

# **FAQs for Members - Client Registration for Commodity Options**

**FAQs on Exchange Circular no. MCX/INSP/244/2017 dated July 21, 2017 -  
'Client Registration Documents for Commodity Options Trading'**

**Q.1) Existing clients with whom Exchange Members have already executed KYC, are they supposed to execute fresh KYC for trading in Commodity Options Contracts?**

**Ans.:** No fresh KYC of existing clients is required for trading in commodity options contracts.

**Q.2) If the Exchange Member has already taken consent of clients for Commodity Futures or Commodity Derivatives Contract, should the Member then take consent of clients for trading in OPTIONS on Commodity Derivatives Exchanges?**

**Ans.:** Yes, it is advisable to take specific consent from clients because it is "Options on Commodity Futures". Please note the below.

- (i) It is "Options on Commodity Futures" that has been permitted by SEBI vide Circular dated 13th June 2017 wherein the underlying of an Option contract will be the "Commodity Futures" traded on the Exchange as may be permitted by SEBI;
- (ii) Commodity Futures (wherever such word is used) is not the same as "Options on Commodity Futures";
  - Under the Securities Contracts (Regulation) Act (SCRA), "Derivative" includes "Commodity Derivatives"
  - Commodity Derivatives includes Commodity Futures, but it does not include "Options on Commodity Futures".

**Q.3) How OPTIONS in commodities are then covered under SCRA?**

**Ans.:** Options in Securities is a contract defined under the SCRA. Please note the below.

- (i) Under SCRA, "Commodity Futures" is one of the "securities".
- (ii) "Options on Commodity Futures" is falling under "option in securities".

**Note:** For all such registered clients of a Member who are interested in trading in OPTIONS, the Member shall stand guided by the above. In case of fresh client registrations (for OPTIONS), the Member should suitably make changes in the KYC / Registration documents to include the instrument – Options.

**Q.4) Can Exchange Member receive this consent, by way of scanned copy of the duly signed letter / undertaking by the client, through the registered email ID of such client?**

**Ans.:** Yes, the Member may receive the consent through registered email ID of the respective client, by way of scanned copy of the duly signed letter / undertaking by client attached in such email. However, the original copy of letter / undertaking has to be obtained by Member from all such clients, within 7 working days from the receipt of email.

**Q.5) Can Exchange Members take consent from their clients using two-factor authentication (2FA) solutions?**

**Ans.:** Yes, the client consent / undertaking can be taken using a two-factor authentication (2FA) solution authorised by Member for all registered clients with a username & password.

**Q.6) Whether Exchange Members are required to preserve copies /evidences of receipt of such consent of client for trading in Options Contracts?**

**Ans.:** Yes, they are required to preserve the consent of client and the evidences of such consent.

**Q.7) Whether Exchange Members are required to publish details of the additional Risk Disclosure Document related to Options trading, on their website?**

**Ans.:** Yes, the members who have a website are required to publish additional Risk Disclosure Document related to options trading on their website. This is besides the requirement of Member specifically communicating and making clients aware of the same, in electronic or physical mode, as per the preference of the client.

***In case of any queries or clarification, member may kindly contact Customer Service Team on 022 – 6649 4040 or send an email at [customersupport@mcxindia.com](mailto:customersupport@mcxindia.com)***