

A Business Proposal  
For  
**TRADING MEMBERSHIP**

Be a Part of Phenomenal  
Growth Story of Nepalese  
Commodity and Derivative Market.



# Table of Contents



Topics	Page No
Introduction	2
Vision/Mission	2
Introduction to Commodity	3
Exchange	3
Derivatives, its scopes and types	3
Future Trading	4
Products and Service Offered	4
Products Details	5
Company Hierarchy	7
Clearing Member	8
Trading Member	8
Who Can be Our Trading Member?	8
What are sources of Earning of our TM?	9
Income schedule	9
Fees Structure for Trading Member	9
How NDEX is different from other Exchange?	10
Benefits Offered by NDEX	10
Conclusion	12
Contact Us	12

## Annex

Annex1: Documents to be Submitted by Trading Member	11
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## Introduction

Nepal Derivative Exchange (NDEX) is a state of art online commodity and derivative exchange operating in Nepal. In the world of increasing volatility, NDEX is the best platform to manage risk across the major commodities from precious metals to base metals, from agro commodities to energies. It is one of the best and most diverse derivative exchanges encompassing the widest range of benchmarked product available. It brings buyers and sellers together on the electronic trading floor of NDEX. It provides you with the tools you need to meet your objectives and achieve financial goals.

NDEX, professionally managed by team of young Nepal based entrepreneurs, was incorporated on November 20, 2008 under the Companies Act, 2063 of Nepal. It is committed towards revolutionizing the commodity derivative market in Nepal. Our aim is to empower the market participants, stakeholders, investors through innovative product offering, technology and risk assessment, forecasting and managing tools. We are here to transform Nepalese economy to more vibrant, transparent and accessible market place to farmers, producers and traders. To achieve our goal we are working closely with government of Nepal and its agencies, international exchanges, policy makers and regulators, technology providers, our market participants and stakeholders.

## Vision

*Become Nepal based g-local brand for complete financial ecosystem.*

## Mission

- Achieve excellence in the commodities and derivative trading with focus on customer delight and satisfaction through NDEX.
- We are dedicated to bring new and creative ideas to operate both in our local product offering and market events.
- Create harmonious environment for derivative trading with the enforcement of regulatory regime where we are working.
- Develop proper market education and research system.
- Set up complete commodity derivative eco-system in Nepal within five years.
- Enforce zero tolerance policy towards unethical trade practices.

## What are Commodities?



Commodities are goods which have commercial value on its own. The refined goods as well as raw material both are categorized in commodities which are produced with purpose to consume like Gold, silver, wheat, copper, sugar etc.

These commodities are classified under precious metals, energies, base metals and agro products. Most of commodity exchanges all over the world are providing online trading facility in raw materials and some exchanges have facility to trade on refined goods.

## What is Commodities Exchange?

Commodity exchange is an organized physical location where buyers and sellers come to trade in the commodities through online platform. The main function of such exchanges is to provide trading platform for producer, supplier and investor. The modern commodity exchanges are providing screen trading facility. Some major international exchanges are Chicago Board of Trading (CBOT), Tokyo Commodity Exchange (TOCOM), New York Mercantile Exchange (NYMEX), Multi Commodity Exchange India (MCX), and many more.

## What are Derivatives?

**Derivatives** are financial contracts or financial instruments whose prices are derived from the price of something else (known as the underlying). The underlying price on which a derivative is based can be that of an asset (e.g., commodities, equities {stock}, residential mortgages, commercial real estate, loans, bonds), an index (e.g., interest rates, exchange rates, stock market indices, Consumer Price Index {CPI} i.e. inflation derivatives), or other items. Credit derivatives are based on loans, bonds or other forms of credit. Derivatives allow risk about the price of the underlying asset to be transferred from one party to another.

## Scope of Derivative

The word “**Derivative**” is a magic word. There can be derivative of everything e.g., commodities, equities (stock), residential mortgages, commercial real estate, loans, (bonds), an index (e.g., interest rates, exchange rates, stock market indices, consumer price index {CPI} i.e. inflation derivatives), or other items. So there is scope for every- one and every sector like:

- producer, traders, exporters, importers and professionals
- Financial Institutions
- Investors
- Final consumer
- Government

## What is Future Trading?



**Futures Trading** refers to buying and selling in the futures contract of specified commodity which is in standardized format at market determined price. Futures contract is standardized in quantity, quality, and time duration of contract of the commodities.

The price is determined by the instantaneous equilibrium between the forces of supply and demand among competing buy and sell orders on the exchange at the time of the purchase or sale of the contract.

