
NATIONAL COMMODITY & DERIVATIVES EXCHANGE LIMITED

Circular to all trading and clearing members of the Exchange

Circular No. : NCDEX/SURVEILLANCE & INVESTIGATION-004/2018/204

Date : August 20, 2018

Subject : Non-genuine trades

Exchange had, vide Circulars Nos. NCDEX/TRADING-089/2005/198 dated October 01, 2005, NCDEX/TRADING-010/2006/017 dated January 12, 2006, NCDEX/TRADING-149/2006/346 dated December 28, 2006 and NCDEX/SURVEILLANCE & INVESTIGATION-001/2018/018 dated January 12, 2018, advised members to refrain from putting through non-genuine trades.

Non-genuine trades are described as:

“Instances wherein the same sets of parties have executed buy and sell transactions on the Exchange at abnormally high price differences which are not co-related to the spot/futures price movement in the underlying commodity. This is particularly true with illiquid contracts. Such trades maybe between two members or between two clients of the same member or different members.”

The decision whether a trade or trades is/are non-genuine would be of the Exchange which would be final and binding.

The non-genuine trades are executed by the market participants primarily with an objective of transferring profit/loss between the concerned entities. In view of the same, penalty upto 100% of the profit made/ loss incurred/ transferred as a result of non-genuine trades will be levied on the members.

Exchange may also take appropriate disciplinary actions against the member concerned for multiple instances of such non-genuine trades under the Bye-Laws, Rules and Regulations of the Exchange.

Members are advised to be cautious and refrain from executing such trades, which do not appear to be genuine on their own account and/ or on behalf of their clients. Members are further advised to have appropriate internal systems and controls at their end to ensure that such trades are not entered from their terminals.

The provisions of this circular will come into effect from August 21, 2018.

For and on behalf of
National Commodity & Derivatives Exchange Limited

Avinash Mohan
Executive Vice President

For further information / clarifications, please contact

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