

# ACE DERIVATIVES & COMMODITY EXCHANGE LIMITED

## BYE LAWS

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# ACE DERIVATIVES & COMMODITY EXCHANGE LIMITED

## Bye Laws

In exercise of the powers conferred by Section 11 of the Forward Contracts (Regulation) Act, 1952, and with the previous approval of the Central Government/Forward Markets Commission, the ACE Derivatives and Commodity Exchange Limited makes the following Bye-Laws, namely:-

### 1. Short Title and Commencement

- 1.1. **Bye Laws:** These Bye-Laws shall be known as "The Bye-Laws of ACE Derivatives & Commodity Exchange Limited, " and are for the sake of brevity and convenience, herein referred to as "these Bye-Laws" or "the Bye-Laws of the Exchange".
- 1.2. **Date of Effect:** These Bye-Laws shall come into force with effect from such date as the Board of ACE Derivatives & Commodity Exchange Limited, {hereinafter referred to as "the Exchange or ACE"} and the Forward Markets Commission (hereinafter referred to as "FMC" or "Commission") may appoint and notify in that behalf.
- 1.3. **Other Laws Applicable:** These Bye-Laws shall be in addition to the provisions of the Forward Contracts (Regulations) Act, 1952 {hereinafter referred to as FCRA}, the Forward Contracts (Regulation) Rules, 1954{hereinafter referred to as FCRR} and the Rules and Regulations made thereunder. These Bye- Laws shall at all times be read subject to the provisions of FCRA, FCRR as amended from time to time and the rules, regulations, directives, orders, guidelines, norms and circulars issued by the Government of India and/or FMC thereunder from time to time.
- 1.4. **Precedence of FCRA/FCRR over Bye-Laws:** In case of difference between the provisions of any Rules, Bye-Laws or Business Rules of the Exchange and the provisions of FCRA or FCRR, the provision of FCRA/FCRR shall prevail,

## 2. Definitions

### 2.1. Words and Expressions Used

2.1.1. Unless in the context it is explicitly stated otherwise, all words and expressions used herein but not defined herein shall have the same meanings as specified in the following:

- a. Forward Contracts (Regulation) Act, 1952 and the Rules framed thereunder.
- b. Rules, Memorandum and Articles of Association of ACE approved by the Forward Market Commission.

### 2.2. Precedence of Statute

2.2.1. In case a term is defined in more than one statute, then its meaning as defined in that statute, which precedes the others mentioned hereinabove, shall prevail, unless in the context it is explicitly stated otherwise.

### 2.3. Meaning of Certain Words and Expressions

2.3.1. Unless the context otherwise requires, in this document the term Company and Exchange shall be used interchangeably. With regard to the Bye-Laws of the Exchange, if not inconsistent with or repugnant to the subject or context hereof, the following words and expressions shall have the meanings given hereunder:

2.3.2. **Additional margin** means any additional margin deposit that is required from the contracting parties to establish and/or to maintain a position in a contract.

2.3.3. **Approved Office means the registered** office of the exchange member, including such premises or offices from where the member is allowed by the Exchange to trade and/or clear on the automated trading system or any other trading system of the Exchange and/or to carryout back office activities.

2.3.4. **Approved User** means the Member or any other person/s appointed by him to use the Trading System with the prior consent of the Exchange provided that such Approved User is having qualification if any prescribed by the Exchange.

2.3.5. **Articles** mean the Articles of Association of ACE and include any modification or alteration thereof for the time being in force.

2.3.6. **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) as defined under Limited Liability Partnership Act, 2008 or a company as defined in the Companies Act, 1956 who is an agent of the Member and has been appointed as Authorized Person by a Member of the Exchange for providing access to the trading platform of the Exchange upon approval of the Exchange

- 2.3.7. **Authorised Representatives of a member** means a person authorised by an Exchange member to represent and act on behalf of that member and registered as such under the Articles of Association, Bye-Laws, Rules and Business Rules of The exchange.
- 2.3.8. **Automated Trading System (ATS)** of the Exchange means the computerized system made available by the Exchange for trading in contracts permitted by the Exchange, access to which is made available to an exchange member, for use either by himself or by his authorised persons, participants, authorised users and clients and which makes available quotations in the contracts traded on the Exchange, facilitates trading in such contracts and disseminates information regarding trades effected, volumes transacted, market related information and other notifications, etc. as may be decided to be placed thereon by the Relevant Authority. The Automated Trading System shall hereinafter be referred to as “ATS”
- 2.3.9. **Bank** means and includes any banking company as defined in the Banking Regulation Act, 1949 (110 of 1949), a co-operative bank as defined in the Reserve Bank of India Act, 1934 and a scheduled commercial bank or a foreign bank licensed to carry on the business of a bank in India by the Reserve Bank of India.
- 2.3.10. **Basis variety or grade** is the description of a standard variety or grade for a commodity permitted for trading in its futures contract at the exchange as specified in the contract specifications laid down in the Rules and/or Business Rules of the Exchange and which is deliverable without any “on” or “off” allowance.
- 2.3.11. **Base Capital** means and includes the initial security deposit, additional security deposit, margin money, any other credit amounts, bank guarantee, and other collateral, by whatever name called, specified to be part of the base capital.
- 2.3.12. **Board** means the Board of Directors of the ‘ACE Derivatives & Commodity Exchange Limited (ACE)’ and may be referred to as the Governing Board.
- 2.3.13. **Buyer** means and includes, unless the context indicates otherwise, the buying client, the buying exchange member acting either as an agent on behalf of the buying client or buying on his own account.
- 2.3.14. **Books of Accounts, Records and Documents** means and include books of accounts, records and documents which are required to be maintained under the Forward Contracts (Regulation) Act, 1952 and the Rules framed there under, and the Bye-Laws, Rules and Business Rules of the Exchange and the Clearing House and includes the records maintained in a computer or in any electronic or other form by the member of the Exchange.

- 2.3.15. **Branch Office in relation to an exchange member** means any establishment described as a branch, any establishment carrying on either the same or substantially the same activity as that carried on by the head office, except the offices of the clients trading through the exchange member who has trading rights in the exchange.
- 2.3.16. **Business Rules** means the Business Rules of the Exchange for the time being in force and include, code of ethics / conduct / governance, circulars, notices and such other Regulations prescribed by the Board of Directors or Relevant Authority from time to time for the operations of the Exchange and these shall be subject to the provisions of the Forward Contracts (Regulation) Act, 1952 Forward Contracts (Regulation) Rules,1954 and directives issued by the Forward Markets Commission and Bye Laws and Rules of the Exchange .
- 2.3.17. **Bye-Laws'** mean the Bye-Laws of the Exchange made pursuant to the provisions of The FCRA read with FCRR, as approved by the Forward Markets Commission
- 2.3.18. **Certified Warehouse/Approved Warehouse** means a go-down or warehouse approved by the Exchange or any agency authorized by it and designated as such for making deliveries to and taking deliveries of commodities for fulfilling contractual obligations resulting from transactions in commodity contracts.
- 2.3.19. **Certified Warehouse Receipt** means a receipt issued under the authority of the Exchange or any agency approved by the exchange as a certified warehouse, evidencing proof of ownership of a stated quantity of commodities of a stated grade and quality by the beneficial owner or the holder of the certified warehouse receipt. Certified warehouse receipt may either be in physical form or in dematerialised/electronic form as may be permitted by law
- 2.3.20. **Chairman** means the Chairman of the Board of Directors of ACE.
- 2.3.21. **Chief Executive Officer** means the Chief Executive Officer of the Exchange appointed by the Board pursuant to the Guidelines issued by Commission or Central Government, as the case may be, and may also include Managing Director of the Company.
- 2.3.22. **Circular Trading** means and relates to trading by a client or an exchange member or a group of related exchange members and/or their clients, normally through more than one exchange member and executing trades, with one or more entities of this group entering buy orders and on the other side one or more entities of the same group and/or with other unconnected entities in the market entering sell orders or vice versa with a design to manipulate the price of a contract and /or to create artificial volumes in a contract.

- 2.3.23. **Clearing and Settlement** means clearing or settlement or clearing and settlement of trades/transactions in respect of contracts or commodities in such manner and subject to such conditions as may be specified by the Relevant Authority from time to time, unless the context indicates otherwise.
- 2.3.24. **Clearing Agency** means and includes the Clearing House and/or Clearing Corporation, whose services are availed of by the Exchange, for carrying out clearing, guaranteeing and settlement by delivery or otherwise of transactions effected on the Exchange platform.
- 2.3.25. **Clearing Bank** means a bank that is designated or appointed to provide banking and other facilities to the Exchange, the clearing house of the Exchange and the members of the Exchange to facilitate clearing and settlement functions.
- 2.3.26. **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
- 2.3.27. **Clearing Member** means a trading cum clearing member or an Institutional Trading cum Clearing member and Professional Clearing Member of the Exchange or its Clearing House who has the right to clear transactions, on his own account or on account of its clients/ constituents, in contracts that are executed in the trading system of the Exchange.
- 2.3.28. **Client Identification Number** means the unique code allocated to each client by a member which is registered with the exchange.
- 2.3.29. **Collateral** means money, fixed deposit receipt, bank guarantee, securities, warehouse receipt or any other asset as specified by the exchange, offered as security deposit, margin deposit or as such security for any other asset as required by the exchange.
- 2.3.30. **Committee** means any committee constituted by the Board of the Directors of the Exchange pursuant to the provisions of the Memorandum and Articles, Bye Laws, Rules and Business Rules of the Exchange, empowering it to perform such functions as the Board may determine from time to time.
- 2.3.31. **Commodity** means any goods or commodity, as defined by or under the Forward Contracts (Regulation) Act, 1952 (hereinafter referred to as FC(R) Act including securities or instruments representing any such

commodity permitted to be traded on the Exchange.

- 2.3.32. **Company** means ACE Derivatives & Commodity Exchange Limited and shall also be referred to as ACE or the Exchange.
- 2.3.33. **Contracts** shall mean and include all types of contracts in commodities and price indices which are specifically approved by the Forward Markets Commission and the Exchange for trading on the Exchange and include the derivatives of all or any of such contracts permitted for trading on the Exchange.
- 2.3.34. **Contract month, Delivery month, Contract period**, means that month in which contractual obligation in respect of forward/futures contracts are due for fulfillment by the parties to the contract.  
Explanation: Contract Months shall be referred as 'contracts' in these Bye-Laws. For example, a future contract for settlement in the month of July can be referred to as 'the July Contract'.
- 2.3.35. **Control** shall include the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner.
- 2.3.36. **A Constituent** or a client means a person, who has executed an agreement with a member of the Exchange for dealing through such member in contracts permitted on the Exchange.
- 2.3.37. **Cross Deals** mean and include trades/transactions in which the same exchange member is both on buy and sell sides of a trade and where the buy and sell orders have been entered into within such time, as may be specified by the Relevant Authority from time to time, and where the price of both the orders is the same and where the quantity is by and large the same.
- 2.3.38. **Daily Official/Price List** means the publication in whatever mode, including an electronic mode, issued by or under the authority of the Exchange, which contains details of prices and quantities of the commodity contracts traded on any given day, and any other relevant information.
- 2.3.39. **Days Of Tender** mean the days on which relevant delivery documents and certified warehouse receipts are permitted to be presented to the Clearing House of the Exchange.
- 2.3.40. **Daily settlement price** shall be the price of the Derivatives Contracts as decided by the Relevant Authority for the particular trading day for the purpose of

marking to market all open positions and settlement thereof.

- 2.3.41. **Deal** means, unless the context indicates otherwise, a trade, contract, transaction which is admitted for trading and cleared and settled, through the Clearing House of the exchange or as prescribed by the exchange.
- 2.3.42. **Delivery** means the tender and receipt of warehouse receipts/or any other mode / document of title to goods by issue of delivery order in settlement of a contract. This also includes clearing and settlement through the Clearing House in the manner prescribed in the relevant Business Rules of the Exchange.
- 2.3.43. **Delivering Member** means a clearing member who has to deliver or has delivered commodities or documents of title or other relevant documents for commodities in fulfillment of his obligations against a contract to which these Bye Laws, Rules and Business Rules apply unless the context indicates otherwise.
- 2.3.44. **Delivery centers** means the centres where the commodities permitted for trading on the Exchange can be delivered by the seller against his outstanding short open position during the delivery period through the issue of delivery orders.
- 2.3.45. **Delivery order** means an order issued by a seller in the prescribed form in favour of the Clearing House offering delivery of goods at one or more permitted delivery centers in fulfillment of his obligation against an expiring contract.
- 2.3.46. **Delivery order rate** means the rate at which delivery order shall be issued to the Clearing House on the designated tender day or on the contract expiry date.
- 2.3.47. **Delivery Month** means the month in which a contract is required to be finally settled as prescribed by the Relevant Authority from time to time.
- 2.3.48. **Delivery Period** means the period during which the commodities are tendered in terms of the contracts in fulfillment of the obligation under the transactions executed under the Byelaws, Rules and Business Rules of the Exchange or under the orders issued in exercise of the powers vested by any of them, and includes tender days as prescribed by the Exchange for different contract months.
- 2.3.49. **Derivatives Contract** shall mean and include a contract which derives its value from the prices, or index of prices of underlying commodities , the trading of which is carried out in such manner as provided under these Bye-Laws, Rules and Business Rules.
- Explanation: For the purpose of this definition, derivative includes a contract, whose value is derived from a commodity, commodity price or prices, or an index based on the prices of commodities or commodity contracts as may be specified by the exchange.
- 2.3.50. **Director** means the Director for the time being on the Board of ACE.

- 2.3.51. **The Dominant Promoter Group (DPG)** means a group of not more than 4 individuals who directly / indirectly hold more than 51% of capital in the firm / company and are identified as the key promoters of the entity.
- 2.3.52. **Due Date/Contract Expiry Day/Contract Maturity Day** means the maturity date (last day) on which a specific contract in a specific commodity expires and is not available for trading thereafter.
- 2.3.53. **Due Date Rate** means the settlement price fixed for squaring up (closing out) of all the outstanding contracts in a contract month on the due date, which are not fulfilled by giving or taking delivery.
- 2.3.54. **Exchange** means ACE Commodity & Derivatives Exchange Limited (ACE) and the premises and/or the system for executing transactions in ready, forward or futures delivery contracts in commodities that are permitted and/or approved by the Forward Markets Commission.
- 2.3.55. **Exchange Member-Client Agreement** means an agreement which is executed between an Exchange member and his client, in the form and manner prescribed by the Exchange from time to time.
- 2.3.56. **Expiration Day** means the day on which the final settlement obligation are determined in a Derivatives Contract.
- 2.3.57. **FCRA and FCRR** mean the Forward Contracts (Regulation) Act, 1952 and Forward Contracts (Regulation) Rules, 1954 respectively.
- 2.3.58. **Financial year** means year commencing from 1st April and ending on 31st March of the following year.
- 2.3.59. **Forward Markets Commission or Commission or FMC shall** mean the Forward Markets Commission established by the Central Government under section 3 of the Forward Contracts (Regulation) Act, 1952.
- 2.3.60. **Futures Contract** means a forward contract (that is neither a non-transferable specific delivery contract nor a transferable specific delivery contract as defined in the FCRA), the terms, conditions and specifications regarding the quality of 'basis' and 'tenderable varieties', delivery centers, delivery months, payment with "on" and "off" allowances, as the case may be, for delivering varieties other than the 'basis' variety, unit of trading and quotation, etc. are so standardized in all their details in the Byelaws, Rules and Business Rules of the Exchange for specified commodities and price indices that the parties to such a contract have merely to agree on only the quote and quantity to be traded for delivery and settlement in the trading system of the Exchange so as to tender such agreement to buy and sell the underlying commodity or price index enforceable in law, and is in no way void, voidable or illegal under any law in force for the time being.

- 2.3.61. **Godown or Warehouse** means any structure/facility meant for storing and preserving the commodities approved in this behalf by the Relevant Authority from time to time.
- 2.3.62. **Gross open Interest** means the sum of the open interest of the market aggregated over all contract months pertaining to all commodities.
- 2.3.63. **Gross open position for a contract month or Outstanding obligations in a contract** means the sum of either the long positions or the short positions which remain to be settled in that contract for the contract month.
- 2.3.64. **Hours** means and refer to hours based on Indian Standard Time (IST).
- 2.3.65. **Institutional Clearing Member** shall mean a member of the Exchange who has the right to clear transactions in contracts that are executed on the trading system of the Exchange by trading members. An institutional clearing member shall not have the right to trade on the trading system of the Exchange for themselves or their clients.
- 2.3.66. **Institutional Trading –Cum Clearing Member** shall mean a person who is admitted by the Exchange as an institutional Trading Cum Clearing Member of the Exchange and who shall be allowed to trade on his account and to settle the trades done by himself as well as by other Trading cum Clearing members, Trading members, clients or constituents.
- 2.3.67. **In writing or ‘Written’** includes handwriting, typewriting, printing, lithography, fax, downloading through computers, e-mail, SMS, digital scanned copy and/or other modes of representing or reproducing words in visible form.
- 2.3.68. **Last day of Trading** means the day on which trading ceases for a particular contract month in a specific commodity and after which trading is not permitted.
- 2.3.69. **Limit Order Book** is a book maintained on the ATS or any other trading system of the Exchange, which stores unmatched limit orders for matching on the day of entry of the order on the ATS.
- 2.3.70. **Limit Order in the case of a buy order**, means the rate at or below which the order may be matched on the ATS and in the case of a sell order means the rate at or above which the order may be matched on the ATS.
- 2.3.71. **Long Position(s)** means the net outstanding purchase obligations of a person, whether a member or not, in respect of his transactions in a contract month for a commodity or its price index at any given point of time, whose settlement is yet to be effected.
- 2.3.72. **Managing Director** means the managing director of the Company appointed by the Board in accordance with the provisions of the Articles of Association of the Exchange.

- 2.3.73. **Margin** means a deposit or payment of cash/other specified assets/documents to establish or maintain a position in a contract and includes initial margin, special margin, ordinary margin, delivery period margin, additional margin and variation margin or any other type of margin as may be determined by the Exchange from time to time.
- 2.3.74. **Mark-to-market** means a process by which all the trades/transactions executed in the exchange for a contract month are priced at the settlement price decided by the Clearing House and on the basis of which receipts and payments are effected by the Clearing House.
- 2.3.75. **Market Lot** means a fixed minimum number, in which or in multiples of which, commodities, derivatives are bought and sold on the exchange.
- 2.3.76. **Market Order** means an order for a specified quantity of a contract to be bought or sold at the best available order /quote prevailing on the trading system(s) of the Exchange at the time of entry of the order on the trading system(s) of the Exchange.
- 2.3.77. **Market Type** means and refers to the different markets in which trading is allowed on the ATS or any other trading system allowed by the Exchange.
- 2.3.78. **Member of the Exchange** or 'Exchange Member' means a person, a sole proprietary firm, joint Hindu family, a association of persons a partnership firm, Limited Liability Partnership (LLP), a company (as defined under the Companies Act), a co-operative society, a body corporate or public sector organization or statutory corporation or a government department or non-government entity or any other entity admitted as such by the Exchange for trading, clearing or settlement of any one or more contracts permitted in the Exchange and shall not mean a shareholder of the Company unless expressly stated. Membership of the Exchange in this context shall not mean or require shareholding in the Company as a pre-condition.
- 2.3.79. **Month** means a month reckoned according to the English calendar.
- 2.3.80. **Net open position** of a person in a commodity for a contract month means
- a) the total of long positions that remain to be settled less the total of short positions that remain to be settled if the long positions exceed the short positions and
  - b) the number of short positions that remain to be settled less the number of long positions that remain to be settled if the short positions exceed the long positions.
- 2.3.81. **Notification, notice or communication** refers to any such intimation that can be served at ordinary business address and/or ordinary place of residence and/or

last known address/email address/Trading System 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
- e. by courier services
- f. by telegram
- g. by affixing it on the door at the last known business or residential address
- h. by oral communication to the party in the presence of a third person
- i. 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
- j. by sending a message through the Trading System
- k. by electronic mail at the email address registered with the Exchange
- l. by fax at the fax number registered with the Exchange
- m. by hand delivery
- n. by SMS through a mobile device at the mobile number registered with the Exchange

Any communication sent by the Exchange to any party 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/e-mail address and/ or ordinary place of residence and/ or last known address of the party, in any one or more of the ways mentioned above.

2.3.82. **Order** means an offer to buy or sell any contract through the ATS or any other trading system permitted by the Exchange for specific commodities.

2.3.83. **Open Position (s)** means the sum of the long and short positions of the member and his constituent in any or all of the contracts or commodities outstanding with the Clearing House.

2.3.84. **Gross open position** for a contract month or Outstanding obligations in a contract means the sum of either the long positions or the short positions which remain to be settled in that contract for the contract month.

2.3.85. **Ordinary margin** means the margin deposit that is required from the contracting parties to establish a position in a contract month and may be called as initial margin.

2.3.86. **Official List** means the list including the contracts or commodities admitted or permitted for trading on the exchange.

- 2.3.87. **Participant** means and refers to an entity registered as such in accordance with these Bye-Laws, Rules and Business Rules framed from time to time for such purpose and subject to such terms and conditions, as may be prescribed by the Relevant Authority.
- 2.3.88. **Pay-in**, in respect of transactions done on the Exchange means making available funds to the clearing agency by the exchange members in accordance with the applicable settlement schedule notified by the clearing agency from time to time.
- 2.3.89. **Pay-in Date** means the date and time prescribed by the Exchange or its clearing agency for each settlement by which date and time, exchange members are required to perform their obligations by way of payment of funds as applicable to the clearing agency.
- 2.3.90. **Pay-Out** , in respect of transactions done on the Exchange means release of funds by the clearing agency to the exchange members who become entitled to receive them to the extent of and upon their fulfilling their pay-in obligations into the clearing agency, in accordance with the applicable settlement schedule notified by the clearing agency from time to time.
- 2.3.91. **Pay-out Date** means the date and time prescribed by the Exchange or its clearing agency for each settlement by which date and time, the clearing agency shall be required to release funds to the respective accounts of the exchange members and /or clients.
- 2.3.92. **Person** includes an individual, partnership firm, limited liability partnership (LLP), body corporate, corporation, joint Hindu family, a co-operative society, association of persons, bank, financial institution, public sector organization, statutory corporation, a government department or non-government entity or such other person as the Board may decide from time to time.
- 2.3.93. **Place of Business** means an office where a member is conducting a bona fide business for trades/transactions in commodities and the address of which is officially intimated to the Exchange.
- 2.3.94. **Prescribed** means prescribed under the Bye Laws or Rules of the Exchange.
- 2.3.95. **Professional Clearing Member** means a Clearing Member who is not Trading Member. The term Professional Clearing Member and Clearing Member have been used interchangeably.
- 2.3.96. **Quote** means a bid price and/or an offer price given by an exchange member for a contract on the ATS or any other trading system allowed by the Exchange.
- 2.3.97. **Rate** means the price of unit of quote specified in the contract specifications for a contract transacted on the ATS or any other trading system allowed by the

Exchange.

- 2.3.98. **Ready Delivery contract** means a contract as defined in the Forward Contracts (Regulation) Act, 1952
- 2.3.99. **Receiving member** means a Clearing Member who has to or has taken delivery in fulfillment of contracts to which these Rules, Bye Laws and Business Rules apply unless the context indicates otherwise.
- 2.3.100. **Recognized Exchange** means an Exchange, which is for the time being recognized by the Central Government and/or FMC under the provisions of the FC(R) Act, 1952.
- 2.3.101. **Registered Non-Member (RNM)** means a client of a member of the Exchange who is registered with the Exchange to transact in contracts in specified commodities permitted by the exchange for such registered nonmember through that exchange member.
- 2.3.102. **Relative** means a person who is a relative within the meaning assigned under section 6 read with schedule IA of the Companies Act, in force from time to time.
- 2.3.103. **Relevant Authority** means the Board including its committee thereof and any committee appointed by the Board or such authority as specified by Board from time to time as relevant for a specified purpose.
- 2.3.104. **Relevant Contracts** means contract pertaining to the relevant trading segment of the Exchange.
- 2.3.105. **Retention Period in relation to an order**, means the period, up to which the unmatched quantity of an order is to be retained on the ATS or any other trading system of the Exchange, as a standing limit order in the limit order book.
- 2.3.106. 'Rules' means the Rules of the Ace Derivatives And Commodity Exchange Limited approved by the Forward Markets Commission under the Forward Contracts (regulation) Act, 1952.
- 2.3.107. **Sell order** means an order to sell a contract permitted for trading on the Exchange
- 2.3.108. **Seller** means and includes, unless the context indicates otherwise, the selling client, and the selling exchange member acting as an agent on behalf of such selling client and denotes the selling exchange member when he is dealing on his own account.
- 2.3.109. **Settlement Day** means the day fixed by the Relevant Authority for members of the Exchange to settle their transactions as per instruction of the Exchange.

- 2.3.110. **Settlement Price** for a contract and a contract month means the price of a contract for the purpose of payment of differences (or dues) pertaining to all fresh and outstanding position that remain to be settled. Settlement price shall be determined for the settlement days and shall be based on price quotations of transactions executed in accordance with the Byelaws, Rules and Business Rules of the exchange and other information available on the daily price list.
- 2.3.111. **Securities include** Shares, scrips, stocks, bonds, debentures, debenture stock or other marketable securities or instruments of a like nature in or of any incorporated company or other body corporate or otherwise, including futures, options and other derivatives contracts permitted under Law; Government securities; Such other instruments as may be declared by the Central Government to be securities; Rights or interest in securities, derivatives, futures and options and other contracts of such nature; and Any other instruments that may be incorporated under the definition of securities in the Securities Contracts (Regulation) Act, 1956 or FC(R) Act, 1952.
- 2.3.112. **Short Position** means the net outstanding sell obligations of a person, whether a member or his client, in respect of his transactions in a contract month for a commodity or its price index, at any given point of time, whose settlement has yet to be effected.
- 2.3.113. **Settlement/Trade Guarantee Fund** means a fund established and maintained in accordance with the relevant provisions of the Bye Laws.
- 2.3.114. **Special margin** means the margin deposit that is required from the contracting parties to hold a position in a contract as specified by the Relevant Authority empowered in this behalf and/or as directed by the Forward Markets Commission.
- 2.3.115. **Standing Order means** an unmatched order, which is retained on the ATS or any other trading system of the Exchange in the limit order book.
- 2.3.116. **Structured Deals** mean and are similar to cross trades/transactions/deals except that the exchange members on the buy and sell sides of the trade are different.
- 2.3.117. **Specified** means specified under the Business Rules, code of conduct or any Circulars, notices or directions issued by the Exchange or Relevant Authority.
- 2.3.118. **Specified period** for contract is the time period between the starting day and the expiration time on expiration date.
- 2.3.119. **Tenderable variety or Deliverable Variety or grades** means varieties or grades other than 'basis' variety or grade which are permitted by the Exchange to be delivered or tendered against a futures contract for a commodity traded on the Exchange with or without the "on" and "off" allowances as may be prescribed from time to time by the Relevant Authority under these Bye-Laws and Rules /Business Rules of the Exchange.

- 2.3.120. **To Input** means to transmit an order to buy or sell a contract from a trader workstation (TWS) of an exchange member and any other information as may be required , into the ATS
- 2.3.121. **To Match** means an order to sell or a part of an order to sell which matches with an order to buy or a part of an order to buy, or vice versa, in terms of price and quantity, either in part or full, and resulting into a trade.
- 2.3.122. **Touch Line** means the best bid and offer, together with the related quantity for buy and sale, displayed on the TWS.
- 2.3.123. **Trade** means a transaction for purchase and sale of a contract resulting from the matching of a bid to buy or a part of a bid to buy with an offer to sell or a part of an offer to sell, or vice versa on the ATS or any other trading system permitted by the Exchange.
- 2.3.124. **Trader Work Station** (hereafter referred to as “TWS”) means a computer terminal of an exchange member which is approved by the Exchange and which is installed and connected to the ATS or any other trading system of the Exchange, for the purpose of trading on the Exchange.
- 2.3.125. **Trading-cum-clearing member** means a person who is admitted by the Exchange as a member of the Exchange conferring a right to trade and clear through the Clearing House of the Exchange as a clearing member and who may be allowed to make trades/transactions for himself as well as on behalf of his clients and clear and settle such trades/transactions only.
- 2.3.126. **Trading Period** means the period as notified by the exchange from time to time, during which the contracts and trades/transactions will be available for trading.
- 2.3.127. **Trade Type** means the types of trades in any Commodity permitted to be traded on the Exchange and includes Normal market trades and Negotiated trades.
- 2.3.128. **Trading Member(s)** is a member of the Exchange admitted in accordance with the Bye-Laws, Rules and Business Rules, of the Exchange for trading in futures contracts and, or their derivatives for one or more specified commodities on his own account or on account of his clients, but without having clearing and settlement rights.
- 2.3.129. **Trading System** means such spaces, systems and networks as the Company may from time to time determine and which shall be notified by the Board as reserved for trading in contracts for specific commodities permitted on the Exchange and also includes its trading segments.
- 2.3.130. **Trading Segment (s)** or Segments mean the different segments or divisions into which the commodities, contracts and centers of trading are admitted to dealings on the Exchange, as classified by the Relevant Authority for admission of members to the exchange and for the purpose of trading on the ATS or any other trading system approved by the Exchange.

