

SECURITY AND PROTECTION

.....
PMEX COMMODITY TRADING

PMEX fully understands that investor protection plays a crucial role in enhancing investor confidence and contributing to market growth. Therefore, to protect the interests of investors from malpractices and to provide a fair and transparent futures market, the Exchange has undertaken various measures since its inception. The measures taken by the Exchange include, but are not limited to the following:

▼ Promulgation of Market Rules and Regulation

Over the years, PMEX has been constantly developing its regulatory framework keeping investor protection as the main focus of the regulatory regime. The rules and regulations have been developed to ensure transparency in operations and mitigate risks related to futures trading. The Exchange closely monitors the working of its brokers to ensure that they follow the guidelines in letter and spirit. If any broker violates the rules, the Exchange takes necessary actions against the said broker that may include suspension of trading rights and imposition of fine amongst others.

▼ Segregation of Funds

A critical element of risk management at the Exchange is the segregation of Client and Broker funds, since the opening of a client's trading account. All broker positions and funds are always kept segregated from clients' positions and funds. This modality ensures that clients' funds are protected from any misappropriation/misuse by the broker.

Segregation of Funds is a necessary step, which ensures the integrity of the broker-client relationship at the Exchange. All positions and margins are monitored in realtime. Further, all trading accounts must explicitly fulfill margin requirements independent of other accounts.

▼ Direct Fund Model

Another key measure for ensuring investor protection is the introduction of the Direct Fund Model (DFM). Under this arrangement, the Exchange directly collects funds from clients, as well as, transfers funds to the bank accounts of clients without the involvement of broker(s). The DFM empowers the clients to get complete control over their assets at all times and restricts the brokers primarily to an advisory role to existing clients and soliciting new businesses.

▼ Investor Education

For a better understanding of the commodity futures market, PMEX conducts awareness sessions for the market participants through webinars, seminars, and workshops. In these programs, investors are informed about the commodity futures listed at the Exchange, its electronic trading system, account opening, funds deposits, and withdrawal processes. This enables market participants to make informed decisions while trading commodity futures. PMEX has also prepared elaborate trading guidelines that specify the rights and responsibilities of brokers as well as their clients.

▼ Investor Grievance Redressal

PMEX has put in place an elaborate and comprehensive process for the redressal of investors' complaints against the brokers. In case of any grievance, the aggrieved party has to lodge a complaint with his/her broker and try to find an amicable solution. If the broker fails to resolve the matter, the investor can complain about the broker to PMEX. After a complaint is received, the Exchange takes up the matter with the concerned broker and proceeds for the resolution of the matter through mediation. In case the dispute is not amicably settled through mediation, the disputing parties opt to apply for Arbitration in accordance with the procedures prescribed under Chapter 15 of the PMEX Rulebook.

▼ Investor Protection Fund (IPF)

The Exchange has set up an Investor Protection Fund (IPF) to compensate the claims of investors against the brokers who have defaulted or failed to pay.

▼ Settlement Guarantee Fund (SGF)

The Exchange has also set up a Settlement Guarantee Fund (SGF). This fund provides a cushion for any residual risk and operates like a self-insurance mechanism wherein members of the Exchange themselves contribute to the fund. In case the member fails to meet his settlement obligation, the fund is utilized to the extent required for the successful completion of the settlement. This has eliminated the counter-party risk of trading on the Exchange. The market has full confidence that settlement shall take place in time and shall be completed irrespective of default of any members.