



BUSINESS RULES

ACE DERIVATIVES & COMMODITY EXCHANGE LIMITED

Index

1. TITLE, EXTENT AND COMMENCEMENT	3
2. JURISDICTION	3
3. DEFINITIONS	3
4. DEALINGS ON THE EXCHANGE	8
5. DEALINGS IN DERIVATIVES CONTRACTS	12
6. CONDUCT OF BUSINESS.....	17
7. RECORDS, ANNUAL ACCOUNTS & AUDIT.....	23
8. TYPES OF DEALS	29
9. PROCEDURE FOR SETTLEMENT OF DEALS	29
10. NON-DELIVERY AND NON-PAYMENT	38
11. CLOSING-OUT OF CONTRACTS.....	40
12. CLEARING BANKS	43
13. EXCHANGE CLEARING SYSTEM	44
14. FUNCTIONS OF NON DEPOSITORY CLEARING SYSTEM	47
15. CLEARING HOUSE	48
16. PROVISIONS REGARDING MEMBERS OF THE CLEARING HOUSE	48
17. CLEARING AND OTHER FORMS.....	49
18. ACCREDITED /APPROVED WAREHOUSE	50
19. REGISTRAR AND TRANSFER AGENT(R&T AGENT)	52
20. ASSAYER	53
21. ARBITRATION	56
22. INSPECTION / SUPERVISION AND DISCIPLINARY ACTIONS	64
23. MODIFICATIONS	67
24. SAVINGS	67

1. Title, Extent and Commencement

- 1.1. The Business Rules framed hereunder shall be known as Ace Derivatives And Commodity Exchange Limited, Business Rules, 2010 (herein referred to as „Business Rules“) and shall come into effect immediately on approval by the Forward Market Commission or any other authority appointed under the Forward Contracts (Regulation) Act, 1952 or any other applicable law.
- 1.2. These Business Rules shall be in addition to the provisions of the Forward Contracts (Regulation) Act, 1952 and Rules framed there under and Rules and Byelaws of ACE Derivatives & Commodity Exchange Limited (herein referred to as „ACE“ or „Exchange“), as in force and any other applicable laws of India.
- 1.3. The Business Rules have been divided into two main divisions pertaining to Trading and Clearing for sake of convenience only and both the divisions shall be read together wherever and whenever the context requires.
- 1.4. The titles of the clauses are only for convenience and may not read as subject for the contents of clauses.

2. Jurisdiction

- 2.1. Unless specifically mentioned otherwise in these Rules, Bye Laws or Business Rules (Regulations) of the Exchange, any matter arising out of or pertaining to these Business Rules shall be subject to jurisdiction of the Courts of Mumbai irrespective of the place of business of Trading or Clearing Members and irrespective of place from where the transaction is entered into.

3. Definitions

- 3.1. Unless in the context it is explicitly stated otherwise, all words and expressions used herein but not defined, and defined in the following, shall have the meanings respectively assigned to them therein in the following order of priority:
 - 3.2. Forward Contracts (Regulation) Act, 1952 and Rules framed thereunder.
 - 3.3. Companies Act, 1956
 - 3.4. Rules of ACE Derivatives & Commodity Exchange Limited
 - 3.5. Byelaws of ACE Derivatives & Commodity Exchange Limited
- 3.6. **Approved Commodity**
 - 3.6.1. Approved commodity means the commodity permitted by the Exchange to be traded on the Exchange.
- 3.7. **Approved Office**
 - 3.7.1. Approved office means the office/s of a Member from which the Member is allowed by the Exchange to trade/settle/clear/deal on the Trading system and carry out back office operations.
- 3.8. **Approved Workstation**
 - 3.8.1. Approved workstation refers to such workstation of a Member comprising of computer terminal(s) and all associated equipment installed and connected to the Trading System and used by the Member for the purpose of market inquiry, execution of orders/trades/deals/transaction and settlement/clearing of its trades on the Trading System, and all other actions

associated with the trading and settlement on the Trading System.

3.9. **Authorized Person** means and includes any person whether being an individual (including proprietorship), a partnership firm as defined under the Indian Partnership Act 1932, a Limited Liability Partnership (LLP) or a company as defined in the Companies Act, 1956 who is an agent of the Member has been appointed as Authorised Person by a Member of the Exchange for providing access to the trading platform of the Exchange upon approval of the Exchange.

3.10. **Branch Office**

3.10.1. Branch office in relation to a Member means: -

- a. any establishment described as a branch and approved by ACE.
- b. any establishment carrying on either the same or substantially the same activity as that carried on by the head office and approved by ACE.
- c. any other place, which the Exchange may approve.

3.11. **Buy Order**

3.11.1. Buy Order means an order to buy a contract permitted for trading on the exchange.

3.12. **Clearing Corporation/ House**

3.12.1. Clearing Corporation/ House means the Clearing Corporation/ House identified and approved by Exchange for facilitating settlement of trades/deals and all functions incidental to clearing of deals done or executed on the Exchange and shall mean ACE if function of such settlement or clearing of trades is performed by ACE itself or through its agency. The terms Clearing Corporation or Clearing House have been used interchangeably in these Business Rules and shall have the same meaning. The Exchange may maintain multiple clearing houses at multiple locations dealing in commodities specified from time to time

3.13. **Closing Buy Transaction**

3.13.1. Means a buy transaction which will have the effect of partly or fully offsetting a short position

3.14. **Closing Sell Transaction**

3.14.1. Means a sell transaction which will have the effect of partly or fully offsetting a long position

3.15. **Constituent /Client**

3.15.1. A Constituent or a client means a person, on whose instructions and, on whose account, the Trading Member enters into any contract for the purchase or sale of any commodity or Futures contract or derivative or does any act in relation thereto or on whose account, the Clearing Member agrees as per Business Rules to settle the deal/trade/transaction, as the case may be.

3.15.2. **Explanation:** For the purpose of these Business Rules, the term Constituent includes a

Participant as defined under the Byelaws of the Exchange unless expressly stated otherwise.

3.16. Common Pool Facility

3.16.1. Common pool facility means the trading facilities created by the Exchange at various places which could be made available for use by the Trading Member in the event of failure of trading facilities in his office or otherwise.

3.17. Contract Month

3.17.1. Contract month means the month in which the Exchange Business Rules require a Derivatives/Futures contract to be finally settled.

3.18. Derivatives Contract

3.18.1. Derivative Contract means a derivative contract including future contract, which is permitted to be traded on ACE.

3.19. Deliverable Quantity

3.19.1. Means the number of units that can be delivered in a contract as specified by the Exchange from time to time.

3.20. Exchange System

3.20.1. Exchange System shall include trading system, clearing system and/or any other system/s provided to the Member

3.21. Final Settlement Price

3.21.1 ¹ The Settlement Price for a derivatives contract shall be the price determined and announced as per the procedure and process prescribed by the Relevant Authority and incorporated in the contract specifications of a commodity for settlement of the derivative contract on its expiry.

3.22. Market Type

3.22.1. Market type refers to the different markets in which trading is permitted on the Trading system and includes Spot Markets & Derivatives Markets.

3.23. Member

3.23.1. Member means Trading Member and/or Clearing Member, as the case may be, of the Exchange.

3.24. Member-Constituent Agreement

3.24.1. Member-Constituent agreement is an agreement, which is executed between a Member and its Constituent as per the Exchange requirements. (**Annexure A**)

3.25. Member's Open Position

3.25.1. Members open position means the sum of long and short positions of the Member and his

¹ Amended pursuant to our Circular no. ACE/L&C-006/2011/044 dated 27th April, 2011.

Constituents in any or all of the Derivatives Contracts outstanding with the Clearing Corporation/house at any given point of time.

3.26. Outstanding Obligation

3.26.1. Means the obligation which has neither been closed out nor been settled.

3.27. Rules And Bye Laws

3.27.1. Rules, Bye Laws, Business Rules (Business Rules) shall mean the Rules, Byelaws and Business Rules (Business Rules) of the Exchange made pursuant to the provisions of FCRA read with FCRR, and includes any re-enactment, modification or alteration made thereof, as also circulars, orders and notices issued by the Board or any committee constituted by it and empowered to issue such circulars, orders and notices.

3.28. Seller

3.28.1. For the purpose of these Business Rules unless the context indicates otherwise the term seller includes the selling Constituent and the selling Member acting as his broker and agent and denotes the selling member when he is dealing on his own account as a principal.

3.29. Settlement Calendar

3.29.1. Exchange shall prescribe dates for settlement, Pay in, Pay out, Delivery and all obligations and rights of Members in respect of every Trading Cycle of each Approved Commodity and such schedule of dates shall be referred to as Settlement Calendar of Trading Cycle in respect of particular Commodity.

3.30. Settlement Date

3.30.1. Means the date on which the settlement of outstanding obligations in a Derivatives and/or Spot contract is required to be settled as provided in these Business Rules.

3.31. Short Position

3.31.1. Short position in a Derivatives contract means outstanding sell obligations in Derivatives contract

TRADING BUSINESS RULES

4. Dealings on the Exchange

4.1. Exchange System

- 4.1.1. The Exchange shall provide an Automated Trading facility in all the Commodities admitted for dealings on the Derivative Market
- 4.1.2. Trading on the Exchange shall be allowed only through Workstation(s) as approved by the Exchange located at locations for the office(s) of a Trading Member. If LAN or any other way to other workstations at any place connects to an Approved Workstation of a Trading Member it shall require an approval of the Exchange.
- 4.1.3. Each Trading Member shall have a unique identification number which shall be provided by the Exchange and which shall be used to log on (sign on) to the Exchange System.
- 4.1.4. A Member shall have a non-exclusive permission to use the Exchange System as provided by the Exchange in the ordinary course of business as Member.
- 4.1.5. A Member shall not have any title rights or interest whatsoever with respect to Exchange System, its facilities, software and the information provided by the Exchange System.
- 4.1.6. The Exchange System shall be made available to the Member for trading subject to such terms and conditions as the Relevant Authority may determine from time to time, inter alia, payment of such charges as may be specified from time to time.
- 4.1.7. The Exchange System the Access, may be withdrawn or restricted by the Relevant Authority at any time without assigning any reason and at its absolute discretion.
- 4.1.8. The Member shall, at its own costs, install and use such equipment and software as specified by the Exchange from time to time for the purpose of accessing the Trading System
- 4.1.9. The Exchange shall have the right to inspect equipment and software used for the purposes of accessing the Trading System at any time without giving any notice.
- 4.1.10. The cost of the equipment and software supplied by the Exchange, installation and maintenance of the equipment shall be borne by the Trading Member.
- 4.1.11. The permission to use the Trading System shall be subject to payment of such charges as the Exchange may from time to time prescribe in this regard.
- 4.1.12. A Member shall not, permit itself or any other person(s) to:
 - a. use the software provided by the Exchange for any purpose and the manner other than the purpose and the manner as approved and specified by the Exchange
 - b. copy, alter, modify or make available to any other person the software provided by the Exchange
 - c. attempt directly or indirectly to de-compile, disassemble or reverse engineer the same.
- 4.1.13. A Member shall not, by itself or through any other persons on his behalf, publish, supply, show or make available to any other person or reprocess, retransmit, store or use the facilities of the Trading System or the information provided by the Trading System except with the explicit approval of the Exchange and in the ordinary course of business to complete the transactions on the Exchange.
- 4.1.14. The Exchange shall provide its services on a best effort basis. However the Exchange shall not be liable for failure or malfunctioning of the Trading System or any other support systems and for any loss, damage, or other costs arising thereupon and/or in any way out of:

- a. Failure of telecom network or systems including failure of ancillary or associated systems, or fluctuation of power, or other environmental conditions; or
- b. accident, transportation, neglect, misuse, errors, frauds of the Trading Member or its Authorized Persons or the agents or any third party; or
- c. any fault in any attachments, system or equipments (either supplied by the Exchange or approved by the Exchange) which forms or does not form part of the trading workstation installation; or
- d. act of God, fire, flood, war, act of violence, or any other similar occurrence or for any reason beyond the control of Exchange; or
- e. any incidental, special or consequential damages

4.1.15. No Member shall deal on or access the Trading System or related facilities through another Member or on behalf of another Member, unless the prior approval of the Exchange in writing is obtained in this regard.

4.2. Exchange Members And Users

4.2.1. Members shall be entitled to appoint, (subject to such terms and conditions, as may be specified by the Relevant Authority) from time to time -

- a. Authorized Persons;
- b. Approved Users.

4.2.2. Members should have passed a certification program, if prescribed by the Exchange. In case of Members, other than individuals or sole proprietorships, such certification program shall have to be passed by at least one of their directors/employees/partners / members of governing body. Relevant Authority shall have discretion to modify or waive this condition in general or for any specific Member/s or User/s.

4.2.3. Each Member shall be permitted to appoint such number of Approved Users as may be notified from time to time by the Exchange.

4.2.4. The appointment of Approved Users shall be subject to such terms and conditions as the Exchange may prescribe from time to time.

4.2.5. Each Approved User shall be given a unique identification number through which he shall have access to the Trading System.

4.2.6. An Approved User can access the Trading System through a password and can change such password from time to time.

4.2.7. A Member or its Approved Users thereof shall maintain complete secrecy of its password. Any trade or transaction done by use of password of any Approved User of the Member, shall be binding on such Member .

4.2.8. Approved User shall be required to change his password at the end of the password expiry period. The Exchange shall prescribe the password expiry period from time to time.

- a. Only persons who are registered as Members in accordance with provisions of the Byelaws, Rules and Business Rules of the Exchange or are clients/constituents of Members for whom an application has been made to the Exchange by the Members in accordance with the format specified by the Exchange from time to time may be approved as Users.

- b. No person shall be admitted as Approved User who is under 21 years of age.
 - c. No person shall be admitted as Approved User against whom any disciplinary action has been taken by the Exchange and the punishment imposed thereon is still in force.
 - d. No Member shall without permission of the Exchange take into his employment a former Member or User of such Member as Approved User, if such Member or Approved User is one against whom any disciplinary action has been taken by the Exchange and the punishment imposed against the said Member or said User is still in force.
- 4.2.9. The Exchange shall have a right to reject any application made or at any time withdraw any approval previously granted, or suspend any Approved User temporarily from access to the system. Such suspension may be conditional and may be revoked on the fulfillment of condition specified, if any, to the satisfaction of the Exchange.
- 4.2.10. A Member desiring to change the User ID or cancel the authority given to its Approved User to operate the Exchange System on its behalf shall intimate the Exchange in writing, in such form and manner as the Exchange may specify, immediately on taking such action and obtain confirmation from the Exchange of having received such intimation and of the disabling of the particular User by the Exchange. However the Member will continue to be liable for all the activities reported on the basis of such or previous User ID undertaken up to a period of 24 hours after his obtaining a confirmation as mentioned above from the Exchange. The Member shall cancel all his outstanding orders in respect of such Approved User.
- 4.2.11. Whenever an Approved User of the Member ceases to act in such or any capacity with the Trading Member then each such Trading Member shall inform the Exchange, within 24 hours, the name and other particulars of such Approved User.
- 4.2.12. No application shall be made by any Member, if such person for whom such an application is made, is already an Approved User of any other Member.
- 4.2.13. The Exchange shall notify different level of the Approved Users for each workstation provided. These levels shall define the access to the Trading System by the Users and shall include a provision for inquiry only on the terminal, provision for order entry and trading, or such others, as may be specified by the Exchange.
- 4.2.14. The Exchange may change the status of Approved User of the Member from Trader to Inquiry only where circumstances warrant and intimate to such Member.
- 4.2.15. A Member, shall not access the Trading System using a different Member or User ID other than the one allotted to him.
- 4.2.16. The Approved User shall not attempt to aid in or access the Exchange System using the Member code from a location other than the Member's Approved Office/location.
- 4.2.17. A Member who wants the Exchange to reset his password, has to make a request in writing or any other mode of communication as prescribed by Relevant Authority signed by the Member indicating his Member ID and User ID. A Member shall not make a request for resetting the password of any other Member.

4.3. Trading Days

- 4.3.1. The Exchange shall operate on all days as specified in the respective commodity contracts

except on such holidays as may be declared by it from time to time. The Exchange may prescribe commodity specific and/or geographical area specific trading holidays.

- 4.3.2. The Exchange may close the market on days other than or in addition to scheduled holidays or open the market on days originally declared to be holidays, to be called unscheduled opening or closing of the markets or segments and the decision of the Exchange in this matter shall be final and binding.
- 4.3.3. The Board or the Relevant Authority will provide for Opening, Normal and Closing sessions or any other session as may be decided.
- 4.3.4. The types of Order books, Trade books, Price limits, matching rules and other parameters pertaining to each or all of these sessions will be specified by the Exchange to the members via its circulars or notices issued from time to time.
- 4.3.5. Members may place orders on the Trading system during these sessions, within the Business Rules prescribed by the Exchange as per these Byelaws Rules and Business Rules, from time to time.