- 2.3.131. **Trading session** means the hours during which the sale and purchase of contracts are permitted by the Exchange.
- 2.3.132. **Underlying or underlying** commodity means the commodity with reference to which ready, forward, futures and other contracts are permitted to be traded by the Exchange from time to time.
- 2.3.133. **User** is a person appointed by the Trading Member and as approved by the Exchange.
- 2.3.134. **Unit of Trading** means the minimum quantity of a contract that can be purchased or sold, as may be specified by the Exchange, from time to time in the contract specifications for a commodity.
- 2.3.135. **Unit of Quotation** means the specified quantity of a commodity for which the bid or offer price may be given by an exchange member for a contract month.
- 2.3.136. **Variation Margin** means the difference between the contractual monetary value of a contract and the monetary value of the contract determined at the settlement price.
- 2.3.137. **Warehouse means** and includes any place of storage, godown, warehouse, tank, silos, store house, where the commodities traded on the Exchange are stored.
- 2.3.138. **Warehouse Receipts** means a document issued by a certified warehouse in the manner and form stipulated by the Exchange or Relevant Authority from time to time which shall be deemed to be proof as to the availability of the deliverable commodities for apportionment as per the delivery orders released by the Clearing House of the Exchange and shall include warehouse receipts in electronic form as may be prescribed by Relevant Authority. This document is evidence of ownership of a stated quantity of commodities of a stated grade and quality by the beneficial owner or the holder of the certified warehouse receipt.
- 2.3.139. **Working day** means a day on which the sale and purchase of contracts is permitted by the Exchange.

2.4. The definitions not covered herein above will be taken from these Bye laws, Rules, Business Rules or Articles of the Exchange for the purpose of interpretation or management of the Exchange, and in case of any discrepancy, the interpretation as may be taken by the Board of the Exchange shall be final and binding on all associated with the Exchange directly or indirectly.

### **3. Preliminary**

#### **3.1. Power to Frame and Amend Rules, Bye-Laws and Business Rules**

- 3.1.1. Subject to the provisions of these Bye Laws, the Articles of Association and Rules of the Exchange, Relevant Authority shall have powers to frame Business Rules from time to time for efficient functioning and operations of the Exchange and to regulate the functioning and activities of the Member of the

Exchange, their authorized representatives or persons, approved users, clearing house or clearing corporation, clearing banks, and all other persons operating under or through them or dealing with them both interse and in relation to the Exchange and, determine trading and delivery specifications for contracts in commodities and price indices and their derivatives permitted for trading on the Exchange, including method of trading, clearing, settlement and other operations related thereto. The Relevant Authority from time to time amend, add to, alter, modify, delete or repeal any othe provisions of the the Business Rules as may be deemed necessary or appropriate or if so desired or directed by the Forward Markets Commission. Without prejudice to the generality of the Bye Laws of the Exchange, Rules, Business Rules shall provide interalia for necessary authorization for taking care of operational requirements, which need to be enforced with immediate effect.

3.1.2. Without prejudice to the generality of the foregoing, the relevant authority so appointed and empowered, may from time to time prescribe the Business Rules with a view to organize, facilitate, maintain, manage, control and regulate the operations, functions and supervision of the Exchange and to regulate the activities and functioning of the Exchange Members, participants, authorized representatives and authorized persons, and approved users, as may be necessary or expedient, and provide for necessary authorizations wherever requirements are operational in its nature and such requirements need to be enforced with immediate effect in the following matters.

3.1.3. The Business Rules made or prescribed by the Relevant Authority under the provisions of these Bye Laws, the Articles of Association and the Rules of the Exchange shall be subject to the directives if any, received from the Commission from time to time and shall be deemed to have been amended, modified or deleted accordingly. The provisions of the Business Rules amended, added to, altered, modified, deleted or repealed by the Relevant Authority shall also be subject to the directives, if any, received from the Commission from time to time and the same shall be deemed to have been amended, modified or deleted accordingly.

#### **4. Contracts for Trading**

4.1. The Relevant Authority appointed and empowered for the purpose shall be the authority to finalize contract specification and modification thereof in respect of contracts in commodities and other instruments and derivatives thereon, for which the Exchange has obtained permission from the Forward Markets Commission. The Exchange shall before commencement of any contract obtain prior concurrence of

the Commission.

- 4.2. Members of the Exchange shall execute, clear and settle transactions in only such contracts as specified by the Relevant Authority and approved by the Forward Market Commission.
- 4.3. All transactions in contracts permitted on the Exchange shall be made only in the manner approved by the Exchange.
- 4.4. While entering an order in the system, the member shall specify whether such order is on his own account or it is on account of his client. If the order is for and on behalf of a client, he should specify the respective client identification number.
- 4.5. Before executing a contract for a client, the member shall sign a written agreement (Member Client Agreement) with the client, as per the procedure and in the format, as may be specified by the Exchange.
- 4.6. All transactions in contracts permitted on the Exchange shall be cleared, registered and settled by the Clearing House and shall be subject to these Bye-Laws, Rules and Business Rules framed there under by the Exchange. The Clearing House shall clear, register and settle the financial performance of the contracts entered into in the exchange.
- 4.7. Members of the Exchange shall issue contract note for each of the transaction done by them for their respective clients on the trading system of the Exchange. Such Contract notes shall be issued strictly as the format prescribed by the Exchange. Members shall not issue contract note for any transaction, which has not been executed through the trading system of the Exchange.
- 4.8. Unless otherwise provided in these Bye Laws, all dealings carried out in respect of Exchange contracts or commodities shall be subject to and in accordance with the Bye Laws, Rules and Business Rules of the Exchange.
- 4.9. In respect of all contracts executed by the members of the Exchange, it shall be the responsibility of the respective members to pay all applicable statutory fee, stamp duty, service tax, taxes and levies in respect of all deliveries as well as futures contracts directly to the concerned Government Departments.
- 4.10. All transactions in contracts permitted on the exchange shall be settled through the Clearing House; Clearing Members shall alone be eligible and qualified to obtain directly the clearing, settlement and guaranteeing services of the Clearing House.

- 4.11. An Institutional/Professional Clearing Member of the Exchange shall have an agreement to clear, register and settle transactions in contracts for commodities and contracts permitted for trading in the Exchange, of any Exchange Member who has trading rights in the Exchange. An Institutional/professional Clearing Member of the Exchange shall not clear and settle contracts without a valid agreement with the Members of the Exchange. A copy of the agreement shall be given to the Exchange and to the Clearing House by the Exchange Member for settling transactions in the Exchange.
- 4.12. Only transactions in contracts for commodities permitted for trading on the Exchange will be recognized as valid, provided the Clearing Member has paid to the Clearing House adequate security and margin deposits as prescribed. Clearing Members who clear contracts shall pay the prescribed security, margin deposits and variation margins for their respective outstanding transactions to remain valid. Members of the Exchange and registered non-members whose contracts are cleared by Clearing Members shall pay the prescribed margin deposits and variation margins for their respective outstanding transactions to remain valid.
- 4.13. Rates and/or prices for the contracts permitted for trading in the exchange shall be quoted in accordance with Rules and Business Rules specified for that contract and they shall be for the basis variety of the underlying commodity of that contract and for the base centre/place prescribed in the clauses of specified Bye-Laws, Rules and Business Rules of that contract/underlying commodity of that contract.
- 4.14. The Relevant Authority shall upon the recommendation of the Committee / Advisory Board constituted for a commodity or a group of commodities, have the right to determine, specify and modify the basis variety for the contracts in that commodity or group of commodities from time to time.
- 4.15. The number, and the commencement and expiration cycles of the all contracts in commodities and other contracts shall have the approval of the Relevant Authority and the Forward Market Commission.
- 4.16. The Relevant Authority shall with the prior approval of the Commission have the right to determine, specify and modify the position limits with respect to the contracts permitted on the exchange. Such position limits could differ for membership categories and/or differ from member to member; and exceptions may be provided by Relevant Authority. Position limits and exception rules will be specified in the Business Rules specific to each underlying commodity and contract month.
- 4.17. The Relevant Authority, with prior approval of the Commission, as aforesaid shall have the right to determine, specify and modify the price limits with respect to the contracts permitted on the exchange. Such price limits may include floor and ceiling

price for a day or for a specific period. Applicability of the price limits will be specified in the Business Rules specific to each commodity or contract from time to time.

- 4.18. The Exchange shall have the power to specify and charge trading fee, clearing fee or any other fee from the member of the exchange subject to the direction of the Commission. The Relevant Authority may specify the maximum and minimum fees a clearing member may charge from other members of the Exchange and an exchange member from their clients. However the Relevant Authority shall not charge the member any fees and/or differential transaction charges based on commodities or trade timings, without prior approval of the Commission.
- 4.19. (a) All outstanding transactions in contracts for commodities shall in general be for delivery at any one or more delivery points and/or warehouses approved, certified and designated by the Relevant Authority for the purpose.
- (b) All outstanding contracts not settled by giving or receiving deliveries shall be closed at the Due Date Rate as fixed by the Relevant Authority for the purpose, together with a penalty as prescribed by the Relevant Authority for those failing to give or receive delivery, in consonance with the directives issued by the Forward Market Commission.
- 4.20. The Relevant Authority shall have the right to determine, specify and modify the terms and manner of delivery of that commodity or group of commodities resulting from outstanding transactions in contracts in that commodity or group of commodities.
- 4.21. The Relevant Authority shall have the right to determine, specify and modify the terms regarding quantity, packing, place of delivery, discounts and premiums in terms of quality and delivery centers, tender period, certification and quotation for bids and offers.
- 4.22. (a) Members of the Exchange may enter into only such contracts for which the Exchange is approved under the Forward Contracts (Regulation) Act, 1952;
- (b) Members shall enter into contracts only on the terms and conditions prescribed under the Bye-Laws, Rules and Business Rules of the Exchange and the circulars and notices issued there under.
- (c) No member shall enter into a contract before trading therein has been commenced/after trading therein has ended in accordance with the Bye-Laws, Rules and Business Rules of the Exchange and circulars and notices issued thereunder.
- 4.23. Any member of the Exchange transacting in any contract and basis varieties that are not specified by Relevant Authority shall be liable to be dealt with under Bye-Laws relating to disciplinary action.

- 4.24. Members shall maintain a record of all their transactions in all contracts permitted by the Exchange. Members shall maintain separate records of all their own account transactions and those of the registered non-members including orders from registered non-members for execution of transaction in forward contracts in commodities. Members shall preserve the records of registered non-members' orders for transactions for each registered non-member separately with the time and date of receipt of order, details of executed transactions for each registered non-member and books of accounts relating to the same for a period of three years or such further period as may be prescribed by the Relevant Authority for production whenever required by the Relevant Authority of the Exchange and/or by the Forward Markets Commission.
- 4.25. Transactions for contracts in commodities that are not permitted by the Forward Markets Commission are prohibited. Any member who infringes or attempts to infringe or who assists in any infringement or attempted infringement of this Bye-Law shall be liable to suspension and/or expulsion from membership of the Exchange or any other action that the Exchange may take under its Bye-Laws, Rules and Business Rules.
- 4.26. Indian law shall apply to the contracts entered between the members of the Exchange.
- 4.27. The death of any party to a contract made subject to the Bye-Laws, Rules and Business Rules of the Exchange shall not discharge the legal representatives of the deceased from fulfilling the obligations under such contracts and shall not in anyway affect the right of any other party to such contract or legal representatives of the deceased to refer any dispute or differences to Arbitration under these Bye-Laws, Rules and Business Rules and, in such event, the right to refer any dispute or differences to Arbitration shall be exercised by or against the legal representative of the deceased.

## **5. Trading on the Exchange**

### **5.1. Trading / Clearing Segments**

- 5.1.1. There may be more than one trading/clearing segment as may be specified by the Relevant Authority from time to time.
- 5.1.2. The Relevant Authority will specify contracts and/or commodities, which will be eligible for admission to the different trading segment/Clearing segment from time to time.

### **5.2. Trading Days**

- 5.2.1. The Exchange shall be open on all days except on such Exchange holidays as the Relevant Authority may declare in advance, at any time, or as may be specified by FMC at any time. The days on which the ATS or any other trading system of the Exchange shall be available for trading in contracts permitted on the exchange shall be called as "Trading Days".

Provided that the ATS or any other trading system of the Exchange shall however be available for trading on such holidays as the Relevant Authority may decide, from time to time with prior approval of Central Government or Forward Market Commission.

### **5.3. Alteration or Cancellation of Exchange Holidays**

- 5.3.1. In exceptional circumstances and for reasons to be recorded in writing, the Relevant Authority may at any time under prior intimation to the Commission;
  - a. alter or cancel any of the Exchange holidays fixed under these Bye-Laws
  - b. keep the ATS or any other trading system of the Exchange available for trading on any day notwithstanding that such day had earlier been declared as an Exchange holiday
  - c. Close trading in any one or more or all contracts in one or more or all commodities on the ATS or any other trading system of the Exchange for one day.
- 5.3.2. In exceptional circumstances and for reasons to be recorded in writing, the Relevant Authority may close the trading in any one or more or all contracts in one or more or all commodities on the ATS or any other trading system of the Exchange for more than one trading day, under prior intimation to the FMC. Provided that such trading on the ATS or any other trading system of the Exchange shall not be so closed by the Relevant Authority at any time continuously for a period exceeding three trading days without the approval of FMC.

Provided further that when information regarding closure of the trading as aforesaid on the ATS or any other trading system of the Exchange is so conveyed as to reach FMC in the normal course within twenty-four hours of the closure of such trading, the Relevant Authority may close such trading on the ATS or any other trading system of the Exchange or continuously for any period exceeding three trading days without the approval of FMC, till such time as the decision of FMC is received by the Exchange.

#### **5.4. Transaction at Best Quotation**

5.4.1. In transaction with or on behalf of clients, trading members must indicate to the clients the current best quotation as reflected in the trading system.

#### **5.5. Divisions/Group of Contracts**

5.5.1. The Exchange may constitute different divisions for each or group of agricultural commodities, metals and other commodities or instruments, as well as for different centers of trading as may be decided by Relevant Authority and as may be specified in the relevant Rules and Business Rules from time to time. The Relevant Authority may admit such contracts for dealings on the Exchange as are eligible under the Forward Contracts (Regulation) Act, 1952 and Forward Contracts (Regulation) Rules, 1954 on the respective trading segments of the Exchange.

#### **5.6. Restrictions on Trading**

5.6.1. The Relevant Authority may, from time to time, impose such restrictions on trading in such contracts, or on such exchange members, as provided in the Bye-Laws, Rules and Business Rules relating to contracts and trading on the Exchange.

#### **5.7. Trading Sessions**

5.7.1. The Relevant Authority may prescribe different trading sessions for different trading segments on the ATS or any other trading system of the Exchange, and may also decide on the timings and operational requirements for the same, as may be provided in the relevant Rules and Business Rules of the Exchange from time to time. The Relevant Authority may reduce, extend or otherwise alter the timings of such trading sessions for any particular trading day.

5.7.2. Where the Relevant Authority has reduced, extended or otherwise altered the timing of any trading session or sessions, on the ATS or any other trading system of the Exchange, on any particular trading day, the reasons for the same shall be required to be recorded in writing.

5.7.3. The Relevant Authority may, with prior intimation to the commission, alter, contract, extend or suspend any or all the trading sessions in specific circumstances, for reasons to be recorded in writing. Wherever possible, such

changes may be communicated to the members in advance.

**5.8. Who May be Permitted to Trade**

5.8.1. The Relevant Authority may, at his / its discretion, grant permission to the members of the Exchange or their authorized representatives or approved users to trade through the TWS connected to the ATS or any other trading system of the Exchange. The members of the Exchange shall be solely responsible for all the transactions done by or through the respective TWSs on the Exchange.

**5.9. Pool of TWS**

5.9.1. To facilitate the members of the Exchange to carry on trading, the Exchange may, at its discretion, provide a pool or pools of TWS at its premises or in other places as decided by the exchange and such facility may be extended to the members of the Exchange on such terms and conditions as may be decided by the Exchange, from time to time. The members or their authorized representatives, with the prior written permission of the Exchange, may use the facility of any such pool to carry on trading in the exchange and subject to such terms and conditions that exchange may prescribe.

**5.10. Who May Not be Permitted to Trade**

5.10.1. An exchange member, who has been de-activated or suspended by the Exchange, or any authorized representative or authorized user, who is not approved by the Exchange or whose approval has been rejected or refused or withdrawn or cancelled, shall not be allowed to trade on the Exchange either indefinitely or for such period as may be decided by the Relevant Authority concerned.

**5.11. Permission to Trade Through TWS**

5.11.1. No person shall be permitted to trade through the TWS connected to the ATS or any other trading system, unless such person complies with the requirements prescribed in the relevant Rules and Business Rules or with such other requirements as the Relevant Authority may, from time to time, prescribe.

**5.12. Trading With Good Behavior**

5.12.1. A person allowed to trade on the ATS or any other trading system of the Exchange shall be bound to observe the provisions contained in the, Bye-Laws, Rules and Business Rules of the Exchange, and maintain proper decorum in his behavior. The Relevant Authority may, in its absolute discretion, refuse any person to trade on the ATS and may, at any time, withdraw or terminate the right of trading of any such person for the reasons to be recorded in writing .

### **5.13. Management of the ATS**

- 5.13.1. The management of the ATS or any other trading system of the Exchange shall be under the charge of the employees of the Exchange or such other agency authorized or engaged by the Exchange in this behalf.

### **5.14. Prices**

- 5.14.1. Prices of the contracts dealt in on the ATS or any other trading system of the Exchange shall be recorded in the manner, as may be prescribed in the relevant Rules and Business Rules of the Exchange from time to time. No prices shall be recorded for any transaction done on the Exchange, unless it is made in the regular course of trading on the ATS or any other approved trading system of the Exchange.

### **5.15. Daily Official List**

- 5.15.1. A daily official list of prices shall be issued by or under the authority of the Exchange. Such daily official list of prices may be published or provided in such media, as may be decided by the Relevant Authority from time to time, or be made available on the official website of the Exchange.

### **5.16. Trading Facility**

- 5.16.1. Transactions in the ATS or any other trading system of the Exchange may be effected through order driven, quote driven (through market makers or jobbers) and/or such other system as the Exchange may provide for trading in specified commodities and as specified in the relevant Rules and Business Rules of the Exchange, and circulars and notices issued there under from time to time.
- 5.16.2. The Exchange may at its discretion provide the ATS to its members and their authorized persons and approved users.
- 5.16.3. No exchange member shall have any title, right or interest in the ATS or any other trading system of the Exchange, its facilities, and software and the information provided on the ATS or any other trading system of the Exchange, and no such claim shall lie against the Exchange at any time.
- 5.16.4. The permission to use the ATS or any other trading system of the Exchange may be given to an exchange member, subject to compliance with such terms and conditions as the Exchange may prescribe from time to time, which may inter alia include, payment of such deposits and/or charges, as may be provided in the relevant Rules and Business Rules and circulars and notices issued there under from time to time.
- 5.16.5. An exchange member shall not by himself or through any other person or through any software technology on his behalf, publish, supply, show or make available to any other person, or reprocess, retransmit, store or use the

facilities of the ATS or any other trading system of the Exchange or the information provided thereof, except with the prior approval of the Exchange.

#### **5.17. Registration and De-Registration of Approved Users**

5.17.1. Members of the Exchange shall allow only their authorized representatives and/or approved users to operate the TWS, or trade in any other trading system approved by the Exchange, subject to the following conditions:

- a. The appointment of users shall be subject to such terms and conditions and submission of application in such form as the Relevant Authority may prescribe from time to time in the Rules and Business Rules of the Exchange, or orders and notices issued there under.
- b. The Exchange may, at its discretion, deregister any authorized representative or approved user of an exchange member for failure to comply with the applicable provisions of the Bye-Laws, Rules and Business Rules and/or circulars and notices issued there under; but the member concerned shall continue to be liable for acts of commission and/or omission prior to de-registration by the Exchange and/or loss / damage consequent to the de-registration,.
- c. The Relevant Authority shall have the right to disallow any person from being registered as an authorized representative or an approved user, without assigning any reason whatever, or may allow registration with such conditions, as may be deemed necessary by such Authority.
- d. No person shall be appointed at any time as an authorized representative or an approved user by more than one exchange member.
- e. The Relevant Authority shall have the power to prescribe different levels of usage of the ATS or any other approved trading system of the Exchange, and may also prescribe norms for enquiry on the TWS, order entry, etc. by the authorized representatives or authorized users of an exchange member.

#### **5.18. Operational Parameters for Trading**

5.18.1. The Relevant Authority may prescribe from time to time , in the relevant Rules and Business Rules, the operational parameters regarding transactions in contracts traded on the ATS or any other trading system of the Exchange with prior approval of the Commission. Such operational parameters may include

- a. determination of functional details of the TWS, including the system design, user infrastructure, user interface and system operation
- b. Determination of the procedure and norms for trading on any other approved trading system of the Exchange
- c. limits on trading and open positions mark to market losses, exposure, concentration and on the spread between bid and offer rates.
- d. fixation of units of trading and/or minimum and/or maximum quantity of contracts or order which may be offered to be bought or sold or the limits on price fluctuations permitted in a day or period.
- e. fixation of tick sizes and levels for providing alerts.
- f. determination of the types of trades permitted for an exchange member and for a contract.
- g. specifications of different order books, types of orders, order conditions and other details related to orders and trades
- h. Maintenance of recording of transactions executed and the manner of reporting transactions in the prescribed forms to the Exchange and FMC.
- i. other matters, which may affect smooth operation of trading in contracts permitted on the exchange.

5.18.2. All the parameters shall be strictly adhered to by the exchange member. The parameters, however, may vary for commodities and for different centers of trading.

#### **5.19. Loss of Access to ATS**

5.19.1. In the event of a failure or malfunctioning of an exchange member's TWS and/or loss of access to the ATS, the Exchange may, at its discretion and without any guarantee, undertake on behalf of the member, to close-out the outstanding transactions of the member on a valid request received from such member, subject to such terms and conditions as the Exchange may impose, from time to time.

#### **5.20. Closing-Out – Exchange Member's Responsibility**

5.20.1. The exchange member shall be fully accountable for the closing out of transactions effected by the Exchange on his behalf and shall indemnify the Exchange against any loss or cost arising out of or incidental to such close-out of transactions either directly or indirectly.

#### **5.21. Hardware and Connectivity**

5.21.1. The exchange member shall maintain all the required hardware for setting up of TWS and connectivity infrastructure such as VSAT/Lease Line/Internet or any other such mode of connectivity as main and backup connectivity as prescribed and permitted by the exchange from time to time.

## **5.22. Suspension / Close Out of Positions on Failure to Meet Trading Limits**

5.22.1. A trading member failing to restrict dealings on the Exchange to his trading limits as provided in these Bye Laws and Business Rules may be required by the Relevant Authority to reduce trades/transactions to within trading limits forthwith or the Relevant Authority may close out the positions of such trading members. The Relevant Authority may also at its discretion suspend a trading member for violation of trading limits and the suspension shall continue until the Relevant Authority withdraws such suspension.

## **5.23. Contingency Pool of TWS**

5.23.1. To facilitate the members of the Exchange to carry on trading in the event of a failure or malfunctioning of their TWS or loss of access to the ATS, the Exchange may, at its discretion, provide a contingency pool of TWS at its premises or in other places as decided by the exchange and such facility may be extended to the members of the Exchange on such terms and conditions as may be decided by the Exchange from time to time. The affected members may, with the prior written permission of the Exchange, use the facility of any such contingency pool to carry on trading.

Provided that no liability can be attached to the Exchange in case of failure of the system or due to non-provision of Contingency Pool, even if it results into loss to the members of the Exchange.

5.23.2. Without prejudice to anything contained in the provisions above, such failure or malfunctioning of the TWS or loss of access to the ATS or any contingency pool of TWS shall not reduce, alter or affect the liability of an exchange member or the clients in respect of any trades, already executed by or through such exchange member or his authorized representative or approved user.

## **5.24. Order Management**

5.24.1. The conditions and procedures to be followed by an exchange member or his authorized representatives and approved users for entering, amending or canceling orders on the ATS shall be as specified in the Business Rules of the Exchange from time to time, which may, inter alia, specify details to be entered compulsorily from an approved TWS at the time of order entry, such as, client code, type of order, symbol or contract code, etc. Similar procedures and conditions shall be specified for trading on any other trading system of the Exchange, and must be followed by an Exchange member, his authorized representative or approved user.

5.24.2. The Exchange Member shall maintain in the relevant records the orders received from his client or modifications thereof, as specified in the Business

Rules and Circulars and Notices issued there under by the Exchange from time to time.

**5.25. Trade /Clearing Management**

- 5.25.1. Trading shall be allowed on the ATS or any other trading system of the Exchange in such contracts as may be admitted to dealings on the Exchange and for such categories of members of the Exchange, trade types, market types, settlement periods and for such trading hours as the Relevant Authority may specify from time to time or as may be provided in the Business Rules and Circulars and Notices issued there under, from time to time.
- 5.25.2. An exchange member shall be liable for all the trades executed on the ATS or any other trading system of the Exchange, arising out of orders entered into the system by him. The member shall be solely responsible for all the acts of commission and/or omission of authorized representatives or approved users, employees and other persons deployed by such member, in relation to performance of obligations arising there from, connected therewith and incidental to such acts of commission and/or omission.

Provided, if the member satisfies the Exchange that the action and/or the trade took place due to fraud or misrepresentation by any person other than himself, his authorized representative or approved user and/or that the action and/or the trade did not originate from any of his approved TWS and/or from the TWS pools provided by the exchange and used by the member or his authorized representative or approved users to access the ATS, the Relevant Authority may issue such directions as it/he considers just and reasonable and the same shall be final and binding on the member. Such directions may include referring the matter to arbitration, and/or annulment of trades so effected, after affording an opportunity of being heard to the member.

- 5.25.3. Trades executed on the ATS or any other trading system approved by the Exchange are irrevocable and locked-in and shall be cleared and settled in accordance with the Bye-Laws, Rules and Business Rules of the Exchange. The Exchange may however by a notice annul the trades on an application by the exchange member or his clearing member in that behalf, if the Relevant Authority is satisfied, after hearing the other exchange member(s) and clearing member(s) to the trades, that the trades are required to be annulled on account of fraud or willful misrepresentation or material mistake in the trade.
- 5.25.4. Notwithstanding anything contained in these Bye-Laws, Rules and Business Rules and Circulars and Notices issued there under, the Exchange may, to protect the interest of clients and public and for proper regulation of the market, suo moto annul trades at any time, if the Relevant Authority, is satisfied for reasons to be recorded in writing that such trades are vitiated by fraud, material mistake, misrepresentation or market or price manipulation, or designing artificial or false market, trades with a design to recover monies or dues or to defraud or misuse the system and the like.
- 5.25.5. Annulment as provided herein may be for the full quantity or part quantity of the trades .
- 5.25.6. Any annulment of the trades made pursuant to these Bye-Laws, Rules and Business Rules and Circulars and Notices issued there under be final and binding upon the members of the Exchange. In such an event, the related contracts issued by the exchange members to their clients shall ipso facto stand cancelled and the clients shall be bound by such annulment without any right of recourse between the clearing members and constituent members and members of the Exchange and their clients, as the case may be.

#### **5.26. Trading Members Only Parties to Trades**

- 5.26.1. The Exchange does not recognize as parties to any trades/transactions any persons other than its own trading members.
- 5.26.2. Every member is directly and wholly liable, in accordance with the Bye Laws, Rules and Business Rules of the Exchange, to every other trading member with whom such trading member effects any trades/transactions on the Exchange for due fulfillment of the trades/transactions, whether such trades/transactions be for account of the trading/clearing member effecting it or for account of a constituent.

#### **5.27. All Dealings Subject to Bye Laws, Rules and Business Rules**

- 5.27.1. All trades/transactions shall be made subject to and in accordance with the Rules, Bye Laws, Rules and Business Rules and this shall be a part of the terms and conditions of all such trades/transactions and the trades/transactions shall be subject to the exercise by the Relevant Authority of the powers with respect thereto vested in it by the Bye Laws, Rules and Business Rules.

