

CUSTOMER AGREEMENT

.....
[NCM]

AND

.....
[CUSTOMER]

DATE

Bikram Sambat :

Gregorian calendar :

PLACE

.....

This agreement is the approved format of Mercantile Exchange Nepal Limited (hereinafter referred as the "Exchange") to be signed and executed between a Non Clearing Member and the Client. Since Trading in various instruments dealt in the Exchange involves high risk .Before signing the agreement, the Member should explain and the Client should understand the full details of risks involved in trading to the Client in Client's mother tongue"

Agreement between

_____ (Name)

(Non Clearing Member) and Client

This agreement is entered in to and executed at (Place),
on..... (Date) of Calendar Bikram Sambath corresponding to
(Date) of Gregorian calendar,

BETWEEN

....., [provide the details of the Non Clearing Member and the category of membership], having its registered office at, hereinafter referred to as the "**Non Clearing Member**" or '**Member**' ", which expression shall unless repugnant to the context or meaning thereof, be deemed to mean and include its successors, legal representatives, and permitted assigns

AND

....., [Name, Citizenship ID Number, full address and details of the client], residing at..... (Hereinafter referred to as "**the Client**", which expression shall unless repugnant to the context or meaning thereof, be deemed to mean and include its successors, legal representatives, and permitted assigns)

Both 'Member' and 'Client' individually referred to as a "party" and collectively as 'parties'

Whereas the Member is a registered as a Non Clearing Member of the MERCANTILE EXCHANGE NEPAL LIMITED (hereinafter referred to as the "**Exchange**") and holds a Non Clearing Membership registration No..... Issued on.....

Whereas the Client is desirous of trading in those instruments permitted for dealing in the Exchange and in accordance with the Bye –Laws and Rules of the Exchange

Whereas the Client has satisfied itself of the capability of the Member to trade in those instruments permitted for dealing in the Exchange and wishes to execute his/ its orders through the Member, and the Client shall continue to satisfy itself of such capability of the Member before executing any orders through the Member.

Whereas the Member has satisfied and shall continuously satisfy himself/itself about the genuineness and financial soundness of the Client and trading objectives relevant to the services to be provided.

Whereas the Member has taken steps and shall take steps to make the Client aware of the precise nature of the Member's liability for business to be conducted, including any limitations on that liability and the capacity in which it acts.

Whereas the Member, prior to the execution of this agreement, had explained and educated the Client in its/his mother tongue about the high risks and possibility of losses involved in engaging in the trades in various instruments dealt in the Exchange; and

Whereas the Client has clearly understood and satisfied with the information and explanation given by the Member about the various risks involved in trading himself in various instruments dealt in the Exchange and the Client agrees to submit himself to such risks.

NOW IT IS HEREBY AGREED BY THE PARTIES AS FOLLOWS

1. Definitions

- 1.1. **'Bye-Laws'** means the Bye- Laws of the Mercantile Exchange Nepal Limited and it includes amendments to the Bye-Laws, any notification or guidelines issued by the Exchange under the Bye-Laws from time to time.
- 1.2. **"Clearing Member"** means a registered company admitted by the Exchange as Clearing Member and has the right to directly participate in trading and clearing processes.
- 1.3. **'Contract'** means a contract for or relating to the purchase or sale of an instrument permitted for trading in the Exchange.
- 1.4. **'Closed out'** means closing of a position due to failure of a Member to comply with any provisions relating to payment and settlement or any failure to fulfill the terms and conditions subject to which the position has been made, or such other circumstances as the Exchange may specify from time to time. The position may be closed out in such manner, within such time frame and subject to such conditions and procedures as the Exchange may prescribe from time to time.
- 1.5. **'Exchange'** means the Mercantile Exchange Nepal Limited.
- 1.6. **"Default Event"** means an event that occurred due to non compliance of the Bye-Laws, Rules of the Exchange, Rules of Trading, Clearing and Settlement or non performance of any of the terms in this agreement.
- 1.7. **'Individual'** refers to a person as defined and admitted by the Exchange as a Non Clearing Member, who has the right to directly trade in the Exchange and shall be permitted to trade only for him/her and not on behalf of others.
- 1.8. **"Instrument"** refers to a tradable asset or negotiable item permitted by the Board of the Exchange to trade in the Exchange, which includes but not limited to security, commodity, derivative or index.
- 1.9. **'Margin'** means a deposit or payment in cash to establish or maintain a position in a contract and includes all types of margins as may be specified by the Exchange from time to time.
- 1.10. **"Mark to Market"** means the act of recording the price or value of an instrument to reflect its current market value rather than its book value.
- 1.11. **'Member'** or **"Member of the Exchange"** means an individual, a sole proprietary firm, a partnership firm, joint Hindu family, a company incorporated by the Companies Act, a cooperative society, a body corporate or any other entity admitted by the Exchange as a Non Clearing Member or a registered Company admitted by the Exchange as a "Clearing Member" and shall not mean a shareholder of the Exchange.
- 1.12. **'Non Clearing Member'** – means an individual, or professional or institution, who is admitted by the Exchange as a Non Clearing Member of the Exchange, holding right

to directly participate in trading but its clearing process is being facilitated through a Clearing Member.

