



REGULATORY

Compliance or Cancellation: Understanding MCX's New Late Fee Regime for Membership Activation

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PUBLISHED 9 March 2026

Background and Regulatory Context

On March 02, 2026, the Multi Commodity Exchange of India Limited “MCX” issued Circular No. MCX/MEM/105/2026, introducing materially revised guidelines governing the activation of membership for newly admitted members. This circular supersedes the procedural frameworks previously established under Circular No. MCX/MEM/661/2020 dated September 10, 2020, and Circular No. MCX/MEM/460/2024 dated July 12, 2024. The revised framework amends Business Rule 1.2(e) of the Exchange, replacing the prior provisions with a structured penalty and enforcement regime designed to ensure timely compliance by newly admitted members.

The issuance of this circular reflects the Exchange’s broader objective of maintaining regulatory discipline within its membership ecosystem. By codifying precise timelines, financial consequences and an ultimate sanction of membership cancellation, MCX signals a decisive shift from procedural guidance to enforceable compliance obligations. Practitioners advising clients seeking MCX membership must now account for these revised provisions as a matter of priority.

Table of contents

- [Background and Regulatory Context](#)
- [The Grace Period: A Six-Month Window Without Penalty](#)
- [Late Fee Structure: Financial Consequences of Non-Compliance](#)
- [The Cancellation Sanction: Ultimate Consequence of Inaction](#)
- [Retrospective Application: Immediate Implications for Pending Members](#)
- [Conclusion and Advisory Observations](#)

The Grace Period: A Six-Month Window Without Penalty

Under the revised Business Rule 1.2(e), a newly admitted member is afforded a period of six months within which to submit the requisite fees and deposits and complete the prescribed activation procedure, without incurring any late fee liability. This six-month period commences from the date of approval by the Exchange or the date of registration by the Securities and Exchange Board of India (SEBI), whichever is the later of the two events.

A specific carve-out is provided in respect of Trading-cum-Clearing Members (TCM). For such members, the commencement of the six-month timeline is deferred until the completion of full TCM membership including the Clearing Member (CM) registration with MCX’s clearing corporation, MCXCCL and SEBI registration, as applicable whichever occurs later. This distinction acknowledges the inherently more complex onboarding process for TCM applicants and reflects a proportionate regulatory approach.

Late Fee Structure: Financial Consequences of Non-Compliance

Upon the expiry of the six-month grace period, a newly admitted member who has failed to complete the activation procedure becomes liable to pay a late fee of Rs. 10,000 per month. This financial obligation accrues on a monthly basis and is capped at a maximum period of twelve months from the applicable commencement date that is, from the date of Exchange approval or SEBI registration, whichever is the later. The maximum aggregate late fee exposure under the revised framework is therefore Rs. 1,20,000.

While the quantum of the late fee may appear modest in the context of the broader costs of obtaining exchange membership, its significance lies not in its financial magnitude but in its function as a regulatory trigger. The imposition of late fees serves as a formal notice of non-compliance and places the onus squarely upon the newly admitted member to expedite activation. Legal counsel advising such members should treat the onset of late fee liability as an urgent indicator requiring immediate remedial action.

The Cancellation Sanction: Ultimate Consequence of Inaction

The most consequential provision of the revised circular is the power vested in the Relevant Authority to cancel the admission of membership in the event that the newly admitted member fails to complete the activation procedure within the Exchange-specified period or any extended timelines that may have been granted. This cancellation power constitutes a significant

enforcement mechanism, effectively rendering the approval of membership conditional upon timely activation.

From a legal standpoint, the exercise of this cancellation power raises important questions of procedural fairness and natural justice. While the circular does not explicitly detail the procedural steps preceding a cancellation decision, it may be reasonably inferred that the Exchange would be obligated to provide adequate notice and an opportunity for representation before exercising such a drastic remedy.

Retrospective Application: Immediate Implications for Pending Members

Particularly noteworthy is the provision that the revised Business Rule shall apply to all newly approved memberships that remain pending activation as of March 02, 2026, in addition to all new memberships approved by the Exchange on or after that date. This retrospective application has immediate and material implications for members who received Exchange approval prior to the circular's issuance but have not yet completed the activation process.

Such members must urgently assess their position relative to the six-month timeline and where the grace period has already commenced or may be close to expiry, take immediate steps to fulfil all outstanding requirements. The failure to appreciate the retrospective scope of this circular could expose previously approved members to late fee liability or in more serious cases, to the cancellation of their hard-won membership approvals.

Conclusion and Advisory Observations

MCX Circular No. MCX/MEM/105/2026 represents a significant recalibration of the Exchange's membership compliance framework. By introducing a clearly defined grace period, a graduated financial penalty structure and an ultimate sanction of cancellation, the Exchange has established a coherent and enforceable regime that demands the close attention of all newly admitted and prospectively admitted members.

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