#### **5.28. Deals by Representative Trading Members/ Clearing Member**

- 5.28.1. A trading member/ clearing member may authorize another trading member / Clearing member to act as a representative for a specified period with the prior permission of the Relevant Authority.
- 5.28.2. When a trading member employs another trading member as a representative to put through the transaction of a constituent such representative shall report the transaction to the employing trading member at the same price as dealt in the market and the employing trading member shall report the same price to the constituent in respect of such transaction.

#### **5.29. Restriction on the Trading Members**

- 5.29.1. Unless the Exchange otherwise specifies, a Trading Member shall not become a constituent of another Trading Member.

#### **5.30. Prohibition from Trading**

- 5.30.1. A trading member should not trade in his own name or through another trading member in any contracts or commodities, if the Exchange or FMC prohibits him from entering into any such contracts.

#### **5.31. Order Validation**

- 5.31.1. Orders on the ATS or any other trading system approved by the Exchange shall be subject to such validation checks relating to quantity, price, value etc., as may be prescribed in the Business Rules of the Exchange and Circulars and Notices issued there under, from time to time.

### **5.32. Matching Rules**

- 5.32.1. The Exchange may from time to time specify in its Business Rules the rule or principles to be applied for matching orders on the ATS or any other trading system of the Exchange, which may vary for different order books/order types. Unless specified, the orders shall be matched on price-time priority.
- 5.32.2. Where the Relevant Authority is of the opinion that it is in the interest of trade or public interest to do so, it may, at any time, make available any particular order book/order type or forms of matching, in the case of a specific contract or a group of contracts or for an exchange member or a class of members of the Exchange or members of the Exchange as a whole.

### **5.33. Transaction Where the Exchange to Act as a Legal Counter Party**

- 5.33.1. The Relevant Authority of the Exchange may specify from time to time the types of transactions in a contract for specified commodity or commodities, with regards to which the Exchange shall act as a legal counter party and the transactions that may be excluded for this purpose.

Provided that if on an investigation by the Exchange, the Exchange concludes that either all the transactions or part thereof in any contract are found to have been executed on the ATS or any other trading system of the Exchange in a fraudulent manner and/or are done as financial transactions or structured trades/transactions and / or with a design to defraud the Settlement Guarantee Fund, the Relevant Authority of the Exchange shall have absolute authority and discretion to withdraw itself as a legal counter party to any transaction.

Provided further that where the Relevant Authority decides to exercise its discretion to withdraw itself as a legal counter party to the transactions, either in full or in part, and/or either from both sides or single side of the transaction, it shall afford an opportunity of being heard to all the parties affected or likely to be affected by such decision. The decision taken by the Relevant Authority thereafter shall come into force forthwith and shall be final and binding on all the parties concerned, including the clients.

### **5.34. Use of Technology**

- 5.34.1. The Exchange shall from time to time provide the necessary norms and requirements relating to the use of technology, which may include equipment, software, network, etc., to ensure safety, security and integrity of the ATS or any other trading system provided by the Exchange so as not to endanger or harm in any way the public interest and / or the interest of the Exchange. These norms shall be binding on the members of the Exchange.

### 5.35. Trading Member Appointment and Fees

- 5.35.1. The Relevant Authority may admit trading members in accordance with the Bye Laws, Rules and Business Rules it may frame from time to time in accordance with the Forward Contracts (Regulation) Act or any other relevant enactment and Memorandum and Articles of Association of the Exchange.
- 5.35.2. The Relevant Authority may specify prerequisites, conditions, formats and procedures for application for admission, termination, and re-admission etc. of trading members to each trading segment. The Relevant Authority may, at its absolute discretion, refuse permission to any applicant to be appointed as trading member.
- 5.35.3. The trading member shall pay such fees, security deposits and other monies as may be specified by the Relevant Authority from time to time, and meet such prerequisite condition as may be specified from time to time, on admission as trading member and for continued admission. The fees, security deposits, other monies and any additional deposits paid, whether in the form of cash, Bank Guarantee, Securities, fixed deposit receipt, warehouse receipt, or otherwise, with the Exchange, by a trading member from time to time, shall be subject to a first and paramount lien for any sum due to the Exchange and all other claims against the trading member for due fulfillment of engagements, obligations and liabilities of trading members arising out of or incidental to any dealings made subject to and in accordance with the Bye laws, Rules and Business Rules of the Exchange. The Exchange shall be entitled to adjust or appropriate such fees, deposits and other monies for such dues and claims, to the exclusion of the other claims against the trading member, without any reference to the trading member.
- 5.35.4. Trading member of any trading segment may trade on the Exchange in the contracts or commodities applicable to that segment or such contracts or commodities as may be specified by the exchange for such class of trading members.
- 5.35.5. Trading members may trade in relevant contracts or commodities either on their own account as principals or on behalf of their clients unless otherwise specified by the Relevant Authority and subject to such conditions, which the Relevant Authority may prescribe from time to time. They may also act as market-makers in such commodities if they are so authorized and subject to such conditions as may be prescribed by the Relevant Authority and FMC from time to time.

### **5.36. Clearing Member Appointment and Fees**

- 5.36.1. The Relevant Authority is empowered to admit clearing members in accordance with the Bye Laws, Rules and Business Rules subject to the minimum financial requirements prescribed by the Exchange. Such Clearing Members shall pay such fees, security deposits and other monies as may be specified by the Relevant Authority from time to time, on admission as Clearing Member and for continued admission. The fees, security deposits, other monies and any additional deposits paid, whether in the form of cash, bank guarantee, securities or otherwise, with the Exchange, by a Clearing Member from time to time, shall be subject to a first and paramount lien for any sum due to the Exchange and all other claims against the Clearing Member for due fulfillment of engagements, obligations and liabilities of Clearing Members arising out of or incidental to any dealings made subject to and in accordance with the Bye laws, Rules and Business Rules of the Exchange. The Exchange shall be entitled to adjust or appropriate such fees, deposits and other monies for such dues and claims, to the exclusion of the other claims against the Clearing member, without any reference to the Clearing member.
- 5.36.2. Clearing Member of the Exchange may clear and settle trades/transactions through the Clearing House in such manner and mode and subject to such terms and conditions and procedures as may be specified for the clearing member.
- 5.36.3. Trading Members may clear and settle trades/transactions either on their own account or on behalf of their clients and shall be referred to as Clearing Members while performing functions of clearing and settlement. Professional Clearing Members may clear and settle trades/transactions on behalf of their clients and trading members subject to such terms and conditions, which the Relevant Authority may prescribe from time to time.
- 5.36.4. The Relevant Authority may prescribe from time to time fees, charges and recoveries to be levied on the clearing members in respect of clearing and settlement of trades/transactions.

### **5.37. Brokerage on Trades/Transactions**

- 5.37.1. Trading members of the exchange are entitled to charge brokerage upon the execution of all orders in respect of purchase or sale of contracts or commodities at rates not exceeding the official scale prescribed by the Relevant Authority from time to time.

### 5.38. Sharing of Brokerage

- 5.38.1. Notwithstanding any arrangement for the sharing of brokerage with any person, the trading member shall be directly and wholly liable to every other member with whom such trading member effects any trades/transactions on the Exchange.
- 5.38.2. A trading member shall not share brokerage with the following persons:-
- a. Persons with whom trading members are forbidden to do business under the Bye Laws, Rules and Business Rules of the Exchange;
- 5.38.3. Percentage Share of Brokerage
- a. A member may pay his authorized person or employee in his own exclusive employment or any other person sharing brokerage as provided in sub-clause (5.39.2.), a brokerage subject to such terms of brokerage as agreed upon in writing by way of an agreement and as per the scale of brokerage prescribed by the Exchange or FMC in this regard, from time to time.
- 5.38.4. Rebate or Return of Brokerage
- a. A authorised person, employee or other person sharing brokerage shall not make any allowance, rebate or return of such brokerage directly or indirectly to the constituent or to any other person or agent.
- 5.38.5. **Trading Members Not Bound to Accept Instructions and Orders**
- a. A trading member may not accept instructions or orders of constituents for purchase or sale of contracts or commodities where circumstances appear to justify such non-acceptance or rejection on reasonable grounds. Where such refusal is made, the same may be communicated to the constituent. The trading member shall also furnish the constituent the reasons for such refusal on a request being made by him.

5.38.6. **Margin from Constituents**

- a. A trading member/ Clearing Member shall have the right to demand from its constituent the margin deposit he has to provide under these Bye Laws, Rules and Business Rules in respect of the business done by them for such constituent. A trading member shall also have the right to demand and collect an initial margin in cash/ securities/ bank guarantee / fixed deposit receipts/ warehouse receipts or such other acceptable mode of collateral from its constituent before executing an order for trade or clear their obligations and to stipulate that the constituent shall pay a margin or furnish additional margin according to changes in market prices as may be specified by the Exchange / Clearing House of the exchange from time to time. The constituent shall when from time to time called upon to do so forthwith 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 him by and/or as agreed upon by him with the trading member/clearing member concerned. The amount so received from the constituents shall be kept by the Trading Member/Clearing Member in a separate account and the amount shall not be used for the purposes of proprietary trading or for any personal use. Notwithstanding the receipt or otherwise of the margins as aforesaid, the trading/clearing member shall be responsible to remit the margin money to the exchange.

5.38.7. **Constituent in Default**

- a. A trading member / clearing member shall not transact business directly or indirectly or execute an order for a constituent or trading member who to his knowledge is in default to another trading member unless such constituent shall have made a satisfactory arrangement with the trading member/ clearing member who is his creditor.
- b. On the application of a creditor trading member / clearing member who refers or has referred to arbitration its claim against the defaulting constituent as provided in these Bye Laws, Rules and Business Rules, the Relevant Authority shall issue orders against any trading members/ clearing member restraining them from paying or delivering to the defaulting constituent any monies or collateral, up to an amount or value not exceeding the creditor member's claim payable or deliverable by him to the defaulting constituent in respect of trades/ transactions entered into subject to and in accordance with the Bye Laws, Rules and Business Rules of the Exchange, which monies, commodities and securities shall be than deposited with the Exchange/Clearing House . The

monies, and collateral deposited shall be disposed of in terms of the award in arbitration and pending a decree shall be deposited with the concerned Court when filing the award unless the creditor member and the defaulting constituent mutually agree otherwise.

**5.38.8. Closing-Out of Constituent's Account**

- a. The Exchange may close-out open positions of a constituent or transfer his open positions to another trading member/clearing member under such circumstances and in respect of such trading/clearing segment of the Exchange as may be specified by the Relevant Authority from time to time.
- b. When closing-out the account of a constituent, a trading member / clearing member may close-out in the open market and any expense incurred or any loss arising there from shall be borne by the constituent or assume or take over such transactions to his own account as a principal at prices which are fair and justified by the condition of the market. The contract note in respect of such closing-out shall disclose whether the trading member is acting as a principal or on account of another constituent.

**5.38.9. Closing-Out/ Transfer by Constituent on Failure to Perform A Contract**

- a. If a trading member / clearing member fails to complete the performance of a contract by delivery or payment in accordance with the provisions of these Bye Laws, Rules and Business Rules the constituent shall, after giving notice in writing to the trading member / clearing member and Exchange, close-out such contract through any other trading member / clearing member of the Exchange or make an application to the Exchange for transfer of contracts to another trading member as soon as possible and any loss or damages sustained as a result of such closing-out or transfer, as the case may be, shall be immediately payable by the defaulting trading member/ clearing member to the constituent. If closing-out or transfer has not been effected as provided herein, the damages between the parties shall be determined on such basis as specified by the Relevant Authority from time to time and the constituent and the trading member / clearing member shall forfeit all further right of recourse against each other.

**5.38.10. No Lien on Constituent's Commodities**

- a. If a trading member/ clearing member is declared a defaulter after delivering commodities on account of his constituent , the constituent shall be entitled to claim and on offering proof considered satisfactory by the Relevant Authority, and in the absolute discretion of the Relevant Authority, receive from the Exchange accordingly as the Relevant Authority directs either such commodities /goods or the value thereof subject to payment or deduction of the amount if any due by him to the defaulter.

**5.38.11. Complaint by Constituent**

- a. When a complaint has been lodged by a constituent with the Relevant Authority that any trading member / clearing member has failed to implement his dealings, the Relevant Authority may investigate the complaint and if it is satisfied that the complaint is justified it may take such disciplinary action as it deems fit in accordance with the provisions of these Bye-Laws, and the Rules and Business Rules of the exchange.

**5.38.12. Relationship Between Trading Member / Clearing Member and Constituents**

- a. Without prejudice to any other law for the time being in force and subject to these Bye Laws, the mutual rights and obligations inter se between the trading member/ clearing member and his/its constituent shall be such as may be prescribed by the Relevant Authority from time to time.

## **6. Trading System**

### **6.1. Access to Trading**

- 6.1.1. The Automated Trading System (ATS), as may be provided by the Exchange shall be called "ACE system" or any other name, as may be decided by the Relevant Authority.
- 6.1.2. The ATS shall be available for facilitating trading in the contracts for specified commodities permitted for trading on the Exchange and also for trading in such other contracts, which may be allowed by the Exchange for trading from time to time.
- 6.1.3. The Exchange may provide an architecture and the infrastructure related thereto, to the extent possible, to facilitate the members of the Exchange to establish connectivity with the ATS or any other trading system of the Exchange. The Exchange shall have absolute right to specify the maximum number of TWSs that may be allotted to an exchange member who has trading rights in the exchange and the conditions for such allotment. The Exchange shall also have absolute right to reject any place or places where it observes that the TWS shall not be installed.
- 6.1.4. The Exchange may prescribe the specifications/descriptions of hardware, software and equipment and the specifications to carry out the required testing thereof in such manner and time as may be specified by the Exchange from time to time, which an exchange member shall be required to strictly adhere to have connectivity with, or use of the ATS or any other trading system of the Exchange, to ensure compatibility and minimize/avoid technical issues arising out of incompatibility of hardware, software and equipment.
- 6.1.5. An exchange member who has trading rights in the exchange may be authorized to appoint such number of persons as authorized representatives or authorized users, as may be provided in these Bye Laws and the relevant Rules and Business Rules of the Exchange that may be in force from time to time in.

6.1.6. Any exchange member who has trading rights in the exchange and is desirous of extending his network, be it through VSAT connectivity and/or lease line connectivity and/or through any other means of connectivity, authorized by the Exchange, and/or through the Computer to Computer Link (CTCL) software or any other software approved by the Exchange, which facilitates access to the trading system of the Exchange, shall be required to seek prior approval of the Exchange. Such terminals of an exchange member may be allowed to be installed by the Exchange at the places from where the members of the Exchange or authorized representatives or approved users or clients carry out trading activities. No exchange member shall install either directly or indirectly any terminal through CTCL connectivity, having access to the trading system of the Exchange, without prior approval of the Exchange. In case any exchange member fails to obtain necessary approval from the Exchange for any terminal installed through CTCL connectivity having access to the trading system of the Exchange, the member concerned shall be personally responsible for trading done through such terminals and also render himself liable for disciplinary action by the Exchange.

Explanation: Provided where a client wishes to have a CTCL terminal installed at his place, such client shall be required to comply with such requirements relating to its use for his own activities, and shall not use it for activities, which may be termed/viewed by the Exchange, as intermediary or by whatever other name called as may be specified by the Exchange from time to time. The decision of the Exchange in this regard shall be final, binding and conclusive on the exchange member concerned and the client. The misuse of such CTCL terminal by his clients shall render the Exchange member concerned personally responsible for the trading done through such misuse and shall also render him and his client liable for disciplinary action by the Exchange.

- 6.1.7. The Relevant Authority shall have the power to provide for:
- a. the procedure for registration and cancellation of the registration of a person as an authorized representative or approved user or client;
  - b. the conditions required to be fulfilled before a person can be registered as an authorized representative/ approved user/client;
  - c. the conditions required to be fulfilled before an authorized representative/approved user or client may have access to the ATS or any other trading system of the Exchange;
  - d. the maximum number of persons who may be allowed to have access to the ATS on behalf of an exchange member;
  - e. the procedure for provision and modification of a password used by an

authorized representative / approved user / client to access the ATS; and

- f. the circumstances in which the Exchange may refuse and/or withdraw and/or cancel the permission to an authorized representative/ approved user / client to have access to the ATS or any other trading system of the Exchange, either indefinitely or for a specified period or until the fulfillment of conditions, as may be specified by the Exchange from time to time.

6.1.8. All the orders for purchase or sale of contracts by an exchange member shall be required to be entered only through the ATS or any other trading system approved by the Exchange.

## **6.2. Specification of Codes and Operational Parameters**

6.2.1. The Relevant Authority may provide for an appropriate mechanism for specification, alteration and rescission of the unique codes for contracts, exchange members, authorized representatives, approved users, participants and clients, and operational parameters, for contract specifications, trading limits, for tick sizes, trading units, order types, order attributes, order matching logic, market view contents, limits of variations, participation norms for trading through the ATS or any other trading system approved and adopted by the Exchange with the prior approval of the Commission. The Relevant Authority may also provide for any other parameters deemed necessary in the relevant Rules and Business Rules of the Exchange that may be in force from time to time.

## **6.3. Surveillance, Market Watch System, Investigation and Exchange Members Database**

6.3.1. The Exchange may, at its discretion, decide to undertake surveillance, investigation in the affairs of Exchange Member/Clearing Member , either by itself or by a separate entity through outsourcing or by a separate and distinct entity established by it, either jointly or in collaboration with any other institution.

6.3.2. The provisions relating to surveillance, market watch system, investigation, any other market related activities and exchange members' database shall be specified in the relevant Rules and Business Rules relating to these matters from time to time and Circulars and Notices issued there under.

#### **6.4. Appropriation of the Clients Order**

- 6.4.1. No member of the Exchange shall, in respect of any commodity or price indices , permitted for trading on the Exchange, enter into any contract on his own account with his client, executed by any of the modes specified as offline, online through internet trading, Mobile Internet/SMS trading or any other mode, whether as a member of the Exchange or not, unless he has secured the consent or authority of such client in writing and disclosed in the note, memorandum, agreement or any other form of contract for sale or purchase that he has bought or sold the contract as the case may be, on his own account and in accordance with the norms and operational procedures and parameters as laid down by the Exchange in its these Bye Laws, Rules and Business Rules and Orders and Notices issued from time to time. Any contract entered into in violation of these Bye-Laws shall entail disciplinary action by the Relevant Authority, besides any action as provided in this regard in the F.C.(R) Act. For any such contract, the Exchange shall not act as a legal counter party under these Bye-Laws even if the contract is settled through the Clearing House

#### **7. Clearing House of the Exchange**

- 7.1. The hours for clearing and settling at the Clearing House shall be during such time as may be decided by the Relevant Authority from time to time. The Relevant Authority may, from time to time, specify clearing hours for different types of trades/transactions.
- 7.2. The Relevant Authority may declare a list of holidays in a calendar year. The Relevant Authority may from time to time alter or cancel any of the holidays fixed in accordance with these provisions. It may, for reasons to be recorded, suspend clearing and settlement operations in the Clearing House of the Exchange on days other than or in addition to holidays.
- 7.3. The operations of Clearing House of the Exchange shall be managed by the Clearing House Committee of the exchange or Relevant Authority; the Relevant Authority may from time to time delegate such additional authority and responsibility to the Clearing House Committee or Relevant Authority or any Clearing Agency as deemed fit by the Relevant Authority with the prior approval of the Commission.
- 7.4. All contracts transacted in the Exchange shall be cleared and settled by the Clearing House of the Exchange, and whenever required closed out in accordance with the Bye-Laws or as ordered by the FMC under the FCRA.

- 7.5. Trading cum-clearing members, institutional trading cum clearing members, professional clearing members and such other category of members, who have been given clearing rights, shall alone be eligible and qualified to obtain directly the clearing, settlement closing out and guaranteeing services of the Clearing House of the Exchange; and
- 7.6. All contracts transacted in the Exchange shall be downloaded by the Exchange to the Clearing Members for settlement in the manner specified in the Rules and Business Rules and Circulars and Notices issued there under.
- 7.7. In respect of transactions in the Exchange, a trading cum-clearing member shall be entitled to self-clearing or may have an agreement with an institutional trading cum clearing member for clearing the executed transactions. A copy of the agreement shall be given to the Exchange.
- 7.8. In respect of transactions in the Exchange, an institutional trading cum clearing /professional clearing member shall not clear and settle or close out contracts without a valid agreement with trading cum-clearing members. A copy of the agreement shall be given to the Exchange. Thereafter, until the termination of the agreement, such trading members shall be the constituent members of the institutional trading cum clearing member for the purpose of clearing, settling and closing out of their contracts.
- 7.9. A trading cum clearing member may be a constituent of not more than one professional clearing member.
- 7.10. Clearing members shall forthwith notify the Exchange any addition to or deletion from the list of constituent members.
  - 7.10.1. A clearing member may at its discretion discontinue clearing or settling services after closing out of outstanding contracts of any constituent member with whom the clearing member has an agreement to provide clearing and settlement services. The clearing member shall communicate the reasons for discontinuing the services in writing to the constituent member and also to the Exchange;
  - 7.10.2. The discontinuation of such services shall become effective as soon as the clearing member notifies the Exchange and obtains the approval of the Exchange and after the outstanding contracts are settled. Pursuant to the above, the Clearing House may, after examining the reasons for the discontinuation and upon the receipt of a written application from the member, facilitate the provision of clearing and settlement services to the member by another professional clearing member who has no objection to provide such services. If no other professional clearing member is available or willing to provide such services, then the member concerned shall continue to

work as a clearing member provided the reasons for the discontinuation are such that they do not pertain to violation of these Bye-Laws, Rules and Business Rules and Circulars and Notices issued there under.

- 7.10.3. In respect of contracts for specified commodities, price indices or their derivatives as may be determined by the Exchange from time to time, and traded and cleared by the Exchange in the manner specified in these Bye-Laws, the Exchange shall be deemed to guarantee the net outstanding financial obligations to clearing members.
- 7.10.4. If any party to such contract defaults in respect of his financial obligations or fails to deliver goods on maturity of the contract, the defaulting member shall be liable for appropriate disciplinary action by the Relevant Authority and his contract will be closed out by the Relevant Authority in accordance with the Bye-Laws, Rules and Business Rules or notices, or orders issued there under. The Exchange shall then be entitled to recover dues of any defaulting member from his security deposit and other funds, if any lying with the Exchange, as also from his debtor members and appropriate the amount so recovered for distribution amongst his creditor members on pro rata basis.
- 7.11. The Exchange shall not be deemed to guarantee the financial obligations of a defaulting clearing member to other members, who are doing clearing and settlement through him.
- 7.12. The Exchange shall not be deemed to guarantee the financial obligations of any member of the Exchange to his/its clients; and
- 7.13. The Exchange shall not be deemed to guarantee the delivery, the title, genuineness, quality or validity of any goods or any documents passing through the Clearing House of the Exchange.
- 7.14. The following provisions shall apply in respect of contracts that are transacted in the Exchange and then cleared, settled and closed out by the Clearing House of the Exchange in the manner specified by the Clearing House:
  - 7.14.1. Every member of the Exchange shall be fully responsible for all his commitments to the Exchange, his clearing member and clients irrespective of whether one or more clients with whom he has dealings have defaulted. Default of any one or more clients shall not affect the rights of the clearing member. Default of any one or more clients shall not affect the rights of other clients with whom the Exchange member has dealings but who are not in default;
  - 7.14.2. The Exchange shall be responsible for its commitments to each clearing member whether the remaining clearing members with whom it has dealings

have defaulted except under circumstances where improper trades not covered under the Settlement/Trade Guarantee Fund (SGF) are the cause for default. Default of any one or more clearing members shall not affect the rights of the remaining clearing members who are not in default. The Bye-Laws, Rules and Business Rules shall be applied by the Relevant Authority in the determination of and in the fulfilling of such responsibility of the Exchange;

- 7.14.3. The Exchange shall not be responsible for the commitments of a defaulting clearing member to his/its constituent members, with whom the clearing member has an agreement as per these Bye-Laws;
- 7.14.4. No clearing member shall fail to effect clearance, settlement or payment of margin in the manner specified by the Clearing House or fail to pay damages to the Clearing House of the Exchange or fail to effect delivery merely on the ground of default of others including his constituent members of the Exchange and clients; and
- 7.14.5. No client or constituent member shall fail to effect clearance, settlement or payment of margin in the manner specified by the Clearing House or fail to pay damages to his respective clearing member with whom he has an agreement as per these Bye-Laws or fail to effect delivery merely on the ground of default of others including his clients.
- 7.14.6. The Clearing House of the Exchange shall, in the manner specified by the Relevant Authority, have the responsibility of receiving and maintaining margin payments, monitoring open positions and margins, and transmission of documents, payments and certified warehouse receipts amongst the trading-clearing members and institutional clearing members of the Exchange.
- 7.14.7. In consultation with the Relevant Authority, one or more scheduled commercial bank(s) shall be designated by the Relevant Authority as the designated clearing bank(s) of the Exchange for providing and facilitating the collection of funds, transfer of funds, sharing of information and other value added services pursuant to these Bye-Laws, Rules and Business Rules.
- 7.14.8. The Exchange and the designated clearing bank(s) shall have an agreement for the services to be rendered by the clearing bank(s) and to be availed by the Exchange.

### **7.15. Operational Parameter for Clearing**

- 7.15.1. The Relevant Authority may determine and announce from time to time operational parameters regarding clearing of trades/transactions through the Clearing House of the Exchange, which the clearing members shall adhere to.
- 7.15.2. The operational parameters may, inter alia, include:
  - a. Clearing/exposure limits allowed which may include clearing/exposure limits with reference to net worth and capital adequacy norms;
  - b. Clearing volumes and limits at which it will be incumbent for clearing members to intimate the exchange,
  - c. Fixation of delivery lots for different settlement types;
  - d. Other matters which may affect smooth operation of clearing of trades/transactions keeping in view larger interest of the public;
  - e. Determining types of trades/transactions permitted for a clearing member and for a contract or commodity;
  - f. Determining functional details of the clearing and settlement system including the system design, user infrastructure and system operation;

## **8. Margin and Limit**

### **8.1. Margin Requirements**

- 8.1.1. In respect of contracts that are transacted in the Exchange, buyers and sellers shall post such amount as initial margin, including special margin, as may be specified by the Relevant Authority from time to time.
- 8.1.2. The Relevant Authority may from time to time prescribe requirements of margins for trades/transactions cleared and settled through the Clearing House of the Exchange and the clearing member shall furnish such margin as a condition precedent.
- 8.1.3. Every Clearing Member has a continuing obligation to maintain margins at such levels and during such periods as may be stipulated by the Clearing House of the exchange from time to time.

- 8.1.4. The following margin provisions, subject to margin requirements determined by applying any methodology specified or recommended by the Relevant Authority, shall apply in respect of contracts that are transacted in the Exchange and then cleared and settled by the Clearing House of the Exchange:
- a. Every clearing member shall pay the appropriate margin amount with the Clearing House of the Exchange against the aggregate open positions cleared by the clearing member
    - (i) for the clearing member's own account where applicable and
    - (ii) for other members of the Exchange with whom the clearing member has an agreement and;
    - (iii) clients, where applicable.
  - b. Every member of the Exchange executing transactions on behalf of clients shall have right to collect from the clients the margins specified from time to time, against their open positions within such time as may be prescribed by the Relevant Authority;
  - c. The margin to be paid shall be calculated, based on the methodology specified under the Rules and Business Rules and Circulars and Notices issued there under for all commodities and contracts from time to time, which may be on gross position basis, net position basis, and client level basis or in other manner, as may be decided by the Exchange.
- 8.1.5. Margin accounts of all exchange members shall be marked to market daily by the Clearing House of the Exchange and the exchange members shall be required to pay the same as may be prescribed by the Clearing House of the Exchange.
- 8.1.6. The specified and approved mode of collateral deposited by an exchange member by way of margin under the provisions of these Bye laws, Rules and Business Rules shall be subject to a first and paramount lien for any sum due to the Exchange. Subject to the above, the margin shall be available in preference to all other claims of the exchange member for the due fulfillment of its engagements, obligations liabilities arising out of or incidental to any bargains, dealings, transactions and contracts made subject to the bye laws, rules and Business Rules of the exchange or anything done in pursuance thereof.
- 8.1.7. Failure to pay variation margin may lead to the exchange members being deactivated/suspended and declared as defaulters by the Exchange. The Relevant Authority may also take such other measures including disciplinary actions, against the defaulting members, as it may deem fit.