4.4. Trading Hours

- 4.4.1. The Exchange shall announce the normal trading hours/Open Period and closing period in advance from time to time.
- 4.4.2. The Exchange may extend or reduce trading hours, halt trading session by notifying Members as and when it deems fit and necessary in this regard.

4.5. Trading Cycle

- 4.5.1. Trading cycle for each commodity / Derivative Contract will have a standard period as notified by the Exchange from time to time, during which it will be available for trading.

4.6. Contract Expiration

- 4.6.1. Derivatives Contracts will expire on a pre-determined date and time up to which the Contract will be available for trading which shall be notified by the Exchange in advance.

4.7. Trading Parameters

- 4.7.1. The Exchange shall from time to time specify various trading parameters relating to the Trading System.
- 4.7.2. Every Member will be required to specify the buy or sell orders as either an open order for Derivatives contracts
- 4.7.3. The Exchange shall from time to time prescribe different order books that shall be maintained on the Trading System and shall specify such various conditions on the order that will make it eligible to place it in those books.
- 4.7.4. The Exchange shall specify the minimum disclosed quantity for orders that will be allowed for each commodity/Derivatives Contract, as the case may be.
- 4.7.5. The Exchange shall prescribe the number of days after which Good Till Cancelled orders will be cancelled by the system.
- 4.7.6. The Exchange shall specify from time to time the lot size in which orders can be placed for any or all commodities / contract traded on the Exchange.

- 4.7.7. The Exchange shall specify from time to time price steps in which orders shall be entered on the Trading System of the Exchange.
- 4.7.8. The Exchange shall lay down position limits in respect of each Commodity/ Derivatives Contract from time to time.
- 4.7.9. The Exchange shall specify the price band for each Commodity / Derivatives Contract.

4.8. Market Types /Trade Types/Settlement Periods/Transaction Types

- 4.8.1. The Exchange shall permit and notify different kinds of trades in the commodities / Derivative Contracts included in the official list of ACE, which shall include Regular market trades
- 4.8.2. The Exchange shall prescribe from time to time different trade types, market types, which will be permitted to Trading Members for dealings in commodities
- 4.8.3. The Exchange shall prescribe from time to time the different settlement periods that will be permitted and will be in conformity with the Clearing Business Rules of the Exchange.
- 4.8.4. The Exchange shall allow from time to time different transactions types, which shall include transaction for clearing, special and spot delivery.

4.9. Failure Of Members' System

- 4.9.1. In the event of failure of Members workstation and / or the loss of access to the Exchange System, the Exchange may at its discretion, but not bound to, undertake on behalf of the Member to carry out the necessary functions which the Member is eligible on a valid request from such Member subject to such terms and conditions which the Exchange may deem necessary to be imposed. The Exchange shall entertain only request made in writing in a clear and precise manner by the Member and in a manner as prescribed by the Exchange. The Member shall be accountable for the functions executed by the Exchange on their behalf and shall indemnify the Exchange against any losses or costs incurred by the Exchange or any claims on the Exchange arising out of the above situation. The Exchange may, at its discretion, provide Common Pool Facility to the Members.

5. Dealings In Derivatives Contracts

5.1. Dealings In Derivatives Contracts

- 5.1.1. All Derivatives Contract specifications shall be announced by the Exchange in advance from time to time. Dealings shall be permitted on the Exchange in Derivatives Contract pertaining to commodities as provided in these Business Rules, Byelaws and Rules of the Exchange as in force from time to time and for such categories of Members, trade types, Market Types, Settlement Periods and for such Trading Hours as the Exchange may specify from time to time.
- 5.1.2. The Exchange may at its discretion or due to any regulatory direction at any time suspend trading in particular Derivatives Contracts as it deems fit under the following circumstances:
 - a. There is law and order problem, which in the opinion of the Exchange may, extend over a period of time and affect the market conditions adversely;
 - b. Reasons beyond the control of parties because of which it may not be possible in the opinion of the Exchange for the parties to perform the contracts;

c. Any other reason or circumstances under which, the Relevant Authority deems, in the interest of Market, to suspend trading in particular Derivatives Contract.

5.1.3. Such suspension shall take effect, on such conditions and in such time and manner as the Exchange may prescribe in this regard.

5.1.4. The Exchange may also revoke suspension of trading in any or all types of Derivatives Contracts and/or commodities at any time.

5.1.5. Trading Members may trade on the Trading System in Commodities / Derivatives Contracts that are admitted for dealing on the Exchange, either on behalf of their Constituents or on their own account unless otherwise specified by the Relevant Authority and trading shall be subject to such conditions as the Exchange may prescribe from time to time.

5.2. Segregation of Trades

5.2.1. Every Member shall segregate trading by him on his own account from that of his Clients in such manner as the Exchange may provide.

5.3. Transactions of Director or employee

5.3.1. For the purpose of these Business Rules, for transactions entered into on behalf of the director or an employee of the Member or for transactions in which the director or employee has beneficial interest, such director or employee shall be considered as a Constituent of the Member and margins shall be collected from each such Constituent separately

5.3.2. The Member cannot utilize the funds and commodities of one Constituent for and on behalf of another Constituent except on specific authorization of the Constituent whose funds or commodities are utilized.

5.3.3. The Exchange may, at any time restrict conditionally or unconditionally a Member from dealing in a specified Derivatives Contract

5.3.4. The Member shall continue to be liable for all trades executed on the Automated Trading System (ATS) system for orders entered into the Trading System on his behalf. Member shall be responsible for all the actions of their Authorized Persons / Authorized Users.

5.3.5. Prices quoted on the Exchange shall be basis delivery location, either inclusive or exclusive of various taxes/duties as may be applicable as prescribed by the Exchange, in the contract specifications for different commodities or contracts, from time to time,

5.3.6. The Exchange shall from time to time provide incidence of liability, procedures and mode of payment of taxes/duties as may be payable by the Buyer / Seller Constituents which shall be binding on the Buyer / Seller Constituents.

5.4. Trade Operations

5.4.1. Members shall ensure that appropriate confirmed order instructions are obtained from the Constituents before placement of an order on the System and shall keep relevant records or documents of the same and of the completion or otherwise of these orders thereof.

5.4.2. The Member shall make available to his Constituent the Exchange System order number and copies of the order confirmation slip / modification slip be dispatched to the Constituent.

- 5.4.3. The Member shall disclose to the Exchange at the time of order entry that the order is on his own account or on behalf of Constituents and also specify orders for buy or sell as open or close orders
- 5.4.4. The procedures and conditions for amendment or cancellation of orders would be subject to such conditions and as specified by the Exchange from time to time.
- 5.4.5. Members shall be solely responsible for the accuracy of details of orders entered into the Trading System including orders entered on behalf of his Constituents.
- 5.4.6. Trades generated on the system are irrevocable and 'locked in'. The Exchange may specify from time to time the Market Types and the manner if any, in which trade cancellation can be effected.
- 5.4.7. Where a trade cancellation is permitted and Member wishes to cancel a trade, it may be done only with the approval of the Exchange and in the following manner:
 - a. The Member wishing to cancel the trade shall initiate a cancellation request to the Exchange. The counter Member to the trade too will have to put in his cancellation request separately.
 - b. Where a Member initiates such request the onus shall be on the Member to ensure that he receives a written request from the Constituent.
 - c. Where a trade cancellation request(s) comes to Exchange from only one party to trade and is/are pending with the Exchange as a result of it being not confirmed by the counter party to such trade within such time as may be notified by the Exchange, such request may be cancelled at the discretion of the Exchange.
 - d. The Exchange shall not consider any request for a trade cancellation after such period after the market close on a Trading Day as may be notified from time to time.
 - e. The Exchange shall not give the reasons for rejection or approval of any such trade cancellation request.
 - f. The Exchange may cancel a trade suo-moto without any request by either of the parties to the trade at any time without giving any reason thereof which cancellation shall be final and binding upon the parties to the trade. In the event of such cancellation, Member shall be entitled to cancel relative contract(s) with his Constituents.
- 5.4.8. The Member shall make available to his Constituent the Trading System generated trade number and copies of the trade cancellation slip wherever applicable

5.5. Margin Requirements

- 5.5.1. Subject to the provisions as contained in the Exchange Bye-laws and such other Business Rules as may be in force, every Clearing Member shall in respect of trades in which he is a party, deposit a margin with Exchange authorities, in the manner and to the extent specified by the Exchange. Whenever a margin is payable by a Clearing Member, it shall pay such margins directly to the Exchange, unless otherwise directed by the Exchange.
- 5.5.2. The Exchange shall prescribe from time to time the commodities / Derivative Contracts, the Settlement Periods and trade types for which margin would be attracted.
- 5.5.3. The Exchange shall levy initial margin on Derivatives Contracts using the concept of Value at Risk (VAR) or any other concept as the Exchange may decide from time to time and shall cover one-day loss that can be encountered on the position on 99% of the days.

- 5.5.4. The Margin shall be in the nature of initial margin, additional margin, long or short position margin, special margin, or any other margin as may be specified. The Exchange shall at the time of determining margin requirements shall also specify the application of the margin on the seller and/ or buyer side of the contract.
- 5.5.5. The margin shall be deposited with the Exchange within such time as may be notified by the Exchange from time to time.
- 5.5.6. The Exchange shall prescribe from time to time such categories of securities that would be eligible for a margin deposit as also the method of valuation and amount of securities that would be required to be so deposited against the margin amount.
- 5.5.7. The procedure for refund/adjustment of margins will be such as may be notified by the Exchange from time to time.
- 5.5.8. The Exchange shall from time to time, impose upon any particular Member or category of Member any special or other margin requirement.
- 5.5.9. On failure to deposit margin/s as required under this clause, Exchange/Clearing House may withdraw the trading facility of the Member.

5.6. **Order Management**

5.6.1. **Order Type:**

- a. The Exchange shall stipulate from time to time, the kinds of orders that a Trading Member can place in the system which may include Normal order, Special Term order, etc. as also the order attributes that he could place thereon.

5.6.2. **Order Attributes**

- a. The Exchange shall from time to time allow various order attributes subject to restrictions as prescribed in the trading parameters, which will include
 - i. Stop Loss
 - ii. Disclosed Quantity
 - iii. Immediate Or Cancel
 - iv. Good Till Day
 - v. Good Till Canceled
 - vi. Good Till Date
- b. The attributes of special term order shall be specified by the Exchange from time to time and shall include
 - i. Minimum Fill
 - ii. All Or None
- c. The Exchange shall specify the order types and order attributes permitted for different market types, trade types, trading periods etc.

5.6.3. **Modification And Cancellation Of Orders**

- a. A Member shall be permitted to modify or cancel his orders, provided a trade has not already taken place in respect of that order.
- b. The order can be modified by effecting changes in the order input parameters in the

manner and on such condition as specified by the Exchange.

- c. The modified order shall lose or retain its time priority as per the trading parameter set by the Exchange.

5.6.4. **Order Validation**

- a. Orders entered into the Trading System by Members shall be subject to various validation requirements as prescribed by the Exchange from time to time including trading parameters, turnover limits and/or other restrictions placed on traded commodities / derivatives contracts. The Trading System will not accept orders that do not meet the validation checks.

5.6.5. **Matching Rules**

- a. The Exchange shall specify from time to time the kinds of order books that shall be maintained on the system, the order matching algorithms and the matching rules and parameters that shall be followed therein.
- b. The Exchange may modify or change the matching algorithms relevant to any market or order books any time where it is necessary to do so.
- c. Where the Exchange feels that it is in the interests of the market to do so, it may at any time make available any particular order books or forms of matching, in the case of a particular contract or Member or to the market as a whole.
- d. Without prejudice to the generality of the above, the order matching rules would include the following:
 - i. Orders in the Normal market will be matched on price-time priority basis.
 - ii. The best buy order shall match with the best sell order. For trading on price, the best buy order would be the one with the highest price and the best sell order would be the one with the lowest price.

5.7. **Contract Note (Annexure B)**

- 5.7.1. Every Member shall issue a contract note to his Constituents for trades executed in such format as specified with all relevant details as required therein to be filled in and issued in such manner and within such time as prescribed by the Exchange.
- 5.7.2. A contract note shall be signed by a Member or his Authorized signatory or constituted Attorney.
- 5.7.3. The Contract Notes shall be numbered with unique running serial number commencing from one, which shall be reset only at the beginning of every financial year. In case separate series are maintained in respect of different dealing offices of the Member, then the dealing office name or code shall be prefixed to the serial number.
- 5.7.4. The contract note shall be time stamped with the time of receipt of order and the time of execution of order. The Contract Note shall be stamped as per the Indian Stamp Act.

5.8. **Brokerage**

- 5.8.1. All the orders entered on the Trading System shall be at prices exclusive of brokerage.
- 5.8.2. Members shall charge brokerage at rates not exceeding such scale as the Exchange may from time

to time prescribe.

- 5.8.3. A Member shall charge brokerage separately to their Constituents and this shall be indicated separately from the price, in the contract note.

5.9. Margin From The Constituents

- 5.9.1. The Members must collect from its Constituents the Margin Deposit that the member has to provide under the Bye-laws, Rules and Business Rules in respect of the business done by the Members for such Constituents.
- 5.9.2. The Members shall buy / sell derivatives contracts on behalf of the Constituent only on the receipt of margin of minimum such percentage as the Exchange may decide from time to time, on the price of the derivatives contracts proposed to be purchased/sold, unless the Constituent already has an equivalent credit with the Member. Member may collect higher margins from Constituents, as he deems fit.
- 5.9.3. The Member shall obtain a written undertaking from the Constituents that the latter shall when called upon to do so forthwith from time to time provide a Margin Deposit and/or furnish additional Margin as required under these Bye-laws, Rules and Business Rules in respect of the business done for the Constituent by and/or as agreed upon by Constituent with the Member concerned.
- 5.9.4. The Member shall demand from his Clients the amounts arising in respect of daily settlement for transaction entered on the Exchange by the members on behalf of such Clients, as the Member deems fit.
- 5.9.5. The Trading Member shall demand from his Constituents the amounts arising in respect of daily settlement in accordance with the Clearing Corporation Business Rules for business done by the members on behalf of such Constituents on such higher amounts, as the Trading Member deems fit. The Trading Member may, if so desire, for administrative convenience maintain the daily settlement margin balance up to a pre-agreed level to avoid collecting and paying daily settlement amount on a daily basis, which may be referred to as maintenance margin.

5.10. Constituent(s) in default

- 5.10.1. In case of non-payment of daily settlement by the Constituent, the Members shall be at liberty to close out transactions by selling or buying the derivatives contracts, as the case may be, unless the Constituent already has an equivalent credit with the Member. The loss incurred in this regard, if any, shall be met from the margin money of the Constituent.
- 5.10.2. In case of open position of constituent, the Members shall be at liberty to close out the transactions either by selling or by buying the contracts, in case the Client fails to meet the obligations in respect of the open position within next trading day of the transaction having been executed. Loss incurred in this regard, shall be met from the margin money of the Constituent
- 5.10.3. A Member shall be liable to furnish the required margin notwithstanding the non-payment of margin by a Client to such Member.

6. Conduct of Business

6.1. Office Related Procedure

- 6.1.1. No Member shall carry on any activity connected with or pertaining to its operations as a Member of the Exchange in any office or premises, the full address of which has not been intimated to the Exchange with details of the activity proposed to be so carried on therein and the person in whose supervision and control it is to be so carried on.
- 6.1.2. Each office, department for trading on the ACE, shall be under the supervision and control of the Member establishing it and of the personnel delegated with such authority and responsibility in this regard.
- 6.1.3. Every Member shall ensure that all persons acting in his behalf on the Exchange System shall subscribe at all times to high standards of professional expertise and integrity.
- 6.1.4. Each Member shall at all times maintain such infrastructure, staff, communication facilities and records so as to be able to service his Constituents satisfactorily and as per the requirements enumerated in the Exchange Bye-laws, Rules and Business Rules or any other relevant Act(s) in force for the time being.
- 6.1.5. Where the Exchange feels it necessary, in the public interest to do so, it may at its own instance or on a complaint from another Member or client, seek explanation from the Member regarding the level of service or professional conduct of the Member or any of his staff where such service or conduct has been found unsatisfactory or contrary to principles enumerated in the Exchange Bye-laws, Rules and Business Rules, or notifications, directions or circulars issued there under.

6.2. Supervision

6.2.1. Procedures To Be Followed

- a. Each Member shall establish, maintain, and enforce procedures to supervise its business and to supervise the activities of its employees that are reasonably designed to achieve compliance with the ACE Bye-laws, Rules and Business Rules and any notifications, directions etc. issued there under as well as the relevant statutory Acts.
- b. The Member for the purpose of better control may, if it so desires, maintain an internal record of the names of all persons who are designated as supervisory personnel and the dates for which such designation is or was effective.
- c. Every Member shall specifically authorize in writing person or persons, who may be authorized to transact on behalf of the Member and to do such acts which Member may wish to delegate to such person and make available a copy of such power of attorney to the Exchange before such person transacts any business on the Exchange.
- d. A Member shall maintain such records and make available to inspection by any person authorized in this behalf by the Exchange, the information related to such Member's financial condition as prescribed by the Exchange for this purpose.
- e. The Member shall pay such fees, charges and other sum as the Exchange may notify from time to time, in such time and manner as required by the Exchange.
- f. The Member must inform the Exchange of any change in the status and constitution, operation and activities of the Member.