- 1.13. **'Order'** means an offer to buy or sell an instrument through the Exchange
- 1.14. **'Permitted contracts'** means contracts, which are permitted for trading in the Exchange in accordance with the Rules, Bye Laws and Regulations of the Exchange.
- 1.15. **'Position'** means the quantum of instruments either purchased (which constitutes a long position) or sold (which constitutes a short position) by a Member or client.
- 1.16. **'Professional'** refers to a professional defined and admitted by the Exchange as a Non Clearing Member, who shall be eligible to trade for himself as well as for corporations based on the Exchanges Rules.
- 1.17. **"Stop loss"** means an order that becomes a market order when the mentioned price level is reached. A sell stop is placed below the market while a buy stop is placed above the market. Sometimes it's also referred to as Stop Loss Order.
- 1.18. **"Stop limit"** means an order that goes into force as soon as there is a trade at the specified price. The order, however, can only be filled at the stop limit price or better.
- 1.19. **"Trade"** means a transaction for purchase or sale of a specified number of instruments in the Exchange.
- 1.20. All words and terms not defined in this agreement but defined in the Bye Laws and Rules of the Exchange shall have the same meaning as defined therein.

2. REPRESENTATION OF THE CLIENT

- 2.1 the Client agrees that it/he has understood the contents of the Risk Disclosure Document appended hereto and the risks involved in trading in instruments and he will be fully responsible for its/his dealings in these instruments in the Exchange.
- 2.2 the Client agrees to bound by the Bye-Laws, Rules, Regulation, and guidelines of the Exchange that may be in force from time to time.
- 2.3 the Client agrees to deposit with the Member the advance amounts margin deposits and service charges, which may be required to open and/or maintain its/his open positions.
- 2.4 the Client agrees that all instruments, monies and securities, which the Client may hold in its account, shall be held subject to a general lien for the discharge of the Client's obligations to the Member under this agreement.
- 2.5 the Client agrees to authorize the Member at its sole discretion, shall deem it necessary for the Member's protection, to buy, sell or close out any part or all of the instruments held in its account with the Member. The Client also agrees to reimburse any or all such incidental expenses incurred by Member in this regard.
- 2.6. the Client agrees that it shall not involve or attempt to involve in any unfair or unethical trade practices while trading in the Exchange.

3. INDEMNITY

The Member shall be indemnified by the Client in case of any liability that may arises due to non compliance of the Bye-Laws and Rules of the Exchange by the Client or any action taken against the Member by any third party to this agreement. The Member shall be indemnified by the Client from its deposits, funds, for all costs, losses and

expenses, which the Member may incur or may become liable to pay, by reason of any such event in the course of trade or the use of any services from the Member.

4 TERMINATION

- 4.1. Either party may by giving 30 days (Thirty) notice to the other party may terminate this agreement.
- 4.2 Such termination shall not have any effect on the transactions executed before the date of termination and until the settlement of account between the parties, the rights and obligations of the Client in respect of such transactions shall continue to subsist till the settlement of accounts in terms of this agreement.
- 4.3 The Suspension and termination of this agreement in a Default Event is regulated by the Bye Laws and Rules of the Exchange, which are deemed to be incorporated by reference to this clause.
- 4.4. In the event of the death or insolvency of the Client or the Client is otherwise becoming incapable of receiving and paying or settling the transactions, which the Client has ordered to be bought or sold, the Member may with the approval of the Exchange, close out the transaction of the Client and the Client or his legal representative shall be liable for any losses, costs, damages including statutory and regulatory charges , if any and also be entitled to any incidental expenses which may result there from.

5 APPLICABLE LAW AND JURISDICTION

- 5.1 This agreement and all the trades, transactions and contracts executed under this Agreement are subject to the Rules and Bye Laws of the Exchange and any dispute arising out of or in connection with this Agreement shall be subject to the exclusive jurisdiction of the Court in Kathmandu irrespective of the location of the parties to the dispute or the place where the concerned transaction may have taken place.
- 5.2 For the purpose of jurisdiction, all the transactions entered or executed through the online trading system of the Exchange shall be deemed to have been taken place at the city of Kathmandu and the place of contracting shall be at Kathmandu irrespective of the location at which the transaction is entered or executed.