- 8.1.8. No clearing member shall directly or indirectly enter into any arrangement or adopt any procedure for the purpose of evading or assisting in the evasion of the margin requirements prescribed under the Bye-Laws, Rules and Business Rules or any orders issued thereunder.
- a. Margin deposits received by clearing members from their constituent members and clients in any form shall be accounted for and maintained separately in segregated accounts and shall be used solely for the benefit of the respective constituent member's and client's positions.
  - b. Margin accounts of constituent members shall be marked to market daily by clearing members and further margin should be collected when necessary to maintain the appropriate margin.
  - c. An Exchange member may close out an open position of a client when the call for further margin or any other payment due is not complied with by the client;
  - d. A clearing member may close out an open position of a constituent member when the call for further margin or any other payment due is not complied with by the constituent member;
  - e. The Relevant Authority may close out the cleared open positions of a clearing member when the call for further margin or any other payment due is not complied with by the clearing member;
  - f. Members of the Exchange shall post and accept margin deposits only in such form as may be permitted by the Relevant Authority;
  - g. The margin account of constituent members shall be utilized by clearing members only for settling the dues to the clearing member upon marking-to-market or for fulfilling the obligations resulting from their open positions; and
  - h. Exchange members shall furnish their clients in writing such reports and at such intervals as may be specified by the Relevant Authority.
- 8.1.9. Every clearing member shall collect from constituent members, with whom he has an agreement to provide clearing and settlement services as per these Bye-Laws, all such margins as specified by the Relevant Authority on the transactions executed by constituent members for clearing and settlement.
- 8.1.10. Members of the Exchange shall maintain such banking arrangements with the designated clearing bank(s) as specified by the Relevant Authority so as to permit the transfer of funds and to maintain margins in a segregated manner.

8.1.11. Each member shall deposit initial, variation, or any additional margin or deposits with the Clearing House, or the designated clearing bank(s), as directed by the Relevant Authority, within the prescribed time and in the prescribed manner.

8.1.12. The Exchange shall prescribe such additional or special margins as may be considered necessary during the Delivery Period and the emergencies.

## **8.2. Form of Margin**

8.2.1. The margins to be provided by a member under the Bye Laws, Rules and Business Rules in the exchange shall be in such form as may be prescribed by the Relevant Authority from time to time. The Relevant Authority may at its discretion accept deposit receipts, guarantee of a bank(s), or such other acceptable mode of collateral subject to such terms and conditions including terms on valuations, haircut, limit etc as the Relevant Authority may impose from time to time. Any such substitute like deposit receipt, approved securities, by it or any other mode duly approved shall be deemed to have been pledged and/or hypothecated as the case may be in favour of the Clearing House of the exchange in respect of Exchange.

8.2.2. Members of the Exchange shall deposit initial margin in cash or may furnish fixed deposit or bank guarantees or warehouse receipts or such other instruments as may be specified by the Exchange from time to time to fulfill the initial margin requirement in respect of open positions. Variation margin shall be paid only in cash or cheque, or by electronically debiting the account of the member of the exchange with the designated Clearing bank of the Exchange. Deposits in cash shall not carry any interest.

## **8.3. Quantum of Margin**

8.3.1. The Exchange may specify the type/quantum of margin and the applicability of the same from time to time. Such margin may vary from commodity to commodity and for different contract months.

8.3.2. The Member depositing margins, in the form of securities by way of pledge or otherwise or in such other mode as may be specified by the Relevant Authority from time to time, shall always maintain the value there of at not less than the quantum of margin required for the time being covered by them by providing further security to the satisfaction of the Relevant Authority which shall determine the said value and whose valuation shall conclusively fix the amount of any deficiency to be made up from time to time.

#### **8.4. Margin to be Held by the Clearing House**

8.4.1. The margins shall be held by the Clearing House of the Exchange and when they are in the form of bank deposit receipts and securities, such receipts and securities may be transferred to such persons or to the name of a custodian or such other entity approved by the exchange. All margin deposits shall be held by the exchange and/or by the approved persons and/or by the approved custodian in such form and on such account as the exchange may deem fit without any right whatsoever on the part of the depositing clearing member or those in its right to call in question the exercise of such discretion.

#### **8.5. Letter of Declaration**

8.5.1. A clearing member depositing margin under the provisions of these Bye Laws and Business Rules shall when required to do so sign a Letter of Declaration in respect of such matters and in such form or forms as the Relevant Authority may from time to time prescribe.

#### **8.6. Lien on Margins**

8.6.1. The monies paid by way of margin or bank deposit receipts or other securities or assets pledged or hypothecated by a clearing member in lieu of margin under the provisions of the Bye Laws, Rules and Business Rules shall be subject to a first and paramount lien for all sums due to the Clearing House. Margin shall be available in preference to all other claims against the clearing member for the due fulfillment of his obligations and liabilities arising out of or incidental to any trades/transactions made subject to and in accordance with the Bye Laws, Rules and Business Rules or anything done in pursuance thereof.

#### **8.7. Utilization for Failure to Meet Obligations**

8.7.1. In the event a clearing member fails to meet obligations to the Clearing House arising out of clearing and settlement operations of such trades/transactions on Clearing House as provided in the Bye Laws, Rules and Business Rules, the Relevant Authority shall be entitled to utilize any amount paid by the said clearing member in the form of margin or any other payment retained by the Clearing House for the purpose of clearing and settlement on the Exchange.

#### **8.8. Suspension on Failure to Pay Margin**

8.8.1. If a clearing member fails to pay margin as required in the Bye Laws, Rules and Business Rules, the Relevant Authority may take such action, as it may deem fit and specified from time to time including suspension. The suspension shall continue until the margin required is duly deposited.

## 8.9. Clearing Limits

- 8.9.1. The Relevant Authority may specify the limits of open positions applicable to the clearing members of the exchange based on the deposits made by them towards margin or deposit or contributions made by the members to the Settlement/Trade Guarantee Fund or any other fund established by the Exchange.
- 8.9.2. The Exchange may at any time in its absolute discretion, prescribe limits on exposure / turnover / open positions / open-interest for a trading member / clearing member or in a commodity, either in quantity or value or as a percentage of capital adequacy / networth / base capital or a combination of any of the above or such other method as the Relevant Authority may decide from time to time for all or any of the trading / clearing members / commodities.
- 8.9.3. The Exchange may at any time impose fresh limit, increase, reduce or remove any existing limits pursuant to the above clause.
- 8.9.4. The aggregate monetary value of all the net open positions in respect of all contract months that each clearing member may clear and settle shall be related to the sum of the clearing member's contributions to the Settlement/Trade Guarantee Fund of the Exchange or any other fund specified by the Exchange.
- 8.9.5. The Exchange may specify different clearing limits for different commodities.
- 8.9.6. Clearing members, to enhance their clearing limits, may make additional deposits to the Settlement/Trade Guarantee Fund or to the fund specified by the Exchange.
- 8.9.7. The net open position and the monetary value thereof in respect of each contract month shall be computed by the Exchange at such frequency that clearing house may decide from time to time and then aggregated to determine the aggregate monetary value of all the net open positions.
- 8.9.8. When the clearing limit of a clearing member reaches the threshold/upper limit as decided by the Exchange/Clearing House shall notify the same to the clearing member. After receipt of notification the clearing member shall not enter into any further transactions that would increase the aggregate monetary value of net open positions until he has paid additional monies to enhance his/ its limit.

- 8.9.9. The aggregate monetary value of contracts shall be determined on the basis of
- (i) the net open positions in each of the contract months for each underlying commodity for which transactions have been cleared by the clearing member and
  - (ii) the respective settlement prices

8.9.10. If a trading member / clearing member exceeds any limit imposed by the Exchange, the Relevant Authority may take such action as it may deem fit and specified from time to time including close out of open positions on the member or withdrawal of trading and/or clearing facility.

## **9. Clearing and Settlement**

### **9.1. Clearing and Settlement of Transactions**

- 9.1.1. The Clearing House of the Exchange or any other agency identified by the Relevant Authority shall function in respect of trading in contracts permitted on the exchange so as to provide clearing and settlement services for the transactions.
- 9.1.2. The clearing and settlement of trades/transactions shall be affected by the Clearing Member or any other persons acting through them by adopting and using such arrangements, systems, agencies or procedures as may be prescribed or specified by the Relevant Authority from time to time.
- 9.1.3. Without prejudice to the generality of the foregoing, the Relevant Authority may prescribe or specify, for adoption and use by the clearing members, trading members, participants, and other specified constituents, such custodial or other similar services from time to time to facilitate smooth operation of the clearing and settlement arrangement or system.

- 9.1.4. The Exchange shall clear and settle such trades/transactions as provided in the Bye Laws and Business Rules and save as so provided, no other trades/transactions shall be cleared and settled.
- 9.1.5. Without prejudice to the generality of the above, the Relevant Authority may in its discretion and subject to such conditions as it may deem fit admit any other trades/transactions.
- 9.1.6. The function of the Clearing House may be performed by the Exchange, Clearing House or any agency identified by the Relevant Authority for this purpose; The Exchange may consider incorporating an independent entity to handle the clearing and settlement activities of the Exchange. As such all rights and obligations of the Clearing House may be transferred to that entity and the clearing members may be considered to be registered with it and will have to adhere to its bye-laws, rules and Business Rules as prescribed from time to time.
- 9.1.7. The role of the Clearing House shall be to act as a facilitator for processing of deliveries and payments between clearing members, trading members/participants for trades effected by them on the Exchange.
- 9.1.8. In order to facilitate smooth clearing and settlement, all members of the Exchange participating in futures trading shall be required to open such number of bank accounts with designated Clearing Banks as may be advised by the Exchange. All such members shall be required to strictly follow instructions of the Exchange in respect of operation of such bank accounts, minimum balance, segregation of clients' fund and own fund, etc. as may be required by the Exchange. They shall also submit an irrevocable mandate in writing enabling the Exchange to debit and credit their account electronically. They shall be required to keep the accounts adequately funded, so as to enable the Exchange to recover its dues by debiting their respective bank accounts.

- 9.1.9. Each clearing member shall submit or cause to be submitted all trades executed by constituent members or clients with whom he has an agreement to provide clearing and settlement services for their transactions and assist the Clearing House in the form and manner that is specified and prescribed by the Clearing House Committee to enable the Clearing House to provide clearing facility to the clearing members.
- 9.1.10. The Clearing House shall process all transactions submitted to the Clearing House and shall accept for substitution of the Exchange only the net liability of the Clearing member to the Clearing House.
- 9.1.11. An order to buy or sell will become a matched transaction only when it is matched in the Trading system and the Clearing House does not find the order to be invalid on any other consideration and after verifying that the following are in agreement and/or in order:
- a. Contract month,
  - b. Underlying commodity, price indices, security
  - c. Quantity,
  - d. Transaction quote,
- 9.1.12. Once a contract is matched and marked to market by the Clearing House, the Exchange shall be substituted as counter party for all net financial liabilities of the clearing members in specified commodities
- 9.1.13. All outstanding transactions shall be binding upon the original contracting parties, that is, the members of the Exchange, and the clearing members who have cleared the transactions until liquidated by offset or issue of delivery notice or delivery order or payment for delivery, as the case may be.
- 9.1.14. An offset shall only be in respect of the own-account positions of clients or of the own-account of the members of the Exchange in the same commodity price index or any derivative and same contract month;
- 9.1.15. When a constituent member of the Exchange buys and sells the same contract, price index or security or any of its derivatives for the same contract month, the purchases and the sales shall not be automatically offset against one another by the clearing member if it is for different clients of the constituent member; and
- 9.1.16. Bye-laws 9.1.16 shall not apply to own account transactions of clients and constituents members. Such own account transactions in the same basis grade and same contract month shall be automatically offset.

- 9.1.17. Each trading day shall be a settlement day, unless it is declared otherwise by the Relevant Authority at its discretion with the prior approval of the FMC;
- a. All transactions in contracts permitted on the Exchange shall be subject to marking to market and settlement through the Clearing House, at intervals specified by the Relevant Authority under the Rules and Business Rules of the Exchange, except on holidays when there is no trading and clearing. The Relevant Authority shall have the right to effect marking to market and settlements through the Clearing House more than once during the course of a working day, if deemed fit on account of the market risk and other parameters; and
  - b. Settlement of differences due on outstanding transactions shall be made by clearing members through the Clearing House.
- 9.1.18. There shall be a daily settlement price in respect of each contract month and for each underlying commodity.
- a. Settlement price shall be determined by the Relevant Authority based on price quotations of transactions executed in accordance with the Bye-Laws, Rules and Business Rules of the Exchange and other information available on the daily (price) official list or in such other manner, as may be determined by the Relevant Authority.
  - b. All transactions, after a mark-to-market and settlement, cleared by the Clearing House shall be included in the succeeding marked-to-market settlement.
- 9.1.19. In case of contracts coming under settlement for the first time, the difference shall be calculated between the contract rate and the settlement price. In the case of contracts coming under subsequent settlements, difference shall be calculated between settlement prices.
- 9.1.20. Settlement in each market segment of the Exchange shall be either on netted basis, gross basis, trade for trade basis or any other basis as may be specified by the Relevant Authority from time to time. Settlement shall be effected by clearing members giving and receiving delivery and /or paying and receiving funds as may be specified by the Relevant Authority from time to time in the Bye Laws and Business Rules.

9.1.21. Save as otherwise expressly provided in the Rules, Bye Laws and Business Rules, when funds and commodities or documents of title to commodities are, under a prescribed arrangement, routed through the Clearing House, the settlement responsibility shall rest wholly and solely upon the counter parties to the trade and /or the concerned clearing members as the case may be; and the Clearing House shall act as the common agent of the clearing members/ trading members / Constituents for receiving or giving delivery of commodities and for receiving and paying funds, without incurring any liability or obligation as a principal.

**9.2. Conditions and Requirements of Clearing and Settlement**

9.2.1. The Relevant Authority may grant admission of trades/transactions dealt in the Exchange provided all the conditions and requirements specified in the Bye Laws and Business Rules and such other conditions and requirements as the Relevant Authority may prescribe from time to time are complied with.

**9.3. Refusal of Admission of Deals**

9.3.1. The Relevant Authority may, in its discretion, approve admission of trades/transactions or defer, or reject admission of trades/transactions for clearing and settlement on the Clearing House of the Exchange, subject to such terms as it deems fit.

**9.4. Suspension of Admission of Deals**

9.4.1. The Relevant Authority may suspend at any time the admission of trades/transactions including of any contract or commodity for such period as it may determine and reinstate such trades/transactions subject to such conditions as it may deem fit.

**9.5. Withdrawal of Admission of Deals**

9.5.1. The Relevant Authority may where it deems necessary withdraw the admission to dealings either for breach of or non-compliance with any of the conditions or requirements of admission of dealings or for any other reason whatsoever.

**9.6. Readmission of Deals**

9.6.1. The Relevant Authority in its discretion may, readmit to dealings on the Exchange the contracts or commodities whose admission to dealings has been previously withdrawn.

## 9.7. Privity of Contract

- 9.7.1. Except as provided herein, clearing members giving and receiving delivery as provided in the Bye Laws and Business Rules shall be deemed, 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 delivering and receiving member in relation to their immediate contracting party shall not be deemed to be affected thereby except that the selling member (unless he be himself the delivering member) shall be released from all responsibility in regard to the title, ownership, genuineness, regularity and validity of the documents / commodity received by the receiving member and in regard to the loss and damages arising there from, which shall be dealt with in accordance with the provisions of Bye Laws and Business Rules thereof.
- 9.7.2. In cases where the Clearing House may specify either generally or specifically, clearing members giving and receiving delivery and paying and receiving funds as provided in the Bye Laws and Business Rules shall be deemed, notwithstanding that no direct contract exists between them, to have made a contract with the Clearing House as sellers and buyers and between themselves as delivering and receiving members;
- 9.7.3. provided further however that in such event the rights and liabilities of delivering and receiving members with the Clearing House shall not be deemed to be affected thereby except that the Clearing House shall not be responsible in respect of the title, ownership, genuineness, regularity and validity of the documents delivered or received and in regard to the loss and damages arising there from, which shall be dealt with in accordance with the provisions of Bye Laws and Business Rules thereof.
- 9.7.4. Notwithstanding anything contained above, the Clearing House may specify either generally or specifically that the Clearing House shall be counterparty to the trades/transactions specified by it and arising out of trades executed / reported on the trading system of the Exchange, admitted for clearing and settlement except the fact that in respect of failure on the part of the seller in tendering delivery, the Clearing House shall be responsible only to settle the difference amount and not to give physical delivery to the buyer. The Clearing House shall undertake to guarantee the financial settlement of all trades/transactions arising out of trades in commodities duly executed / reported on the trading system of the Exchange irrespective of default, insolvency or failure on the part of the corresponding member.

- 9.7.5. Provided that the settlement guarantee by the Clearing House extends only:
- a. to its own members, and
  - b. to those transactions that have been executed, registered and accepted for clearing and settlement by the Clearing House after having been matched by the Exchange, and
  - c. to those members who are not in default in their financial obligations to the Clearing House or the Exchange
- 9.7.6. Provided however, the Clearing House shall not be deemed to guarantee the title, ownership, genuineness, regularity or validity of any goods or any document is passing through the Clearing House, the object of maintaining the Clearing House being to facilitate the delivery and payment in respect of the goods or documents between members.
- a. Provided however that the nature of guarantee by the Clearing House is strictly financial, that is:
  - b. The seller will be assured the payment of the settlement price fixed by the Relevant Authority on the delivery / expiry date after the Clearing House is satisfied that the delivery has been completed; and
  - c. The buyer will be assured either a delivery order, or upon failure of the seller to give delivery, the monetary value of the short delivery based on the settlement price fixed by the Relevant Authority as on the delivery / expiry date and the monetary value based on the ready market price as may be specified by the Relevant Authority.

**9.8. Trading, Clearing and Settlement on the Exchange**

- 9.8.1. Subject to the foregoing Byelaw, the Relevant Authority empowered for the purpose may provide for Business Rules or issue orders for:
- 9.8.2. **Trading on the Exchange**
- a. Norms and procedures for admission of different categories of exchange members, intermediaries etc.
  - b. Determination of trading sessions and proceedings in such trading sessions on the ATS of the Exchange or any other trading system allowed by the Exchange, for specified commodities, price indices or their derivatives permitted by the Exchange.
  - c. Allotment of TWS to the exchange members and appointment of approved users.
  - d. Determination of units of quotation and trading and variations in bids and offers and minimum and maximum size of orders.

- e. Determination of 'basis' variety and deliverable varieties for different commodities, allowances for tendering varieties other than the basis, contract (delivery) months, delivery periods, delivery centers, tender days and the other appropriate terms and conditions of contracts to be entered into for different commodities, the forms of contracts, the time, mode and manner of performance of the contracts between members of the exchange inter-se, between clients of the exchange member inter-se, and between members of the Exchange and clients inter-se.
- f. Determination of the transaction and clearing fees payable by the members of the Exchange for trading and clearing in different commodities and other charges that may be collected by the Exchange from members, registered non- members, participants, approved users, etc.
- g. Suspension of trading in one or more contracts permitted for trading in the Exchange.
- h. Procedure for settlement of disputes relating to quality, price and delivery.
- i. Determination of the Due Date Rate and Penalties for non-fulfillment of contracts by giving or receiving deliveries on the due date.
- j. Norms, procedures, terms and conditions, incidental to or consequential to transfer and closing out of contracts.
- k. Manner of operations and interface with the Clearing House and the clearing banks of the Exchange.

9.8.3. **Transactions in Exchange Subject to Risk Management & Surveillance**

- a. Determination of various types of margins on the transactions.
- b. Rates of ordinary margins and mode of their payment.
- c. Special or additional margins and mode of their payment.
- d. Acceptance to types of collateral /assets and valuation
- e. Exemption/concessions thereof from payment of margins.
- f. Lien on capital and margin deposits.
- g. Penalty for non-fulfillment and/or evasion of margin requirements.
- h. Client's liability to pay margins.
- i. Exchange members' responsibility to collect margins from the clients.
- j. Exchange members' responsibility to maintain proper books of accounts
- k. Defining different positions monitoring limits
- l. Penalty or enquiries on suspicious transactions
- m. Any other matter relating to trading, Clearing and Settlement on the Exchange

9.8.4. **Clearing and Settlement of Transactions**

- a. Procedure for determination of settlement prices.
- b. Procedure of marking-to-market, delivery, payment and closing-out of transactions in contracts where trading allowed.
- c. Procedure of allocation of deliveries.
- d. Clearing and other settlement forms and returns, delivery and receive orders, statement of accounts and balance sheet, norms and procedures for clearing and settlement of transactions and delivery and payment.
- e. Norms and procedures for establishment and functioning of Clearing House for clearing and settlement of trades.
- f. Supervision of Clearing House and framing of Rules and Business Rules for supervision of clearing and settlement activities of the members of the exchange.
- g. Norms and procedures for availing of banking services from clearing banks for clearing and settlement of trades.
- h. Norms and procedures for availing services from warehouses and warehouse keepers for physical delivery of commodities and from quality certification agencies or laboratories for quality specifications of commodities deposited with warehouse keepers and of commodities tendered for delivery against contracts traded in the exchange.
- i. Any other matter relating to clearing and settlement of transactions and deliveries thereto, including surveys and sampling for quality testing.
- j. Appointment of surveyors, assayers, quality testing laboratories and other appropriate authorities and agencies for settling quality disputes arising out of deliveries.
- k. Procedure for dissemination of information and announcements to be broadcasted by the Exchange on the ATS, or its computer system or internet.
- l. Issue of guidelines for advertisements, booklets or circulars to be published by the members of the Exchange in connection with their business activities.
- m. Appointment of monitoring, surveillance and intelligence agencies for monitoring trading at the Exchange in contracts for different commodities
- n. Any other matter, as may be decided by the Relevant Authority from time to time.

9.8.5. **Setting-Up of Settlement Guarantee Fund, Client Protection Fund and Other Funds**

- a. Norms, procedures, terms and conditions for contribution by members of the Exchange and others to Settlement Guarantee Fund, Client Protection Fund or any other fund that may be established by the Exchange or Clearing House of the exchange or any clearing corporation set up or approved by the Exchange.
- b. Administration, utilization, maintenance and investment of the corpus of the Settlement Guarantee Fund, Client Protection Fund or any other fund established by the Exchange or Clearing house or clearing corporation, set up or approved by it.
- c. Norms, procedures, terms and conditions for guaranteeing of settlement obligations of the members of the Exchange through the Settlement Guarantee Fund.

9.8.6. **Conciliation and Arbitration**

- a. In all claims, differences and disputes, irrespective of whether the Exchange is a party or not, arising out of or in relation to transactions on the Exchange including any agreements and contracts, made subject to these Bye-Laws or the Rules or Business Rules of the Exchange or with reference to anything incidental thereto or in pursuance thereof or relating to their validity, construction, interpretation, fulfillment or the rights, obligations and liabilities of the parties thereof and including any question of whether such agreements, contracts and transactions have been entered into or not, the parties shall adopt conciliation proceedings subject to the provisions of these Bye-Laws and the Arbitration and Conciliation Act, 1996. In case the conciliation proceedings do not result in any settlement, the dispute shall be referred to and decided by arbitration, as provided in these Bye-Laws and Rules and Business Rules. The Relevant Authority may provide for.
  - i. Norms, procedures, forms, jurisdiction, terms, conditions and scale of arbitration fees and other charges for reference to arbitration
  - ii. Appointment of conciliation officers, arbitrators, substitute arbitrators and umpires
  - iii. Procedure for serving notice of hearing and adjournment of hearings and communications to the parties and witnesses
  - iv. Procedure for appearance, hearing, filing of information and counter claims and taking witnesses and evidence of assessors and experts
  - v. Procedure for issue of arbitration awards

vi. Procedure for implementation of arbitration awards

b. The Relevant Authority shall investigate the dispute and the Exchange member/Clearing Member shall be bound to co-operate with the Relevant Authority and provide all relevant documents asked for by the said Authority. The Relevant Authority shall also cause the Exchange member/Clearing Member to provide to the conciliator and Arbitrators all relevant information data, documents and records necessary for resolving dispute.

**9.9. Power to Prescribe Enabling Provisions**

9.9.1. The Relevant Authority may, from time to time, with prior approval of the Central Government or the Forward Market Commission as the case may be, issue clarifications or directives, as may be required from time to time, to remove any difficulty or ambiguity in implementing the provisions of any of the Bye-Laws, Rules and Business Rules of the Exchange

**9.10. Jurisdiction**

9.10.1. These Bye-Laws shall be applicable on all the members, intermediaries and participants of the exchange, authorized persons, approved users, clients and all entities involved in trading, clearing and settlement of transactions, to the extent specified herein. These shall be subject to the jurisdiction of the Courts in Mumbai, irrespective of the place of business of the members of the Exchange in India or abroad. All transactions entered into or executed through the ATS or any other trading system of the Exchange located at the premises of the Exchange at any place shall be deemed to have taken place in the city of Mumbai only and the place of contracting as between the members of the Exchange shall be at Mumbai, irrespective of the locations of the Trader Workstations of the members connected thereto. All disputes under these Bye-Laws shall be subject to the exclusive jurisdiction of the Courts in Mumbai, irrespective of the location of the place of business of the members of the Exchange and of their clients or the place where the concerned transaction may have taken place. The Bye-Laws, Rules and Business Rules of the Exchange shall be governed by and construed in accordance with the laws in force in India. Every exchange member shall expressly provide in the contract notes to be issued by him that only the Courts at Mumbai shall have the exclusive jurisdiction for claims in relation to any dispute arising out of or in connection with or in relation to such contract notes.

**9.11. Location for Arbitration between Members of the Exchange, Other Intermediaries and Clients**

9.11.1. The location where arbitration shall take place shall be such place as may be identified by the Exchange from time to time and intimated to the arbitrator and the parties to the dispute accordingly.

**9.12. Records for Evidence**

9.12.1. The records of the Exchange as maintained by a central processing unit or a cluster of processing units or computer processing units or on the ATS or any other trading system of the Exchange, whether maintained in any register, magnetic storage units, electronic storage units, optical storage units or computer storage units or in any other manner or on any other accepted media, shall constitute the agreed and authenticated record in relation to any transaction entered into or executed through the ATS, or any other trading system of the Exchange.

9.12.2. The records as maintained by the Exchange shall, for the purpose of any dispute or claim between the members of the Exchange inter-se or between any exchange member and his clients or between the members of the Exchange and the Exchange or the approved Clearing Corporation or Clearing House regarding trading, risk management, surveillance, clearing or settlement of any order, trade or transaction carried out on the ATS of the Exchange or any other trading system of the Exchange and reported to the Exchange, constitute valid and binding evidence between and among the parties.

**9.13. Governing Language**

9.13.1. All notices, writings, reports and documents, which shall be issued by the Exchange, in relation to the working and functions of the Exchange, shall be in English language, which shall be the governing language of the Exchange.

9.13.2. In addition to the above, Relevant Authority may at its discretion, permit use of any one or more of the languages listed in schedule 7 of the Constitution of India for the convenience of stakeholders; however in case of any doubt English version shall prevail.

**9.14. Limitation of Liability**

9.14.1. The Exchange shall take all necessary steps to protect the legitimate interests of the constituents trading on its platform. Exchange shall not be liable for any activities of its members or of any other person, authorized or unauthorized, acting in the name of any member, and any act of commission or omission by any one of them, either singly or jointly, at any time shall not be in any way construed to be an act of commission or omission by any one of them as an agent of the Exchange. Save as otherwise specifically provided in these Bye-

Laws and in the Rules and Business Rules of the Exchange, the Exchange shall not incur or shall not be deemed to have incurred any liability and accordingly, no claim or recourse shall lie against the Exchange, any member of the Relevant Authority duly appointed by it or any other authorized person acting for and on behalf of the Exchange, in respect of or in relation to any transactions entered into through the exchange made by its members and any other matters connected therewith or related thereto, which are undertaken for promoting, facilitating, assisting, regulating, or otherwise managing the affairs of the Exchange.

**9.15. Protection for Acts Done in Good Faith**

9.15.1. No claim, suit, prosecution or any other legal proceedings shall lie against the Exchange or any member of the Relevant Authority appointed by it or any other duly authorized person acting for and on behalf of the Exchange, in respect of anything which is done or intended to be done or omitted or intended to be omitted in good faith in exercise of any power under these Bye-Laws or Rules or Business Rules of the Exchange or in pursuance of any order or any other kind of communication received by the Exchange, in writing, from any court, tribunal, Central or State Government, FMC or any other competent regulatory or revenue authority empowered under any law or delegated legislation for the time being in force in that behalf.