6.2.2. Internal Inspections

- a. Each Member shall conduct a review, at least annually, of the business in which it engages, which shall be reasonably designed to assist in detecting and preventing violations of and achieving compliance with Bye Laws, Rules and Business Rules.

6.2.3. Written Approval

- a. Each Member shall establish procedures for the review and endorsement by an appropriate senior officer in writing, on an internal record, of all transactions and all correspondence of its employees pertaining to the solicitation or execution of any commodities transaction.

6.3. Qualifications Investigated

- 6.3.1. Each Member shall have the responsibility and duty to ascertain the good character, business repute, qualifications and experience of any person prior to making such certification in the application of such person for registration with the Exchange as User.

6.4. Relation With The Constituents

- 6.4.1. Every Member shall enter into an agreement with each of his Constituents, before accepting or placing orders on the Constituent's behalf. Such agreement shall include provisions specified by the Exchange in this behalf and shall be known as Client Registration Form (**Annexure C**). The Exchange may categorize Constituents into such types as may be necessary for the above purpose and specify the clauses to be included in agreements to be entered into by the Member depending on the category of such Constituent. However the Member's responsibility shall not in any way be reduced due to non-execution of agreement with the Constituent.
- 6.4.2. When establishing a relationship with a new client, Members must take reasonable steps to assess the background, genuineness, financial soundness of such person and his investment objectives. The Member shall obtain from all corporate Constituents an approved copy of the Board resolution permitting trading in derivatives
- 6.4.3. Member shall make the Constituent aware of the precise nature of the Member's liability for business to be conducted, including any limitations on that liability and the capacity in which the Member acts and the Constituents' liability thereon.
- 6.4.4. The Member shall make the Constituent aware of the risk associated with the business in derivatives trading including any limitations on the liability and the capacity in which the Member acts and the Constituent's liability thereon by issuing to the Constituent a copy of the Risk Disclosure Document as specified in the (**Annexure D**) The Risk Disclosure Document shall be duly signed by the Constituent and maintained and retained by the Member retain in its records for such period as the Exchange may specify
- 6.4.5. The Member shall provide extracts of relevant provisions governing the rights and obligations of Constituents as Constituents of Members as prescribed in the Bye-laws, Rules and Business Rules, relevant manuals, notifications, circulars, any additions or amendments thereto etc. of the

Exchange, or of any regulatory authority, to the extent it governs the relationship between Members and Constituents, to the Constituents at no extra cost. The Member shall also bring to the notice of his Constituents, including Participants any indictments, penalties etc. imposed on him by the Exchange or any other regulatory authority.

6.4.6. Recommendations to the Member:

- a. A Member shall make adequate disclosures of relevant material information in its dealing with his Constituents.
- b. No Member or person associated with the Member shall guarantee a Constituent against a loss in any commodities transactions effected by the Member with or for such Constituent.

6.5. Guidelines Governing Relationship Between Member And Constituent

- 6.5.1. The Member shall not recommend to the Constituent a sale or purchase of commodities or derivatives contracts traded on the Trading System, unless he has reasonable grounds to believe that such recommendation is suitable for the Constituent on the basis of the facts, if any, disclosed by the Constituent, whether in writing or orally, regarding the Constituent's commodity holdings, financial soundness and investment objectives.
- 6.5.2. The Member shall make adequate disclosures of relevant material information in dealing with the Constituent including the current best price of trade and trade or order quantities on the Trading System, as also any allocation policy inter se Constituents, any relevant announcement from the Exchange relating to margin, trading restrictions as to price, quantity or where the member is the counter party to a trade executed on the Trading system with the Constituent.
- 6.5.3. The Member shall not furnish any false or misleading information or advice with a view to inducing the Constituent to do business in particular Derivatives Contracts and which will enable the Member to gain thereby.
- 6.5.4. The Member shall explain the Trading System and order matching process to the Constituent before accepting any orders from him.
- 6.5.5. Where the Constituent requires an order to be placed or any of his order to be modified after the order has entered the system but has not been traded, the Member may, if it so desires, obtain order placement/ modification details in writing from the Constituent. The Member shall accordingly provide the Constituent with the relevant order confirmation/modification slip or copy thereof, forthwith, if so required by the Constituent.
- 6.5.6. Where the Constituent requires any of his orders to be cancelled after the order has been entered in the system but has not been executed, the Member may, if it so desires, obtain the order cancellation details in writing from the Constituent. The Member shall accordingly provide the Constituent with the relevant order cancellation details, forthwith, if so required by the Constituent.
- 6.5.7. The Member may, if it so desires, obtain in writing, the delivery and payment requirement in any instructions of an order that it receives from the Constituent. Where a Member receives a request for order modification or order cancellation from the Constituent, it shall duly bring it to their notice that if the order results in a trade in the meantime, the requests for modification or cancellation cannot be

executed.

- 6.5.8. The Member shall not accumulate Constituent's order / unexecuted balances of order unless specified by Exchange from time to time.
- 6.5.9. The Member agrees to act promptly in accordance with instructions provided by the Constituent unless it has a discretion as to timing, in which case it must exercise its judgment as to the best moment.
- 6.5.10. The Member shall provide Constituent with a copy of the trade confirmation slip as generated on the Trading System forthwith on execution of the trade, if so desired by the Constituent.
- 6.5.11. The Member shall at all times keep the moneys of the Constituent in a separate bank account.
- 6.5.12. Where the Member is required to pay margin money on transaction executed on behalf of the Constituent, it shall collect the same from the Constituent in such form and manner as may be prescribed by ACE.
- 6.5.13. Where the Constituent requires an executed trade to be cancelled, the Member shall obtain a written request for trade cancellation from the Constituent. In all instances of trade cancellation requests, the member shall explain to the Constituent that the right to approve or reject such trade cancellation requests rests with the Exchange.
- 6.5.14. The member shall make pay out of funds or delivery of commodities, as the case may be, to the Constituent within 24 hours of receipt of the payout from the Exchange or within such time as may be prescribed by the Exchange.

6.6. General Principles

- 6.6.1. **Professionalism:** A Member in the conduct of his business shall observe high standards of commercial honor of just and equitable principles of trade.
- 6.6.2. **Adherence to Trading Practices:** Members shall adhere to the Byelaws, Rules and Business Rules of the Exchange and shall comply with such operational parameters, rulings, notices, guidelines and instructions of the Relevant Authority as may be applicable from time to time.
- 6.6.3. **Honesty and Fairness:** In conducting his business activities, a Member shall act honestly and fairly, in the best interests of his Constituents.
- 6.6.4. **Capabilities:** A Member shall have and employ effectively the resources and procedures, which are needed for the proper performance of his business activities.

6.7. Trading Principles

- 6.7.1. Members shall ensure that the fiduciary and other obligations imposed on them and their staffs by the various statutory Acts, Rules and Business Rules are complied with.
- 6.7.2. Members shall ensure that any employee who commits the Members to a transaction has the necessary authority to do so that employees are adequately trained in operating in the relevant market segment in which they deal, are aware of their own, and their organization's responsibilities as well as the relevant Statutory Acts governing the Member, the bye-Laws, Rules and Business Rules of the Exchange including any additions or amendments thereof.
- 6.7.3. Member shall be responsible for all the actions including trades originating through or with the use of all following variables - Member ID, User ID, valid User password at that point of time. However if the Member satisfies the Exchange that the action(s) and /or trade(s) took place due to fraud or misrepresentation by any other person other than his authorized person(s) and that the action(s)

and/or trades did not originate from any of his approved workstations, the Exchange may issue such directions as it considers just and reasonable. The directions may include referring the matter to arbitration and/or annulment of trade(s) so effected.

- 6.7.4. When entering into transactions on behalf of Constituents, the Members shall ensure that they abide by the Code of Conduct and Business Rules as enumerated in the current chapter of these Business Rules.
- 6.7.5. No Member or person associated with a Member shall make improper use of Constituent's commodities or funds.
- 6.7.6. No Member shall publish and circulate or cause to be published or circulated, any notice, circular, advertisement, newspaper article, investment service or communication of any kind which purports to report any transaction as a purchase or sale of any commodity unless such Member can establish if called for that such transaction was a bonafide purchase or sale of such contract or which purports to quote the purchase/sale price for any contract such Member can establish if called for that such quotation represents a bonafide order of such derivatives contracts
- 6.7.7. When entering into or arranging transactions, Members must ensure that at all times great care is taken not to misrepresent in any way the nature of transaction.
- 6.7.8. No Member shall exercise any discretionary power in a client's account unless such client has given prior written authorization to a stated individual or individuals and the account has been accepted by the Member, as evidenced in writing by the Member.
- 6.7.9. A Member shall not act as a principal or enter into any agreement or arrangement with a client or client's agents, employees or any other person connected to the client, employee or agency, whereby special or unusual rates are given with intent to give special or unusual advantage to such client for the purpose of securing his business.
- 6.7.10. The Member shall not disclose the name and beneficial identity of a Constituent to any person except to the Exchange, Clearing House, Regulator, and concerned Clearing Member any enquiry or inspection authority as required by law as and when asked for and as may be required by the Exchange from time to time.

6.8. General Guidelines

- 6.8.1. A Member shall desist from the following trading practices while conducting business on the Exchange.
 - a. **Shielding or Assisting:** No Member shall shield or assist or omit to report any Member whom he has known to have committed a breach or evasion of any Bye-Laws, Rules or Business Rules of the Exchange or of any resolution, order, notice or direction there under of the Relevant Authority of the Exchange authorized in that behalf.
 - b. **Misleading Transactions:** A Member shall not- make bids and/or offers for commodities with an intention of creating a false or misleading appearance with respect to the market for, or the price of any commodity or; make a transaction or give an order for the purchase or sale of commodities, the execution of which would involve no change of beneficial ownership, unless the Member had no knowledge that the transaction would not involve a change in the

beneficial ownership of derivatives contracts.

- c. **Use of information obtained in Fiduciary Capacity:** A Member who in the capacity of paying agent, transfer agent, trustee, or in any other similar capacity, has received information as to the ownership of derivatives contracts, shall under no circumstances make use of such information for the purpose of soliciting purchases and sales.

6.9. Unfair Trading Practices

- 6.9.1. No Member shall buy, sell or deal in Derivatives Contracts in a fraudulent manner, or indulge in any unfair trade practices including market manipulation Without prejudice to the generality of the provisions contained, no Member shall indulge in market manipulation:
- 6.9.2. Effect, take part either directly or indirectly in transactions, which are likely to have effect of artificially, raise or depress the prices of Derivatives Contracts
- 6.9.3. Indulge in any act, which is calculated to create a false or misleading appearance of trading, resulting in reflection of prices, which are not genuine
- 6.9.4. No Member shall buy, sell commodities / contracts on his own behalf or on behalf of a person associated with him pending the execution of the order of his Constituent or of his company or director for the same contract
- 6.9.5. Delay the transfer of commodities in the name of the transferee, Indulge in falsification of his books, accounts and records for the purpose of market manipulation
- 6.9.6. When acting as an agent execute a transaction with a Constituent at a price other than the price at which it was executed on the exchange
- 6.9.7. Either takes opposite position to an order of a Constituent or shall execute opposite orders which he is holding in respect of two Constituents except in the manner laid down by the Exchange

7. Records, Annual Accounts & Audit

7.1. Records

- 7.1.1. Every Member shall comply with all relevant statutory Acts, including Forward Contracts (Regulation) Act, 1952 and Rules, Business Rules and guidelines there under, and the requirements of and under any notifications, directives and guidelines issued by the Central Government and any statutory body or local authority or any body or authority acting under the authority or direction of the Central Government relating to maintenance of accounts and records.
- 7.1.2. In addition to the requirements as per Regulation above, every Member of the Exchange shall comply with such other requirements as the Exchange may from time to time notify in this behalf relating to books of accounts, records and documents in respect of his membership and trading on the Exchange.
- 7.1.3. Every Member of the Exchange shall maintain the following records relating to its business for a period of three years either in hard form or non-temperable soft form:
- Statements of fund and commodities obligations received from the clearinghouse.
 - Records in respect of Premium / Discount and final settlement amounts including taxes and charges on commodities of constituents.
 - Records in respect of brokerage collected separately from Constituents.

- d. Register of transaction (or other records of original entry) containing an itemized daily record of all purchases and sales of contract/ commodities , showing for each such transaction effected, the name of contract/ commodities, value of contract/ commodities, rates both gross and net of brokerage and name of Constituents.
- e. Register or Ledger Account of Commodities, Constituent wise and Commodity wise, giving, inter alias, the following details viz. date of receipt of the Commodity, quantity received, party from whom received, purpose of receipt, date of delivery of the Commodity, quantity delivered, party to whom delivered and purpose of delivery and a separate register or ledger in respect of its own commodities or in the manner as may be specified by the Exchange.

- 7.1.4. Every Member of the Exchange may for the purpose of better internal control and management, if it so desires, also maintain the following records relating to its business:
- a. Order confirmation slips, Order modification slips as obtained from the trading system of the Exchange
 - b. Trade confirmation slips as obtained from the trading system of the Exchange
 - c. Record of all statements received from the settling agencies and record of all correspondence with them.
 - d. Order Book reflecting the following:
 - i. identity of person receiving the order
 - ii. date and time of order received
 - iii. name of person placing the order
 - iv. name of Constituent, description and value of securities to be bought and sold
 - v. terms and conditions of the order stating particularly price/rate limit
 - vi. or price/rate related instructions and time limit on the order (if any)
 - vii. the Trading system order number as per the trading system of the Exchange or Trading Member order number as the case may be.
 - viii. any modification or cancellation thereof including cases when it is cancelled by the system or cancelled due to maturity of an instrument.
 - ix. if executed, the price/rate at which executed and to the extent feasible, the time of execution or cancellation and trade number as per the trading system of the Exchange.
 - x. reference number of the contract issued in case of executed orders.
 - xi. orders entered pursuant to the exercise of discretionary power shall be so designated.
 - xii. entries of orders shall be serially numbered.
 - e. Reports produced from the trading system like Order log and Trades done each day
 - f. Copies of all instructions obtained in writing from Constituents including Participants for an order placement, order modification, order cancellation, trade cancellation, etc.
- 7.1.5. Every Member shall keep such books of accounts, as will be necessary, to show and distinguish, in connection with his business as a Member:
- a. The moneys received from or on account of and moneys paid to or on account of each of his clients and,

b. The moneys received and the moneys paid on Member's own account.

7.1.6. It shall be compulsory for all Members to keep the money of the clients in a separate account and their own money in a separate account. No payment for transaction in which the Member is taking a position as a principal will be allowed to be made from the client's account.

a. The transfer from client's account to Member's account shall be allowed under circumstances enumerated below:

i. **Obligation to pay money into "Clients account":** Every Member who holds or receives money on account of a client shall forthwith pay such money to current or deposit account at bank to be kept in the name of the Member in the title of which the word "Clients" shall appear (hereinafter referred to as "Clients Account"). Member may keep one consolidated clients account for all the clients or accounts in the name of each client, as he thinks fit; provided that when a Member receives a cheque or draft representing in part money belonging to the client and in part money due to the Member, he shall pay the whole of such cheque or draft into the clients account and effect subsequent transfer as laid down below in para (iii. B).

ii. **Moneys to be paid into "clients account":** No money shall be paid into clients account other than:

A. money held or received on account of clients;

B. such moneys belonging to the Member as may be necessary for the purpose of opening or maintaining the account;

C. money for replacement of any sum, which may by mistake or accident have been drawn from the account;

D. a cheque or draft received by the Member representing in part money belonging to the client and in part money due to the Member.

iii. **Moneys to be withdrawn from "clients account":** No money shall be drawn from clients account other than -

A. money properly required for payment to or on behalf of clients for or towards payment of a debt due to the Member from clients or money drawn on client's authority, or money in respect of which there is a liability of clients to the Member, provided that money so drawn shall not in any case exceed the total of the money so held for the time being for such each client;

B. such money belonging to the Member as may have been paid into the client account under para (ii. B) and (ii. D) above, money which may by mistake or accident have been paid into such account.

iv. **Right to lien, set-off etc., not affected:** Nothing in this para 1 shall deprive a Member of any recourse or right, whether by way of lien, set-off, counter-claim charge(s) or otherwise against moneys standing to the credit of clients account.

b. Every Member shall send to his Constituents a complete „Statement of Accounts" for both funds and commodities in such periodicity not exceeding six months within a month of the expiry of the said period. The Statement shall also state that the client shall report errors, if any, in the Statement within 30 days of receipt thereof to the Member.

c. The Members shall keep a separate ledger account for each client in respect of the

transactions on the Exchange and shall not mingle such account with the account of the client in respect of transactions of any other stock exchange or any other transaction, which the Member may enter into with such client.