6. SETTLEMENT OF DISPUTES

- 6.1 Amicable Settlement: The Parties shall use their best efforts to amicably settle any dispute, controversy or claim arising out of the Agreement or the breach, termination or invalidity thereof. In the event of non settlement between the parties, the parties shall refer such disputes to conciliation in accordance with the Bye-Laws and Rules of the Exchange.
- 6.2 Arbitration: Any dispute, controversy or claim between the parties arising out of the Agreement, or the breach, termination, or invalidity thereof, unless settled amicably and through conciliation, as provided above, shall be referred by either of the parties to arbitration in accordance with Arbitration Rules of the Mercantile Exchange Nepal Limited for the time being in force, which rules are deemed to be incorporated by reference to this clause.
- 6.3 The language of the Arbitration shall be in English and both the parties agree that arbitration shall be held at the premises of the Exchange or any other place prescribed by the Exchange at Kathmandu.

7. FUND UPDATION TIME AND SCHEDULE

The Client agrees that he/she shall be bound by the following procedure in relation to fund updation time and schedule in the Trade Work Station:

- 7.1 The Client shall deposit the advance transaction deposit/ margin deposits as required by the Member from time to time for trading to the segregated account of the Member.
- 7.2 The Client shall submit the proof of such deposit to the Member. However, the fund deposit status in the trading console shall be updated only by the Exchange or by the Member only when the Exchange approves such deposit to the Member.
- 7.3 The Member shall not be liable to update any point of time the fund deposit status except as specified by the Exchange.
- 7.4 The Exchange shall have the absolute authority fix the schedule for the fund updation in the trading console (TWS).
- 7.5 The Client shall be permitted to trade using the fund deposited in the segregated account only after updated in client TWS, only when the Exchange approves such fund deposit.
- 7.6 The Member or Exchange shall not be liable for any consequences arising due to the time, schedule and procedure of fund updation in the trading console.

8. Language: The parties may for their own purpose, translate this agreement in to any other language for the purpose of explanation of contents of various clauses and definitions of this agreement and where-in this agreement is used for resolving any disputes, it's mutually agreed between the parties that the English version of this agreement shall prevail.

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

MEMBER

By:

Signature

Registration No and Seal/Stamp

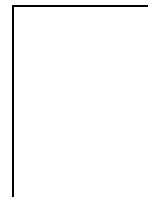
Designation

CLIENT

By:

Signature

Thumb Print



Right

Left

Witness

- 1.
- 2.

RISK DISCLOSURE DOCUMENT TO BE READ, ACCEPTED AND SIGNED BY A PROSPECTIVE CLIENT

[THIS DOCUMENT SHOULD BE READ BY EACH AND EVERY PROSPECTIVE CLIENT BEFORE ENTERING INTO ANY TRADING ACTIVITIES ON THE EXCHANGE AND SHOULD BE READ IN CONJUNCTION WITH THE BYE LAWS AND RULES OF MERCANTILE EXCHANGE NEPAL LIMITED (Exchange)]

1. This brief statement of risks does not disclose all of the risks and other significant aspects of trading in the Exchange. In light of the risks, you should undertake such transactions only if you understand the nature of the contracts and the relationship arising there from into which you are entering and the extent of your exposure to risk. Risk of loss in trading can be substantial. You should carefully consider whether trading is appropriate for you in light of your experience, objectives, financial resources and other relevant circumstances. Trading thus requires not only the necessary knowledge and financial resources but also the financial and emotional temperament. In case of any consequences or loss in trading on the Exchange, the Client agrees that he shall be solely responsible for such loss and the Exchange shall not be responsible for the same and it will not be open for any Client to take the plea that no adequate disclosure was made or he was not explained the full risk involved by the MEMBER. The Client will be solely responsible for the consequences and no contract can be rescinded on that account.

