



GILL BROKING

Trade With Pride Earn With Joy

RMS POLICY ADDITIONAL 30 APRIL 2020

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RISK MANAGEMENT SYSTEM POLICY ADDITION

In a situation like that on April 20, 2020, where the crude oil settlement price was negative on NYMEX and hence also on MCX, the liability on brokerage firms is unlimited. No amount of margin collected from the customer can cover this risk. We have to now assume that the price of any cash-settled commodity on MCX could potentially turn negative. So, we are making the following changes in our Risk Management policy for all cash-settled commodities namely — Crude Oil, Natural Gas, and Crude Palm Oil (CPO). On MCX all contracts with physical delivery are mandatorily closed out 5 days before expiry and only those who are willing to take or give delivery can continue to hold the contract. Hence the risk of contracts turning negative around the time they expire due to issues around taking or giving physical delivery doesn't impact us. Starting today, we will follow a similar policy for even the cash-settled contracts — Crude Oil, Natural Gas, and Crude Palm Oil (CPO).

1. Across Commodity Exchanges, contracts with all physical delivery are mandatorily closed out by 5.00 PM on the day prior to 5 working days to expiry day, else the position will start square-off by our Risk Management Team from 6.00 PM onwards. Only those who are willing to take or give delivery can continue to hold the position.

Example: For Gold, 05MAY2020 is expiry day on which the position is allowed to carry upto 5.00 PM on 28APR2020, if the position is not squared-off on or before said timing, then the position will start square-off by our Risk Management Team from 6.00 PM onwards, those who are willing to take or give delivery must provide a prior communication to RMS Team to hold the position.

2. Across Commodity Exchanges, contracts with all cash-settled commodities as likely as – Crude Oil, Natural Gas, and Crude Palm Oil (CPO) are mandatorily closed out by 5.00 PM on the expiry and no position will be allowed to carry after the said timing. If the position is not squared-off on or before said timing, then the position will start square-off by Risk Management Team from 6.00 PM onwards.

Example: For Crude Oil, 18MAY2020 is expiry day on which the position is allowed to carry up to 5.00 PM on 18MAY2020, if the position is not squared-off on or before said timing, then the position will start square-off by our Risk Management Team by 6.00 PM onwards.

3. The additional margin of 300 % of the Contract Value should be deposited with us one day prior to expiry date [If prior to a expiry date is falling on holiday, then this condition will be verified on previous working day] for all open cash-settled commodity contracts expiring the next day. Kindly note that if adequate margin as above is not provided one day prior by the client, then the position will be squared off by our Risk Management Team by 10.00 PM onwards on the same day.

Example: For Crude Oil, 18MAY2020 is expiry day on which the position will be allowed to carried over up to 09.00 PM on 17MAY2020, if the additional margin of 300 % of the Contract Value is not provided on or before said timing, then the position will start square-off by our Risk Management Team by 8.00 PM onwards on 17MAY2020.