#### 9.16. **Secrecy or Confidentiality**

- 9.16.1. The Exchange shall take necessary steps to preserve and protect the details, particulars, data or information available in the ATS and its computer system. The Exchange shall cause its employees who, in the normal course of discharge of their duties, are likely to have access to details, particulars, data or information relating to any business transactions of the members of the Exchange to maintain complete confidentiality in respect of all such details, particulars, data and information by those employees at all times.
- 9.16.2. The Exchange may provide or disclose such details, particulars, data or information relating to any business transactions of its members or in respect of any commodity or security admitted to dealings on the Exchange as may be required or directed in writing by any court, tribunal, Central or State Government, FMC or any other competent regulatory or revenue authority empowered under any law or delegated legislation for the time being in force in that behalf.
- 9.16.3. No exchange member, approved user, authorized person or any of their employee shall be entitled to visit or inspect any premises of the Exchange, access whereto is restricted, without the prior written permission of the Exchange or to require discovery of any information with respect to any activities of the Exchange or any matter which is or may be in the nature of a trade secret, mystery of trade, secret process or any other matter which may relate to the conduct of the business and which in the opinion of the Relevant Authority may not be expedient in the interest of the Exchange to disclose.

#### 9.17. **Indemnity**

- 9.17.1. The Exchange shall not be liable for any unauthorized dealings on the Exchange by any persons acting in the name of trading member(s).
- 9.17.2. Each member of the Exchange and the Clearing Agency, if not a part of the Exchange, but an independent entity engaged in clearing and settlement of transactions entered into on the Exchange, shall indemnify and keep indemnified the Exchange from and against all harm, loss, damages, injury and penalty suffered or incurred and all costs, charges and expenses incurred in instituting and/or carrying on and/or defending any suits, action, litigation, arbitration, disciplinary action, prosecution or any other legal proceedings suffered or incurred by the Exchange on account of or as a result of any act of commission or omission or default in complying with any of the provisions of the FCRA, and the Rules framed there under or these Bye-Laws or the Rules or Business Rules of the Exchange or due to any agreement, contract or transaction executed or made in pursuance thereof or on account of

negligence or fraud on the part of any member of the Exchange or the Clearing Agency as aforesaid and their employees, servants and agents.

9.17.3. The Clearing House of the exchange shall not be liable for any activity of the clearing member or any person acting in the name of the clearing person whether authorized or unauthorized including trades/transactions cleared and settled through the Clearing House of the exchange save and except as and to the extent provided in the Bye Laws, Rules and Business Rules.

**9.18. Disclaimer**

9.18.1. Where any loss or damage is caused to or incurred by any party or person on account of or as a result of any act of commission or omission or default in complying with any of the provisions of the FCRA and the Rules framed there under or these Bye-Laws or the Rules or Business Rules of the Exchange or any agreement, transaction or contract executed or made in pursuance thereof on account of negligence or fraud on the part of any member of the Exchange or the Clearing Agency that is not a part of the Exchange but is an independent entity or their employees, servants or agents, in the event of the Exchange making good or being required to make good such loss or damages (or any part thereof) to such party or person, the Exchange shall be entitled to recover the amount so made good by it from the member of the Exchange or such Clearing Agency, in default.

**9.19. Severability**

9.19.1. If any provision of these Bye-Laws or the Rules and Business Rules of the Exchange is rendered unlawful, void or unenforceable by reason of any statutory amendment, re-enactment, notification or any judicial decision or pronouncement by any competent court, tribunal or regulatory authority, such provision shall, to the extent required, be severed and rendered ineffective without in any way affecting the validity or enforceability of the rest of the provisions of these Bye-Laws or the Rules and Business Rules of the Exchange,

which shall continue to apply with full force and effect, provided further that the action already taken earlier under such provision shall remain unaffected.

**9.20. Force Majeure**

- 9.20.1. The Exchange shall provide its services on best effort basis and it shall not be liable for any harm, loss, damage and injury caused to any person arising in any way out of causes beyond its control.
- 9.20.2. Without prejudice and notwithstanding anything contained hereinabove, any failure on the part of the Exchange out of causes beyond its control shall not in any way reduce, alter, limit or affect the liability of a member of the Exchange in respect of any transaction entered into or executed through the ATS or any other trading system of the Exchange by such member.
- 9.21. Any delay or failure to observe or comply with any requirement, either in full or in part under these Bye-Laws or the Rules and Business Rules of the Exchange, may be dealt with by the Exchange as a violation of the Bye-Laws, Rules or Business Rules of the Exchange.
- 9.22. The provisions of these Bye-Laws or the Rules and Business Rules of the Exchange as determined from time to time are intended solely for the benefit of the members of the Exchange, their clients and their respective successors or permitted assigns, if any, to facilitate carry out the orders by the members either for themselves and/or on behalf of the clients, whether such orders are placed directly with the members or through any one of other intermediaries and determine rights and liabilities inter-se between the members, other intermediaries and clients and across themselves, in relation to trading, clearing and settlement of transactions as provided in these Bye-Laws, Rules and Business Rules framed there under and these provisions do not confer any beneficiary right to any other party or person.

## **10. Delivery of Commodities**

- 10.1. For the fulfillment of outstanding contracts maturing at the end of the contract month, commodity shall be tendered by Delivery Orders, wherever applicable, through the respective Clearing Members to the Clearing House.
- 10.2. Delivery of all commodities, documents and papers and payments in respect of all trades/transactions shall be in such manner and the Relevant Authority may prescribe such place (s) as from time to time.
- 10.3. The Relevant Authority shall specify from time to time, the commodities, documents and papers which, when delivered in prescribed manner, shall constitute good delivery. Where circumstances so warrant, the Relevant Authority may determine, for reasons to be recorded, whether or not a delivery constitutes a good delivery, and such finding shall be binding on the parties concerned. Where the Relevant Authority determines that a delivery does not constitute a good delivery, the delivering party shall be required to substitute good delivery instead or make such payment as has been prescribed by the Relevant Authority within such time period as may be specified failing which appropriate action may be initiated by the Relevant Authority as provided in the Bye Laws, Rules and Business Rules from time to time.
- 10.4. With the approval of the Commission the Relevant Authority may prescribe from time to time such norms and procedures which may include delivery with respect to market lot, odd lot, minimum lot, part delivery, delivery period, expiry date, designated tender days, delivery orders, delivery grades, delivery centers, freight adjustment factors, sampling analysis & certification method etc. shall be as prescribed by the Relevant Authority from time to time.
- 10.5. The Exchange may prescribe tender days and delivery period for each contract month in a commodity during which sellers who wish to tender delivery may issue Delivery Orders through their respective Clearing Members to the Clearing House. Tender days and Delivery period shall end on or before/on or after the last day of trading of the relevant contract month.
- 10.6. The Clearing House shall allocate the delivery orders received by it amongst one or more buyers having outstanding long open positions in a manner as considered appropriate by the Relevant Authority.

- 10.7. The Relevant Authority may specify in advance before commencement of a contract various grades of a commodity that may be tendered and the discounts and premiums for such grades. All contracts outstanding at the end of the last trading day of the contract month of the maturing contract shall be closed-out by the Relevant Authority at the due date rate as fixed by the Relevant Authority. The Relevant Authority may prescribe penalty on sellers with outstanding positions who fail to issue delivery orders as may be applicable and the Exchange may financially compensate the buyers who hold outstanding positions, but who intended to lift delivery and could not receive Delivery Orders against such positions due to failure on the part of the seller. The buyer who fails to accept the delivery orders shall be required to pay the difference between the settlement price and the due date rate and in addition to the same, they shall be required to pay such penalty, as may be decided by the Exchange. The seller, who has tendered delivery document, shall be compensated out of penalty recovered from the buyer, while the delivery will be returned to the seller. Failure to pay the dues and penalties relating to such closing out within the stipulated period shall cause the member to be declared as defaulter, and render him liable for disciplinary action.
- 10.8. Every Delivery Order shall be tendered for the units of delivery specified for the commodity, or multiples thereof and the same shall be issued at the Delivery Order Rate fixed by the Relevant Authority on the day of tender. A seller who issues Delivery Order shall receive from or pay to the Clearing House through the respective Clearing Member the difference between the contract rate or the last settlement rate, as the case may be, and the Delivery Order Rate. A buyer who is assigned a Delivery Order shall receive from or pay to the Clearing House through the respective Clearing Member the difference between the immediately preceding trading day's settlement price and the Delivery Order Rate in addition to the amount payable for the value of delivery. Client of the member shall receive and pay, as the case may be, through their respective members of the Exchange. Delivery order once submitted shall not be withdrawn or cancelled or changed, unless so agreed by the Exchange.
- 10.9. A seller issuing the delivery order shall receive from the Clearing House the full price of the commodity delivered as per the delivery order rate, subject to additions or deductions on account of such premium or discounts as the case may be, prescribed under these Bye-Laws/Business Rules for delivering grades for varieties other than the basis variety or grade and also on account of quantity adjustment and freight adjustment notified in advance.

10.10. A buyer shall pay to the Clearing House the value of delivery allocated on his account by the Exchange within such time as may be specified, of getting intimation to such effect from the Exchange. After getting full price of delivery from the buyer as per delivery order allocated to him, the Exchange will endorse the delivery order to him. Thereafter, till completion of the delivery process, the money will be retained by the Clearing House and will be passed on to the seller only on completion of the delivery process to the satisfaction of the Exchange. The Clearing House will pass on the proceeds to the seller after making adjustments relating to quality, quantity and freight factors, as the case may be. The balance amount, if any, remaining after such adjustments, will be passed on to or recovered from the buyer.

10.11. An Exchange Member desiring to tender goods against an open short position in the maturing contract shall send Delivery Orders to the Clearing House through his Clearing Member upto such time on the tender days, as may be decided by the Relevant Authority. The Delivery Order Forms duly signed by the sellers or sellers representative, holding short open positions shall give the following particulars, in addition to the particulars in the prescribed form for Delivery Order:

10.11.1. The quality and quantity of goods to be delivered (Warehouse receipt and Quality certificate issued by the approved Assayer).

10.11.2. Delivery Order Rate

10.11.3. Name of the seller issuing the Delivery Order.

10.11.4. Period of delivery.

10.11.5. The address or addresses of the warehouse(s) or any storage place where the goods are kept and the quantity thereof at each warehouse.

10.11.6. The name and address of the seller's representative who should be contacted by the buyer for taking delivery.

10.12. Delivery Orders shall be passed on to the Clearing House through the Clearing Members and vice versa. The Members of the Exchange themselves or their agents shall be entitled to receive or give Delivery Order, Registered non-members shall give or receive Delivery Orders through Members of the Exchange who have executed their transactions.

10.13. At the time of issuing the Delivery Order, the seller of such contract must satisfy his Clearing Member that he owns and holds in his possession or his agent's possession adequate stocks of the required quantity and quality of the commodity in which he has open position to make delivery in the specified manner to cover the commitments included in the Delivery Order.

- 10.14. A seller member is entitled to offer delivery only at the delivery centers specified by the Exchange in advance for the respective commodity. Delivery can be tendered at such specified centers strictly as per the delivery procedure specified by the Exchange. Before tendering delivery, the seller is also required to obtain a certificate from a surveyor empanelled by the Exchange and such certificate shall be accompanied with the delivery order being tendered by him to the Clearing House. The surveyor's certificate shall clearly specify the quality of the goods tendered and shall also confirm that such quality is tenderable as per the contract specification of the Exchange. In case of non compliance of any of these conditions, the delivery order is rejected ab initio.
- 10.15. Assignment of Delivery Orders among the Clearing Members having outstanding long position shall be binding on them, irrespective of the fact that there was no direct contract between the buyer and seller. The Clearing Members shall, in turn assign the full quantity of goods covered by the Delivery Orders to their Clients holding outstanding long positions. The member clients may in turn, assign the delivery order to their clients, if any holding outstanding long open positions and such member-clients or constituents shall not reject such assignment on any ground whatsoever including the fact that there was no direct contract with the seller. Clearing Members and Member/Clients may submit to the Exchange a written statement of assignment of goods covered by the Delivery Orders.
- 10.16. Members of the Exchange and the clients/constituents trades/transactions through them shall strictly abide by the delivery procedure, methods of sampling, survey, transportation, storage, packing, weighing and final settlement procedures, as may be specified by the Relevant Authority from time to time. Any violation of such method will be dealt with by the Relevant Authority in the manner, as may be specified from time to time.
- 10.17. A seller of commodity shall deliver the quantity as per his net sale position in the expiring contract during the period specified in the Bye Laws, Rules and Business Rules of the Exchange and notices and orders issued thereunder from time to time for the specified commodity, which should confirm to the quality specified by the Exchange in the contract specification. In case of any failure to do so, such net sale position shall be closed out as per the Due Date Rate and the seller shall be required to pay the difference, as determined by the Clearing House and penalty in addition thereto.
- 10.18. A buyer shall be required to lift delivery from the specified warehouse within the period prescribed by the Relevant Authority, as per the delivery order assigned to him. In case of his failure to do so, he shall be required to pay the warehouse charges, insurance charges and other expenses relating to storage for the

incremental period and also a penalty in addition thereto.

- 10.19. The Exchange may appoint a panel of surveyors or agencies including laboratories, for the purpose of quality and weight /quantity certification of commodities tendered through delivery orders.
- 10.20. In respect of contracts for commodities, in which the Exchange has not accepted any responsibility for guaranteeing the financial obligation under such contracts, the failure to give delivery of goods by the seller under the Delivery Order issued by him or the failure to take delivery of goods by the buyer under the Delivery Order assigned to him shall render such seller or buyer a defaulter and the Clearing House shall forthwith square off all his outstanding positions in contracts for all commodities traded by him. The amount due from such defaulting seller or buyer, including the total financial loss, if any, in respect of all his outstanding contracts squared off by the Clearing House shall be recovered from his Clearing Member out of the defaulters security deposits, margins, receivables in the contract for all commodities, etc. standing to his credit. If after such adjustments, there is a shortfall, the said Clearing Member shall also be declared as a defaulter and shall be liable for such disciplinary action as the Relevant Authority may decide in the matter. The shortfall if any, on account of such defaulting clearing member shall be distributed among all other Clearing Members who have to receive payment from the Clearing House on pro rata basis according to the amounts payable to each of them.
- 10.21. The Relevant Authority shall decide the inward and outward payment days in respect of contracts, which are fulfilled by issue of delivery orders by the sellers.
- 10.22. The Relevant Authority shall have the power to extend the period of delivery or provide for a longer period of delivery in the Delivery Orders itself if in its opinion, such an extension of time has become necessary due to force majeure or labour strike or for any other reason as the Relevant Authority deems fit, the reasons for which shall be recorded and the Relevant Authority shall advise the Clearing House of such exercise of power and such information may be disseminated to the members/constituents by issuing a circular.
- 10.23. The Seller and the Buyer as the case may be hereby undertakes to comply with the statutory requirements as applicable for effecting the transaction and deliveries and in force from time to time.

10.24. The Relevant Authority may prescribe from time to time the requirements and procedures for determining disputed deliveries or defective deliveries, and measures, procedures and system of resolving the dispute or defect in deliveries or of consequences of such deliveries or the resolution shall, subject to and in accordance with the Bye Laws, Rules and Business Rules.

**10.25. Closing Out**

10.25.1. A trades/transactions admitted for clearing and settlement may be transferred to another clearing member with his consent on the failure of a clearing member to comply with any of the provisions relating to delivery, payment and settlement of trades/transactions or on any failure to fulfill the terms and conditions subject to which the trades/transactions has been made, or such other circumstances as the Relevant Authority may specify from time to time. The trades/transactions may be transferred to another clearing member by the Clearing House in such manner, within such time frame, and subject to such conditions and procedures as the Relevant Authority may prescribe from time to time.

10.25.2. Without prejudice to the generality of the foregoing, the Relevant Authority may close out trades/transactions, inter alia, by buying in or selling out against a clearing member in the following circumstances,

- a. in case of the selling clearing members, on failure to complete delivery on the due date; and
- b. in case of the buying clearing members, on failure to pay the amount due on the due date,
- c. and any loss, damage or shortfall sustained or suffered as result of such closing out shall be payable by the clearing members who failed to give due delivery or to pay amount due.

**10.26. Failure to Meet Obligations**

10.26.1. In the event a clearing member fails to meet obligations to the Clearing House of the Exchange arising out of clearing and settlement operations of admitted trades/transactions the Relevant Authority may charge such interest, impose such penalties and fines and take such disciplinary action against the clearing member as it may determine from time to time. Any disciplinary action, which the Relevant Authority takes pursuant to the above, shall not affect the obligations of the clearing member to the Clearing House of the Exchange or any remedy to which the Clearing House of the Exchange may be entitled under applicable law

## **11. Trading/Clearing Members Default**

### **11.1. Declaration of Trading Member Default**

11.1.1. A trading member may be and after necessary diligence declared a defaulter by direction / circular / intimation of the clearing member / notification of the Relevant Authority of the trading segment if:

- a. He is unable to fulfill his obligations; or
- b. He admits or discloses his inability to fulfill or discharge his duties, obligations and liabilities; or
- c. He fails or is unable to pay within the specified time the damages and the money difference due on a closing-out effected against him under these Bye Laws, Rules and Business Rules; or
- d. He fails to pay any sum due to the Exchange or to submit or deliver to the Exchange on the due date, delivery and receipt orders, statement of differences and commodities, balance sheet and such other clearing forms and other statements as the Relevant Authority may from time to time prescribe; or
- e. He fails to pay or deliver to the Relevant Authority all monies, commodities and other assets due to a trading member who has been declared a defaulter within such time of the declaration of default of such trading member as the Relevant Authority may direct; or
- f. He fails to abide by the arbitration proceedings as laid down under the Bye Laws, Rules and Business Rules.
- g. He has been declared a defaulter in any other stock / commodity exchange
- h. He, being an individual and /or partnership firm, /it, being a company incorporated under the Companies Act, files a petition before a Court of Law for adjudication of himself as an insolvent or for its winding up, as the case may be.
- i. In the course of an investigation and/or inspection, Relevant Authority finds that the member attracts any of the above conditions.

### **11.2. Declaration of Clearing Member Default**

11.2.1. A clearing member may be declared a defaulter by direction/circular/notification of the Relevant Authority if:

- a. He is member of any exchange and the said exchange declares him as a defaulter; or
- b. He is a clearing member of any clearing house / clearing corporation and the said clearing corporation declares him to be a defaulter; or
- c. He is unable to fulfill his clearing, settlement or obligations; or

- d. He admits or discloses his inability to fulfill or discharge his duties, obligations and liabilities; or
- e. He fails or is unable to pay within the specified time the damages and the money difference due on a closing-out effected against him under the Rules, Bye Laws, Rules and Business Rules; or
- f. He fails to pay any sum due to the Clearing House as the Relevant Authority may from time to time prescribe; or
- g. If he fails to pay or deliver all moneys, commodities, securities and other assets due to a clearing member who has been declared a defaulter within such time of declaration of default of such clearing member in such manner and to such person as the Relevant Authority may direct; or
- h. If he fails to abide by the arbitration award as laid down under the Rules, Bye Laws, Rules and Business Rules; or
- i. If he has been adjudicated as an insolvent or being a Company incorporated under the Companies Act, has been ordered to be wound-up by a court of law in the petition filed by any of his creditors, he shall ipso facto be declared a defaulter though he may not have at the same time defaulted on any of his obligations on the Clearing House; or
- j. If he files a petition before a court of law for adjudication of himself as an insolvent or for winding-up, as the case may be, although he may not have at the same time defaulted on any of his obligations on the Clearing House; or
- k. Under any other circumstances as may be decided by the Relevant Authority from time to time;

### **11.3. Member's Duty to Inform**

- 11.3.1. A Member shall be bound to notify the Exchange immediately if there be a failure by any trading member to discharge his liabilities in full.

### **11.4. Inquiry**

- 11.4.1. The Relevant Authority shall enter into a strict inquiry into the accounts and dealings of the defaulter in the market and shall report to the such authority as may be appointed by Relevant Authority for this purpose, anything improper, un-businesslike or unbecoming a trading member/clearing member in connection therewith which may come to its knowledge.

### **11.5. Payment to Relevant Authority**

- 11.5.1. All monies, commodities, securities and other assets due, payable or deliverable to the defaulter must be paid or delivered to the Relevant Authority within such time of the declaration of default as the Relevant Authority may direct. A Member violating this provision shall be declared a

defaulter.

11.5.2. A trading member/ clearing member who shall have received a difference on account or shall have received any consideration in any trade/transactions prior to the date fixed for settling such account or transaction shall, in the event of the Member from who he received such difference or consideration being declared a defaulter, refund the same to the Relevant Authority for the benefit and on account of the creditor members. Any Trading Member/Clearing Member who shall have paid or given such difference or consideration to any other Trading Member/Clearing Member prior to such settlement day shall again pay or give the same to the Relevant Authority for the benefit and on account of the creditor member in the event of the default of such other member.

11.5.3. A Trading Member / Clearing Member who receives from another trading member /Clearing Member during any clearing a claim note or credit note representing a sum other than a difference due to him or due to his constituent which amount is to be received by him on behalf and for the account of that constituent shall refund such sum if such other trading member be declared a defaulter within such number of days as prescribed by the Relevant Authority after the settling day. Such refunds shall be made to the Relevant Authority for the benefit and on account of the creditor members and it shall be applied in liquidation of the claims of such creditor members whose claims are admitted in accordance with these Bye Laws, Rules and Business Rules.

#### **11.6. Distribution**

11.6.1. The Relevant Authority shall at the risk and cost of the creditor members pay all assets received in the course of realization into such bank and/or keep them with the Exchange /Clearing House in such names as the Relevant Authority may from time to time direct and shall distribute the same as soon as possible pro rata but without interest among creditor members whose claims are admitted in accordance with these Bye Laws, Rules and Business Rules.

### **11.7. Closing-Out**

- 11.7.1. Trading Members/Clearing Member having open trades/transactions with the defaulter shall close out such trades/transactions after declaration of default. Such closing out shall be in such manner as may be prescribed by the Relevant Authority from time to time. Subject to the Business Rules in this regard prescribed by the Relevant Authority, when in the opinion of the Relevant Authority, circumstances so warrant, such closing out shall be deemed to have taken place in such manner as may be determined by the Relevant Authority or other authorized persons of the Exchange.
- 11.7.2. Differences arising from the above adjustments of closing out shall be claimed from the defaulter or paid to the Relevant Authority for the benefit of creditor trading members of the defaulter.

### **11.8. Claims Against Defaulter**

- 11.8.1. Within such time of the declaration of default as the Relevant Authority may direct every trading member / clearing member carrying on business on the Exchange shall, as it may be required to do, either compare with the Relevant Authority his accounts with the defaulter duly adjusted and made up as provided in these Bye Laws, Rules and Business Rules or furnish a statement of such accounts with the defaulter in such form or forms as the Relevant Authority may prescribe or render a certificate that he has no such account.

### **11.9. Delay in Comparison or Submission of Accounts**

- 11.9.1. Any Trading Member / Clearing Member failing to compare his accounts or send a statement or certificate relating to a defaulter within the time prescribed shall be called upon to compare his accounts or send such statement or certificate within such further time as may be specified.

### **11.10. Penalty for Failure to Compare or Submit Accounts**

- 11.10.1. The Relevant Authority may take such action as it may deem fit including levying of fine and suspension, on any Trading Member/ Clearing Member who fails to compare his accounts or submit a statement of its account with the defaulter or a certificate that he has no such account within the specified time.

### **11.11. Misleading Statement**

- 11.11.1. The Relevant Authority may take such action as it may deem fit including levying of fine and suspension, if it is satisfied that any comparison statement or certificate relating to a defaulter sent by such Trading Member/Clearing Member was false or misleading.

#### **11.12. Accounts of Relevant Authority**

11.12.1. The Relevant Authority shall keep a separate account in respect of all monies, commodities and other assets payable to a defaulter which are received by him and shall defray there from all costs, charges and expenses incurred in or about the collection of such assets or in or about any proceedings it takes in connection with the default.

#### **11.13. Report**

11.13.1. The Relevant Authority shall every six months present a report to such authority as may be appointed by the Governing Board for this purpose, relating to the affairs of a defaulter and shall show the assets realized, the liabilities discharged and dividends given.

#### **11.14. Scale of Charges**

11.14.1. The charges to be paid to the Exchange on the assets collected shall be such sum as the Relevant Authority may from time to time prescribe.

#### **11.15. Proceedings in Name of or Against the Defaulter**

11.15.1. The Relevant Authority shall be entitled to but not bound to

- a. initiate any proceedings in a court of law either in the name of the Exchange or in the name of the defaulter against any person for the purpose of recovering any amounts due to the defaulter
- b. to initiate any proceedings in a court of law either in the name of the Exchange or in the name of creditors (who have become creditors of the defaulter as a result of transactions executed subject to and in accordance with Bye laws, Rules and Business Rules of Exchange) of the defaulter against the default for the purpose of recovering any amounts due from the defaulter. The defaulter as well as the creditors of the defaulter shall be deemed to have appointed the Exchange as their constituted attorney for the purpose of taking such proceedings.

#### **11.16. Payment to Relevant Authority**

11.16.1. If any trading member/ clearing member takes any proceedings in a court of law against a defaulter whether during the period of its default or subsequent to its re-admission to enforce any claim against the defaulter's estate arising out of any transaction or trades/transactions in the market made subject to and in accordance with the Bye Laws, Rules and Business Rules of the Exchange before it was declared a defaulter and obtains a decree and recovers any sum of money thereon it shall pay such amount or any portion thereof as may be fixed by the Relevant Authority to the Relevant Authority for the benefit and on account of the creditor members having claims against such defaulter

## 12. Reports

- 12.1. In respect of all trades done by the members of the Exchange, the Exchange will electronically or in any other mode as may be specified from time to time forward reports to the respective members, including settlement obligations relating thereto. All such reports and obligations shall be binding on the members of the Exchange.
- 12.2. The Members of the Exchange shall provide the Exchange with such reports that the Exchange or the Relevant Authority may seek as prescribed by FMC or the Relevant Authority from the members from time to time. Details of such reports will be provided in the Rules and Business Rules of the Exchange and through Circulars and Notices issued from time to time.
- 12.3. A clearing member shall notify the Exchange of any incident, which may endanger the clearing member's financial strength or interfere with the clearing member's ability to conduct its business in the best interests of the Exchange.
- 12.4. All Members of the Exchange as well as other market intermediaries shall be required to maintain such Books of Accounts, Registers, Statements and other Records, in physical form and/or electronically, as may be specified by the Relevant Authority. All such documents and records shall be kept in good order and preserved at least for such period, as may be specified by the Relevant Authority. All such documents and records shall be made available to the Exchange or FMC or any other statutory authority by the member for inspection, whenever required.
- 12.5. Each member of the Exchange shall submit itself to audit and investigation and furnish all books, records, files and such other information as required upon the direction of the Relevant Authority. The audit and investigation shall be restricted to the affairs of the Exchange member as a provider of trading, clearing and settlement services to their client as also in respect of his trading, either directly or through another Clearing member.
- 12.6. In case of any dispute or difference of opinion originating from or pertaining to orders or trades due to a mismatch between the member's report and the Exchange's report, the report as per records of the Exchange shall be final, conclusive and binding on the members.

### **13. Settlement/Trade Guarantee Fund**

#### **13.1. Exchange (or its Clearing House) to Maintain Settlement Guarantee Fund**

- 13.1.1. The Exchange shall maintain Settlement Guarantee Fund, either separately or jointly, in respect of different commodity futures and derivative segments of the Exchange for such purposes, as may be prescribed by the Relevant Authority or FMC from time to time.
- 13.1.2. The Relevant Authority, with prior approval of the Commission, may prescribe from time to time the norms, procedures, terms and conditions governing each Settlement/Trade Guarantee Fund which may inter-alia specify the amount of deposit or contribution to be made by each clearing member to the relevant fund, the terms, manner and mode of deposit or contributions, conditions of repayment of deposit or withdrawal of contribution from the fund, coverage and exclusion of SGF, charges for utilization, penalties and disciplinary actions for non-performance thereof.

#### **13.2. Contribution Towards Settlement Guarantee Fund**

- 13.2.1. Each member shall be required to contribute to and provide a minimum security deposit as may be determined from time to time by the Relevant Authority from time to time to the relevant Settlement Guarantee Fund. The Settlement/Trade Guarantee Fund shall be held by the Exchange. The money in the Settlement/Trade Guarantee Fund shall be applied in the manner as may be provided in these Bye Laws, Rules and Business Rules of the Exchange and notices and orders issued there under from time to time.
- 13.2.2. The Relevant Authority may specify the amount of contribution or deposit to be made by each member and/or category of clearing members, which may include inter alia the minimum amount to be provided by each clearing member.
- 13.2.3. The Relevant Authority may also specify such additional contribution or deposit that shall have to be provided towards the Settlement/Trade Guarantee Fund from time to time to form part of the Settlement Guarantee Fund.
- 13.2.4. The Exchange shall, as a result of multi-lateral netting followed by it in respect of settlement of transactions, guarantee financial settlement of such transactions to the extent it has acted as a legal counter party, as may be provided in the relevant Bye-Laws from time to time.
- 13.2.5. The total amount of security deposit and additional deposit, deposited and maintained by a clearing member with the Clearing House of the exchange, in

any form as specified herein, shall form part of the Settlement Guarantee Fund.