- 7.1.7. Every Member shall maintain permanently copies of agreements executed with each of its Constituent in accordance with the Exchange requirements.
- 7.1.8. Every Member shall maintain permanently copies of agreements executed with each of the settling agencies viz Depository/ies or Clearing banks.
- 7.1.9. Every Member shall maintain record of all relevant particulars of persons, which are approved as Users by the Exchange.
- 7.1.10. Every Member shall maintain originals of all communications received and copies of all communications sent by such Member (including interoffice memo and communications) relating to its business as such.
- 7.1.11. Every Member shall maintain all guarantees of accounts and all powers of attorney and other evidence of the granting of any discretionary authority given in respect of any account and copies of resolutions empowering an agent to act on behalf of a Member.
- 7.1.12. Every Member shall maintain all written agreements (or copies thereof) entered into by that Member relating to its business as such, including agreements with respect to any account.
- 7.1.13. Every Member shall preserve for a period of not less than three years after the closing of any Constituent's account any records which relate to the terms and conditions with respect to the opening and maintenance of such account, date of entering into agreement with the Constituent, date of modification thereof, date of termination and representatives of such Constituent who signed in each case.
- 7.1.14. A Member shall intimate to the Exchange the place where these records are kept and available for audit/inspection.
- 7.1.15. The above requirements relating to maintenance of records shall apply not only to records of the Member's principal office but also to those of any branch office and to any nominee company owned or controlled by a Member for the purpose of conducting the business of the Member.
- 7.1.16. Each Member shall keep and preserve a record of all written complaints of its Constituents showing the reference number of Constituent, date, Constituent's name, particulars of the complaints, action taken by the Member, if the matter is referred to arbitration to the Exchange then the particulars thereof.
- 7.1.17. Every Member shall maintain details of securities which are the property of a Member showing with whom they are deposited and if held otherwise than by the member, whether they have been lodged as collateral security for loans or advances.
- 7.1.18. Every Member shall keep copies/duplicates of Contract Notes issued by the Member and details of any statements, which are required by these Rules to appear on Contract Notes.

7.2. Annual Accounts And Audit

- 7.2.1. Each Member shall prepare annual accounts for each financial year ending on 31st March or such other date as advised by the Exchange.
- 7.2.2. The Assets and Liabilities of the Member's business shall be brought into account in the balance

sheet at such amounts and shall be classified and described therein in such manner that the balance sheet gives a true and fair view of the state of affairs of such business as at the date to which it is made up.

- 7.2.3. Each Member shall furnish to the Exchange, its audited financial statement and such report shall be furnished not later than six months after the end of the Member's financial year, provided that when the Exchange is satisfied that circumstances warrant an extension of time is necessary to furnish such report, it may grant an extension of such time as it may deem fit.

CLEARING BUSINESS RULES

8. Types of Deals

8.1. Deals, Transactions, Dealings And Contracts

8.1.1. For the purpose of these Business Rules the terms 'deals', 'transaction', 'dealing', and 'contract' shall have one and the same meaning unless the context indicates otherwise.

8.2 Extension or Postponement of Contracts by the Exchange

8.1.2. Notwithstanding anything to the contrary contained in these Business Rules, ACE may from time to time extend or postpone the time for performance of contracts in any commodity or commodities whenever in its opinion such action is called for and any such opinion of ACE shall be final and binding.

9. Procedure for Settlement of Deals

9.1. Eligibility Of Deals For Settlement

9.1.1. All deals executed on the Exchange shall be cleared and settled by the Members on the Settlement Date by the Members in accordance with these Bye Laws, Rules and Business Rules of the Exchange.

9.2. Last Day Of Trading

9.2.1. Last trading day for a derivative contract in any commodity would be the date as specified in the respective Contract specification. If the last trading day as specified in the respective commodity contract is a holiday, the last trading day shall be the previous/next trading day or such other day as may be notified by the Exchange.

9.2.2. the Members shall give delivery information during the period as prescribed by the Exchange from time to time and in the event of failure of any Member to submit such information during the said period for the corresponding Contracts, the deals shall have to be settled as per the contract specifications

9.3. Delivery

9.3.1. Through Clearing House

- a. the Exchange would provide a mechanism for members to submit delivery information for all their open positions as per respective contract specifications. On the expiry date, the window would be closed at such time, as may be prescribed by the relevant authority from time to time.
- b. After the trading hours based on the delivery information, the matching for deliveries would take place firstly, on the basis of locations and then randomly or any other allocation logic as may be specified by the Exchange from time to time. Matching done by aforesaid process shall be binding on the Members. After completion of the matching process, Members would be informed of the deliverable / receivable positions and the unmatched positions. Unmatched positions shall have to be settled in cash on expiry date in accordance with the contract specifications. The Exchange may modify its delivery matching logic or may specify a separate delivery matching logic for all or an individual or a group of commodities/contracts and intimate the same to the members.

- c. All matched and unmatched positions shall be settled in accordance with the applicable Settlement Calendar and applicable contract specifications.

9.3.2. Outside Clearing House

- a. the Exchange may allow an alternate mode of settlement between the Constituents directly provided that both the Constituents through their respective Members notify the Exchange, their preferred identified counter-party and deliverable quantity, along with details as may be prescribed by the Exchange. The Exchange shall not be responsible or liable for such settlement or any consequence of such alternate mode of settlements. If the information provided by the buyer / seller Members fail to match, then the open position would be settled as per the contract specifications.

9.3.3. Early Pay-In

- a. The Members may be allowed to deliver their obligations before the Pay in date as per applicable Settlement Calendar, to the Clearing House whereby the Clearing House may at its discretion reduce the margin requirement to that extent.

9.3.4. Additional Credit/Debits

- a. The Exchange may specify the parameters and methodology for Premium / discount, as the case may be, from time to time for the quality/quantity differential, sales tax, taxes, government levies/fees if any. Pay in/Pay out for such additional obligations shall be settled as per the date specified in the Settlement Calendar.

9.4. Penalties For Defaults

- 9.4.1. In the event of a default by the seller or the buyer in delivery of commodities or payment of the price, the Exchange would close out the derivatives contracts and would impose penalties on the defaulting seller or buyer, as the case may be, and also to use the margins deposited by such a Clearing Member to recover the loss. The settlement for such trades would be in cash within such period and in such manner with such penalty and/or charges as may be prescribed by the Relevant Authority of the Exchange from time to time.

9.5. Process Of Dematerialization

- 9.5.1. Dematerialization refers to issue of an electronic credit, instead of a vault/warehouse receipt, to the depositor against the deposit of Commodity. Any person (a Constituent) seeking to dematerialize a commodity would have to open an account with approved Depository Participant (DPs). The Exchange would provide the list of approved DPs from time to time.
- 9.5.2. In case of commodities the Constituent shall deliver the commodity to the Exchange-approved warehouses. The commodity brought by the Constituent would be checked for the quality by the Exchange-approved Assayers/Surveyors before the deposit of the same is accepted by the Warehouse. If the quality of the commodity is as per the norms defined and notified by the Exchange from time to time, the Warehouse shall accept the commodity and send

confirmation in the requisite format to the Exchange and/or R & T Agent who upon verification, shall confirm the deposit of such commodity to the Depository for giving credit to the Demat account of the said Constituent.

9.5.3. Explanation: R & T Agent for the purpose of this clause shall mean any entity engaged by the Exchange for providing depository /warehouse connectivity services or for such other services as the Exchange may require such entity to deliver.

9.5.4. In case of certain commodities as specified by the Exchange, the commodity at the time of deposit is required to be accompanied with the Exchange approved Assayers"/Refiners certificate. The warehouse would accept the Commodity, after verifying the contents of Assayers/Refiners certificate with regard to the commodities deposited provided there is no apparent suspicion about the genuineness of the Assayers/Refiners Certificate and the commodity is as per norms specified by the Exchange from time to time. On acceptance, the Warehouse would issue an acknowledgement to the Constituent and send confirmation in the requisite format to the Exchange and /or R & T Agent who upon verification shall confirm the deposit of such commodity to the Depository for giving credit to the Demat account of the said Constituent.

9.6. Validity Date

9.6.1. In case of Commodity having Validity Date assigned to it by the approved Assayer, the delivery of the said Commodity upon expiry of Validity Date shall be not considered as a good delivery. The Member shall ensure that his concerned Constituent removes the commodities on or before the expiry of Validity Date for such commodities or shall get the commodities revalidated before the validation date is expired.

9.6.2. Commodities in dematerialized form, which have reached the trading Validity Date, would move out of the electronic deliverable quantity. Such commodities would be suspended from delivery.

9.6.3. Constituent shall rematerialize such quantity and remove the same from the warehouse in case the same cannot be revalidated. Failure to remove deliveries after the validity date from warehouse shall be levied with penalty as specified by the Relevant Authority from time to time.

9.7. Process of Re-Materialization

9.7.1. Re-materialization refers to issue of physical delivery against the credit in the Demat account of the Constituent. The Constituent seeking to rematerialize his commodity holding shall have to make a request to his DP in prescribed format and the DP would route his request through the depository system to the R & T Agent who shall issue the authorization addressed to the Exchange and/or Warehouse to release physical delivery to the said Constituent. The Warehouse on receipt of such authorization shall release the commodity to the Constituent or Constituent's authorized person upon verifying the identity.

9.8. Delivery Through The Depository Clearing System

9.8.1. The delivery through the Depository Clearing System into the account of the buyer with the Depository Participant shall be deemed to be delivery notwithstanding that the commodities are located in the warehouse along with the commodities of other Constituents

9.9. Payment Through The Clearing Bank

9.9.1. Payment in respect of all Deals for the Clearing shall be made through the Clearing Bank(s); Provided however that the deals of Sales and Purchase executed between different Constituents of the same Clearing Member in the same Settlement, shall be offset by process of netting to arrive at Net Obligations.

9.10. Privity Of Contract

9.10.1. For the limited purpose of the Bye laws, Rules and Business Rules, the Exchange shall deem the Members giving and receiving delivery as provided in these Business Rules, notwithstanding that no direct contract may exist between them, to have made a contract with each other as sellers and buyers. However the rights and liabilities of such Clearing Members in relation to their Constituents shall not be deemed to be affected thereby except that the selling Clearing Member shall be (unless he be himself the delivering Member) released from all responsibility in regard to the title, ownership, genuineness, regularity and validity of the documents received by the receiving Clearing Member and in regard to the loss and damages arising there from which shall be dealt with in accordance with the Business Rules, Bye Laws and Rules of the Exchange.

9.11. Contracts Subject To Change In Settlement Procedure

9.11.1. The Exchange may at any time through a notice in that behalf bring into effect in respect of all or any Deals entered into or to be entered into in all or any of the commodity futures contract, any substitution of or any additions to, deletions from or variations, alterations or amendments in any settlement procedure or in any clearing process or in the time or the forms prescribed therefore.

9.12. Clearing Days And Scheduled Times

9.12.1. The Relevant Authority shall from time to time fix the various clearing days, the Pay-in and Pay-out days and the scheduled time to be observed in connection with the clearing and settlement operations of Deals in commodities/ futures contracts. The Relevant Authority may specify different schedules for any or all Clearing Members from time to time.

9.13. Alteration Of Clearing And Clearing Days And Times

9.13.1. The Relevant Authority may at any time curtail, extend, alter or postpone to any other date or dates the entire Clearing or any or all of the various clearing days in respect of any or all of the Commodities/futures contracts/Deals

9.14. Clearing And Settlement Process

9.14.1. The Relevant Authority shall prescribe the process from time to time for the functioning and operations of the Clearing House and to regulate the functioning and operations of the Clearing House, which shall be deemed to form a part of any settlement process so provided. The Relevant Authority may specify different process and procedures for clearing and settlement for any

or all Members from time to time.

9.15. Settlement Obligations Statements For Trading Clearing Members

9.15.1. Exchange shall generate and provide to each Clearing Member, Settlement Obligations Statements showing the quantities of the different kinds of commodities for which delivery/deliveries is/are to be given and/or taken and the funds payable or receivable by him. in his capacity as Clearing Member and by professional Clearing Member for deals made by him for which the said Clearing Member has confirmed acceptance to settle. The Obligations Statement shall be deemed to be confirmed by the Trading Member for which deliveries are to be given and/or taken and funds to be debited and/or credited to his account as specified in the Obligations Statements and deemed instructions to the Clearing Banks / Institutions for the same.

9.16. Settlement Obligations Statements For Professional Clearing Members/Institutional Trading Cum Clearing Member

9.16.1. Exchange/Clearing House shall generate and provide to each Professional Clearing Member, Institutional Trading Cum Clearing Member, Settlement Obligations Statements showing the quantities of the different kinds of commodities for which delivery/deliveries is/ are to be given and/or taken and the funds payable or receivable by him. The Settlement Obligation Statement shall be deemed to have been confirmed by the said Clearing Member in respect of every and all obligations enlisted therein.

9.17. Delivery Of Commodities

9.17.1. Depository/Non Depository Deals

a. On respective Pay-in day, Clearing Members shall effect delivery in the Exchange Clearing System as per Settlement obligations. Delivery shall be in such delivery units the Exchange or Relevant Authority may notify from time to time. The Relevant Authority shall prescribe the process from time to time for the functioning and operations of the Clearing House and to regulate the functioning and operations of the Clearing House for the settlement of depository/non depository deals.

9.17.2. Mode Of Funds Payment

a. Unless otherwise prescribed for a Clearing Member regarding the mode of payment, as on the time specified by the Exchange/Clearing House or Relevant Authority, Clearing Members shall have clear balance of funds in their clearing account to the extent of funds to be debited to his account and on Pay-in day the Clearing Bank shall debit a Clearing Member's clearing account to the extent of his funds obligation as per the instructions of the Exchange / Clearing House.

9.18. Procedure For Payment Of Sales Tax/Vat

9.18.1. Exchange shall prescribe procedure for payment of Sales Tax/VAT or any other state/local/Central tax/fee applicable to the deals culminating into sale with physical delivery of commodities.

9.18.2. Registration With Sales Tax Authorities

- a. All Members shall ensure that their respective Constituents, who intend to take or give delivery of commodity, are registered with Sales Tax authorities of all such States in which Exchange has a Delivery center for particular commodity in which Constituent has or expected to have or deemed to have open positions. Members shall maintain records/details of Sales Tax registration of each of such Constituent and furnish the same to the Exchange as and when required.

9.18.3. Payment Of Sales Tax/Vat

- a. Seller shall be responsible for payment of Sales Tax/VAT, however The Seller shall be entitled to recover from the buyer, the sales tax and other taxes levied under the local State sales tax law to the extent permitted by law. In no event the Exchange/Clearing House shall be liable for payment of Sales Tax/VAT or any other local tax, fees, levies etc.

9.18.4. Information Submission Relating To Sales Tax/Vat To The Exchange

- a. Members shall be solely and fully responsible for collection and verification of Sales Tax information relating to applicability of Sales Tax/VAT, Exemptions and/or Concessions claimed, Rate of tax to be levied, from their delivering and/or receiving Constituent, as the case may be, and furnishing the same to the Exchange for Settlement purposes within the time limit as specified from time to time by the Exchange.

9.18.5. Raising Of Invoice And Determination Of Sale Value

- a. Seller shall raise an Invoice as required by Sales Tax laws for the deal made on the Exchange. For the purpose of raising invoice, Sale price shall be calculated as per Final Settlement Price net of Premium/Discount, if any, applicable for Quality and Quantity of commodities delivered or as notified by the Exchange from time to time.

9.18.6. Disputes Relating To Incorrect Sales Tax/ Vat Information / Documents For Commodities Delivered / Received

- a. In case where a Constituent taking / receiving delivery deems the Sales tax information / documents for commodities delivered / received is/are not correct or insufficient, the said Constituent may file a complaint regarding such cases with the Exchange.
- b. The party taking / receiving delivery shall file the complaint about incorrectness or insufficiency of any information with regard to Sales Tax/VAT, if any, within the time prescribed by the Exchange from time to time If no such complaint is received by the Exchange from the Member / Constituent as aforesaid, it shall be deemed conclusively that all the requisite information have been exchanged between the selling and buying Constituents.
- c. Upon receiving the complaint, the Exchange shall determine the extent of incorrectness and notify the Members representing parties to delivery / receipt, of the results of determination
- d. If the Exchange decides upon the complaint that the commodities for delivery / receipt to have inappropriate or insufficient Sales Tax/VAT information for delivery / receipt, the Exchange

shall cause the party making / accepting delivery, as the case may be, to furnish proper information as required by under applicable Sales Tax laws / rules. The Exchange may also levy a penalty for each failure.

- e. The Exchange may impose a penalty on a Member responsible for the supply of information, which is not correct or insufficient, such penalty and other charges as it may prescribe from time to time in this regard.