## Products & Services Offered.

NDEX is looking for its market participants that has been approved trading qualification from NDEX and is capable enough to create favorable environment to trade in commodity derivative on NDEX platform. The main objective of the exchange is to explore local producer, supplier, importer, exporter and final consumer those who are keenly interested to trade in commodity and derivative market. It is the best investment platform accessible to all level of people be it investors, traders, financial facilitators, academicians. Your relationship with NDEX and its family contributes to develop the commodity and derivative industry as a whole which results in uplifting the national economy. NDEX is always there in promoting domestic product through organized online trading platform and will be doing in forthcoming days too.

Currently we are providing trading facility in commodity futures and planning to introduce local commodity derivatives as well. NDEX provides the best and genuine platform for traders, investors, farmers, financial institutions and other facilitator. At present NDEX is successfully offering its products and services in 27 contracts of 14 commodities including Spot contracts.

## Product details on future contracts:

S.No	Product	Symbol	Contract size	Initial margin	Change in face value (in Rs1)	Service charge	Quote unit	Quote unit in Intl. market	No. of contract in a year
1	Gold	EXP GOL	1000 gm	25,000	100	1200	10 gm	1 ounce (31.103476 8 gm)	6 (Feb-Apr-Jun-Aug-Oct-Dec) EXP all trading day
		EXP GOL	200 gm	10,000	20	300			
		GOL R	1000 gm	75,000	100	1200			
		GOLM	500 gm	45,000	50	700			
		GOLS	100 gm	25,000	10	300			
		GOL Sano	10 gm	1000	1	50			
2	Silver	EXPSIL	30,000 gm	25,000	300	1200	1000 gm	1 ounce (31.103476 8 gm)	5(Mar-May-July-Sep-Dec)
		EXPSIL	10,000 gm	10,000	100	300			
		SIL	30,000 gm	75,000	300	1200			
		SILM	5,000 gm	15,000	50	300			
3	Copper	EXPCOP	5,000 kg	25,000	500	1200	Kg	100 lb (45.359273 kg)	5(Mar-May-July-Sep-Dec)
		COP	5,000 kg	75,000	500	1200			
		COPM	1,000 kg	15,000	100	1200			
4	Platinum	PLT	2,000 gm	1,00,000	200	1200	Gm		6(Feb-Mar-Apr-May-Jun-sep)
5	Palladium	PAL	2,000 gm	75,000	200	1200	Gm		6(Feb-Mar-Apr-May-Jun-sep)
6	Crude Oil	EXPCR	250bbl	25,000	250	1200	US barrel	1 barrel (158.98 liters)	All months.
		CRU	250bbl	75,000	250	1200			
		CRUM	50 bbl	30,000	50	1200			
7	Coffee	COF	5,000 kg	40,000	50	750	KG		5(Feb-Apr-Jun-Aug-Nov)
8	Wheat	WHT	30,000 kg	40,000	30	750	KG		5(Feb-Apr-Jun-Aug-Nov)
9	Corn	COR	5,000 kg	50,000	50	1000			5(Feb-Apr-Jun-Aug-Nov)
10	Natural Gas	NAG	2,500 mmbtu	75,000	2500	1200	mmbtu	1 million BUT=26.8 cubic meters	All months.
11	Heating Oil	HET	8400 Gallons	75,000	850	1200	liters	Gallon (1 gallon=3.7 854 liters)	All months.
12	Soybeans	SOY	30,000 kg	45,000	30	750	1 kg	1 lbs (0.453592 kg)	(JAN-MAR-MAY-JUL-AUG-SEP-NOV)
13	Soybean oil	SBO	25,000 kg	40,000	25	1200	1 kg	1 Bushel	FEB APR, JUN, JUL, AUG, SEP,
14	Cotton	COT	10000	90,000	35	1200	1 kg	1 Bushel	(MAY-MAR-JUL-OCT-DEC)

## Spot Contracts:

S.No	Product	Initial Margin	Contract Size	Tick Min (Rs.)	Face value per tick	Service Charge	Storage /swap /swap On buy	Damage /swap /swap On Sell	Price unit	Contract duration
1.	Gold	60,000	1kg	1	Rs.100	1000	-2.40%	0.25%	10 gm	T+ 180
2	Silver	60,000	30kg	0.01	Rs.30	1000	-3.5%	0.30%	10gm	T+ 180

**\*\*\*Note\*\*\***

\*The above mentioned service charge is Exclusive of VAT

\*May change from time to time by the exchange.