- 13.2.6. The amount deposited by any clearing member towards the security deposit shall be refundable, subject to such terms and conditions as may be specified by the Relevant Authority from time to time. Any amount deposited or paid by the clearing member may be refunded provided further that such amount is in surplus and there is no actual / crystallized or contingent liability or a claim from any client or clearing bank to be discharged by the clearing member.

**13.3. Form of Contribution/Deposit**

- 13.3.1. The Relevant Authority shall prescribe from time to time the form of contribution or deposit to the Settlement Guarantee Fund. The Relevant Authority in its discretion, may permit a member to contribute or provide the deposit either in the form of cash, Fixed Deposit Receipt (FDR), securities, bank guarantee or in such form or method and subject to such terms and conditions as may be specified by the Relevant Authority from time to time.

**13.4. Replacement of Deposit**

- 13.4.1. By giving a suitable notice to the Exchange and subject to such conditions as may be specified by the Relevant Authority from time to time, a member may withdraw Fixed Deposit Receipts or bank guarantee given to the exchange, representing member's contribution or deposit towards the Settlement Guarantee Fund, provided that the member has, simultaneously with such withdrawal or revocation, deposited cash, FDR or bank guarantee with the Clearing House or through the Exchange from time to time to meet his required contribution or deposit except as provided in these Bye Laws.

**13.5. Investment of Settlement Guarantee Fund**

- 13.5.1. Funds in the Settlement/Trade Guarantee Fund may be invested in such approved securities and/or other avenues of investments, as may be provided for by the Relevant Authority in the relevant Rules and Business Rules in force from time to time subject to the directives issued by the Forward Market Commission.

**13.6. Administration and Utilization of the Settlement Guarantee Fund**

- 13.6.1. The Settlement/Trade Guarantee Fund shall be utilized for such purposes as may be provided in the Bye Laws, Rules and Business Rules with prior approval of the Commission and subject to such conditions as the Relevant Authority may prescribe from time to time which shall include:
- a. To defray the expenses of creation, maintenance and repayment of the Settlement Guarantee Fund;

- b. Investment in such approved securities and other avenues subject to such terms and conditions as may be decided by the Relevant Authority from time to time;
- c. Payment of premium on insurance cover(s) which the Relevant Authority may take from time to time, and/or for creating a Default Reserve Fund by transferring a specified amount every year, as may be decided by the Relevant Authority from time to time,
- d. Meeting any loss or liability of the Exchange arising out of clearing and settlement operations of such transactions, as may be provided in these Bye-Laws, Rules and Business Rules of the Exchange in force from time to time.
- e. Temporary application of Settlement/Trade Guarantee Fund to meet shortfalls and deficiencies arising out of the clearing and settlement of such trades/transactions as provided in the Bye Laws, Rules and Business Rules.
- f. The application of the Settlement/Trade Guarantee Fund to satisfy any loss or liability of the Clearing House arising out of clearing and settlement operations of such trades/transactions as provided in these Bye Laws, Rules and Business Rules.
- g. Repayment of the balance after meeting all obligations under these Bye Laws, Rules and Business Rules to the clearing member when he ceases to be a member pursuant to the provisions regarding the repayment of deposit;
- h. Any other purpose as may be specified by the Relevant Authority from time to time.

13.6.2. Save as otherwise expressly provided in these Bye Laws, Rules and Business Rules, the Settlement/Trade Guarantee Fund shall not be utilized for any other purpose.

13.6.3. The Clearing House shall have full power and authority to pledge, re-pledge, hypothecate, transfer, create a security interest in, or assign any or all of the (i) Settlement Guarantee fund cash, (ii) securities or other instruments in which Settlement Guarantee fund cash is invested and (iii) qualifying securities pledged by a clearing member or letters of credit or any other instrument issued on behalf of a clearing member in favour of the Clearing House towards deposit to the Settlement Guarantee Fund.

### **13.7. Utilization for Failure to Meet Obligations**

13.7.1. In the event a clearing member failing to meet obligations to the Clearing House arising out of clearing and settlement operations of such trades/transactions as provided in these Bye Laws, Rules and Business Rules, the Relevant Authority may utilize the Settlement/Trade Guarantee Fund and other monies to the extent necessary to fulfill the obligation under such terms and conditions as the Relevant Authority may specify from time to time subject to directions issued by the Commission.

### **13.8. Utilization in Case of Default**

13.8.1. Whenever a member fails to meet his settlement obligations to the Exchange arising out of the transactions as may be provided in these Bye-Laws, Rules and Business Rules of the Exchange in force from time to time, or whenever a member is declared a defaulter, the Relevant Authority may utilize the Settlement/Trade Guarantee Fund and other monies of the member to the extent necessary to eliminate the obligation in the following order subject to directions issued by the Commission:

- a. any amount that may be paid by the defaulter member in the form of margin or any other money other than the bank guarantees or deposited with or retained by the Exchange for the purpose of the clearing and settlement; if this amount is not sufficient to settle the obligation,
- b. the proceeds, if any, recovered from disposal of any security deposited by the defaulter member, other than those deposited towards security deposit and/or additional deposit by the member with the Clearing House or the Exchange
- c. any contribution or deposit made by the defaulter member towards additional deposit to the Settlement Guarantee Fund, in the form of cash or fixed deposit receipts or or bank guarantee;
- d. any amount that may have been paid by the defaulter member towards margin in the form of bank guarantee or and deposited with the Exchange..
- e. any amount that may have been deposited by the defaulter member towards additional deposit in the form of bank guarantee with the Exchange
- f. any amount that may have been deposited by the defaulter member towards security deposit in the form other than bank guarantees with the Exchange.
- g. any amount that may have been deposited by the defaulter member towards security deposit in the form of bank guarantees with the

Exchange.

- h. The amount lying to the credit of the defaulter with the Exchange to the extent not appropriated by the Exchange towards the obligations of the defaulter to it .
- i. The proceeds, if any, recovered from auctioning or disposing of the exchange membership right vested in the Exchange subject to deduction of the expenses relating or incidental to the auction or disposal, as the case may be.
- j. The fines, penalties, penal charges, interest on delayed payments, interest or other income, if any, earned by investment or disinvestment of the Settlement/Trade Guarantee Fund or interest earned on margin moneys that form part of the Settlement/Trade Guarantee Fund to the extent, as may be decided by the Clearing House or the Exchange.
- k. The profits available for appropriation in the Settlement/Trade Guarantee Fund in the year in which the member is declared a defaulter.
- l. the amount of contribution and deposit made by all categories of clearing members to the Settlement/Trade Guarantee Fund in proportion to the total contribution and deposit made by each clearing member  
Note: The Relevant Authority may, at its discretion, alter the order of utilization of the Settlement/Trade Guarantee Fund from time to time.
- m. If the cumulative amount under all the above heads is not sufficient, the balance obligation shall be assessed against all the remaining clearing members in the same proportion as their total contribution and deposit towards security deposit and the clearing members shall be required to contribute or deposit in the Settlement Guarantee Fund, within such time as the Relevant Authority shall specify in this behalf from time to time

**13.9. Obligation to Bring in Additional Contribution or Deposit**

- 13.9.1. If a pro-rata charge is made as mentioned in the above provision against a clearing member's actual contribution or deposit, and as a consequence the clearing member's remaining contribution and deposit towards the Settlement/Trade Guarantee Fund falls below than his required contribution and deposit, the clearing member shall make additional contribution or deposit towards the said shortfall in the Settlement Guarantee Fund, within such time as the Relevant Authority may specify.
- 13.9.2. If the clearing member shall fail to do so, the Relevant Authority may charge such interest, impose penalties and fines and take such disciplinary action against the clearing member as it may determine from time to time. Any

disciplinary action which the Relevant Authority takes pursuant to the above provisions or involuntary cessation of membership by the clearing member shall not affect the obligations of the clearing member to the Clearing House or any remedy to which the Clearing House may be entitled under applicable law.

**13.10. Allocation of the Contribution or Deposit**

13.10.1. Each clearing member's contribution and deposit towards the Settlement/Trade Guarantee Fund shall be allocated by the Exchange among the various segments of trading, which are designated as such by the Exchange and in which the member may participate, in such proportion as the Exchange may decide from time to time. The Exchange shall retain the right to utilise the fund allocated to a particular segment of trading to match the losses or liabilities of the Exchange, incidental to the operation of that segment or for any other segment, as may be decided by the Exchange at its discretion.

**13.11. Cessation of the Clearing Member**

13.11.1. A clearing member shall be entitled to the repayment of deposit made by him to the Settlement/Trade Guarantee Fund after :

- a. the clearing member ceases to be a member on account of any reason whatsoever
- b. all pending trades/transactions at the time the clearing member ceases to be a clearing member which could result in a charge to the Settlement/Trade Guarantee Fund have been closed and settled, and
- c. all obligations to the Clearing House for which the clearing member was responsible while he was a member have been satisfied or, at the discretion of the Relevant Authority, have been deducted by the Clearing House from the clearing member's actual deposit; provided, however, that the clearing member has presented to the Clearing House such indemnities or guarantees as the Relevant Authority deems satisfactory or another clearing member has been substituted on all trades/transactions and obligations of the clearing member, and
- d. a suitable amount as may be determined by the Relevant Authority at its discretion has been set aside for taking care of any loss arising from any document defects that may be reported in the future, and
- e. a suitable amount as may be determined by the Relevant Authority at its discretion towards such other obligations as may be perceived by the Clearing House to exist or may be perceived to arise in future.
- f. Complying such other conditions as may be prescribed by the Relevant Authority from time to time.

13.11.2. The Relevant Authority may specify rules for the repayment of deposit including the manner, amount and period within which it will be paid but at no point of time will the repayment exceed the actual deposit available to the credit of the clearing member after deducting the necessary charges from the same.

13.11.3. Any obligation of a clearing member to the Clearing House unsatisfied at the time he ceases to be a clearing member shall not be affected by such cessation of membership.

**13.12. Recovery of Loss and Re-Distribution**

13.12.1. If a loss charged pro-rata is afterwards recovered from the assets of the defaulter or the expelled member, whether directly or otherwise, by the Exchange or the Clearing House, in whole or in part, other than through insurance, the net amount of recovery shall first be credited to the clearing members from whom the loss was charged in proportion to the amounts actually charged. The amount of recovery made through insurance shall be dealt with in accordance with the terms and conditions of the insurance cover obtained by the Exchange or the Clearing House from time to time.

**13.13. Limitation of Liability**

13.13.1. The liability of the Clearing House resulting from the deemed contracts of clearing members with the Clearing House and to losses in connection there from are limited to the extent of contributions available to the Settlement Guarantee Fund. The Clearing House of the Exchange shall not be liable for obligations of the non clearing member, obligations of the clearing member to another clearing member of the Clearing House towards trades/transactions to which the Clearing House is not a party or obligations to a constituent by a clearing member and losses in connection there from or in connection therewith or incidental thereto.

## **14. Arbitration**

### **14.1. Definitions**

- 14.1.1. 'Arbitrator' means an arbitrator selected from the panel of arbitrators.
- 14.1.2. 'Arbitral Tribunal' means one or more arbitrators constituting a tribunal to adjudicate a reference to arbitration.
- 14.1.3. 'Act' for the purpose of this clause means Arbitration and Conciliation Act, 1996 and any amendments thereto in force
- 14.1.4. 'Applicant' means a person who makes a reference to arbitration by filing an application as prescribed by the Exchange.
- 14.1.5. 'Conciliator' means either sole conciliator or a bench of three conciliators as agreed between the parties.
- 14.1.6. 'Panel of Arbitrators' means a body of arbitrators, constituted by the Relevant Authority from time to time.
- 14.1.7. 'Panel of Conciliator' means a body of conciliator, constituted by the Relevant Authority from time to time under these Bye-Laws.
- 14.1.8. Reference means reference to arbitration under these Byelaws.
- 14.1.9. 'Respondent' means a person against whom the applicant makes a reference to arbitration whether or not there exists a transaction or is a claim against such person.

### **14.2. Arbitration Subject to the Arbitration and Conciliation Act, 1996**

- 14.2.1. The Bye-Laws, Rules and Business Rules relating to arbitration shall be consistent with the provisions of the Arbitration and Conciliation Act. The provisions not included in these Bye-Laws but included in the Arbitration and Conciliation Act shall be applicable as if they were included in these Bye-Laws.

### **14.3. Panel Of Arbitrators**

- 14.3.1. The Board or the Relevant Authority shall constitute from time to time a panel of arbitrators as may be required and it shall be composed of professionals from futures trading and professionals conversant with the trading at a commodity exchange and its Bye-Laws, Rules and Business Rules, or having expertise in such areas like law or commodity, economics, finance, commodity services and appraisal, commodity physical trade, etc. The panel shall also have adequate number of members who shall be surveyors of the Exchange, who shall adjudicate any dispute relating to quality.

#### 14.4. **Reference to Arbitration**

14.4.1. All claims, differences or disputes between the members inter se or between a member and a constituent member or between a member and a registered non- member client or arising out of or in relation to trades, contracts and transactions executed on the Exchange and made subject to the Bye-Laws, Rules and Business Rules of the Exchange or with reference to anything incidental thereto or in pursuance thereof or relating to their validity, construction, interpretation or fulfillment and/or the rights, obligations and liabilities of the parties thereto and including any question of whether such trades, contracts and transactions have been entered into or not shall be submitted to arbitration in accordance with the provisions of these Byelaws and Rules / Business Rules that may be in force from time to time. Provided these Bye-Laws shall not in any way affect the jurisdiction of the Exchange on the clearing member through whom such a member has dealt with or traded in regard thereto and such clearing member shall continue to remain responsible, accountable and liable to the Exchange in this behalf.

14.4.2. The Exchange shall be entitled to facilitate arbitration for such disputes and parties other than those mentioned above by adopting such procedures as may be prescribed by it under this chapter.

#### 14.5. **Power of the Relevant Authority to Prescribe Business Rules for Arbitration**

14.5.1. The Relevant Authority may, from time to time prescribe Business Rules for the following:

- a. The procedure to be followed by the parties in arbitral proceedings. In particular, and without prejudice to the generality of the foregoing power, such procedure may, inter alia, provide for the following:
  - i. the forms to be used;
  - ii. the fees to be paid;
  - iii. The mode, manner and time period for submission of all pleadings by both the parties;
  - iv. Matters relating to requests from the parties for amending or supplementing the pleadings; and
  - v. the consequences upon failure to submit such pleadings by the parties.
- b. The procedure to be followed by the arbitrator in conducting the arbitral proceedings. In particular, and without prejudice to the generality of the foregoing power, such procedure may, inter alia, provide for:
  - i. Adjournment of hearings; and
  - ii. Terms and conditions subject to which the arbitrator may appoint experts to report on specific issues and the procedure to be followed in arbitral

proceedings upon such an appointment.

- c. Different set of arbitration procedures for different claims, differences or disputes after taking into consideration such circumstances and facts as the Relevant Authority may deem fit, which circumstances and facts may include the value of the subject matter and the persons who are involved as parties to such claims, differences or disputes.
- d. Creation of seats of arbitration for different regions or prescribing geographical locations for conducting arbitration and prescribing the courts which shall have jurisdiction for the purpose of the Act.
- e. The claims, differences or disputes which may be referred to a sole arbitrator and the claims, differences or disputes which may be referred to a panel of arbitrators.
- f. The procedure for selection of persons eligible to act as arbitrators.
- g. The procedure for appointment of arbitrator.
- h. The terms, conditions and qualifications subject to which any arbitrator may be appointed.
- i. Determination of the number of arbitrators in the case of a panel of arbitrators, subject to the condition that where any claim, difference or dispute is heard and determined by Panel of Arbitrators, the number of arbitrators of such a panel shall not be an even number.
- j. The time period within which a substitute arbitrator has to be appointed in case the office of the arbitrator falls vacant for any reason whatsoever.
- k. The matters to be disclosed by any person who is approached in connection with his possible appointment as an arbitrator.
- l. The procedure to be adopted by the parties for challenging an arbitrator.
- m. The claims, differences or disputes which, may be decided by the arbitrator without a hearing unless either party in writing requests the Relevant Authority for a hearing and the time period within which such a request shall be made.
- n. The claims, differences or disputes which, may be decided by the arbitrator only by hearing the parties unless both the parties jointly waive the right to such hearing and the time period within which such a waiver shall be made.
- o. The place of arbitration for each reference and the places where the arbitrator can meet for consultation, for hearing witnesses, experts, or the parties, or for inspection of documents, goods or other property.
- p. The making of the arbitral award including the manner in which a decision is to be taken in the case of panel of arbitrators and the form and contents of

the arbitral award.

- q. The term arbitral award shall also include an arbitral award on agreed terms. Prescriptions as to the contents of the arbitral award may include provisions for costs and where the arbitral award is for the payment of money, may include interest payable on principal sum due.
- r. The amount of deposit or supplementary deposit, as the case may be, as an advance for the costs, which it expects, will be incurred in respect of the claim, difference or dispute. Provided where a counter-claim is submitted to the arbitrator, a separate amount of deposit for the counter-claim may also be prescribed.
- s. The administrative assistance, which the Exchange may render in order to facilitate the conduct of arbitral proceedings.
- t. All matters regarding the mode and the manner of service of notices and communications by the parties including communication addressed to arbitrator.
- u. Any other matter which in the opinion of the Relevant Authority is required to be dealt with in the Business Rules to facilitate arbitration.
- v. The Relevant Authority from time to time may amend, modify, alter, repeal, or add to the provisions of the Business Rules.

**14.6. Trades, Contracts, Deliveries and Transactions Subject to Arbitration**

14.6.1. In all trades, contracts, deliveries and transactions, which are made or deemed to be made subject to the Bye-Laws, Rules and Business Rules of the Exchange, the provisions relating to arbitration as provided in these Bye-Laws and Business Rules shall form and shall be deemed to form part of such trades, contracts, deliveries and transactions and the parties shall be deemed to have entered into an arbitration agreement in writing by which all claims, differences or disputes of the nature referred to in Bye-Law above shall be submitted to arbitration in accordance with the provisions of these Bye-laws, Rules and Business Rules that may be in force from time to time.

**14.7. Jurisdiction**

14.7.1. All parties to a reference to arbitration under these Bye-Laws, Rules and Business Rules and the persons, if any, submitting claims under them, shall be deemed to have submitted to the exclusive jurisdiction of the Court in Mumbai for the purpose of giving effect to the provisions of the Act, these Bye-Laws and Rules and Business Rules in force.

14.8. **Construction of References**

14.8.1. For the purpose of the Arbitration and Conciliation Act, all claims, differences or disputes which are required to be submitted to arbitration in accordance with the provisions of these Bye-Laws, Rules and Business Rules, wherever the Arbitration and Conciliation Act leaves the parties free to determine a certain issue, the parties shall be deemed to have authorized Relevant Authority to determine that issue.

14.9. **Administrative Assistance**

14.9.1. For the purpose of the Act, all claims, differences or disputes which are required to be submitted to arbitration in accordance with the provisions of these Bye-Laws, Rules and Business Rules, the parties shall be deemed to have agreed for administrative assistance of the Relevant Authority in order to facilitate the conduct of the arbitral proceedings. The Exchange shall provide the list of approved surveyors and quality certification agencies and laboratories, which shall be used by the arbitrators to arrive at a solution to the disputes relating to quality or quantity/ weightment of goods delivered/tendered against a contract.

14.10. **Members of the Exchange Liable for Transactions Executed on Trading System of Exchange.**

14.10.1. The provisions of these Bye-Laws shall become applicable to all claims, difference, disputes between the parties mentioned therein for all trades, contracts and transactions made subject to the Bye-Laws, Rules and Business Rules of the Exchange and circulars, orders, directions, or rulings, issued by the Exchange provided such trades, contracts and transactions had been entered into between the parties mentioned therein up to and including the date on which the member was either declared a defaulter or expelled or has surrendered his exchange membership.

#### **14.11. Reference of the Claims, Differences or Disputes**

14.11.1. Save as otherwise specified by Relevant Authority, if the value of the claim, difference or dispute is more than such value, as may be specified in the Business Rules of the Exchange on the date of application, then such claim, difference or disputes shall be referred to an arbitral tribunal comprising of odd number of arbitrators who are more than one, as may be decided by the Regulatory Authority from time to time and if the value of claims, difference or dispute is up to the value referred to above, then the same shall be referred to an arbitral tribunal comprising a sole arbitrator. Provided that no claim, difference or dispute which is less than the minimum claim amount specified by the relevant Rules and Business Rules of the Exchange on the date of the application, shall be allowed to be submitted to arbitration by the Exchange and such claim may be decided administratively by Relevant Authority from time to time. Provided further that claims pertaining to only such matters can be filed for arbitration, as may be specified by the Relevant Authority. Provided further that the claim must pertain to transactions executed on the trading system of the Exchange or settlement thereof. Further provided that no reference can be filed against the Exchange, its officers, Board of Directors or any office bearer in respect of anything done or not done.

#### **14.12. Limitation Period for Reference to Arbitration**

14.12.1. All claims, differences or disputes referred to in the Bye-Laws above shall be submitted to arbitration within six months from the date of last transaction or delivery or payment effected between the member and his client or between two members of the Exchange, provided where the claim / complaint is not settled / resolved through the process of conciliation by the Exchange within three months of the receipt of the claim / complaint, the Exchange shall in such cases advise the concerned client to refer the case to arbitration. The time taken in dispute resolution and/or conciliation proceedings, if any, initiated and conducted in accordance with the provisions of the Arbitration and Conciliation Act and these Bye-Laws and the time taken by the Relevant Authority to administratively resolve the claims, differences or disputes shall be excluded for the purpose of determining the limitation period of six months under the Bye-Laws, Rules and Business Rules of the Exchange. Any claim made or any difference / dispute raised by any complainant / aggrieved person, after expiry of the time limit specified herein, shall become time-barred for the purpose of availing of the remedy under the Bye-Laws, Rules and Business Rules of the Exchange and may not,

however, be invalid for seeking remedy under appropriate civil laws.

**14.13. Penalty on Failure to Submit to or Abide by Award in Arbitration**

14.13.1. An Exchange Member, who fails or refuses to submit to or abide by or comply with any award in arbitration between Members of the Exchange or between an exchange member and a non-trading member/client, as may be provided in these Bye-Laws, Rules and Business Rules shall be declared a defaulter or expelled by the Relevant Authority at its sole discretion, as is applicable, and thereupon the other party shall be entitled to institute legal proceedings to enforce the award under the Civil Procedure Code in the same manner as if it is a decree of the court.

**14.14. Procedure for Appointment of Arbitrators**

14.14.1. The procedure for appointment of a sole arbitrator or arbitration tribunal, in each case, by the applicant and the respondent, or the Exchange shall be as may be provided by the Relevant Authority from time to time in the Rules and Business Rules of the Exchange.

**14.15. Vacancy to the Office of the Arbitrator**

14.15.1. At any time before the making of the arbitral award, if the office of the arbitrator falls vacant for any reason whatsoever, including any vacancy due to the illness or death of the arbitrator or termination of the mandate of the arbitrator by Relevant Authority for any other reason, the vacancy shall be filled in by the Relevant Authority by following the same procedure as specified by the Exchange for appointment of the arbitrator.

**14.16. Recorded Proceedings and Evidence**

14.16.1. Unless otherwise agreed upon by the parties, any arbitrator who has been appointed by the Board or Relevant Authority to fill the vacancy of the office of the arbitrator may rely on the proceedings and evidence recorded earlier or may conduct any hearing afresh for any hearing previously held.

**14.17. Order or Ruling of Previous Arbitrator**

14.17.1. An order or ruling of the arbitrator made prior to the termination of his mandate shall not be invalid solely because his mandate has been terminated;

**14.18. Disclosure by Person to be appointed as Arbitrators**

14.18.1. Every person, who is approached in connection with his possible appointment as an arbitrator, shall disclose to the Relevant Authority in writing any circumstances likely to give rise to justifiable doubts as to his independence and impartiality. If the person discloses any circumstances, which, in the opinion of the Relevant Authority are likely to give rise to justifiable doubts

as to his independence and impartiality, then he shall not be appointed as an arbitrator in respect of such case.

**14.19. Termination of Mandate of the Arbitrator**

14.19.1. The mandate of the arbitrator shall terminate if;

- a. The arbitrator withdraws from office for any reason; or
- b. In the opinion of the Relevant Authority, which shall be final and binding on the parties, the arbitrator becomes de jure or de facto unable to perform his functions or for other reasons, fails to act without undue delay, including failure to make the arbitral award within the time period prescribed or
- c. The mandate of the arbitrator is terminated by the Relevant Authority upon receipt of written request for the termination of the mandate of the arbitrator from both the parties to arbitration; or
- d. The arbitrator discloses any circumstances referred to in Byelaws dealing with Disclosure by Person to be appointed as Arbitrators) which in the opinion of the Relevant Authority are likely to give rise to justifiable doubts as to his independence and impartiality; or
- e. The arbitral proceedings are terminated as provided for herein.

**14.20. Termination of membership of Arbitrator**

14.20.1. The arbitrator ceases to be a member of the Exchange, in case he was appointed as an arbitrator by virtue of his membership

**14.21. Place of Arbitration**

14.21.1. The place of arbitration shall be any office of the Exchange, as may be notified by the Exchange from time to time, or any such other place, as may be designated by the Exchange or the Relevant Authority from time to time.

**14.22. Fees and Charges**

14.22.1. The fees for arbitration and the charges for submitting to and for regulating the proceedings of the reference prescribed in the Business Rules of the Exchange shall be payable in advance and when there is a failure, neglect or refusal on the part of a party or parties to pay accordingly, the other party shall be responsible for making such payment in advance without prejudice, however, to its right, if any, to recover the same from such party or parties failing, neglecting or refusing to pay. It shall be a condition precedent to the hearing of any reference that the prescribed fees and charges shall have

been paid in advance to the Exchange by the party or parties to the reference. Provided that the fees and charges shall not be collected from a client, who may lodge a claim against an exchange member, who has been declared a defaulter or expelled from the exchange membership if there is adequate asset vested in the Clearing House.

**14.23. Appearance by Counsel, Attorney or Advocate not permitted**

14.23.1. In arbitral proceedings, the parties to the dispute shall not be permitted to appear by counsel, attorney or advocate.

**14.24. Set-off and Counter Claim**

14.24.1. On a reference to arbitration by one party, the other party or parties shall be entitled to claim a set-off or make a counter claim against the former party, provided such set-off or counter claim arises out of or relates to trades, contracts and transactions made subject to the Bye-Laws, Rules and Business Rules of the Exchange and subject to arbitration as provided herein, and provided further such set-off or counter claim is presented, together with full particulars, at or before the first hearing of the reference but not afterwards unless specifically permitted by the arbitral tribunal.

**14.25. Proceedings**

14.25.1. The arbitral tribunal, may proceed with the reference, notwithstanding any failure to file a written statement by the applicant or respondent or both within the time, as may be prescribed for this purpose in the relevant Rules and Business Rules of the Exchange from time to time and may also proceed with the reference in the absence of any or all the parties who after due notice fail or neglect or refuse to attend at the appointed time and place. The arbitral tribunal may require the documents and submissions recorded during the process of conciliation or the proceedings conducted by the Dispute Resolution Committee or any other Committee, as the case may be, to be placed before it for its consideration.

**14.26. Adjournment of Hearings**

14.26.1. The arbitral tribunal may adjourn the hearing from time to time upon the application of any party to the reference or suo moto, provided, however, that when the adjournment is granted at the request of one of the parties to the reference, the arbitral tribunal may, if deemed fit, require such party to pay the fees and costs in respect of the adjourned hearing borne by the other party and in the event of such party failing to do so, may refuse to hear him further or dismiss his case or otherwise deal with the matter in any way the arbitral tribunal may think just.

**14.27. Written Statements By Parties and Hearing**

14.27.1. A reference may be decided by the arbitral tribunal on the written statements of the parties and the documents produced by them. Any party may however require the arbitral tribunal to give him hearing. In that event, the party shall be heard and the other party or parties shall have a similar privilege of being heard.