9.18.7. Failure To Submit Sales Tax Information

- a. In the event of failure to submit Sales Tax information to the Exchange within period stipulated in the Settlement Calendar, then there would not be any pay-in / pay-out as specified in the Settlement Calendar on account of Sales Tax/VAT.

9.18.8. Maintenance Of Records

- a. Members shall maintain proper records relating to Sales Tax/VAT which include but not limited to maintenance of:
 - i. Registration with Sales Tax Authorities for Constituents
 - ii. Sales Tax/VAT related details on deals made through Exchange by Constituents
 - iii. Details of Information/Documents required under Sales Tax laws and furnished to respective Buyer / Seller for deals executed on Exchange.

9.19. Receipt Of Commodities

9.19.1. Depository/Non Depository Deals

- a. Commodities, which are to be received by a Clearing Member, shall be delivered to him in the Exchange Clearing System in respect of deals on the respective Payout day as per instructions of the Exchange / Clearing House.

9.19.2. Mode Of Receipt Of Funds

- a. On the Pay-out day, unless otherwise prescribed for a Clearing Member regarding the mode of payment, the Clearing Bank shall credit the clearing accounts of the Clearing Members who are due to receive funds or make payments to Clearing Members as per the instructions of the Exchange / Clearing House. All funds due to a Clearing Member shall normally be credited to his account unless
 - i. the Clearing Member has not delivered commodities on Pay-in day as per Settlement Obligations Statement or
 - ii. the full extent of funds obligation of the Clearing Member was not available with the ACE Clearing Account for funds Pay-in or
 - iii. it is otherwise ordered by the Exchange/Clearing House or Relevant Authority.

9.20. Death Of A Clearing Member

- 9.20.1. If a Clearing Member dies on or before the Pay-in day, the procedure to be followed in clearing and settling the account of such member shall be the procedure prescribed for clearing and settling

the account of a defaulter, provided that with the permission of the Exchange/Clearing House the heirs or legal representatives of such deceased member may receive and deliver commodities and make and receive payment on account of such deceased member or any member of whom the Exchange/Clearing House approves, may deliver commodities and make payment on account of such deceased member.

9.21. Delivery Units

9.22. Prescribed Delivery Units

9.22.1. The Exchange may specify from time to time the delivery units for all commodities admitted to dealings on the Exchange. Delivery would be available for trading before expiry of the Validity Date. The Exchange may also specify from time to time the variations permissible in delivery units as per those stated in contract specifications. In case where the deal is for an odd lot, the deal would be settled in cash or in the manner as specified by the Exchange from time to time.

9.23. Deliverable Grades

9.23.1. Deliverable grades shall be those stated in contract specifications as prescribed from time to time by the Exchange

9.24. Assayers Certificate

9.24.1. The Exchange shall notify list of approved Assayers for the purpose of certification of quality, grade and any other specification pertaining to each of the commodities/warehouses.

9.24.2. The Constituents shall avail the services of approved Assayers for the purpose of certifications of the commodities as required under these Business Rules and avail the services of Assayers or Warehouse as may be prescribed by the Exchange for quality/quantity certification.

9.25. Delivery In Part

9.25.1. The receiving Clearing Member shall accept such portion of the commodities as may be in order provided it is in lots of delivery unit

9.26. Delivery Subject To Special Agreement Between Buyer And Seller Constituents

9.26.1. In case where there is specific agreement between the Constituent making delivery and the Constituent taking delivery and such is approved by the Exchange, the Exchange shall require the delivery to be completed in accordance with such agreement as per the process specified by the Exchange from time to time.

9.27. Delivery When Complete

9.27.1. Commodities delivered by the Constituent / delivering Member to the Buying Constituent / receiving Member along with Approved Assayer's Certificate which confirms the specifications and grade as mentioned in the Derivatives Contract, shall, in the absence of fraud or apparent error, be considered as good delivery and the receiving Member shall accept them as good delivery and failing such acceptance, the Exchange shall be entitled to close-out the same against the

receiving member in accordance with the Bye Laws and Business Rules relating to closing-out.

9.28. Delivery When Not Complete

9.28.1. If the Approved Assayer's certificate does not confirm or match with the specifications and grade as mentioned in the corresponding Derivatives Contract and the same is notified to the Exchange within 7 days or within such further period as may be specified by the Exchange from the Pay-out date as per Settlement Calendar or within Validity Date, whichever is earlier, then the delivery shall not be complete. The delivering Member shall remove the defect or in the alternative deliver to the receiving Member, valid delivery in place of the defective delivery within three working days of the decision or within such further period. The Relevant Authority may from time to time allow other regular genuine and valid delivery in place of the defective delivery within three working days of the decision or within such further period as may be permitted by Relevant Authority.

9.29. Penalty For Bad Delivery

9.29.1. The Exchange or Relevant Authority may impose on a delivering Member responsible for the commodities, which are not good delivery such penalty and other charges as it may prescribed from time to time in this regard. Such penalty and other charges shall be in addition to any loss such Member may suffer on account of closing-out and shall be in addition to the commission chargeable in that behalf.

9.30. Closing Out

9.30.1. If the delivering member fails to remove the defect or in the alternative deliver to the receiving Member other regular, genuine and valid delivery in place of the defective delivery within the period prescribed above, the Exchange on behalf of the receiving Member would close out the said delivery against the delivering Member in accordance with the Bye-laws and Business Rules relating to closing-out.

9.31. Delivering Member Debited

9.31.1. Without prejudice to the provisions contained elsewhere in this regard, the Exchange shall be entitled to debit the delivering member responsible for the documents which are not good delivery or are disputed deliveries by an amount equivalent to the said deliveries valued at such valuation price as the Exchange may specify from time to time in this regard.

9.32. Delivery Through Agents

9.32.1. The Relevant Authority may, in general or in specific cases, permit Members / Constituents to complete delivery under the Business Rules through their Agents on the terms and conditions as may be stipulated by the Relevant Authority from time to time. The deliveries given to or taken by such Agents shall be construed as deliveries given to or taken by Members / Constituents for the purpose of compliance of delivery obligations under these Business Rules. Members / Constituents shall be responsible for all acts and omissions of their Agents.

9.33. Transfer Duties And Charges

- 9.33.1. Unless otherwise directed by the Relevant Authority, stamp duties and charges payable, if any, to Government for registering transfers of commodities, if any, shall be paid by the buyer.
- 9.33.2. The seller would be liable to pay sales tax/Vat under the local State sales tax law or the Central Sales Tax Act, 1956, as the case may be and will be solely responsible for complying with all the provisions and regulation of the applicable sales tax law.
- 9.33.3. Transportation cost would be borne by the relevant parties
- 9.33.4. Any charges for assaying, at the time of dematerializing would be borne by the Seller. If the Buyer is interested in assaying at the time of picking up the deliveries, then those charges would be borne by the buyer.
- 9.33.5. Any other tax, charges, levy would be borne by the relevant parties from time to time

9.34. Delivery In Part

- 9.34.1. The receiving member shall accept such portion of the commodities as may be in order provided it is in lots of delivery unit or variation within acceptable limit of delivery unit as notified by the Exchange in the contract specifications in accordance with the Bye Laws and Business Rules relating to closing-out.

10. Non-Delivery and Non-Payment

10.1. Notice Of Non-Delivery And Non-Payment

- 10.1.1. Each Clearing Member shall send to the Clearing House and Exchange on the pay-in day an intimation of non-delivery in respect of each failure to deliver commodities and a notice to the Clearing Bank and Exchange of non-payment in respect of failure to pay any or all of the funds which are due to be paid in such forms as may be prescribed in this regard by the Exchange or Relevant authority from time to time.

10.2. Non-Delivery And Non-Payment By Clearing Member / Banks / Institutions

- 10.2.1. Obligations and responsibility for clearing and settlement undertaken by Clearing Members/Clearing Banks/Institutions shall be discharged by them in regard to commodities and funds in the like manner and to the same extent as they would have discharged their obligation/responsibility on a trade for trade settlement. Therefore, it shall be the responsibility of the Clearing Member /Clearing Banks/Institutions in the event of non-performance of any obligation or part thereof to the clearing house or otherwise, to identify the relative contract(s), to which the non-performance or part performance relates.

10.3. Disabling Of A Member

- 10.3.1. Any Member who fails to deliver commodities or pay funds on the pay-in day shall (without prejudice to any other right of the Exchange), the Exchange may take such actions as blocking of Collateral, putting the member in square off mode, closing out their positions and disabling the

member, from dealing through the trading system until the Exchange or Relevant Authority may decide otherwise.

10.4. Declaration Of Default

10.4.1. A Member failing to deliver the commodities due from him or pay the amount due by him shall be declared a defaulter for the purpose of this chapter as provided in these Byelaws and Business Rules.

10.5. Obligations Due To The Defaulter

10.5.1. All deliveries and payment due to the defaulter shall be handed over to the Exchange. The Exchange shall reserve the right to dispose off the commodities/cash to make good non-payment of funds or non-delivery of commodities by the defaulting Member.

10.6. Closing-Out On Failure To Deliver

10.6.1. If a Clearing Member fails to deliver on the pay-in day the commodities deliverable by him, the Exchange shall be entitled to close out such delivery position together with penalty as may be stipulated by the Exchange from time to time in accordance with the Byelaws and Business Rules relating to closing-out.

10.7. Closing-Out On Failure To Pay

10.7.1. If a Clearing Member fails to pay on the pay-in day for the commodities to be received by him, the Exchange shall be entitled to close out such delivery position together with penalty as may be stipulated by the Exchange from time to time in accordance with the Byelaws and Business Rules relating to closing out.

10.8. Closing Out On Refusal To Accept Delivery

10.8.1. When deliveries in performance of a deal are not accepted by the receiving member, the Exchange shall be entitled to close-out the same against him in accordance with the Bye Laws and Business Rules relating to closing-out.

10.9. Failure To Deliver

10.9.1. Without prejudice to the provisions contained elsewhere in this regard, if a Clearing Member fails to deliver on the pay-in day the commodities deliverable by him, the Exchange shall be entitled to debit his account by an amount equivalent to the commodities not delivered valued at such valuation price as the Exchange may specify from time to time in this regard.

10.10. Penalty For Failure To Give Or Take Delivery

10.10.1. The Exchange or Relevant Authority may impose on a member failing to give or take delivery of all or any of the commodities and/or funds according to his obligation, such penalty and other charges as it may prescribe from time to time in this regard. Such penalty and other charges shall

be in addition to any loss such member may suffer on account of closing-out and shall be in addition to the commission chargeable in that behalf.

10.11. Withholding Of Commodities And Funds

10.11.1. Notwithstanding anything contained in these Business Rules, irrespective of whether the deals are depository deals or non-depository deals, the Exchange may withhold, for such period(s) as the Relevant Authority may decide from time to time, pay -out of any commodities and any funds including commodities and funds constituting margins, if

- a. the Clearing Member has not delivered the required commodities on pay-in day or
- b. there are no adequate funds in the ACE Clearing Account of the Clearing Member to meet the funds pay-in obligation on the pay-in day or
- c. the Clearing Member fails to satisfy the margin requirements or
- d. the Clearing Member fails to fulfill any other obligation or
- e. the Relevant Authority, otherwise, deems fit.

10.12. Withheld Commodities And Funds - How Dealt With

10.12.1. The commodities and funds withheld shall be dealt with by the Exchange at such times and in such manner as it may deem fit, which may include appropriating the withheld funds for the purpose of fulfilling the obligations of the Clearing Member, closing out of the withheld commodities or registering the withheld commodities in the name of the Exchange or any other entity as decided by the Exchange. The Exchange may deal with the funds received out of closing out of withheld commodities at such times and in such manner as it may deem fit.

11. Closing-Out of Contracts

11.1. Closing-Out When Effected

11.1.1. Any deal made subject to the Rules, Bye Laws and Business Rules of the Exchange may be closed-out against a Member and his Constituent on his failure to comply with any of the provisions relating to delivery, payment and settlement of deals or on any failure to fulfill the terms and conditions subject to which the deal has been made. (For the purpose of this Chapter a member who has failed to comply with any of the provisions relating to delivery, payment and settlement of deals or on any failure to fulfill the terms and conditions subject to which the deal has been made shall be referred to as “member in default”).

11.2. Closing-Out In Specific Cases

11.2.1. Without prejudice to the generality of the provision contained as above, closing -out may be effected in cases specified in the relevant Business Rules or in such other cases as the Relevant Authority may from time to time specify in addition thereto or in modification thereof.

11.3. Closing Out For Deals Settled Through The Clearing House

11.3.1. In respect of deals settled through the Clearing House, the Exchange shall be entitled to closing out against the Member and his Constituent in default for the benefit of the receiving/delivering member

or itself, as the case may be. In such cases no notice of closing-out shall be given to the Member against whom the closing-out is to be effected but a closing out notice shall be broadcast by the Exchange specifying the quantity of each kind of commodity to be closed out.

11.4. Closing-Out Without Notice

11.4.1. Without prejudice to the generality of the provisions contained as above, closing-out without notice may also be effected in cases specified in the relevant Regulation or in such other cases as the Relevant Authority may from time to time specify or deem necessary in addition thereto or in modification or substitution thereof.

11.5. Closing-Out Contracts With Deceased Member

11.5.1. On the death of a Member, having transactions outstanding in the market in any commodity / contract, the Relevant Authority may at its discretion give permission to his heirs or legal representatives to settle such transactions according to the terms thereof. In the event of such permission not being applied for or not being granted, the Exchange shall forthwith determine all outstanding obligations by closing out against the deceased Member. The loss, if any, on such closing-out shall be claimed from the heirs or legal representatives of the deceased Member and the profit, if any, shall be paid to them with the prior approval of the Relevant Authority. If the heirs or legal representatives of the deceased Member fail to pay the amount claimed from them, it shall be deemed that such deceased Member has been declared a defaulter and in that event the Bye Laws and Business Rules relating to default shall apply.

11.6. Compliance Before Closing-Out

11.6.1. If the Member against whom closing-out is to be effected tenders compliance in accordance with the provisions of the Bye Laws, Rules and Business Rules relating to delivery, payment and settlement of obligations and deals on the terms and conditions subject to which the deal has been made at any time before the deals have been actually closed out, the Relevant Authority may accept the same in fulfillment of his obligations. This will not relieve the Member in default of the obligation to pay any resulting damages and other penalties and interest charges imposed by the Exchange on such default.

11.7. Closing-Out How Effected

11.7.1. The Exchange shall effect closing out against the Member in any of the following manner:

- a. by declaring a closing-out at such prices as may be decided by the Relevant Authority from time to time.
- b. in any other manner as the Relevant Authority may decide from time to time.

11.8. Closing-Out Clearing Member's Responsibility

11.8.1. Save as otherwise provided, the Member against whom the closing-out is effected by the Exchange for the purpose of closing-out shall be responsible for the deal made and no liability or responsibility shall attach to the Exchange, its directors, agents or its employees for any

deal made in pursuance of such closing-out.

11.9. Deferment By The Relevant Authority

11.9.1. The Relevant Authority may defer closing-out in any particular case if in its opinion a fair market to close-out is not available or if it determines that the default is due to the existence of a special situation but no such deferment shall relieve the Member in default of the obligation to pay for any resulting damages or free the intermediate parties of their liabilities.

11.10. Suspension Or Postponement Of Closing-Out

11.10.1. The Relevant Authority may suspend or postpone closing -out in respect of any deals and from time to time extend or postpone the period of such suspension or postponement when circumstances appear in its view to make such suspension or postponement desirable in the general interest. The liability of intermediaries in respect of deals in such commodities settled through the Clearing House or Exchange as the case may be, shall continue during the period of such suspension or postponement.

11.11. Closing-Out Against Defaulter

11.11.1. When closing-out is affected as provided above and the Member concerned is declared a defaulter, the difference arising from closing-out shall be recovered from the said Member or distributed in accordance with the Bye Laws and Business Rules relating to default.

11.12. Charges For Closing-Out

11.12.1. When closing-out is affected on the advice of the Exchange, the Member against whom the closing-out takes place shall pay to the Exchange such closing out charges as the Relevant Authority may from time to time prescribe.

11.13. Loss Arising From Closing-Out

11.13.1. When closing-out is effected on the advice of the Exchange against a Member failing to give or take delivery of all or any of the commodities or funds according to his obligation, the resulting difference (between the money value of commodities at the valuation price and the closing out price) due by such Member shall be paid by him forthwith to the Clearing Bank.

11.14. Profit Arising From Closing -Out

11.14.1. When closing-out is effected on the advice of the Exchange against a Member failing to give or take delivery of all or any of the commodities or funds according to his obligation, any profit (between the money value of commodities at the valuation price and the closing out price) shall be credited to the account of the Settlement Guarantee Fund or such other funds as may be set up by the Relevant Authority from time to time to be held by the Exchange for such purposes as may be prescribed by the Relevant Authority.

