

CEILING ON THE CONTRIBUTION BY THE TRADING MEMBERS TO THE INVESTOR PROTECTION FUND (IPF) OF THE EXCHANGE.

COMMENCEMENT

This Policy shall be applicable for the Financial Year 2016 – 17 onwards.

BACKGROUND

In respect of contribution by trading members of the Stock Exchange to its Investor Protection Fund (IPF), Section 11 Sub-Section (f) of Chapter XVI- Investor Protection Fund of the Exchange Bye-laws empowers the Exchange to call for such additional contributions as may be required from time to time to make up for the shortfall, if any, in the IPF, at the discretion of the Stock Exchange. This gives the impression of unlimited liability for existing and prospective trading members.

OBJECTIVE

By exercising its power under the said clause, through this policy the Exchange intends to clarify the liability of members towards IPF by determining a ceiling for the additional contribution from the trading members.

DEFINITIONS

"IPF" means Investor Protection Fund held in trust by MCX Stock Exchange Investor Protection Fund Trust.

"Exchange" or "MSEI" means the Metropolitan Stock Exchange of India Limited.

"Trading Member" means a Stock broker or a trading member of the MSEI registered in accordance with Chapter VI of the Bye-Laws.

POLICY

The maximum amount of additional contribution that may be called by the Exchange from a trading member in any financial year towards IPF shall be 2 % of the 'Expected shortfall in IPF'.

'Expected shortfall in IPF' shall be determined in the following manner:

'Expected shortfall in IPF' =

2 times of the highest amount of the compensation disbursed from the IPF in a financial year (cumulative for the year) during the preceding five financial years (including the year ended)

Less: the corpus of IPF as on March 31 of the previous financial year

However the additional contribution shall be called only in case of actual incidence of shortfall.

Illustration*:

Financial Year	Cumulative amount of claims disbursed for the year
2011-12	INR 50,00,000
2012-13	INR 40,00,000
2013-14	INR 60,00,000
2014-15	INR 30,00,000
2015-16	INR 50,00,000

Particulars	Case 1	Case 2
Corpus of IPF as on March 31, 2016	INR 1,00,00,000	INR 20,00,00,000
Highest amount of the compensation disbursed from the IPF in a financial year (cumulative for the year) during the preceding five financial years (including the year ended)	INR 60,00,000	INR 60,00,000
Expected Shortfall in IPF	2* INR 60,00,000 – INR 1,00,00,000 = INR 20,00,000	2* INR 60,00,000 – INR 20,00,00,000 = -INR 18,80,00,000 (i.e. No Shortfall)
The maximum amount of additional contribution that may be called from a trading member for the financial year 2016-17 towards IPF	2%* INR 20,00,000 = INR 40,000	Nil

**Figures in the tables above are for illustration purposes only*

DISCLOSURE

The Exchange shall disclose the Expected Shortfall in IPF and additional contribution to be called from the trading members, for every Financial Year under this section.

For the Financial Year 2016-17, there is no Expected Shortfall in IPF and therefore no additional contributions will be called from the trading members.