\* BTU- British Thermal Unit

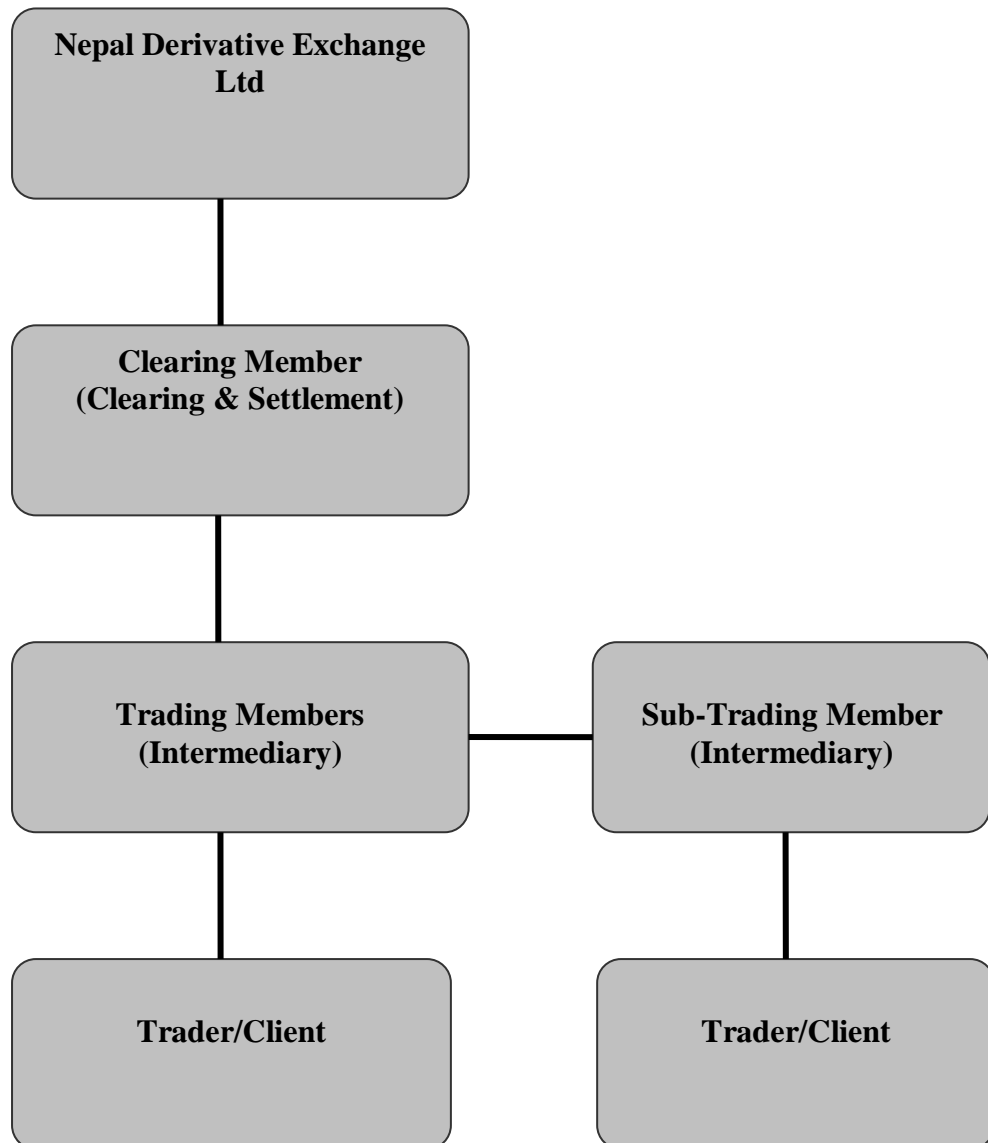
\* Quote unit is according to International Market

\*Swap and Damages are the annual rate. **(For spot contract only)**

Note:

- Initial margin is the minimum amount needed to keep with exchange for trading, as mentioned in the table above and for its multiple commodities, the amount needed will also be on multiplies.

# Market Hierarchy:





## **Clearing Member (CM):**

CM is an institution/corporate who is admitted by the Exchange as a member, conferring upon them a right to clear and settle trades executed by Trading Member(TM) and their sub-trading members. **Kasthamandap Clearing House Pvt.Ltd** is working as clearing member of NDEX.

## **Trading Member (TM):**

TM is an entity having been admitted by the Exchange, to give the facility of on-line trading to the respective clients/investors. TM acts as a bridge in between client and exchange. An investor/client must approach the TM to trade in commodity market. TM is also responsible to grow the commodity market and educate the clients/investors.

A trading member must be an active person and have passion to upgrade him by knowledge and technology. An active TM must share his knowledge in between his client, he is also responsible to provide the analysis of the market and aware the client from the hidden risk of the market.

## **Sub Trading Member:**

Sub-TM is a person having been admitted by the Exchange at the request of TM, who shall have rights to trade on his own account as well as on account of his clients, but shall have no right to clear and settle such trades himself. Any individual fulfilling the provisions of bye-laws, rules and regulations of NDEX can be sub-broker.