11.15. Default If Closing -Out Loss And Damage Not Paid

11.15.1. If any Member against whom a deal is closed-out under the provisions of these Business Rules fails to make payment of the loss arising out of the closing -out and of the damages, if any, within such time as may be stipulated by the Relevant Authority from time to time, he may be declared a defaulter.

12. Clearing Banks

12.1. Exchange To Regulate

12.1.1. The Relevant Authority shall specify from time to time the processes, procedures, and operations that every Member shall be required to follow for the participation, functioning and operations of the Clearing Banks. The Business Rules relating to the Clearing Banks shall be deemed to form a part of any settlement process so provided.

12.2. Functions Of Clearing Bank

12.2.1. The Exchange shall appoint a Clearing Bank which shall act as an agent for funds settlement, for the collection of margin money for all deals entered into through the Exchange and any other funds movement between Members and the Exchange and between member to member as may be directed by the Exchange from time to time.

12.3. Members To Have Account With The Clearing Bank

12.3.1. Every Member of the Exchange shall have a clearing account with designated Clearing Bank branch. Members shall operate the clearing account only for the purpose of settlement of deals entered through the Exchange, for the payment of margin money and for any other purpose as may be specified by the Exchange from time to time. The member shall not operate the clearing account for any other purpose.

12.4. Clearing Bank To Act As Per The Instructions Of The Exchange

12.4.1. The Exchange shall instruct the Clearing Bank as to the debits and credits to be carried out for the funds settlement between the members. The Clearing Bank shall act as per the instructions received from the Exchange for the funds movement. Instructions of the Exchange as to debits and credits to a member's accounts shall be deemed to be irrevocable and confirmed orders by a Member to debit his account and/ or credit his account, funds as specified in the instruction.

12.5. Clearing Bank To Inform Exchange Of Default In Funds Settlement

12.5.1. If there is any funds default arising out of the instructions received from the Exchange, the Clearing Bank shall inform the Exchange immediately.

12.6. Members To Authorize The Clearing Bank To Act As Per The Instructions Received From The Exchange

12.6.1. Members shall authorize the Clearing Bank to access their clearing account for debiting and crediting their accounts as per the instructions received from the Exchange.

12.7. Clearing Account(S) Of Exchange In The Clearing Bank

12.7.1. Unless otherwise prescribed in respect of any deals as may be specified by the Relevant Authority, no Member or any person claiming through him shall have or be deemed to have any right, title or interest in any monies in the Clearing Account or other account/(s), as the Relevant Authority may from time to time prescribe, of the Exchange with the Clearing Bank. The Relevant Authority may specify from time to time the deals in respect of which all sums of monies paid into the Clearing Account or other account(s), as the Relevant Authority may from time to time prescribe, of the Exchange on account of any Members entitled thereto, shall be held by the Exchange as agents and in trust for such Member. In such cases, the making of such payment or credit entry shall be deemed and taken to be a payment or credit to such Member.

13. Exchange Clearing System

13.1. Exchange To Regulate

13.1.1. The Relevant Authority shall prescribe the process from time to time for the functioning and operations of the Exchange Clearing System and to regulate the functioning and operations of the Exchange Clearing System for the settlement of deals.

13.1.2. The Relevant Authority shall specify from time to time the processes, procedures, and operations that every Clearing Member shall be required to follow for the participation, functioning and operations of the Exchange Clearing System. The Business Rules relating to the Clearing System shall be deemed to form a part of any settlement process so provided.

13.2. Clearance By Members Only

13.2.1. Clearing Members only shall be entitled to clear and settle deals through the Exchange Clearing System.

13.3. Functions Of Depository Clearing System

13.3.1. Depository

a. The Exchange shall specify depository(ies) through which depository delivery shall be effected and which shall act as agents for settlement of depository deals, for any other commodities movement and transfer in a depository(ies) between Clearing Members and the Exchange and between Clearing Member to Clearing Member as may be directed by the Relevant Authority from time to time and for any other purpose as the Relevant Authority may specify from time to time.

13.3.2. Depository Participants

a. The Exchange may specify depository participants with whom Clearing Members shall be required to open and operate accounts for settlement of depository deals, for the collection of margins by way of securities for all deals entered into through the Exchange and for any other commodities movement and transfer in a depository(ies) between Clearing Members and the Exchange and between Clearing Member to Clearing Member as may be directed by the Relevant Authority from time to time and for any other purpose as the Relevant Authority may

specify from time to time.

13.3.3. Clearing And Other Accounts

- a. The Exchange shall specify from time to time clearing and other accounts that Clearing Members shall be required to open and operate with depository(ies) and depository participants subject to such conditions as the Relevant Authority may prescribe from time to time.

13.3.4. Specified Depository

- a. The following depository is specified as under:
 - i. National Securities Depository Limited is hereinafter referred to as NSDL for the purposes of these Business Rules.
 - ii. Central Depository Services (India) Limited is hereinafter referred to as CDSL for the purposes of these Business Rules.

13.4. Clearing Members To Have Account With A Depository Participant

- 13.4.1. Every Clearing Member shall have a clearing account with any of the Depository Participants of specified depositories. Clearing Members shall operate the clearing account only for the purpose of settlement of depository deals entered through the Exchange, for the collection of margins by way of commodities for deals entered into through the Exchange and for any other purpose as the Relevant Authority may specify from time to time. The Clearing Member shall not operate the clearing account for any other purpose.

13.5. Specified Depository To Act As Per The Instructions Of The Exchange

- 13.5.1. The Exchange shall instruct the Specified Depository as to the debits and credits to be carried out for the settlement of depository deals between Clearing Members. The Specified Depository shall act as per the instructions received from the Exchange for effecting account transfers in respect of settlement of depository deals. Instructions of the Exchange as to debits and credits to a Clearing Member's accounts shall be deemed to be irrevocable and confirmed orders by a Clearing Member to debit his account and/or credit his account as specified in the instruction.

13.6. Members To Authorize Depository Participants

- 13.6.1. Clearing Members shall authorize the specified depositories and depository participants with whom they have a clearing account to access their clearing account for debiting and crediting their accounts as per instructions received from the Exchange and to report balances and other credit information to the Exchange.

13.7. Clearing Account(S) Of Exchange With The Specified Depository

- 13.7.1. Unless otherwise prescribed in respect of any deals as may be specified by the Relevant Authority, no Clearing Member or any person claiming through him shall have or be deemed to have any right, title or interest in any commodities in the Clearing Account or other account/(s), as the

Relevant Authority may from time to time prescribe, of the Exchange with the Specified Depository.

13.8. Notices And Directions

13.8.1. All Clearing Members shall comply with the instructions, resolutions, orders, notices, directions and decisions of the Relevant Authority in all matters connected with the operations of the Depository Clearing System.

13.9. Clearing Member Id

13.9.1. A Clearing Member shall be allotted an identification number hereinafter referred to as "CM Id" which must appear on all forms used by the Clearing Member connected with the operations of the Depository Clearing System.

13.10. Exchange To Deliver Commodities At Discretion

13.10.1. The Exchange shall have the discretion with regard to the mode of delivery i.e through the depository clearing system or otherwise, the commodities received from a Clearing Member under these Business Rules to another Clearing Member who is entitled under these Business Rules to receive delivery of commodities of a like kind or to instruct a Clearing Member to give direct delivery of commodities which he has to deliver through the depository system.

13.11. Charges For Clearing

13.11.1. The Relevant Authority shall from time to time prescribe the scale of clearing charges for the clearance and settlement of transactions through the Depository Clearing System.

13.12. Exchange Bills

13.12.1. The Exchange shall periodically render bills for the charges, fees, fines and other dues payable by trading / Clearing Members, which would also include the charges, fines and other dues payable on account of the business cleared and settled through the Depository Clearing System and debit the amount payable by such members to their accounts. All such bills shall be paid within a week of the date on which they are rendered.

13.13. Liability of the Exchange

13.13.1. The transactions on the Exchange will be deemed to have taken place between the Constituents and the Exchange shall not be deemed to guarantee the title, ownership, genuineness, regularity or validity of any commodity passing through the Depository Clearing System and the only obligation of the Exchange in this matter shall be to facilitate the delivery and payment in respect of commodities between Clearing Members. No liability shall attach either to the Exchange or to the Relevant Authority or any member of the Relevant Authority by reason of anything done or omitted to be done by the Depository Clearing System in the course of its operations.

14. Functions of Non Depository Clearing System

14.1. Clearing And Other Accounts

14.1.1. The Exchange shall specify from time to time clearing and other accounts that Clearing Members shall be required to open and operate subject to such conditions as the Relevant Authority may prescribe from time to time.

14.2. Notices And Directions

14.2.1. All Clearing Members shall comply with the instructions, resolutions, orders, notices, directions and decisions of the Relevant Authority in all matters connected with the operations of the Non Depository Clearing System.

14.3. Exchange To Deliver Commodities At Discretion

14.3.1. The Exchange shall have the discretion with regard to the mode of delivery i.e through the non depository clearing system or otherwise, the commodities received from a Clearing Member under these Business Rules to another Clearing Member who is entitled under these Business Rules to receive delivery of commodities of a like kind or to instruct a Clearing Member to give direct delivery of commodities.

14.4. Charges For Clearing

14.4.1. The Relevant Authority shall from time to time prescribe the scale of clearing charges for the clearance and settlement of transactions through the Non Depository Clearing System.

14.5. Exchange Bills

14.5.1. The Exchange shall periodically render bills for the charges, fees, fines and other dues payable by trading / Clearing Members, which would also include the charges, fines and other dues payable on account of the business cleared and settled through the Non Depository Clearing System and debit the amount payable by such members to their accounts. All such bills shall be paid within a week of the date on which they are rendered.

14.6. Liability Of The Exchange

14.6.1. The transactions on the Exchange will be deemed to have taken place between the Constituents and the Exchange shall not be deemed to guarantee the title, ownership, genuineness, regularity or validity of any commodity passing through the Non Depository Clearing System and the only obligation of the Exchange in this matter shall be to facilitate the delivery and payment in respect of commodities between Clearing Members. No liability shall attach either to the Exchange or to the Relevant Authority or any member of the Relevant Authority by reason of anything done or omitted to be done by the Non Depository Clearing System in the course of its operations.

15. Clearing House

15.1. Regulation Of Clearing House

15.1.1. The Relevant Authority shall prescribe the process from time to time for the functioning and operations of the Clearing House and to regulate the functioning and operations of the Clearing House for the settlement of deals. The Business Rules relating to the Clearing House shall be deemed to form a part of any settlement process so provided.

15.2. Exchange To Maintain Clearinghouse

15.2.1. The Exchange shall maintain a Clearing House, which shall function as per the instructions, and supervision of the Exchange or such other Relevant Authority as may be specified from time to time. The Clearing House shall act as the common agent of the members for clearing contracts between members and for delivering commodities to and receiving commodities from members in connection with any of the contracts and to do all things necessary or proper for carrying out the foregoing purposes.

15.3. Clearing House To Deliver Commodities At Discretion

15.3.1. Subject to the above, the Clearing House shall have the discretion with regard to nature of delivery of commodities, which it has received from a member under these Business Rules to another member who is entitled under these Business Rules to receive delivery of commodities of a like kind or to instruct a member to give direct delivery of commodities which he has to deliver.

15.4. No Lien On Constituent's Commodities

15.4.1. When a member is declared a defaulter neither the Exchange nor the creditors of the defaulter shall be entitled to any lien on the commodities delivered by him to the Clearing House on account of his Constituents. A Constituent shall, on offering proof considered satisfactory by the Exchange or the Relevant Authority that such commodities were so delivered on his behalf, shall be entitled to receive from the Clearing House accordingly as the Exchange or Relevant Authority directs, either such commodities or the value thereof subject to payment or deduction of the amount if any due by him to the defaulter.

15.5. Specimen Signatures

15.5.1. A member shall file with the Clearing House specimens of his own signature and of the signatures of his Clearing Assistants. The member and his Authorized Representative in the presence of an officer of the Exchange or of the Clearing House shall sign the specimen signature card.

16. Provisions Regarding Members of The Clearing House

16.1. Clearance By Members Only

16.1.1. Clearing Members only shall be entitled to clear and settle contracts through the Clearing House.

16.2. Trading Members Responsibility

16.2.1. Without prejudice to the obligations of the Professional Clearing Members and Institutional trading Cum Clearing Member hereunder, the registration and approval of Professional Clearing Members

and Institutional trading Cum Clearing Member as Clearing Members, shall not in any way affect the jurisdiction of the Exchange on the concerned Trading Member in respect of the trade(s) and/or contract(s) effected by him for or on account of his Constituent who settle trades through such Professional Clearing Members and Institutional trading Cum Clearing Member and such Trading Member shall continue to remain responsible, accountable and liable to the Exchange in this behalf till acceptance of such responsibility is confirmed by Professional Clearing Members and Institutional trading Cum Clearing Member.

16.3. Notices And Directions

16.3.1. All Clearing Members shall comply with the instructions, resolutions, orders, notices, directions and decisions of the Exchange in all matters connected with the operations of the Clearing House.

16.4. Charges For Clearing

16.4.1. The Exchange shall from time to time prescribe the scale of clearing charges for the clearance and settlement of transactions through the Clearing House.

16.5. Clearing House Bills

16.5.1. The Clearing House shall periodically render bills for the charges, fees, fines and other dues payable by members to the Exchange which would also include the charges for the use of the property as well as the charges, fines and other dues payable on account of the business cleared and settled through the Clearing House and debit the amount payable by members to their accounts. All such bills shall be paid within a week of the date on which they are rendered or such period as may be specified by the Exchange from time to time.

16.6. Liability Of The Clearing House

16.6.1. The transactions on the Exchange will be deemed to have taken place between the Constituents and the Clearing House shall not be deemed to guarantee the title, ownership, genuineness, regularity or validity of any security, transfer deed or any other document passing through the Clearing House and the only obligation of the Clearing House in this matter shall be to facilitate the delivery and payment in respect of commodities, transfer deed and any other documents between members.

16.7. LIABILITY OF THE EXCHANGE

16.7.1. No liability shall attach either to the Exchange or to the Relevant Authority or any member of the Relevant Authority by reason of anything done or omitted by the Clearing House in the course of its operations nor shall the Exchange or the Relevant Authority or any member of the Relevant Authority be liable to answer in any way for the title, ownership, genuineness, of any commodities, or any other documents passing through the Clearing House nor shall any liability attach to the Exchange, the Relevant Authority or any Member of the Relevant Authority in any way in respect of such commodities and any other documents.

17. Clearing and Other Forms

17.1. Clearing Forms, Special Returns And Other Forms

17.1.1. The clearing forms, special returns and other forms referred to in these Bye Laws and Business Rules and not separately prescribed shall be in such other form or forms as the Relevant Authority may from time to time prescribe in addition thereto or in modification or substitution thereof.

17.2. Clearing Number And Clearing Forms

17.2.1. A Clearing Member shall be allotted a Clearing Number, which must appear on all forms used by the Clearing Member connected with the operation of the Exchange. The Clearing Forms and Formats to be used by the Clearing Members shall be as prescribed by the Clearing House and Depository Clearing System and unless otherwise permitted, no other form or format shall be used.

17.3. Signing Of Clearing Forms

17.3.1. The Clearing Member or his clearing assistant shall sign all Clearing Forms.

17.4. False Or Misleading Statements

17.4.1. The Relevant Authority may fine, suspend or expel a Clearing Member who makes any false or misleading statement in the Clearing Forms required to be submitted in conformity with these Business Rules or any resolutions, orders, notices, directions and decisions of the Relevant Authority there under.

18. Accredited /Approved Warehouse

18.1. The Exchange shall specify accredited warehouse(s) through which delivery of a specific commodity shall be effected and which shall facilitate for storage of commodities in the manner as prescribed by the Exchange from time to time.

18.2. Process And Procedures For Accredited Warehouse

18.2.1. The Exchange shall specify from time to time the processes, procedures, and operations that every accredited Warehouse, Constituents, Depository Participants and R & T Agents shall be required to follow for the participation, functioning and operations of the accredited warehouse. The Business Rules relating to the accredited warehouse shall be deemed to form a part of any settlement process so provided.

18.3. Functions Of Accredited Warehouse

18.3.1. Warehouse(S) To Offer Services

- a. Accredited Warehouse(s) shall provide the following services to the Constituents and Members of the Exchange:
 - i. Earmark separate storage area as specified by the Exchange for the purpose of storing commodities to be delivered against deals made on the Exchange. The Warehouse(s) shall also meet the specifications prescribed by the Exchange for storage of commodities from time to time.
 - ii. Ensure and co-ordinate for grading of the commodities received at the Warehouse before they are being stored.
 - iii. Store commodities in line with their grade specifications and validity period and shall

facilitate maintenance of identity. On expiry of such validity period of the grade for such commodities, the Warehouse(s) shall segregate such commodities and store them in a separate area so that the same are not mixed with commodities, which are within the validity period as per the grade certificate issued by the approved Assayers or as per the process defined by the Exchange from time to time to facilitate the identification thereof.

