
₹ in lakhs						
Segment	Membership Type	Net-worth	Admission Fee	Deposit Structure		
				MCCIL		Total
				Cash	Non Cash	
Futures & Options	PCM	300	2.5	25	25	50
Currency Derivatives	PCM	1000	2.5	25	25	50

Service tax at applicable rates will be payable on Admission fees.

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**10. Is there any lock in period for deposits with Exchange?**

Membership deposits paid to Exchange while taking new membership / activation of trading are refundable only after surrender of membership is approved by SEBI and compliance with relevant Exchange rules & regulations in this regards.

**11. What kinds of securities are considered towards deposits in MCCIL? Can shares be given as deposits?**

The deposits towards MCCIL can be in the form of Cash, Cash Equivalents (Bank Guarantee, Fixed Deposit, G-Sec) or Approved Securities.

Approved Securities including Equity shares, ETFs, T-Bills, Mutual Fund Units which are included in the list of approved securities published periodically by MCCIL, can also be given as part Non-Cash deposits to MCCIL (within the security wise limits prescribed by MCCIL).

**12. How is the valuation of Securities provided as Non cash deposits done?**

Approved Securities provided as Non Cash Deposits are valued as per closing rate of the previous trading day as reduced by an applicable haircut which is specified by SEBI / MCCIL.

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**ISSUES RELATING TO APPLICATION TO THE EXCHANGE**

**13. What documents are required to be submitted for applying for Membership of the Exchange / SEBI Registration by an applicant/Member?**

**For Membership of the Exchange**

- a) Duly completed application form
- b) Cheque / Demand draft / Pay Order for Admission Fees, and Processing Charges inclusive of applicable Service Tax and Exchange Deposit

**For SEBI Registration:**

- c) Form A /AD (Additional Information To SEBI): in the format prescribed by SEBI
- d) Specified documents / details / undertakings: The exhaustive list of documents is available on our website at <http://www.msei.in/members/Membership/New-Membership-Documents>. Existing members of MSEI applying for registration in a new segment are required to submit a reduced list of documents (Details specified on the above mentioned link).
- e) In case the member is applying to SEBI for registration of Clearing Membership, a Cheque / Demand draft / Pay Order of Rs. 50,000/- in favour of Securities And Exchange Board of India to be submitted

**14. What is the registration process required to be followed for acquiring membership at MSEI?**

Procedure for admission of New Members:

- a) Receipt of Application Form along with relevant documents, Admission and Processing fee inclusive of Service Tax
- b) Verification of documents by the Exchange
- c) Personal Interview and Placing the application before Membership Committee
- d) Admission of the Member on the exchange
- e) Registration of member in exchange level in case they are already registered with other exchange having INZ certificate and inform the same to the SEBI.
- f) Forwarding documents to SEBI for registration in case applicant is not registered with any other exchange.
- g) On receipt of SEBI Registration certificate inform member about the same

**15. What are the SEBI Specified eligibility criteria for various categories of applicants?**

- a) For Individuals / Partners of Partnership firms & Limited Liability Partnerships
  - i. Indian Citizen
  - ii. Minimum 21 years of Age
  - iii. At least HSC / equivalent qualification (10+2)
  - iv. Not less than two years as a partner with, or an authorized assistant or authorized clerk, Authorized Person or remisier or apprentice to a member.

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b) For Corporates

- I. Minimum 2 directors should be designated directors. The designated directors should meet the following eligibility criteria:
  - i. Can be a citizen of any country
  - ii. Minimum 21 years of Age
  - iii. At least HSC / equivalent qualification (10+2)
  - iv. Not less than two years' experience in dealing in securities; or as portfolio managers; or as investment consultants.
- II. Minimum paid up capital of the Corporate should be Rs 30 lacs.

**16. What is the method of computation of Net worth?**

- a) The computation of Net worth for EDS, CDS and IRF segments should be in accordance with the method of computation prescribed by Dr. L C Gupta Committee.
- b) For members exclusively registered in the ECM segment, the computation of networth shall be as per the method prescribed by the Exchange.

**17. What is Dominant Promoter Group (DPG)? Who can be a part of dominant promoter group?**

A set of individuals / entities that hold "controlling interest" in a corporate trading member is termed as "Dominant Promoter Group". The "Dominant Promoter Group" can consist of any of the following persons either individually or jointly who hold "controlling interest" in a trading member.

- a) Individual Shareholders
- b) Individual Shareholders with relative support
- c) Individual Shareholders with support through corporate (Indirect)
- d) Corporate Shareholders

**18. Can an entity holding membership of a Commodity Exchange apply for the membership of MSEI?**

As per existing regulations, Membership of MSEI cannot be taken by a member of any commodity exchange in the same name. However a Commodity Broker can float another entity to seek membership of MSEI.

**19. Is the experience in Commodity trading acceptable?**

Experience of trading / dealing in Commodities Market cannot be considered while submitting experience certificate of Individuals / Partners / Directors while applying for MSEI registration. The experience certificate submitted has to be issued by a SEBI registered broker / sub-broker / Portfolio Manager. The experience certificate should not be self-certified. The certificate should include Period of Experience, field of experience and type of experience along with Designation.

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**20. Who can sign all the Exchange related documents?**

Any person authorized by the Board of the applicant Company / by all partners (in case of Partnership firm) can sign the documents for application to the Exchange / SEBI. A Board Resolution / Authorization Letter duly certifying the specimen signature and authorizing such person to sign the application submitted to the Exchange also needs to be submitted with the application.

**21. Can an applicant carry on business other than dealing in Securities?**

As specified in Securities Contract Regulation Rules (SCRR) Rule 8(i)(f) and 8(iii)(f), any entity applying for membership of the Stock Exchange or after obtaining SEBI registration as a member to trade in Securities, is not allowed to carry on any business other than securities trading / dealing.

**22. What is the meaning of principal activity?**

Principal Activity refers to the main business of the Applicant as mentioned in the object clause of the applicant Company. The Principal Activity, for any entity applying for registration as a trading member of MSEI needs to be related to stock broking / dealing in securities.

**23. What details need to be mentioned under the heading “Infrastructure details” in the application form?**

While providing Infrastructure details in the application form, the applicant needs to provide:

- a) Details of the office from where the business of the applicant is going to be conducted (in case of a single place of business)
- b) An Annexure with details of all places of business (in case the applicant wishes to conduct business from more than one place)

**24. What are the regulatory requirements for appointment of a Compliance officer?**

SEBI (Stock Brokers & Sub-Brokers) Regulation (Chapter IV Regulation 18A) prescribes appointment of Compliance Officer by every SEBI registered Intermediary.

- a) The Applicant can designate any of its employees as Compliance Officer and intimate the same to the Exchange
- b) Any change in the Compliance Officer needs to be intimated to the Exchange
- c) Compliance officers need to obtain NISM certification (NISM-Series-III A: Securities Intermediaries Compliance (Non-Fund) Certification Examination) within 1 year from the date of appointment as Compliance officer.

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