RISKS INVOLVED IN TRADING ON THE EXCHANGE

2. Effect of "Leverage" the amount of margin is small relative to the value of the contract so the transactions are 'leveraged' or 'geared'. Trading, which is conducted with a relatively small amount of margin, provides the possibility of great profit or loss in comparison with the principal investment amount. But transactions in trading also carry a high degree of risk. You should therefore completely understand the following statements before actually trading and also trade with caution while taking into account one's circumstances, financial resources, etc. If the prices move against you, you may lose a part of or whole margin equivalent to the principal investment amount in a relatively short period of time. Moreover, the loss may exceed the original margin amount.
3. Trading involves daily settlement of all positions. Every day the open positions are mark to market based on the closing level of the index. If the index has moved against you, you will be required to deposit the amount of loss (notional) resulting from such movement. This margin will have to be paid within a stipulated time frame, generally before commencement of trading next day.
4. If you fail to deposit the additional margin by the deadline or if an outstanding debt occurs in your account, the MEMBER may liquidate a part of or the whole position or substitute commodities. In this case, you will be liable for any losses incurred due to such Close Outs.
5. Under certain market conditions, a Client may find it difficult or impossible to execute transactions. For example, this situation can occur due to factors such as illiquidity i.e. when there are insufficient bids or offers or suspension of trading due to price limit or circuit breakers etc.
6. In order to maintain market stability, the following steps may be adopted: changes in the margin, increases in the cash margin rate or others. These new measures may be applied to the existing open positions. In such conditions, you will be required to put up additional margins or reduce your positions.
7. You must ask your MEMBER to provide the full details of the contracts you plan to trade i.e. the contract specifications and the associated obligations.

Risk-reducing orders or strategies

8. The placing of certain orders (e.g., "stop-loss" orders, or "stop-limit" orders), which are intended to limit losses to certain amounts, may not be effective because market conditions may make it impossible to execute such orders. Strategies using combinations of positions may be as risky as taking simple "long" or "short" positions.

Suspension or restriction of trading and pricing relationships

9. Market conditions (e.g., illiquidity) and/or the operation of the rules of certain markets (e.g., the suspension of trading in any contract or contact month because of price limits or "circuit breakers") may increase the risk of loss due to inability to liquidate/offset positions.

Deposited cash and property

10. You should familiarize yourself with the protections accorded to the money or other property you deposit particularly in the event of a firm insolvency or bankruptcy. The extent to which you may recover your money or property may be governed by specific legislation or local rules. In some jurisdictions, property, which has been specifically identifiable as your own, will be pro-rated in the same manner as cash for purposes of distribution in the event of a shortfall. In case of any dispute with the MEMBER the same shall be subject to arbitration as per the Arbitration Rules of the Exchange.

Commission and other charges

11. Before you begin to trade, you should obtain a clear explanation of all commission, fees and other charges for which you will be liable. These charges will affect your net profit (if any) or increase your loss.

Trading facilities

12. The Exchange offers only electronic trading facilities (online 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. Your ability to recover certain losses may be subject to limits on liability imposed by the system provider, the market and the MEMBER. Such limits may vary; you should ask the MEMBER with which you deal for details in this respect.

Note: This document does not disclose all of the risks and other significant aspects involved in trading on the Exchange. The Client should therefore study the trading on Exchange carefully before becoming involved in it.

I/We hereby acknowledge that I/We have read and understood the risk disclosure statement.

CLIENT

Signature

(If Partner, Corporate, or other Signatory, then attest with company seal.)

MEMBER

Name:

Date:

Power of Attorney

I/We the client of(name of Non-Clearing Member) hereby grant full Power of Attorney to
.....
.....(Name and address of broker along with broker's Registered User ID) to trade on behalf of me/us with the Mercantile Exchange Nepal Limited.

All the acts, deeds or things done or caused to be done by the Broker for the purpose of trade on behalf of me/us shall be binding on me/us in all respects and We/I also hereby agree to ratify whatever is done or caused to be done by the Broker for me/us, on my name or on my behalf by virtue of this Power of Attorney.

By granting this Power of Attorney, I/We also agree to the following:

- a. I/We read and understood the risk disclosure document which is attached with the agreement signed by me/us with the Non-Clearing member..... (Name of Non-Clearing Member)
- b. I/We shall be fully responsible for all or any risk and trade loss or profit arising out of or in connection with the grant of this Power of Attorney to the Broker.
- c. I/We shall not sue complaint against the Broker, the Member or the MEX for any act or omission, loss, liability as result of or arising in connection with this Power of Attorney.

Either Party may revoke this Power of Attorney at its will by duly informing the other Party in advance and Notify the Member and Exchange.

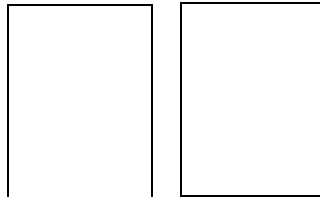
This Power of Attorney shall stand cancelled immediately on Member terminating the agreement with the Broker or cancellation of Broker's Certificate of Registered User by MEX or any other event which makes the Broker incapable of acting as Broker of the Member.

IN WITNESSES THEREOF, the parties hereto have signed this Power of Attorney on this ___day of _____

Client Name :

Client Signature :

Thumb Print of Client



Right

Left

BROKER
(Name and signature)

Witnesses

1.

2.