18.3.2. **Duties Of Accredited Warehouse**

- a. Accredited Warehouse(s) shall discharge duties specified hereunder to the complete satisfaction of the Exchange Warehouse(s):
 - i. Shall use uniform and standard description of commodities and units of measurement in respect of the commodities stored pertaining to the Constituent of the Exchange. The Exchange reserves the right to advise the accredited Warehouse(s) any time, the standard description and units of measurement to be used by the Warehouse for the commodities stored / to be stored and deposited / to be deposited by the Constituents
 - ii. shall strictly adhere to the Warehousing norms stipulated for a commodity in particular or group of commodities in general by the Exchange from time to time.
 - iii. Shall ensure that necessary steps and precautions are taken to ensure that the quantity and the grade of the commodity are maintained during the storage period.
 - iv. Shall maintain the records for the commodities deposited with it by the Constituents, in electronic form in the manner and in the system as prescribed by specified Depository. Warehouse(s) shall avail the services of a Registrar & Transfer (R&T) agent approved and appointed by the Exchange for the above purpose. The Warehouse shall facilitate the uploading of instructions by the R&T agent using the system connected to the depository for the creation of electronic records of the Commodities received by the Warehouse in the Depository Clearing System. The Warehouse shall execute and complete necessary documentation with the R&T agent and the Depository in this regard. Shall maintain the records for the commodities deposited with it in non demat form by the Constituents, in the manner as prescribed by Exchange.
 - v. Unless and until expressly consented by the Exchange, the Warehouse shall not assign, shift, transfer and relocate the commodities held by it pertaining to the Constituents of the Exchange. The Warehouse(s), however, is/are entitled to move the commodities within the area earmarked in the warehouse for storing the commodities pertaining to the Constituents of the Exchange.

18.3.3. **Verification of Commodities Stored In Warehouse**

- a. The Exchange reserves the right to physically verify itself or through any agencies / experts, at any time, the commodities deposited by the Constituents and/or warehouse facilities in general or for compliance of the warehousing norms stipulated by the Exchange for the specific commodities.

18.3.4. **Release Of Commodities Stored In Warehouse**

- a. The Exchange shall from time to time prescribe procedure to be followed when the Buyers

intend to take physical delivery of the commodities. The Exchange shall prescribe separate procedure for the delivery of Commodities held in Dematerialized and in physical form. However, in all cases, the warehouse will release the commodity to the recipient only after obtaining the release order from the Exchange. Exchange may prescribe the process of release of commodities from its accredited warehouse from time to time.

18.3.5. Charges For Warehouse Services

- a. Warehouse(s) shall charge from the members/constituents of the Exchange storage and other charges as may be mutually agreed in advance between the Exchange and Warehouse(s) from time to time. The Warehouse(s) is entitled to levy all incidental charges such as insurance, assaying, handling charges or any such charges directly from the Constituent depositing the commodities as may be applicable. The Exchange shall not be responsible in any manner for payment of any of the charges of Warehouse.
- b. The Exchange may also explore the possibility of availing the services of Collateral Management Agent (CMA), who can offer the warehousing facilities for the Members/Constituents of the Exchange. In such a case the Constituents shall be required to shift their holdings in the warehouses approved / identified by such CMA.

19. Registrar and Transfer Agent(R&T Agent)

19.1. Approved R&T Agent

- 19.1.1. The Exchange shall specify Approved R&T Agent(s) through which commodities shall be dematerialized and which shall facilitate for dematerialization/ rematerialization of commodities in the manner as prescribed by the Exchange from time to time.

19.2. Process And Procedures For R&T Agent

- 19.2.1. The Exchange shall specify from time to time the processes, procedures, and operations that every accredited warehouse, Depository Participants and Constituents shall be required to follow for the participation, functioning and operations of the R&T Agent. The Business Rules relating to the R&T Agent shall be deemed to form a part of any settlement process so provided.

19.3. Functions Of R&T Agent

19.3.1. Services By R&T Agent

- a. R&T Agent(s) shall provide following services to the Constituents and accredited warehouse of the Exchange:
 - i. Establish connectivity with approved warehouse(s) and support them with physical infrastructure as deemed fit for the purpose.
 - ii. Verify the information regarding the commodities accepted by the accredited warehouse and assign the identification number allotted by the Depository in line with the grade/validity period.
 - iii. Further process the information so received and ensures the credit of commodity holding to the

Demat account of the Constituent.

- iv. Ensure that the credit of commodities goes only to the Demat account of the Constituents held with the Exchange empanelled DPs
- v. On receiving request for Rematerialization (physical delivery) through the depository, R&T Agent(s) shall arrange for issuance of authorization to the relevant warehouse for the delivery of commodities.

19.3.2. **Maintenance Of Records And Co-Ordination Activities**

- a. R&T Agent(s) shall maintain proper records of beneficiary position of Constituents holding dematerialized commodities in Warehouse(s) and in the Depository for a period and also as on a particular date. R&T Agent(s) shall furnish the same to the Exchange as and when demanded by the Exchange.
- b. R&T Agent(s) shall also co-ordinate with DPs and Warehouse(s) for billing of charges for services rendered on periodic intervals.
- c. R&T Agent(s) shall also reconcile Dematerialized commodities in the Depository and Physical commodities at the Warehouse(s) on periodic basis and co-ordinate with all parties concerned for the same.

20. Assayer

20.1. Approved Assayer

- 20.1.1. The Exchange shall specify Approved Assayer(s) through which grading of commodities received at approved warehouse(s) for delivery against deals made on the Exchange can be availed by the Constituents of Clearing Members.

20.2. Process And Procedures For Assayer

- 20.2.1. The Exchange shall specify from time to time the processes, procedures, and operations that every Warehouse, Constituents and R&T Agent shall be required to follow for the participation, functioning and operations of the Assayer. The Business Rules relating to the approved Assayer shall be deemed to form a part of any settlement process so provided.

20.3. Functions of Assayers

20.3.1. Services By Assayer

- a. Assayer(s) shall provide following services to the Constituents and Members of the Exchange:
 - i. Inspect the Warehouse(s) identified by the Exchange on periodic basis to verify the compliance of technical / safety parameters detailed in the Warehousing Accreditation norms of the Exchange by the Warehouse(s).
 - ii. Make available grading facilities to the Constituents in respect of the specific commodities traded on the Exchange at specified warehouse. The Assayer shall ensure that the grading to be done, in a certificate format prescribed by the Exchange from time to time, in respect of specific commodity shall be as per the norms specified by the Exchange in the respective Contract specifications

- iii. Grading certificate so issued by the Assayer would specify the grade as well as the validity period up to which the commodities would retain the original grade, and the time up to which the commodities are fit for trading subject to environment changes at the warehouses.

20.3.2. Duties of Assayer(S)

- a. The issuance of the certificate of compliance by the Assayer would imply that in the event of deterioration of quality of the commodity before the expiry of the validity period assigned by the Assayer, the Assayer would make good the losses that may be incurred. However, the Exchange shall not liable for any losses arising out of such cases.
- b. Assayer(s) shall not allow to store any commodity that does not meet the grading norms and parameters specified by the Exchange and that the Assayer(s) shall make available to the Constituents the grading certificate when the commodities are allowed to be stored in the warehouses.
- c. Assayer(s) shall ensure that it shall at all given times maintain properly records in respect of grading of specific commodities and validity period of the commodity in electronic form along with the details with regard to the certificate issued by them from time to time.

20.3.3. Inspection Of Grading Facilities

- a. The Exchange reserves the right to physically verify/inspect itself or through any agencies / experts, at any time, the grading facilities and processes of the approved Assayers as and when felt necessary.

ARBITRATION

21. Arbitration

21.1. Definitions

- 21.1.1. 'Arbitrator' means a sole arbitrator or a panel of arbitrators.
- 21.1.2. „Applicant“ means the person who makes the application for initiating arbitral proceedings.
- 21.1.3. 'Respondent' means the person against whom the Applicant lodges an arbitration application, whether or not there is a claim against such person.

21.2. Seat Of Arbitration

- 21.2.1. The Relevant Authority may provide for different seats of arbitration for different regions of the country either generally or specifically and in such an event the seat of arbitration shall be the place so provided by the Relevant Authority. Save as otherwise specified by the Relevant Authority, the seat of arbitration shall be Mumbai.

21.3. Jurisdiction Of Courts

- 21.3.1. In matters where the Exchange is a party to the dispute, the Civil Courts at Mumbai shall have exclusive jurisdiction and in all other matters, proper courts within the area covered under the respective Regional Arbitration Center shall have jurisdiction in respect of the arbitration proceedings falling / conducted in that Regional Arbitration Center.

21.4. Reference Of The Claim, Difference Or Dispute

- 21.4.1. The applicant shall file a reference of the dispute for mediation/ conciliation/arbitration at the registered office of the Exchange or at such other place/s as may be notified by the Exchange from time to time.
- 21.4.2. The application for reference to arbitration shall be submitted in the prescribed form to the Exchange for processing and approval. The Exchange may initiate steps to resolve the disputes so referred through conciliation or mediation as the case may be, initially and if in the opinion of the Relevant Authority, the conciliation or mediation has failed to resolve the dispute, the matter shall be referred by the Exchange for arbitration
- 21.4.3. Save as otherwise specified by the Relevant Authority, if the value of the claim, difference or dispute is more than Rupees fifty lacs on the date of application, then such claim, difference or dispute shall be referred to a panel of three arbitrators and if the value of the claim, difference or dispute is upto Rupees fifty lacs, then the same shall be referred to a sole arbitrator. Provided however, that the Relevant Authority may from time to time, increase or decrease the value of claim upto which the dispute shall be referred to a sole arbitrator or a panel of three arbitrators as the case may be.
- 21.4.4. Where any claim, difference or dispute arises between agent of the Member and Client of the agent of the Member, in such claim, difference or dispute, the Member, to whom such agent of the Member is affiliated, shall be impleaded as a party.
- 21.4.5. In case the Warehouse refuses or fails to communicate to the Constituent the transfer of commodities, the date of dispute shall be deemed to have arisen on:
 - a. the date of receipt of communication of warehouse refusing to transfer the commodities in favor of the Constituent; or
 - b. the date of expiry of 5 days from the date of lodgment of dematerialized request by the Constituent for transfer with the seller, whichever is later:

21.5. Criteria And Procedure For Selection of Panel of Arbitrators

- 21.5.1. Relevant Authority shall constitute every year in the month of April a panel of not less than 10 Arbitrators
- 21.5.2. At least 50% of such panel shall be drawn from futures trading professional conversant with the trading at a commodity exchange and its Bye-laws, Rules and these Business Rules or having expertise in such areas like law or commodity, economics, finance, commodity services and appraisal commodity physical trade etc
- 21.5.3. At least 25% of such members of the panel shall be surveyor of the exchange, who shall adjudicate any dispute relating to quality. Nothing in this clause shall prevent the Relevant Authority from filling up the vacancies that may arise from whatsoever reasons
- 21.5.4. **Eligible To Act As Arbitrator**
- a. For facilitating the appointment of arbitrator, a list of persons eligible to act as arbitrators shall be notified by the Exchange from time to time from amongst persons who possess requisite qualification, experience and knowledge as felt appropriate by the Relevant Authority and parties will not have a right to challenge the appointment of arbitrator except as provided in the Arbitration and Conciliation Act, 1996 as amended from time to time. The Relevant Authority shall have absolute right at any time to add or delete the name of any person from the list of arbitrators.

21.6. Procedure For Appointment Of Arbitrators

- 21.6.1. The Applicant and the Respondent against whom the claim has been made shall submit to the Exchange in the order of descending preference, names of such number of persons as specified hereunder from amongst the panel of arbitrators constituted by the Exchange under bye law 14.3 for the respective seats of Arbitration.
- 21.6.2. The number of persons to be so selected by the Applicant and the Respondent shall be six if the seat of Arbitration is at Mumbai and three in other cases.

21.7. Procedure For Arbitration

- 21.7.1. The Applicant shall submit to the Exchange application for arbitration in Form No. I/IA (**Annexure E**) , (three copies in case of sole arbitrator and five copies in case of panel of arbitrators) along with the following enclosures:
- a. The Statement of Case (containing all the relevant facts about the dispute and relief sought)
- b. The Statement of Accounts Copies of Member - Constituent Agreement
- c. Copies of the relevant Contract Notes, Invoice and Delivery Challan
- 21.7.2. The Applicant shall also submit to the Exchange the following along with Form No. I/IA
- a. A cheque/pay order/demand draft for the deposit payable at the seat of arbitration in favor of ACE Derivatives & Commodity Exchange Limited
- b. Form No. II/IIA containing list of names of the persons eligible to act as arbitrators
- c. If any deficiency/defect in the application is found, the Exchange shall call upon the Applicant to rectify the deficiency/defect and the Applicant shall rectify the deficiency/defect within 15 days of

receipt of intimation from the Exchange. If the Applicant fails to rectify the deficiency/defect within the prescribed period, the Exchange shall return the deficient/defective application to the Applicant. However, the Applicant shall have the right to file a revised application, which shall be considered as a fresh application for all purposes and dealt with accordingly.

- d. Upon receipt of Form No. I/IA, the Exchange shall forward a copy of the statement of case and related documents to the Respondent.
- e. Upon receiving Form No. I/IA, the Respondent shall submit Form II/IIA to the Exchange within 7 days from the date of receipt. If the Respondent fails to submit Form II/IIA within the time period prescribed by the Exchange, then the arbitrator shall be appointed in the manner as may be decided by the Relevant Authority.
- f. Upon receiving Form No. II/IIA from both the Applicant and the Respondent, the Exchange shall as provided herein, identify the person/s who shall act as the arbitrator.

- 21.7.3. The Exchange shall identify the sole arbitrator to whom the arbitration application will be referred in the following manner :
- a. The Exchange shall identify the most common arbitrator to whom the highest preference has been given by both the Applicant and the Respondent;
 - b. If no common arbitrator is identifiable, the Relevant Authority shall select an arbitrator from the lists of persons eligible to act as arbitrators excluding the persons selected by the Applicant and the Respondent
 - c. If after excluding the persons selected by the Applicant and the Respondent, no eligible person is available to act as arbitrator or if the available person refuses or fails to act as arbitrator, then the Relevant Authority may select an arbitrator from the list submitted by either the Applicant or Respondent;
 - d. In the event of the failure of Applicant and the Respondent to submit any names of eligible persons to act as arbitrators, the Relevant Authority shall select the sole arbitrator from the panel of arbitrators.
 - e. The Respondent(s) shall within 15 days from the date of receipt of Form No. I/IA from the Exchange, submit to the Exchange in Form No. III/IIIA three copies in case of sole arbitrator and five copies in case of panel of arbitrators along with the following enclosures:
 - i. The Statement of Reply (containing all available defenses to the claim)
 - ii. The Statement of Accounts
 - iii. Copies of the Member Constituent Agreement,
 - iv. Copies of the relevant Contract Notes, Invoice and Delivery Challan Statement of the set-off or counter claim along with statements of accounts and copies of relevant contract notes and bills
 - v. The Respondent shall also submit to the Exchange a cheque/pay order/demand draft for the deposit payable at the seat of arbitration in favor of ACE Derivatives & Commodity Exchange Limited along with Form No. III/IIIA

- vi. If the Respondent fails to submit Form III/IIIA within the prescribed time, then the arbitrator may proceed with the arbitral proceedings and make the award ex-parte.
- vii. Upon receiving Form No. III/IIIA from the Respondent the Exchange shall forward one copy to the Applicant. The Applicant shall within ten days from the date of receipt of copy of Form III/IIIA, submit to the Exchange, a reply to any counterclaim, if any, which may have been raised by the Respondent in its reply to the Applicant.
- viii. The Exchange shall forward the reply to the Respondent.
- ix. The time period to file any pleading referred to herein may be extended for such further periods as may be decided by the Relevant Authority in consultation with the arbitrator depending on the circumstances of the matter.

21.8. Vacancy in The Office of The Arbitrator

- 21.8.1. In case office of the sole arbitrator or any one or more of the arbitrators in the panel of arbitrators falls vacant after the appointment thereto, and before making the arbitral award due to illness, death or termination the vacancy shall be filled up by the relevant authority.
- 21.8.2. For the purpose of para 5.1, the list of names of eligible persons in Form No. II/IIA already submitted by the Applicant and by the Respondent shall be considered.
- 21.8.3. If no such eligible persons are available the applicant and respondent shall submit Form No. II / IIA against with fresh names.

21.9. Requirement For Hearings

- 21.9.1. No hearing shall be required to be given to the parties to the dispute if the value of the claim difference or dispute is Rs.75,000 or less. In such a case the arbitrator/s shall proceed to decide the matter on the basis of documents submitted by both the parties provided however the arbitrator for reasons to be recorded in writing may hear both the parties to the dispute
- 21.9.2. If the value of claim, difference or dispute is more than Rs.75,000, the arbitrators shall offer to hear the parties to the dispute unless both parties waive their right for such hearing in writing.