## **Registered Non-Member Client or Trader or Investor:**

Non-Member Client is a person having been admitted by the Exchange at the request of TM or Sub-brokers, who shall have rights to trade on his own account only. Any individual fulfilling the provisions of bye-laws, rules and regulations of NDEX can be Non-Member Clients.

## **Who can be the Trading Member?**

- Sole Proprietorship Companies
- Partnership Firms
- Private Limited Companies
- Public Limited Companies
- Cooperatives And Other Financial Institutions
- Trading Companies

## Fee Structure for the Trading Member:

Membership Fees	Rs. 4,50,000/-
Annual Subscription Fee	Rs. 50,000/-
Security Deposit (Refundable)	Rs. 2,00,000/-
Processing Fee	Rs. 5,000/-
<b>Total</b>	<b>Rs. 7,05,000/-*</b>

\*Exclusive of VAT.

### Note:

The above amounts include 101 sub-broker software and can introduce unlimited clients.

An accidental Insurance worth Rs 5, 00,000/- will be provided and will be renewed by NDEX each year.

## Financial Plan

### What are the sources of Income for our TM?

- Service charge will be provided to the trading member after completion of each transaction per lot.
- A trading member can have sub trading member under his authority and the distribution of the service charge will be according to company's rules and bye laws.
- Earning of a trading member or sub-trading member depends on the volume generated by them.

### Return on Investment:

Service charge per settlement	Rs.1200
TM Commission per lot Settlement	Rs.800
Actual Investment	Rs. 5,00,000/- Lakhs
Return per lot settlement	Rs. 800
Breakeven Point (5 lakhs/800)	625
If per day minimum settlement lots	10 lots
Investment recovery period	$(625 / (5 \text{ days} \times 10)) = 12.5 \text{ weeks}$

### Note:

- Service charge is the amount that a client has to pay for a complete transaction (Buy/Sell or Sell/Buy) on the basis of quantity, as mentioned in the table above.
- Service charge will be distributed among exchange and company members on the basis of volume of transactions completed.

For ex: The Service charge will be divided as follows:

- **TM performing up to 2,000 lots in a month will get 66.67% i.e.800 Rs. of the service charge.**
- **TM performing above 2,000 lots in a month will get 75.00% i.e.900 Rs. of the service charge**

## How NDEX is different from other Exchanges?

NDEX is fully automated exchange which **provides online trading facility to all class of people.**

- We use low margin to execute any trade.  
For example: To execute trade in 1 kg gold the initial margin required is only 75,000/-
- We have no slippage or any other charge.
- NDEX is professionally managed by team of young Nepal based entrepreneurs.
- Our team is sensitive to the market and has long vision towards the market.
- We have user friendly software which is easily understandable.
- Facility of Exposure/ intraday contracts

## Benefits Offered by NDEX:

- Fully automated online trading console till client level.
- Introduction of the Exposure/ intraday contracts
- Trading on Spot contract
- Facility of Hedging
- Instant execution of orders
- 100% transparent Investment.
- Ring market Trading
- Zero-debt firm.
- Stop-loss facility (Risk Management Tool).
- Excellent back office support with expertise from our countries.
- Risk Management
- Professional operation
- Unbiased Approach: Transparent, Genuine and Reliable.
- And we are known for our quality service.
- Availability of the trading and sub-trading member at major cities so as to facilitate investors.

### Documents to be submitted by Trading Member

- Duly filled Application from
- Resume of the applicant ( Authorized person of firm)
- The authorized person of the company should have Bachelor degree or equivalent
- Must have experience regarding the concerned field.
- Attested copies of Company registration certificate.
- Attested copies of Memorandum of articles & certificate of commencement of business for corporate / institutions
- Attested copy of the board resolution authorizing the application for membership – for corporate & institutions
- Attested copies of proof of age, education and experience of directors.
- Attested copy of PAN or VAT Registration certificate.
- Agreement Clearing Member and Trading Member
- TM undertaking
- In case of partnership firm, copy of Firm Registration Certificate, Copy of Registered Partnership agreement, undertaking from all partners authorizing the managing partner to do the required agreements and other works.
- Bank reference letter.
- Photographs (2) of the signatories to be pasted on the application form.
- Authorized capital above 50 lakhs.
- Minimum paid up capital of firm 10 Lakhs

## **Conclusion**

*We follow best and appropriate guidelines and practices to make our customers happy and satisfied all the time. To equip our customers with modern technology, research and knowledge we continuously conduct training, seminar, and awareness program. We have developed efficient addressing system to hear customer grievances and we help in arbitration procedure as per the law of land as and when needed.*

### **Contact us:**

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