**14.28. Permission Necessary For Witness or Evidence**

14.28.1. No party shall be entitled, without the permission of the Arbitral tribunal, to insist on a request to the arbitral tribunal to hear or examine witness or receive oral or documentary evidence, other than what is deemed necessary by the arbitral tribunal.

**14.29. Ex Parte Decision and Summary Disposal**

14.29.1. If the party against whom the reference is filed be not present at the appointed time and place, the arbitral tribunal may hear and decide the reference ex parte, and if the party filing the reference be not present, the arbitral tribunal may dismiss the reference summarily.

**14.30. Disputed Matter to be Arbitrated Only Once**

14.30.1. If after duly informing the arbitral tribunal, the parties to the arbitration themselves enter into any arrangement to completely settle the matter so submitted for arbitration, then such parties or any other person claiming through them shall not be entitled to initiate the arbitration proceedings for a second time with regard to the same matter and the Relevant Authority shall have the power to reject and/or refuse such reference to arbitration.

**14.31. Settlement**

14.31.1. The arbitral tribunal may, with the agreement of the parties, use mediation, conciliation or any other procedure at any time during the arbitral proceedings to encourage settlement.

14.31.2. If, during the proceedings, parties settle the dispute, the arbitral tribunal shall terminate the proceedings and record the settlement in the form of an arbitral award on agreed terms, which shall have the same status and effect as any other arbitral award on the substance of the dispute.

**14.32. Interim Arbitral Award and interim Measures**

14.32.1. The arbitrator is empowered to make an interim arbitral award and/or provide interim measures of protection. An arbitrator may require a party to provide appropriate security in connection with an interim award and/or measures.

**14.33. Arbitral Award**

14.33.1. The arbitral tribunal shall make the arbitral award within three months from the date of entering upon the reference. The time to make the award may, however be extended from time to time by the Relevant Authority on an application by either of the parties or the arbitral tribunal as the case may be. For the purpose of this Bye-Law, the arbitral tribunal shall be deemed to have entered upon a reference on the date on which the arbitral tribunal has held the first hearing.

**14.34. Signing of Award**

14.34.1. Every award shall be made in writing and shall be signed by the arbitral tribunal.

14.34.2. The award shall state the reasons upon which it is based, unless the parties have agreed that no reasons are to be given or the award is on term agreed upon between the parties;

14.34.3. The award shall state its date and the place of arbitration and the award shall be deemed to have been made at that place.

**14.35. Award to Classify Award Amount**

14.35.1. Whether the award is interim or otherwise, the Arbitral Tribunal shall clearly specify as to whether the amount awarded relate to a transaction executed on the ATS or any other trading system of the Exchange, or to any order / instruction to buy or sell a contract or to the money paid /deposited with the exchange member in respect of any order / instruction to buy or sell the contract or for any reason other than those specified herein.

**14.36. Award to Adjudge Interest**

14.36.1. Where an award is for the payment of money, the arbitral tribunal may adjudge in the award the interest to be paid on the principal sum adjudged for any period prior to the institution of the arbitration proceedings and may also adjudge the additional interest on such principal sum for the period from the date of the institution of the arbitration proceedings to the date of the award and also the interest on the aggregate sum so adjudged at such rate from the date of the award to the date of payment. The rate of interest that may be stipulated in the award shall be the Bank Rate, as may be fixed by the Reserve Bank of India, from time to time, plus penal interest not exceeding 4% p.a.

**14.37. Intimation of Award**

14.37.1. After the award is made, a signed copy of the award shall be delivered to each party.

**14.38. Award Binding on Parties and Their Representatives**

14.38.1. The parties to the reference shall in all matters abide by and forthwith carry into effect the award of the arbitral tribunal which shall be final and binding on the parties and their respective representatives, notwithstanding the death of or legal disability occurring to any party before or after the making of the award and such death or legal disability shall not operate as a revocation of the reference or award or shall not affect the rights under the award of the awardee in any manner whatsoever.

**14.39. Correction in and Clarification on Award**

14.39.1. Within such days, as may be specified in the Business Rules of the Exchange or the orders issued thereunder, from the receipt of the arbitral award

- a. Any party to an arbitration agreement, with notice to the other party, may request the arbitral tribunal to correct any computational error, any arithmetical error, any clerical or typographical error or any other error of a similar nature occurring in the award.
- b. A party, with notice to the other party, may request the arbitral tribunal to give a clarification on any specific point or part of the award.

14.39.2. If the arbitral tribunal finds the above request to be justified, it shall make the correction or provide the required correction and clarification to the parties concerned. The correction and clarification provided shall form part of the award.

14.39.3. The arbitral tribunal may, on its own, correct the errors within such number of days from the date of the making of the award, as may be specified by the Exchange in the relevant Rules and Business Rules of the Exchange in force from time to time and inform the parties accordingly.

14.39.4. A party, with notice to the other party, may request the arbitral tribunal within such number of days from the date of receipt of the award as may be specified in the relevant Rules and Business Rules of the Exchange in force, from time to time, to make an additional award as to the claims presented in the arbitral proceedings, but omitted from the arbitral award.

14.39.5. If the arbitral tribunal finds the request made under above Bye-Law to be justified, it shall make the additional arbitral award within such number of days as may be specified in the Business Rules of the Exchange in force from time to time, from the date of receipt of such request.

**14.40. Honouring of Arbitral Awards**

14.40.1. The Exchange shall on receipt of an arbitral award against an exchange member follow such procedure as may be provided in the relevant Rules and Business Rules of the Exchange in force, from time to time, with respect to

honouring of the award.

#### **14.41. Right to Appeal**

##### **14.41.1. Award Final and Additional Risk Containment Measures Applicable**

- a. A party to a reference who is dissatisfied with an award of the arbitral tribunal may appeal to the competent court of jurisdiction as provided in the Arbitration and Conciliation Act. The award shall be final under these Bye-Laws and Business Rules of the Exchange and vis-à-vis the Exchange in terms of any action, which is required to be initiated, as may be provided for in the Bye-Laws or notifications issued from time to time. Provided that the party to the reference shall be required to deposit the amount of award with the Exchange before filing the appeal and such amount shall be kept with the Exchange in abeyance and shall be disposed of eventually as per direction of the Court.

##### **14.41.2. Enforceability of Award as a Decree**

- a. When the time for preferring an appeal has expired and no appeal has been preferred or the appeal has been preferred and the appeal has been rejected and when the time for making an application to set aside the award under the relevant provision of the Arbitration and Conciliation Act has expired, or such application having been made, it has been refused, the final award shall be enforceable by the Exchange in the same manner as if it were a decree of the Court, if the award is against an exchange member or a clearing member.

##### **14.41.3. Setting Aside of Award and Fresh Reference**

- a. An arbitral award may be set aside or modified by the court on an application made under relevant provision of the Arbitration and Conciliation Act, on the grounds mentioned in that provision.
- b. Whenever an award made under these Bye-Laws and Business Rules of the Exchange is set aside or modified by the court, the matter shall be disposed of in accordance with the direction of the Court.

**14.42. Costs**

14.42.1. The Relevant Authority shall specify the fee and expenses payable by the parties to the arbitration.

14.42.2. The arbitral tribunal shall specify the party entitled to receive the costs, the party who shall pay the cost, and the manner in which the costs shall be paid.

Explanation: For the purpose of Bye-Law 14.42.2, "Costs" means reasonable cost relating to the fees and expenses of the arbitrators and witnesses, or legal fees and expenses, any administration fees of the Exchange or institution supervising the arbitration, and any other expenses incurred in connection with the arbitral proceedings and the arbitral award.

**14.43. Notices and Communication How to be Served**

14.43.1. Notices and communication to an Exchange member or a non-trading member or an affected person shall be served in any one or more or all of the following ways and any such notice or communication hereunder shall be served at his ordinary business address and/or at his ordinary place of residence and/or his last known address:

- a. by delivering it by hand;
- b. by sending it by registered post;
- c. by sending it under certificate of posting;
- d. by sending it by express delivery post;
- e. by sending it by electronic mail;
- f. by sending it by telegram;
- g. by affixing it on the door at the last known business or residential address;
- h. by oral communication to the party in the presence of a third person;
- i. by advertising it at least once in any daily newspaper published at the place where the parties are located; or
- j. if no address is known, by a notice posted on the notice board of the Exchange or displayed on the automated trading system of the Exchange.

**14.44. Service by Hand Delivery When Complete**

14.44.1. A notice or communication served by hand shall be deemed to have been received by the party on the production of a certificate to that effect signed by the person delivering the notice or communication and the same shall constitute due and proper service of notice.

**14.45. Service by Post or Telegram When Complete**

14.45.1. A notice or communication served by post or telegram shall be deemed to have been received by the party at the time when the same, in the ordinary course of post or telegram, has been delivered. Production of a letter of confirmation from the post office or of the post office receipt for the registered letter or telegram or of a certificate of posting shall in all cases be conclusive proof of the posting or dispatch of such notice or communication and shall constitute due and proper service of notice.

**14.46. Service by Advertisement or by Notice on Notice Board When Complete**

14.46.1. A notice or communication published in a newspaper or posted on the notice board of the Exchange or displayed on the automated trading system of the Exchange or on the Website of the Exchange shall be deemed to have been served on the party on the day on which it is published or posted or so displayed.

**14.47. Refusal to Accept Delivery Does Not Affect Service**

14.47.1. Any refusal to take delivery of the notice or communication shall, in no case affect the validity of its service.

**14.48. Indemnity**

14.48.1. No party shall bring or file any suit or proceeding whatever against the Exchange, Relevant Authority, or any employee or employees of the Exchange acting under his/its authority or against the arbitral tribunal for or in respect of any matter or thing purported to be done under these Bye-Laws, Rules and Business Rules of the Exchange, save and except any suit or proceeding for the enforcement of the award against the other party or parties to the reference.

**14.49. Parties When Not Discharged**

14.49.1. If any difficulty arises in giving effect to the provisions of these Bye-Laws, Rules and Business Rules of the Exchange in the conduct of arbitration, the provisions of the Arbitration and Conciliation Act,1996 and any modification or amendment or re-enactment thereof shall prevail over the provisions of these Bye-Laws, Rules and Business Rules.

**14.50. Secretarial Duties**

- 14.50.1. The Secretary or the officer designated by the Exchange in this behalf and the employees of the Exchange acting under his authority shall:
- 14.50.2. maintain a register of reference,
- 14.50.3. register of reference rejected by the Secretary or the designated officer,
- 14.50.4. receive all applications for arbitration, reference and communication addressed by the parties before or during the course of arbitration or otherwise in relation thereto,
- 14.50.5. receive payment of all costs, charges, fees and other expenses,
- 14.50.6. give notices of hearing and all other notices to be given to the parties before or during the course of the arbitration or otherwise in relation thereto,
- 14.50.7. communicate to parties all orders and directions of the arbitral tribunal,
- 14.50.8. receive and record all documents and papers relating to the reference and keep in custody all such documents and papers, stamp duties except those the parties are allowed to retain, for such period as may be prescribed by the Relevant Authority from time to time,
- 14.50.9. publish the award on behalf of the arbitral tribunal,
- 14.50.10. enter the award and any changes therein in the register of reference,
- 14.50.11. generally does all such things and takes all such steps as may be necessary to assist the arbitral tribunal in the discharge of its functions,
- 14.50.12. maintain a register of appeals and make necessary entries therein and generally to do all such things and take all such steps as may be necessary to implement the award of the arbitral tribunal, as may be specified by the Exchange or any court of competent jurisdiction or a regulatory authority having jurisdiction on such matters from time to time.

**14.51. Arbitration Agreement not to become Invalid due to death or incapacity**

- 14.51.1. An arbitration agreement shall not become invalid by the death of any party thereto or by the incapacity of the party to act either as respects the deceased or the incapacitated party, or as respects any other party, but shall in such event be enforceable by or against the legal heirs or legal representatives of the deceased or the party incapacitated.

**14.52. Reference to Dispute Resolution Committee / Relevant Authority or Officer or Conciliation**

14.52.1. Notwithstanding anything contained in the Bye-Laws, if any claim, difference or dispute between the exchange members arises, in whole or in part, on one or more of the following matters, the decision on such matter or matters shall be referred to the arbitration of a Dispute Resolution Committee or Relevant Authority or Officer or Conciliation, as may be provided in these Bye-Laws and the relevant Rules and Business Rules of the Exchange in force from time to time.

14.52.2. determination of a question whether the delivery made by the seller confirms to the quality specification prescribed by the Exchange

14.52.3. Applicability and/or interpretation of any Rules, Bye-Laws, Business Rules, resolutions, orders, notices, directions, decisions or ruling, whatever name called, for determining any matter referred to above in this Bye-Law, and

14.52.4. Such other matters as may be specified by the Relevant Authority for the purposes of this Bye-Law.

**14.53. Reference to Conciliation**

14.53.1. The Relevant Authority may constitute a panel of conciliators consisting of such persons as may be deemed fit from time to time, It shall be consists of people possessing expertise in the areas related to the commodities market and other relevant fields like industry, commerce, economics, finance, accounts, law, etc.

**14.54. Representation and Assistance**

14.54.1. Each party shall advise, in writing, the other party and the conciliator of the name and address of any person who will represent or assist him, and the capacity in which that person will represent.

**14.55. Number and Appointment of Conciliators**

14.55.1. There shall be single conciliator with mutual agreement between the parties, unless the parties have agreed that there shall be three conciliators.

14.55.2. The conciliator(s) shall be appointed with mutual agreement between the parties from among the panel of conciliators constituted by the Relevant Authority from time to time. When three conciliators are decided to be appointed, each party shall appoint one of his choice and the third one who shall act as the presiding conciliator, shall be appointed by the two conciliators so appointed with mutual agreement, provided that if the two conciliators do not agree on the common third conciliator, the third presiding conciliator will be appointed by the Exchange.

**14.56. Submission of Statements to Conciliator**

14.56.1. The Conciliator may, upon his appointment, require each party to submit to him a brief statement in writing describing the general nature of the dispute, the points at issues and the amount, if any, of the claim. Each party shall send a copy of such statement to the other party.

14.56.2. At any stage of the conciliation proceedings, the conciliator may require a party to submit to him such additional information, as he/they may deem appropriate.

**14.57. Disclosure of Information**

14.57.1. When the conciliator receives some information concerning the dispute from a party, he shall disclose the substance of that information to the other party so that the other party may have the opportunity to present any explanation as he may consider appropriate; Provided that when a party gives any information to the conciliator on a specific condition that it shall be kept confidential, the conciliator shall not disclose such information to the other party.

**14.58. Communication between Conciliator and Parties**

14.58.1. The conciliator may invite the parties to meet him or may communicate with them orally or in writing. He may meet or communicate with the parties together or with each of them separately.

14.58.2. The Exchange shall, in consultation with the conciliator, determine the place where the conciliator will hold meetings.

14.58.3. Conciliation Proceedings not to Commence: If no reply is received by the conciliator to the invitation for initiating conciliation within thirty days from the date of communication inviting conciliation or the period specified in the invitation, whichever is earlier, conciliation proceedings in such an event shall not proceed and the party shall then be free to refer the dispute/difference/ claim to arbitration, as may be provided in the relevant Bye-Laws.

**14.59. Co-operation of Parties with Conciliator**

14.59.1. The parties shall in good faith co-operate with the conciliator and in particular shall endeavour to comply with the requirements specified by the conciliator for submitting written materials, providing evidence and attending meetings, if any.

**14.60. Suggestions by Parties for Settlement of Disputes**

14.60.1. Each party may, on his own initiative or at the invitation of the conciliator, submit to the Conciliator, suggestions for the settlement of the dispute.

**14.61. Admissibility of Evidence in Arbitral Judicial Proceedings**

14.61.1. The parties shall not rely on or introduce as evidence in arbitral or judicial proceedings, whether or not such proceedings relate to the dispute, which is the subject of the conciliation proceedings, and more particularly with respect to the following:

14.61.2. Views expressed or suggestions made by the other party in respect of a possible settlement of the dispute;

14.61.3. Admissions made by the other party in the course of the conciliation proceedings;

14.61.4. Proposals made by the conciliator/s for a settlement; and

14.61.5. The fact that the other party had indicated his willingness to accept a proposal for settlement by the conciliators.

**14.62. Role of Conciliator in Other Proceedings**

14.62.1. Unless otherwise agreed upon by the parties, the conciliator/s shall not act as an arbitrator or as a representative or as a counsel or as an attorney or advocate of a party in any arbitral or judicial proceedings in respect of a dispute, which is the subject of the conciliation proceedings.

14.62.2. The conciliator shall not be presented by the parties, as a witness in any arbitral or judicial proceedings.

**14.63. Deposits**

14.63.1. The conciliator/s may direct each party to deposit with the Exchange an equal amount, as an advance for the costs, which he expects, will be incurred. However, during the course of the conciliation proceedings, the conciliator/s may also direct supplementary deposits in an equal amount from each party.

14.63.2. If the required deposits are not paid in full by both parties within seven calendars days from the date of direction by the conciliator, the conciliator may, at his discretion, suspend the proceedings or may, at his discretion, make a written declaration of termination of the proceedings to the parties, effective from the date of that declaration.

14.63.3. Upon termination of the conciliation proceedings, the Exchange shall render an account to the parties of the deposits received and expenses incurred and shall return the balance amount, if any, to the parties in the ratio of their deposits, within a reasonable period of time.

**14.64. Completion of Conciliation Proceedings**

14.64.1. The conciliation proceedings for the settlement of any dispute shall be completed within a period of thirty days from the date of commencement of such proceedings.

Explanation: Conciliation proceedings shall be deemed to have commenced

on the date of appointment of conciliator(s) as provided in these Bye- Laws.

**14.65. Settlement Agreement**

14.65.1. When it appears to the conciliator that there exists a possibility of settlement, which may be acceptable to the concerned parties, he shall formulate the terms of a possible settlement and submit them to the parties for their observations. After receiving the observations of the parties, the conciliator may reformulate the terms of a possible settlement in the light of such observations.

14.65.2. If the parties reach agreement on a settlement of the dispute, they may draw up and sign a written settlement agreement. If requested by the parties, the conciliator may draw up, or assist the parties in drawing up, the settlement agreement.

14.65.3. When the parties sign the settlement agreement, it shall be final and binding on the parties and persons claiming under them respectively.

14.65.4. The conciliator shall authenticate the settlement agreement and furnish a copy thereof to each of the parties and to the Exchange.

**14.66. Status and Effect of Settlement Agreement**

14.66.1. The settlement agreement shall have the same status and effect as if it is an arbitral award.

**14.67. Costs**

14.67.1. Upon termination of the conciliation proceedings, the Exchange shall, in consultation with the Conciliator, and on the basis of Schedule of Fees as may be provided in the Relevant Business Rules, fix the costs of the conciliation and give written notice thereof to the parties.

Explanation: Costs mean reasonable costs relating to:

- a. the fee and expenses of the conciliators and witnesses required by the parties with the consent of the conciliator/s;
- b. any expert advice required by the conciliator/s with the consent of the parties; and
- c. any other expenses incurred in connection with the conciliation proceedings and the settlement agreement;

14.67.2. The costs shall be borne equally by the parties, unless the settlement agreement provides for a different apportionment.

**14.68. Termination of Conciliation Proceedings**

14.68.1. The conciliation proceedings shall be terminated —

- a. by the signing of the settlement agreement by the parties, on the date of agreement; or
- b. by a written declaration of the conciliator, after consultation with the parties, to the effect that further efforts in conciliation are no longer justified, on the date of the declaration; or
- c. by a written declaration of the parties addressed to the conciliator to the effect that the conciliation proceedings are terminated, on the date of the declaration; or d. by a written declaration of a party to the other party and the conciliator that the conciliation proceedings are terminated, on the date of the declaration.

**14.69. Intimation of Termination of Conciliation Proceedings**

14.69.1. The conciliator shall, upon termination of the proceedings, send intimation thereof in writing to the Exchange.

**14.70. Confidentiality**

14.70.1. Notwithstanding anything contained in any other law for the time being in force, the conciliator and the parties shall keep confidential all matters relating to the conciliation proceedings, except where their disclosure is necessary for the purposes of implementation and enforcement of the settlement agreement.

## **15. Emergencies and Powers to Handle Emergencies**

- 15.1. Whenever a Relevant Authority, considers that there is an emergency, corner or crisis in the nature of manipulation including but not limited to spot prices manipulation, cartelization, futures and spot prices, squeeze, bear raid or wherever it appears to the Relevant Authority that the contracts are transacted for the purpose of inducing a false or artificial appearance of activity or upsetting the price equilibrium or that the business is being conducted in a manner prejudicial to the interest of the trade or the interest and welfare of the Exchange, the Clearing House may effect special clearance of outstanding contracts that have been registered or impose additional /special margins or take such other measures that the Relevant Authority may refer the matter to FMC and take corrective action.
- 15.2. The Relevant Authority shall have power at any time and from time to time to call upon all or any member to submit detailed statement giving information relating to contracts entered into by a member in such form and in such manner as may be prescribed;
- 15.3. In particular and without prejudice to the generality of the foregoing power, such information may relate to the following matters:
  - 15.3.1. Transactions entered into by a member with another member on his own-account and transactions entered into by a member on behalf of others;
  - 15.3.2. Open positions of a member and of others on whose behalf the member has entered into transactions;
  - 15.3.3. stocks of commodities held by a member or his clients;
  - 15.3.4. export and import commitments, and export and import orders on hand in respect of a member and /or his clients; and
  - 15.3.5. Forward physical purchases and / or sale of a member and / or his clients.
  - 15.3.6. The Relevant Authority shall have power for the purpose of verifying or checking any statement submitted by a member of the Exchange under these Bye-Laws, to call for the production of the books of any member and/or call for explanation from any member. A member failing or neglecting to submit any such statement or to produce any such books to give any such explanation shall be liable to be dealt with under chapter 0 Dealing with code of conduct of these Bye-Laws.
  - 15.3.7. Where the Forward Markets Commission considers it expedient to do so, it may call for periodical statements relating to contracts entered into by the members in such form or manner as may be prescribed.

- 15.3.8. If, in the opinion of a Committee constituted for a commodity or a group of commodities, or the Relevant Authority, an emergency has arisen or exists, or it is expedient in the general interest of the trade so to do, The Relevant Authority under intimation to the Commission may prohibit :
- a. All transactions in forward, futures and other contracts in one or more underlying commodities and one or more contract months at a rate or rates above a maximum and/or below a minimum as may be specified; or
  - b. All transactions in forward contracts in one or more underlying commodities, and one or more contract months for a specified period or until further notice as may be specified.
  - c. If the Relevant Authority and/or the Forward Markets Commission is of the opinion that continuation of transactions in any forward and futures contracts in any contract month is detrimental to the interest of the trade or to the public interest or to the larger interest of the economy of India then notwithstanding anything to the contrary contained in these Bye-Laws or any contract made subject to these Bye-Laws, every transaction relating to any contract month notified under this Bye-Law and entered into between a member and a member or between a member and a client then outstanding shall be closed out at such rate or rates, appropriate to such contract or contracts and with effect from such date as shall be fixed by the Relevant Authority with the prior approval of Forward Markets Commission.

## **16. Confidentiality of Information**

16.1. No employee of the Company or Exchange shall:

- 16.1.1. Engage directly or indirectly in trading of contracts that are transacted in the Exchange and cleared and settled by the Clearing House of the Exchange; or
- 16.1.2. Directly or indirectly make disclosure of any confidential, financial, or other information that may come into his possession as a result of his functions as an employee of the Company or the Exchange.
- 16.1.3. Employees who violate the above restriction shall be subject to immediate dismissal by the Relevant Authority upon the recommendation of the Relevant Authority.
- 16.1.4. No employee of the Company or the Exchange shall maintain directly or indirectly any employment with any member of the Exchange or any person, firm, or corporation which is engaged in activities related to trading in contracts of the Exchange, whether such employment involves or does not involve any compensation, whether periodic or otherwise. Employees who violate this Rule shall be subject to immediate dismissal by the Governing Board upon the recommendation of the Relevant Authority.
- 16.1.5. Members of the Exchange including clearing members who cause or attempt to cause employees of the Exchange or the Company to violate or who participate with employees in violating the above rules shall be guilty of improper conduct and shall be liable to immediate suspension/ expulsion from the Exchange and the withdrawal of membership privileges.
- 16.1.6. No Director of the Governing Board or any member of any Committee constituted by the Governing Board shall directly or indirectly make unauthorized disclosure or improper use of any information that may come into his possession as result of his official position or former official position in the Exchange, which if generally known might reasonably be expected to affect materially the price of contracts traded in the Exchange. Failure to comply with this Bye-Law shall be considered to be a major violation and shall be dealt with by the Governing Board in the manner as it considers appropriate.
- 16.1.7. No Director of the Board or any member of any Committee constituted by the Governing Board shall directly or indirectly make unauthorized disclosure or improper use of any information that may come into his possession as a result of his official position or former official position in the Exchange, to derive direct or indirect advantage for himself or any other person. Failure to comply with this Bye-Law shall be considered to be a major violation and shall be dealt with by the Governing Board in the manner it considers

appropriate.

16.1.8. No employee of the Exchange or the designated clearing bank(s) shall (i) directly or indirectly make unauthorized disclosure of any information that may come into his possession as a result of the function of the bank as the clearing bank, (ii) engage directly or indirectly in trading of contracts that are traded in the Exchange and (iii) directly or indirectly maintain employment with any member of the Exchange or any person, firm, or corporation which is engaged in activities related to contracts traded in the Exchange, whether such employment involves or does not involve any compensation whether periodic or otherwise. The designated clearing bank(s) would be responsible for the activities of all its/their employees and any violation by its employees shall be subject to such action, as the Governing Board may deem fit.

## 17. Code of Conduct

- 17.1. Every member of the Exchange shall be bound to promote to the best of his ability the objects and interests of the Exchange and to protect and safeguard the interests of his clients trading on the Exchange.
- 17.2. The following shall constitute examples of good business practices. A member shall be liable to expulsion, suspension and/ or to payment of a fine for any violation of good business practices:
  - 17.2.1. Members of the Exchange shall furnish a Risk Disclosure statement or any such statement, as may be prescribed by the Exchange, to all the clients willing to trade through them. This statement shall contain all the risks relating to futures contracts. Members of the Exchange shall insist that all such clients must read this statement before participating in a futures contract.
  - 17.2.2. Members of the Exchange shall not accept any order from any client unless the Risk Disclosure statement is read and acknowledged in writing by such client;
  - 17.2.3. Every member shall access Byelaws, Rules and Business Rules and notices, circulars, orders and instructions issued by the Exchange from time to time and shall also provide all relevant information to his clients, before executing any order on behalf of such client.
  - 17.2.4. Members of the Exchange shall not encourage, abet nor allow their clients to evade margin, security deposits, etc. in respect of trading on the Exchange and other financial and non financial compliance;
  - 17.2.5. A member shall furnish to his clients all information pertinent to contracts, contract months, commencement months and deliveries, etc. as notified by the Exchange.
  - 17.2.6. Members shall explain the role of the Clearing House of the Exchange and the scope and benefits of the same to his clients.
- 17.3. Every member of the Exchange shall abide by the directions of the Relevant Authority and shall abide by all the Bye-Laws, Rules and Business Rules of the Exchange as well as notices, circulars, orders and instructions issued by the Exchange from time to time . Any member shall be liable to expulsion, suspension and/or to payment of a fine for any of the following acts or omissions:
  - 17.3.1. **Refusal to abide by awards:** For neglecting or refusing to submit to, abide by and carry out any award or decision or order of any arbitrators or, surveyors or any Committee or the Governing Board or Relevant Authority, made in conformity with Articles of Association of the Company or these Bye- Laws, Rules and Business Rules.