21.10. Discretion To Pass Interim Orders:

- 21.10.1. The arbitrator/s may issue such orders or directions as may be deemed necessary including orders or directions for safeguarding, interim custody, preservation, protection, storage, sale or disposal of the whole or part of the subject matter of the dispute or for its inspection or sampling without prejudice to the rights of the parties or the final determination of the dispute.

21.11. Notice Of Hearing

- 21.11.1. Unless otherwise specified, the Exchange shall in consultation with the arbitrator determine the date, the time and place of the first hearing. Notice for the first hearing shall be given at least ten days in advance, unless the parties shall, by their mutual consent, waive the notice. The arbitrator shall determine the date, the time and place of subsequent hearings of which the Exchange shall give a notice to the parties concerned.

21.12. Attendance At Hearing

- 21.12.1. The arbitrator/s may commence, proceed with, continue or conclude the reference

notwithstanding any failure by a party to comply with any of the directions of the arbitrator/s and may also proceed with the arbitral proceedings in the absence of any or both the parties who fail or neglect to attend at the time and place appointed by the arbitrator/s, inspite of due notice.

21.13. Adjournment of Hearing

21.13.1. If any party to the reference wants to make an application for adjournment of hearing by the arbitrator the party shall make an application in writing giving reasons for seeking adjournment to the Exchange sufficiently in advance to enable the Exchange to forward such request to the arbitrator. The arbitrator at his discretion may grant the adjournment subject to such conditions as deemed fit by him.

21.13.2. Any person representing the Constituent in the arbitral proceedings shall be permitted to do so on production of a power of attorney duly executed and notarized by the Constituent in his favor, provided however in case of a Member, he shall appear in the hearings on his own or through his authorized representative. For the purpose of this Regulation, an authorized representative in case of a Member who is

- a. an individual - an employee or authorized person, as defined in these Business Rules, of such Member; or
- b. a partnership firm - any partner or employee or authorized person, as defined in these Business Rules, of such Member; or
- c. a company - any director or employee or authorized person, as defined in these Business Rules, of such Member.

21.14. Arbitral Award on Agreed Terms

21.14.1. If after the appointment of an arbitrator, the parties settle the dispute, then the arbitrator shall record the settlement in the form of an arbitral award on agreed terms.

21.15. Making Of Arbitral Award

21.15.1. The arbitral award shall be in writing and made in three originals duly dated and signed by the sole arbitrator or in case of a panel of arbitrators by all the three arbitrators.

21.15.2. The arbitrator shall file all the three original awards with the Exchange, which shall arrange to send one original each to the parties to the dispute and the Exchange shall retain the stamped original award.

21.16. Counter-Claim And Reply To Counter-Claim

21.16.1. The Respondent in an arbitration proceedings may make a counter-claim against the Claimant provided the counter-claim arises under the same transaction as the original claim. The Respondent shall submit the counter-claim with full details supported by all documents and information forming the basis of counterclaim within the period laid down in the Business Rules for submission of the defence statement/reply to the original claim. The original Claimant may, within such period, or within such extended time as may be permitted by the arbitrator/s, submit a statement in reply to the counter-claim.

21.16.2. Notwithstanding anything to the contrary stated in the Regulation, the arbitrator or the panel of arbitrators as the case may be, appointed to adjudicate upon the original claim shall also adjudicate upon the counter-claim and there will be no change in the number and/or the persons constituting the arbitral tribunal for adjudicating the original claim.

21.16.3. Copy of the reply to the counter-claim and all appended documents, if any, shall be sent to the party making the counter claim for information.

21.17. Interest

21.17.1. The arbitrator may include in the sum for which the award is made interest at such rate on such sum and for such period as the arbitrator deems reasonable.

21.17.2. A sum directed to be paid by an award shall, unless the award otherwise directs, carry interest at the rate of eighteen per centum per annum from the date of the award to the date of payment.

21.18. Arbitration Fees and Charges, Costs, Etc.

21.18.1. The fees and expenses payable to arbitrator shall be as determined by the Relevant Authority from time to time.

21.18.2. The parties to the claim, difference or dispute shall deposit with the Exchange along with Form No. I/IA or Form No. III/IIIA as the case may be such monies as may be required by the exchange from time to time for defraying the costs that may be incurred for conducting the arbitration proceeding

21.18.3. Member of the Exchange, who is a party to the arbitration proceedings, either as an applicant or respondent, shall deposit the arbitration fee with the Exchange as may be prescribed by the Relevant Authority.

21.18.4. The amount of deposit, which has to be deposited by the parties to the dispute shall be as determined by the Relevant Authority from time to time keeping in view the amount of claim and the cost of arbitration and such amount shall be deposited by the parties in equal shares towards the cost of arbitration. All deposits towards costs and expenses shall be made with the Exchange and no payment shall be made to the arbitrators directly by the parties.

21.18.5. Notwithstanding what is mentioned at 21.18.4 above, the Exchange may call for such additional deposits as it may deem fit if in its opinion the deposits already made will be insufficient to defray the expenses of arbitration.

21.18.6. Unless the arbitrator directs otherwise each party shall bear their own expenses of traveling and other incidental expenses incurred.

21.18.7. Other fees and expenses incurred: The arbitrator/s shall be entitled to allow fees and expenses of witnesses, expenses connected with the selection and carriage of sample and examination of goods, Licensed

21.18.8. Measure's Department or Assayers"/quality certifying agencies" charges, conveyance, hire, cost of legal or technical advice or proceedings in respect of any matter arising out of the arbitration and any other incidental expenses and charges in connection with or arising out of the reference or award as the arbitral tribunal may, in its absolute discretion, think fit.

21.19. Combining Of Claims

21.19.1. Where there are two or more applications for arbitration and the issue involved in the dispute arises out of similar transactions, the Relevant Authority may, if in his opinion it is proper to do so, with the consent of the parties, fix the hearings of the disputes to be heard jointly or refer the applications for separate hearings where the parties do not so consent. Where the applications are heard jointly, the awards, however, shall be given separately for each dispute.

21.20. Administrative Assistance, Which May Be Provided By The Exchange

21.20.1. The Exchange shall-

- a. maintain a register of references;
- b. receive all applications for arbitration and communications addressed by the parties before or during the course of arbitration proceedings or otherwise in relation thereto;
- c. receive payment of all costs, charges, fees and other expenses;
- d. give notices of hearing and all other notices to be given to the parties before or during the course of the arbitration proceedings or otherwise in relation thereto;
- e. communicate to the parties all orders and directions of the arbitrator;
- f. receive and record all documents and papers relating to the reference and keep in custody all such documents and papers except such as the parties are allowed to retain;
- g. communicate the award on behalf of the arbitrator;
- h. Generally do such things and take all such steps as may be necessary to assist the arbitrator in the execution of their function.

21.21. Duty Of The Parties To The Dispute

21.21.1. The parties shall do all acts necessary to enable the arbitral tribunal to make an award expeditiously and shall not do or cause or allow to be done, any act which may delay the proceedings or prevent arbitral tribunal from making an award expeditiously, and if any party does cause or allow to be done any act that may cause such delay, that party shall pay such costs as the arbitral tribunal deems reasonable.

21.22. Expert Advice

21.22.1. The arbitrator/s shall have discretion at any time before making the final award and at the expense of the parties concerned, to consult and obtain the opinion of any person having special knowledge relating to the particular industry, commodity, produce or branch of trade concerned in the reference or any expert or qualified accountant and may also at the expenses of the parties,

consult solicitors, counsel or advocates upon any technical question of law, evidence, practice or procedure arising in the course of the reference and the Arbitrator may rely upon such advice and shall be at liberty to determine, on merits, the question of requesting the expert for participating in the oral hearing and to testify thereat on the points at issue.

21.23. Language

21.23.1. The language of the arbitration proceedings and the award shall be English. If any documents filed by the parties are in a language other than English, the party filing such documents shall simultaneously furnish an English translation of the documents.

21.24. Mode Of Communication

21.24.1. Any communication sent by the Exchange to either of the parties shall be deemed to have been properly delivered or served, even if such communication is returned to the Exchange as unclaimed / refused / undelivered, if the same is sent to the ordinary business address and/or ordinary place of residence and/or last known address of the party, in any one or more of the following ways: -

- a. by post,
- b. by registered post,
- c. under certificate of posting
- d. by speed post/courier services,
- e. by telegram,
- f. by affixing it on the door at the last known business or residential address,
- g. by oral communication to the party in the presence of a third person,
- h. by advertising it in at least one prominent daily newspaper having circulation in the area where the last known business or residential address of Respondent is situated,
- i. by sending a message through the Trading System,
- j. by electronic mail or fax
- k. by hand delivery

21.24.2. Any communication sent by either of the parties to the Exchange shall be made in any one or more of the following ways:

- a. by post (ordinary or registered or speed) or Courier service
- b. by telegram
- c. by fax
- d. by hand delivery

21.24.3. For the purpose of this clause

- a. Relevant Authority means Managing Director, Chief Executive Officer or Deputy Managing Director {or any officer(s) authorized by the Managing Director or Chief Executive Office or Deputy Managing Director.}
- b. Applicant is the person who filed the claim for arbitration

- c. Respondent is the person against whom the claim has been made by the Applicant including any person made a party by virtue of this Regulation

22. Inspection / Supervision and Disciplinary Actions

22.1. Inspection Authority

- 22.1.1. The Relevant Authority of the Exchange shall inspect books of accounts, any other document of a Member and trading infrastructure including systems used to establish connectivity with the Exchange at such intervals that it deems fit. Where it appears to the Relevant Authority so to do, it may appoint one or more persons as inspecting authority to undertake inspection for any of the purposes specified in the relative Regulation.
- 22.1.2. The Inspecting authority appointed by the Relevant authority of the Exchange may be either its own staff or outsourced staff.
- 22.1.3. When the Relevant Authority appoints outsourced staff as an inspecting authority, it shall notify the Exchange Member the names and addresses of such persons so appointed as an inspecting authority at the time of inspection.
- 22.1.4. When outsourced staff are appointed as an inspecting authority in respect of an Exchange Member and such outsourced staff are already related in any other capacity with the Exchange Member directly or with any of its associates then such member shall forthwith inform the Relevant Authority of such relationship.

22.2. Reasons for Inspection

- 22.2.1. The Relevant Authority may cause an Exchange Member to be inspected for purposes which may include the following :
 - a. to ensure that the books of accounts and other books are being maintained in the manner required;
 - b. to ensure that the provisions of the Forward Contracts (Regulation) Act, 1952 and the Rules made thereunder are being complied with;
 - c. to ensure that various provisions of Bye Laws, Rules and Business Rules of the Exchange, and any directions, notices, circulars, instructions or orders issued thereunder are being complied with;
 - d. to inspect the trading infrastructure and systems
 - e. to investigate into the complaints received from traders, other members of the Exchange or any other person on any matter having a bearing on the activities of the Exchange Member;
 - f. to investigate suo-moto, for any reason where circumstances so warrant
 - g. an inspection into the affairs of the Exchange Member in public interest; (g) to examine whether any notices, circulars, instructions or orders issued by the Relevant Authority from time to time relating to trading and other activities of exchange members are being complied with;
 - h. to comply with any of the directives issued in this behalf by any regulating authority including Government of India.
 - i. Compliance with the norms as prescribed by the Exchange for Client accounts, Know your Client

(KYC), Member Client Agreement etc.

- j. Detection of circular trading and insider trading.

22.3. Notice

- 22.3.1. Before undertaking any inspection as above the Relevant authority shall give a reasonable notice to the Exchange member for that purpose.
- 22.3.2. Notwithstanding anything contained above, where the Relevant Authority is of the opinion that no such notice should be given, it may direct in writing that the inspection of the affairs of the Exchange Member be taken up without such notice.
- 22.3.3. The Relevant Authority officials or the inspecting authority who is directed by the Relevant authority to undertake the inspection, shall undertake the inspection and the Exchange Member against whom an inspection is being carried out shall be bound to discharge his obligations as provided in the relevant Regulation herein.

22.4. Obligations of an Exchange Member on Inspection

- 22.4.1. It shall be the duty of every member, director, partner, officer and employee of the Exchange Member, who is being inspected, to produce to the inspecting authority such books, accounts and other documents in his custody or control or arrange to produce where such books, accounts and other documents when they are in any other person's custody or control and furnish him such statements and information within such time as the said inspecting authority may require.
- 22.4.2. The Exchange Member shall allow the inspecting authority to have reasonable access to the premises occupied by him or by any other person on his behalf and to the trading infrastructure including the systems and also extend reasonable facilities for examining any books, records, documents and computerized data in his possession or any other person and also provide copies of documents or other materials which in the opinion of the inspecting authority are relevant. Such copies or materials shall be retained by the inspecting authority as the property of the Exchange.
- 22.4.3. The inspecting authority, in the course of inspection shall be entitled to examine or record statements of any member, director, partner, officer and employee of the Exchange Member or of any associate of such Exchange Member.
- 22.4.4. It shall be the duty of every member, director, partner, officer and employee of the Exchange Member or where an associate is examined, such associate to give to the inspecting authority all assistance in connection with the inspection which the Exchange Member may be reasonably expected to give.
- 22.4.5. The inspecting authority shall be entitled to examine the records relating to the Exchange Member's financial affairs held with its bankers or any other agency which the inspecting authority may find it relevant.
- 22.4.6. The inspecting authority shall have access to accounts and other records relating to the Exchange Member or such access as authorised by the Relevant Authority to accounts and other records

relating to any associate of the Exchange Member as are within the power of the Exchange Member to provide.

22.5. Submission of Report

- 22.5.1. The inspecting authority shall, as soon as possible submit an inspection report to the Relevant Authority.
- 22.5.2. All documents, papers, returns or their copies submitted to the inspecting authority may be retained by it on behalf of the Relevant Authority of the Exchange. It shall maintain complete confidentiality thereof and no disclosure of any information contained therein shall be made to any person, firm, company or authority unless required by any law for the time being in force and without approval of the Exchange in this regard.
- 22.5.3. The Exchange shall after consideration of the inspection report communicate the findings to the Exchange Member to give him an opportunity of being heard before any action is taken by the Exchange on the findings of the inspecting authority.
- 22.5.4. On receipt of the explanation, if any, from the Exchange Member the Exchange may call upon Exchange Member to take such measures as the Relevant Authority may deem fit in public interest.
- 22.5.5. Notwithstanding anything contained as above, where the Exchange is of the opinion that no such hearing should be provided in certain circumstances, it may take action forthwith without giving an opportunity of being heard.

22.6. Collection and Dissemination of Information

- 22.6.1. The Exchange may call upon the Members to furnish such information and /or explanation with regard to any constitution, dealings, settlement, account and/or other related matters.
- 22.6.2. The Exchange shall maintain the details of the clients of the members in confidence and that it shall not disclose to any person/ entity such details of the client as mentioned in the client registration form or any other information pertaining to the client except as required under the law or by any authority.
- 22.6.3. Notwithstanding anything contained in any of the Business Rules, the Exchange may at its discretion disseminate to regulatory authorities or to the general public, any information including information relating to any trades, dealings, settlement of dealings, accounting, disciplinary action initiated/taken against Members and/or other matters relevant for enforcement or regulatory purposes.

22.7. Fines, Penalties and Disciplinary Actions

- 22.7.1. The Relevant Authority shall from time to time by way circular / notification shall prescribe fines, penalties and other disciplinary actions that will be initiated for violation of various provisions of Bye-Laws, Rules and Business Rules of the Exchange read with the circulars, notifications, releases along with their amendments as may be issued from time to time and is in force.
- 22.7.2. While imposing fines, penalties and other disciplinary actions the decision of the

relevant authority shall be final. However the relevant authority shall before communicating the decision shall as may deem fit give an opportunity of being heard to the Member or the Client as the case may be.

23. Modifications

23.1. Subject to the provisions of Forward Contracts (Regulation) Act, 1952, the Exchange shall have right to modify, substitute or alter these Business Rules at any time if deemed appropriate by the Exchange in the interest of regulation of the commodity and/or derivatives market.

24. Savings

24.1. Save as otherwise specifically provided in these Business Rules including Bye-Laws and Rules of the Exchange, the Exchange, its Clearing House/Corporation, its directors, employees and agents while performing functions of regulating, promoting, facilitating, assisting, operating or performing any function under Bye laws, Rules and these Business Rules, shall not be deemed to have incurred any liability and accordingly no claim or recourse shall lie against the Exchange, Clearing Houses, their employees, directors or authorized persons.

24.2. No claim, suit, prosecution or other legal proceedings shall lie against the Exchange/Clearing House, their directors, employees or any authorized persons in respect of anything which is in good faith done or intended to be done in order to regulate the functions of Exchange or done or intended to be done in pursuant to any orders issued by Forward Market Commissions or any other authority under law for the time being in force.