- 17.3.2. **Unbecoming conduct:** For acting in any manner detrimental to the interest of the Exchange or unbecoming of a member.
- 17.3.3. **Misconduct:** For any misconduct in his trades/transactions with or relations to the Exchange or any member or members thereof or for any disreputable or fraudulent transactions with any person whether a member or not of which complaint is made to Relevant Authority by one or more members or clients and is found to be valid by the Relevant Authority.
- 17.3.4. **Disobedience:** For violating, disobeying or disregarding any Bye-Laws or any enactment, order, ordinance or notification issued by the State or The Union Government in respect of trading in any commodities, or the provisions of the Forward Contracts (Regulation) Act, 1952, and the Rules made there under and any directions issued by the Forward Markets Commission.
- 17.3.5. **Misinformation:** For publishing or permitting to be published in any newspapers, circulars, or otherwise, any misrepresentation relating to the trade in any commodities or contracts, calculated to mislead the members and/or the public.
- 17.3.6. **Indifference and willful negligence:** For not complying with any notice or request made to him by or on behalf of the Relevant Authority requiring him to attend any meeting of the Governing Board or of any Committee or to produce any books, documents, correspondence or other papers in his possession, power or control, or for refusing or neglecting to answer any question put to him by the Relevant Authority, as the case may be, relevant to any business at any such meeting.
- 17.3.7. **Failure to pay any dues:** For failure to pay any amount due under these Bye-Laws and Business Rules and order and instructions issued there under by the Exchange, and/or arbitration or any other fees when due or for non-payment of any fine imposed on him pursuant to these Bye- Laws or for failure to pay any other amount due by him under these Bye-Laws or under any order of the Relevant Authority within ten days after the same shall become payable.
- 17.3.8. **Action detrimental to the Exchange:** For any misconduct, in the sense of sub-sections referred to above inclusive as below, in his trades/transactions with or relations to the Exchange.
- a. Willful or intentional non-fulfillment of contractual or fraudulent or flagrant breach of contract.
  - b. Frivolous repudiation of contract.
  - c. Refuse to refer any question in dispute to arbitration, survey or an appellate Committee or Umpire.
  - d. Communicating secretly or indirectly with any arbitrator, surveyor, umpire

or member of appellate Committee to which the dispute has been referred to under these Bye- Laws, Rules and Business Rules.

- e. For any conduct, act or omission knowingly carried out to subvert the objects and purposes of the company and the Exchange, as provided in the Memorandum and Articles of Association of the company, or which is subversive of these Bye-Laws, Rules and Business Rules of the Exchange, or which defeats the agreements entered into by the company or the Exchange with other organizations, agencies or entities for promoting the interests and activities of the Company and the Exchange.
  - f. For any conduct, act, omission or negligence which renders the member liable to be declared a 'defaulter' by the Governing Board, the Relevant Authority or the Clearing House under any of the provisions of these Bye-Laws, Rules and Business Rules of the Exchange and/ or orders, circulars, notices and instructions issued by the Exchange.
  - g. Disclosure of one client's open position to other clients or members
- 17.4. Whenever the Relevant Authority or any Committee constituted by it shall consider either by reason of complaint made to them in writing by one or more members of the Exchange or by reason of any knowledge or information that there is sufficient reason for inquiring as to whether there has been any act or omission on the part of a member of the Exchange rendering him liable to expulsion, suspension and/or payment of a fine, the Relevant Authority may give notice in writing to such member or to any other member requiring him to appear before any Committee or Relevant Authority within such time as stated in the notice.
- 17.5. The Relevant Authority shall hear the member with regard to whom it is proposed to recommend any resolution for expulsion, suspension and or imposition of a fine under these Bye-Laws, and hear the evidence or statements of himself or any witnesses present on his behalf at any such meeting. The Relevant Authority may also require the member to produce for inspection any books, documents, correspondence or papers in his possession or under his control or that of his firm or company.

- 17.6. Whenever the Relevant Authority is of the opinion that a member of the Exchange has become liable to expulsion, the Relevant Authority may by resolution passed by majority of their members present and voting expel such member permanently from all rights of membership, except the right to go for arbitration in respect of matters prior to such expulsion. Such resolution shall be final and binding. The Relevant Authority shall not be called upon to give any explanation or reason thereof; and
- 17.7. Whenever the Relevant Authority shall be of opinion that a member has become liable to suspension and/or payment of a fine, the Relevant Authority may by a resolution passed by a majority of their members present and voting at such meeting, may suspend him for any term not exceeding six calendar months from all rights of membership except the right to go to arbitration for matters in dispute prior to such suspension. Any such resolution of the Relevant Authority shall be final and binding and the Relevant Authority shall not be called upon to give any explanation or reason thereof. In addition to suspension or in lieu thereof or otherwise as recommended by the Relevant Authority, the Relevant Authority may at its discretion fine such member upto Rs.1 lakhs only. Failure to pay such fine within the stipulated period shall render a member liable to suspension, if he has not been suspended already, or expulsion, if he has been only suspended.
- 17.8. Before passing any resolution under Bye-Law 17.6 & 17.7 above, the Exchange shall give the member concerned a notice in writing stating that the Relevant Authority proposes to consider the passing of a resolution for the expulsion, suspension and/or fining of such member and requiring him to attend a meeting of the Relevant Authority called for the purpose at which the said member may produce whatever evidence or statements he wishes to present in his defence.
- 17.9. A suspended member shall during the period of suspension be deprived of and excluded from all the rights and privileges of membership, except in respect of transactions outstanding at the time of suspension which he shall be bound to fulfill and in regard to which he shall be subjected to all the obligations and have all the rights thereof and of these Bye-Laws including the obligation and right to go to arbitration. The suspended member shall also be liable to pay all fines, calls, subscriptions, and other moneys due or to become due from him during his suspension in the same manner as if he had not been suspended.

- 17.10. A member expelled by the Relevant Authority shall forfeit all the rights and privileges of membership including those conferred on him by these Bye-Laws, Rules and Business Rules and he shall as from the date of the resolution cease to be a member, but he shall continue to be liable for and fulfill his obligations to the Exchange or to any other member at the date of his expulsion and for these purposes shall have the right and be under obligation to go to arbitration under these Bye-Laws.
- 17.11. In case a member of the Exchange has been suspended, deactivated, expelled and / or declared deemed defaulter / defaulter, no other member of the Exchange shall do business for or on behalf of such member.
- 17.12. **General Principles Conduct of Business**
- 17.12.1. A Trading Member / Clearing Member shall make adequate disclosures of relevant material information in his dealings with his clients.
- 17.12.2. No Trading Member/Clearing Member or person associated with the Trading Member shall guarantee a client against a loss in any transactions effected by the Trading.
- 17.12.3. **Professionalism:** A Trading Member / Clearing Member in the conduct of his business shall observe high standards of commercial honour of just and equitable principles of trade.
- 17.12.4. Adherence to Trading Practices: Trading Members / Clearing Member shall adhere to the Rules, Business Rules and Bye - laws 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.
- 17.12.5. **Honesty and Fairness:** In conducting his business activities, a Trading Member / Clearing Member shall act honestly and fairly, in the best interests of his constituents.
- 17.12.6. **Capabilities:** A Trading Member / Clearing Member shall have and employ effectively the resources and procedures which are needed for the proper performance of his business activities.
- 17.12.7. **Shielding or Assisting:** No Trading Member/Clearing Member shall shield or assist or omit to report any Trading Member/Clearing Member whom he has known to have committed a breach or evasion of any Rules, Bye-Laws or Business Rules of the Exchange/Clearing House or of any resolution, order, notice or direction there under of the Relevant Authority of the Exchange authorised in that behalf.
- 17.12.8. **Suspended derivatives contracts:** Except with the permission of the Exchange, business shall not be transacted by the Trading Member/Clearing Member in derivatives contracts which have been suspended from official quotation.

**17.13. Trading Principles Conduct of Business**

- 17.13.1. Trading Members/Clearing Member 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.
- 17.13.2. Trading Members shall ensure that any employee who commits the Trading Members or Participants to a transaction has the necessary authority to do so.
- 17.13.3. Trading Members/Clearing Members shall ensure that employees are adequately trained in operating in the relevant market segment in which they execute trades/transactions, are aware of their own, and their organization's responsibilities as well as the relevant statutory acts governing the Trading Member/Clearing Member, the Rules, Business Rules and Bye-laws of the Exchange including any additions or amendments thereof.
- 17.13.4. When entering into transactions on behalf of constituents, the Trading Members/ Clearing Member shall ensure that they abide by the Code of Conduct and as enumerated in these Bye Laws.
- 17.13.5. No Trading Member/Clearing Member or person associated with a Trading Member/Clearing Member shall make improper use of constituent's positions in derivatives contracts or commodities.
- 17.13.6. When entering into or arranging transactions, Trading Members/Clearing Members must ensure that at all times great care is taken not to misrepresent in any way, the nature of transaction.
- 17.13.7. No Trading Member/Clearing Member shall exercise any discretionary power in a Clients's/ constituent's account unless such client/constituent has given prior written authorization to a stated individual or individuals and the account has been accepted by the Trading Member/Clearing Member, as evidenced in writing by the Trading Member/Clearing Member.
- 17.13.8. The Trading Member/Clearing Member shall not disclose the name and beneficial identity of a constituent to any person except to the Exchange as and when required by it.

17.13.9. Misleading Transactions: A Trading Member shall not –

- a. make bids and/or offers for derivatives contracts with an intention of creating a false or misleading appearance with respect to the market for, or the price of any derivatives contracts or;
- b. make a transaction or give an order for the purchase or sale of derivatives contracts, the execution of which would involve no change of beneficial ownership, unless the Trading Member had no knowledge that the transaction would not involve a change in the beneficial ownership of derivatives contracts.

17.13.10. No Trading 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 derivatives contracts unless such Trading 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 derivatives contract unless such Trading Member can establish if called for that such quotation represents a bonafide order of such derivatives contract.

17.13.11. A Trading Member shall be responsible for all the actions including trades originating through or with the use of all variables as - Trading Member Id and User Id, at that point of time. However if the Trading 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 authorised person(s) and that the action(s) and/or trades did not originate from any of his approved workstations, the F&O Segment of 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

## **18. Disciplinary proceedings, penalties, suspension and expulsion**

### **18.1. Disciplinary Jurisdiction**

18.1.1. The relevant authority may expel or suspend and/or fine under censure and/or warn and/or withdraw any of the membership rights of a Member if it be guilty of contravention, non-compliance, disobedience, disregard or evasion of any of the Bye Laws, Rules and Business Rules of the Exchange or of any resolutions, orders, notices, directions or decisions or rulings of the Exchange or the relevant authority or of any other Committee or officer of the Exchange authorised in that behalf or of any conduct, proceeding or method of business which the relevant authority in its absolute discretion deems dishonourable, disgraceful or unbecoming a Trading Member / Clearing Member or inconsistent with just and equitable principles of trade or detrimental to the interests, good name or welfare of the Exchange or prejudicial or subversive to its objects and purposes.

### **18.2. Penalty For Breach Of Rules, Bye-Laws And Business Rules**

18.2.1. Every member shall be liable to suspension, expulsion or withdrawal of all or any of his Trading Membership / Clearing Membership rights and/or to payment of fine and/or to be censured, reprimanded or warned for contravening, disobeying, disregarding or willfully evading of any of these Rules, Bye-laws and Business Rules or any resolutions, orders, notices, directions, decisions or rulings thereunder of Exchange, Forward Contracts (Regulation) Act, 1952 and/or Rules thereunder, the Governing Board /Relevant Authority, or any officer of the exchange or for any disreputable or fraudulent transactions or dealings or method of business which the Governing Board Relevant Authority of Directors in its absolute discretion deems unbecoming a Trading Member / Clearing Member of the Exchange or inconsistent with just and equitable principles.

### **18.3. Penalty for Misconduct, Unbusinesslike Conduct and Unprofessional Conduct**

18.3.1. Members shall be liable to expulsion or suspension or withdrawal of all or any of its membership rights and/or to payment of a fine and/or to be censured, reprimanded or warned for any misconduct, unbusinesslike conduct or unprofessional conduct in the sense of the provision in that behalf contained herein.

#### 18.4. **Misconduct**

18.4.1. Members shall be deemed guilty of misconduct for any of the following or similar acts or omissions namely:

- a. **Fraud:** If it is convicted of a criminal offence or commits fraud or a fraudulent act which in the opinion of the relevant authority renders it unfit to be a Member;
- b. **Violation:** If it has violated provisions of any statute governing the activities, business and operations of the Exchange, Trading Members / Clearing Members and commodities business in general;
- c. **Improper Conduct:** If in the opinion of the relevant authority it is guilty of dishonourable or disgraceful or disorderly or improper conduct on the Exchange or of willfully obstructing the business of the Exchange;
- d. **Breach of Rules, Bye Laws and Business Rules:** If it shields or assists or omits to report any Trading Member / Clearing Member whom it has known to have committed a breach or evasion of any Rule, Bye-law and Business Rules of the Exchange or of any resolution, order, notice or direction thereunder of the relevant authority or of any Committee or officer or the Exchange authorised in that behalf;
- e. **Failure to comply with Resolutions:** If it contravenes or refuses or fails to comply with or abide by any resolution, order, notice, direction, decision or ruling of the relevant authority or of any Committee or officer of the Exchange or other person authorised in that behalf under the Bye Laws, Rules and Business Rules of the Exchange;
- f. **Failure to Submit to or Abide by Arbitration:** If it neglects or fails or refuses to submit to arbitration or to abide by or carry out any award, decision or order of the relevant authority or the Arbitration Committee or the arbitrators made in connection with a reference under the Bye Laws, Rules and Business Rules of the Exchange;
- g. **Failure To Testify or Give Information :** If it neglects or fails or refuses to submit to the relevant authority or to a Committee or an officer of the Exchange authorised in that behalf, such books, correspondence, documents and papers or any part thereof as may be required to be produced or to appeal and testify before or cause any of its partners, attorneys, agents, authorized representatives or employees to appear and testify before the relevant authority or such Committee or officer of the Exchange or other person authorised in that behalf;

- h. **Failure to Submit Special Returns:** If it neglects or fails or refuses to submit to the relevant authority within the time notified in that behalf special returns in such form as the relevant authority may from time to time prescribe together with such other information as the relevant authority may require whenever circumstances arise which in the opinion of the relevant authority make it desirable that such special returns or information should be furnished by any or all the Members.;
- i. **Failure to Submit Audited Accounts:** If it neglects or fails or refuses to submit its audited accounts to the Exchange within such time as may be prescribed by the relevant authority from time to time.
- j. **Failure to Compare or Submit Accounts with Defaulter:** If it neglects or fails to compare its accounts with the Defaulters' Committee , if constituted or to submit to it a statement of its accounts with a defaulter or a certificate that it has no such account or if it makes a false or misleading statement therein;
- k. **False or Misleading Returns:** If it neglects or fails or refuses to submit or makes any false or misleading statement in its clearing forms or returns required to be submitted to the Exchange under the Bye Laws, Rules and Business Rules;
- l. **Vexatious Complaints:** If it or its agent brings before the relevant authority or a Committee or an officer of the Exchange or other person authorised in that behalf a charge, complaint or suit which in the opinion of the relevant authority is frivolous, vexatious or malicious;
- m. **Failure to Pay Dues and Fees:** If it fails to pay its subscription, fees, arbitration charges or any other money which may be due by it or any fine or penalty imposed on it.

18.5. **Unbusinesslike Conduct**

18.5.1. A Member shall be deemed guilty of unbusinesslike conduct for any of the following or similar acts or omissions namely:

- a. **Fictitious Names:** If it transacts its own business or the business of its constituent in fictitious names or if he carries on business in more than one trading segment / clearing segment of the Exchange under fictitious names;
- b. **Fictitious Dealings:** If it makes a fictitious transaction or gives an order for the purchase or sale of goods/commodities the execution of which would involve no change of ownership or executes such an order with knowledge of its character;
- c. **Circulation of Rumours:** If it, in any manner, circulates or causes to be circulated, any rumours;
- d. **Prejudicial Business:** If it makes or assists in making or with such knowledge is a party to or assists in carrying out any plan or scheme for the making of any purchases or sales or offers of purchase or sale of commodities for the purpose of upsetting the equilibrium of the market or bringing about a condition in which prices will not fairly reflect market values;
- e. **Market Manipulation and Rigging:** If it, directly or indirectly, alone or with other persons, effects transactions in any commodity to create actual or apparent active trading in such commodity or raising or depressing the prices of such commodity for the purpose of inducing purchase or sale of such commodity/goods by others;
- f. **Unwarrantable Business:** If it engages in reckless or unwarrantable or unbusinesslike dealings in the market or effects purchases or sales for its constituent's account or for any account in which it is directly or indirectly interested which purchases or sales are excessive in view of its constituent's or his own means and financial resources or in view of the market for such commodity by goods;
- g. **Compromise:** If it connives at a private failure of a Member or accepts less than a full and bona fide money payment in settlement of a debt due by a Trading Member arising out of a transaction in contracts/commodities;
- h. **Dishonoured Cheque:** If it issues to any other Trading Member / Clearing Member or to its constituents a cheque which is dishonoured on presentation for whatever reasons;
- i. **Failure to carry out Transactions with Constituents:** If it fails in the

opinion of the relevant authority to carry out its committed transactions with its constituents;

18.6. **Unprofessional Conduct**

18.6.1. Members shall be deemed guilty of unprofessional conduct for any of the following or similar acts or omissions namely:

- a. **Business in Commodities in which Dealings not Permitted:** If it enters into dealings in contracts/ commodities in which dealings are not permitted;
- b. **Business for Defaulting Constituent:** If it deals or transacts business directly or indirectly or executes an order for a constituent who has within its knowledge failed to carry out engagements relating to commodities and is in default to another Trading Member / Clearing Member unless such constituent shall have made a satisfactory arrangement with the Trading Member / Clearing Member who is its creditor;
- c. **Business for Insolvent:** If without first obtaining the consent of the relevant authority it directly or indirectly is interested in or associated in business with or transacts any business with or for any individual who has been bankrupt or insolvent even though such individual shall have obtained his final discharge from an Insolvency Court;
- d. **Business without Permission when Under Suspension:** If without the permission of the relevant authority it does business on its own account or on account of a principal with or through a Trading Member / Clearing Member during the period it is required by the relevant authority to suspend business on the Exchange;
- e. **Business for or with Suspended, Expelled and Defaulter Trading Members / Clearing Members:** If without the special permission of the relevant authority it shares brokerage with or carries on business or makes any deal for or with any Trading Member / Clearing Member who has been suspended, expelled or declared a defaulter;
- f. **Business for Employees of Other Trading Members / Clearing Members:** If it transacts business directly or indirectly for or with or executes an order for a authorised representative of another Trading Member / Clearing Member without the written consent of such employing Trading Member / Clearing Member;
- g. **Business for Exchange Employees:** If it makes a speculative transaction in which an employee of the Exchange is directly or indirectly interested;
- h. **Advertisement:** If it advertises contrary to guidelines if any, issued by the

Relevant Authority for advertisement by the Trading/Clearing Members.

- i. **Evasion of Margin Requirements:** If it will fully evades or attempts to evade or assists in evading the margin requirements prescribed by Relevant Authority and/or in Bye Laws and Business Rules;
- j. **Brokerage Charge/Clearing Fees:** If it deviates from or evades or attempts to evade the Bye Laws and Business Rules relating to charging and sharing of brokerage/clearing fees.
- k. **Dealings with entities prohibited to buy or sell or deal:** If it deals, directly or indirectly, in the course of its business with or transacts any business with or for any entity, which has been prohibited by FMC to buy or sell or deal in the commodity market.

18.7. **Member's Responsibility for Partners, Agents and Employees**

18.7.1. A Trading Member / Clearing Member shall be fully responsible for the acts and omissions of its authorised officials, attorneys, agents, authorised representatives and employees and if any such act or omission be held by the relevant authority to be one which if committed or omitted by the Trading Member / Clearing Member would subject it to any of the penalties as provided in the Bye Laws, Rules and Business Rules of the Exchange then such Trading Member / Clearing Member shall be liable therefore to the same penalty to the same extent as if such act or omission had been done or omitted by itself.

18.8. **Suspension on Failure to Provide Margin Deposit and/or Capital Adequacy Requirements and / or Deposit or Contribution to Settlement/Trade Guarantee Fund**

18.8.1. The Relevant Authority shall require a Trading Member / Clearing Member to suspend its business /may de-activate its terminal when it fails to provide the margin deposits, deposits and contribution to Settlement Fund and/or meet capital adequacy norms as provided in these Bye Laws, Rules and Business Rules and the suspension of business shall continue until it furnishes the necessary margin deposits, deposits and contribution to Settlement/Trade Guarantee Fund or meet capital adequacy requirements. The relevant authority may expel a Trading Member / Clearing Member acting in contravention of this provision.

18.9. **Suspension of business**

18.9.1. The relevant authority may require a Trading Member / Clearing Member to suspend its business in part or in whole:

- a. **Prejudicial Business:** When in the opinion of the relevant authority, the Trading Member conducts business in a manner prejudicial to the Exchange by making purchases or sales of contracts/commodities or offers to purchase or sell goods/commodities for the purpose of upsetting equilibrium of the market or bringing about a condition of demoralization in which prices will not fairly reflect market values, or
- b. **Unwarrantable Business:** When in the opinion of the relevant authority it engages in unwarrantable business or effects purchases or sales for its constituent's account or for any account in which it is directly or indirectly interested which purchases or sales are excessive in view of its constituent's or its own means and financial resources or in view of the market for such contracts, or
- c. **Unsatisfactory Financial Condition:** When in the opinion of the relevant authority it is in such financial condition that it cannot be permitted to do business with safety to its creditors or the Exchange.

18.10. **Removal of Suspension**

18.10.1. The suspension of business as mentioned above shall continue until the Member has been allowed by the Relevant Authority to resume business on its paying such deposit or on its doing such act or providing such thing as the relevant authority may require.

18.11. **Penalty for Contravention**

18.11.1. A Trading Member who is required to suspend its business shall be expelled by the Relevant Authority if he acts in contravention of this provision.

18.12. **Trading Members / Clearing Members and Others to Testify and Give Information**

18.12.1. A Trading Member / Clearing Member shall appear and testify before and cause its partners, attorneys, agents, authorised representatives and employees to appear and testify before the relevant authority or before other Committee(s) or an officer of the Exchange authorised in that behalf and shall produce before the relevant authority or before other Committee(s) or an officer of the Exchange authorised in that behalf, such books, correspondence, documents, papers and records or any part thereof which may be in its possession and which may be deemed relevant or material to any matter under inquiry or investigation.

**18.13. Permission Necessary for Legal Representation**

18.13.1. No person shall have the right to be represented by professional counsel, attorney, advocate or other representative in any investigation or hearing before the relevant authority or any other Committee unless the relevant authority or other Committee so permits.

**18.14. Temporary Suspension**

18.14.1. Notwithstanding what is contained in clause 6.14 herein above if in the opinion of the Relevant Authority it is necessary to do so, he may, for reasons to be recorded in writing, temporarily suspend a Trading Member / Clearing Member, pending completion of the proceedings for suspension under this chapter by the relevant authority, and no notice of hearing shall be required for such temporary suspension and such temporary suspension shall have the same consequences of suspension under this chapter.

18.14.2. A notice to show cause shall be issued to the Trading Member / Clearing Member within five working days of such temporary suspension.

18.14.3. Any such temporary suspension may be revoked at the discretion of the Relevant Authority , for reasons to be recorded in writing, if the Relevant Authority is satisfied that the circumstances leading to the formations of opinion of the Relevant Authority to effect temporary suspension, have ceased to exist or are satisfactorily resolved.

18.14.4. A Trading Member / Clearing Member aggrieved by the temporary suspension may appeal to the relevant authority, provided that such appeal shall not automatically suspend the temporary suspension unless otherwise directed by the relevant authority.

**18.15. Failure to Pay Fine Attracts Suspension/ Expulsion**

18.15.1. If a Trading Member / Clearing Member fails to pay any fine or penalty imposed on it within such period as prescribed from time to time by the relevant authority after notice in writing has been served on it by the Exchange it may be suspended by the relevant authority until it makes payment and if within a further period as prescribed from time to time it fails to make such payment it may be expelled by the relevant authority.

**18.16. Relevant Authority's Discretion in Lieu of Suspension/Expulsion**

- 18.16.1. The Relevant Authority in its absolute discretion may in any case suspend a Member of the Exchange in lieu of the expulsion warranted or may withdraw one or any of the membership rights or impose a fine in lieu of suspension or expulsion warranted and may direct that the guilty Member of the Exchange be censured or warned or may reduce or remit any such penalty on such terms and conditions as it deems fair and equitable.
- 18.16.2. The Relevant Authority may of its own motion or on appeal by the Member of the Exchange concerned reconsider and may rescind, revoke or modify its resolution withdrawing all or any of the membership rights or fining, censuring or warning any Member of the Exchange. In a like manner the Relevant Authority/ may rescind, revoke or modify its resolution suspending any Member of the Exchange.
- 18.16.3. Provided that where any expulsion, suspension or other penalty as aforesaid is imposed in accordance with the directions of the FMC, Government or other authority issued in exercise of any powers conferred on them by the Act or the Rules framed there under, then the Relevant Authority shall not exercise the power to rescind or revoke or modify the same, except with the previous sanction of the authorities concerned.

**18.17. Expulsion Rules to Apply**

18.17.1. When a Trading Member / Clearing Member ceases to be such under the provisions of these Bye Laws otherwise than by death, default or resignation it shall be as if such Trading Member / Clearing Member has been expelled by the relevant authority and in that event all the provisions relating to expulsion contained in these Rules shall apply to such Trading Member / Clearing Member in all respects.

**18.18. Suspension of Business**

18.18.1. The Relevant Authority shall suspend the business of a Trading Member / Clearing Member when it fails to maintain or provide further security as prescribed in the Bye Laws and Business Rules and the suspension shall continue until it pays the necessary amount by way of security or if it acts in contravention of the provisions of the Bye Laws.

**18.19. Notice of Penalty and suspension of Business**

18.19.1. Notice shall be given to the Trading Member/Clearing Member concerned and to the Trading Members /Clearing Member in general by a notice on the trading system of the Exchange of the expulsion or suspension or default of or of the suspension of business by a Trading Member/Clearing Member or of any other penalty imposed on it or on its partners, attorneys, agents, authorised representatives or other employees. The relevant authority may in its absolute discretion and in such manner as it thinks fit notify or cause to be notified to the Trading Members/Clearing Member of the Exchange or to the public that any person who is named in such notification has been expelled, suspended, penalised or declared a defaulter or has suspended its business or ceased to be a Trading Member/Clearing Member. No action or other proceedings shall in any circumstances be maintainable by such person against the Exchange or the relevant authority or any officer or employee of the Exchange for the publication or circulation of such notification and the application for Trading Membership/Clearing Membership or the application for registration as the constituted attorney or authorised representative or by the person concerned shall operate as license and the Bye Laws, Rules and Business Rules shall operate as leave to print, publish or circulate such advertisement or notification and be pleadable accordingly.

18.19.2. Notwithstanding anything contained in these provisions, if in the opinion of the relevant authority it is necessary to do so, he may, for reasons to be recorded in writing, temporarily suspend forthwith the Clearing Member, pending completion of appropriate proceedings for suspension under this chapter by the relevant authority, and no notice of hearing shall be required for such temporary suspension and such temporary suspension shall have the same consequences of suspension under this chapter, provided that appropriate proceedings provided in this chapter shall be commenced by issue of a notice to show cause to the Clearing Member within 10 days of such temporary suspension. Any such temporary suspension may be revoked at the discretion of the relevant authority, for reasons to be recorded in writing, if the relevant authority is satisfied that the circumstances leading to the formation of opinion of the relevant authority to suspend, has ceased to exist or are satisfactorily resolved.

## 19. Miscellaneous

- 19.1. The Relevant Authority shall be empowered to impose such restrictions on transactions in one or more contracts or commodities as the Relevant Authority in its judgment deems advisable in the interest of maintaining a fair and orderly market in the contracts or commodities or if it otherwise deems advisable in the interest of trade and public interest. During the effectiveness of such restrictions, no trading member shall, for any account in which it has an interest or for the account of any client, engage in any transaction in contravention of such restrictions.
- 19.2. Save as otherwise specifically provided in the Bye Laws, Rules and Business Rules specified by the Relevant Authority regarding clearing and settlement arrangement, in promoting, facilitating, assisting, regulating, managing and operating the Exchange and/or Clearing House, the exchange or the clearing house should not be deemed to have incurred any liability, and accordingly no claim or recourse in respect of or in relation to any trades/transactions in contracts or commodities or any matter connected therewith shall lie against the Exchange or Clearing House or any authorized person(s) acting for the exchange or the Clearing House.
- 19.3. Any failure to observe or comply with any requirement of this Bye Law, or any Bye Laws, Rules or Business Rules, where applicable, may be dealt with by the Relevant Authority as a violation of such Bye Laws, Rules or Business Rules.
- 19.4. Trading members have an obligation as the trading members of the Exchange to inform the Relevant Authority of the Exchange about fraudulent and unfair trade practices and other such information/practices as may be construed as being detrimental to the efficient operations of the Exchange and as may be required under FCR Act and Rules made thereunder and directions issued by the Commission from time to time.
- 19.5. No claim, suit, prosecution or other legal proceedings shall lie against the Exchange and/or Clearing House any authorized person(s) acting for the Exchange and/or Clearing House, in respect of anything which is in good faith done or intended to be done in pursuance of any order or other binding directive issued to the Exchange and/or Clearing House under any law or delegated legislation for the time being in force

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