

ACE DERIVATIVES & COMMODITY EXCHANGE LIMITED

RULES

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ACE DERIVATIVES & COMMODITY EXCHANGE LIMITED

Rules

In terms of clause 3(B)(8) of the Memorandum of Association read with Article 100(d) of the Articles of Association and in exercise of the powers conferred by Section 9A of the Forward Contracts (Regulation) Act, with the previous approval of the Central Government/Forward Markets Commission, the Ace Derivatives and Commodity Exchange Limited makes the following Rules, namely:-

1. SHORT TITLE AND COMMENCEMENT

- 1.1. These Rules shall be known as "The Rules of the Ace Derivatives and Commodity Exchange Limited (ACE)" and are for the sake of brevity and convenience, herein referred to as "these Rules" or "the Rules of the Exchange"
- 1.2. These Rules shall come into force with effect from such date as the Forward Markets Commission {hereinafter referred to as "FMC/the Commission"} and the Board of Ace Derivatives And Commodity Exchange Limited {hereinafter referred to as "the Exchange"} may appoint and notify in that behalf.
- 1.3. These Rules shall be in addition to the provisions of the Forward Contracts Regulation) Act,1952 , the Forward Contracts (Regulation) Rules,1954 and the Rules and Regulations made thereunder. These Rules shall at all times be read subject to the provisions of the Forward Contracts (Regulation) Act, 1952 {hereinafter referred to as " FCRA "}, the Forward Contracts (Regulation) Rules, 1954 {hereinafter referred to as " FCRR"} as amended from time to time and the Rules, Business Rules /Regulations, Directives, Orders, Guidelines, Norms and Circulars issued thereunder by the Government of India and/or Commission from time to time.
- 1.4. In case of difference between any rules of the Exchange and the provisions of the FCRA or FCRR, the provisions of FCRA / FCRR shall prevail.

2. DEFINITIONS

2.1. 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:

2.1.1. The Forward Contracts (Regulation) Act, 1952 and the Rules framed thereunder.

2.1.2. Bye Laws, Rules, Memorandum and Articles of Association of ACE and Business Rules.

2.2. For the purpose of interpretation or management of the Exchange, and in case of any discrepancy, the interpretation as may be taken by the Relevant Authority shall be final and binding on all associated with the Exchange directly or indirectly.

2.3. Meaning of certain words and expressions:

2.3.1. **Active Member of the Exchange** means a member of the Exchange, who is not an inactive member of the Exchange.

2.3.2. **Associate** in relation to a member of the Exchange, individual, body corporate or firm or any other entity shall include a person:

- a. who, directly or indirectly, by himself, or in combination with other persons, exercises control over the Member of the Exchange, whether individual, body corporate or firm or holds substantial share of not less than 15 per cent in the capital of such entities, or in respect of whom the broker, individual or body corporate or firm, directly or indirectly, by itself or in combination with other persons, exercise control; or
- b. whose director or partner is also a director or partner of the broker, body corporate or the firm, as the case may be.

2.3.3. **Authorized Representative** is a person who represents a Member of the Exchange in respect of his business and is duly approved by the Exchange under these Rules .

- 2.3.4. **Board of Directors** means and includes the 'Board of Directors of ACE or Board, by whatever name called, vested with the general powers of management and superintendence and complete jurisdiction over all members of the Exchange and all matters contained in the various provisions under the Memorandum Of Association (MOA), Articles of Association (AOA), Rules, Bye-Laws and Business Rules of the Exchange, and over the commodities or any other instruments and or derivatives thereof, which are traded on the Exchange
- 2.3.5. **Exchange Charges means** charges payable to Exchange towards admission fee, annual fee, subscriptions payable to exchange, if any, penalties or fines if levied, connectivity charges, different kinds of charges imposed by Exchange directly towards transaction or contribution towards prescribed funds or subscription charges towards services or technology provided by the exchange if any and such other charges levied by the Exchange towards services rendered to the members. This also includes charges or taxes charged by exchange towards statutory levies.
- 2.3.6. **Executor or 'Administrator'** in relation to a deceased Member of the Company, means a person who has obtained a probate or letter of administration as the case may be, from a Court of competent jurisdiction and shall include holder(s) of succession certificate authorizing the holder(s) thereof to negotiate or transfer the share or shares of the deceased Member of the Company and shall also include the holder of a certificate granted by the Administrator General under Section 31 of the Administrator Generals Act, 1963.
- 2.3.7. **'Family Member'** of a member of the Exchange means, the member's father or mother or spouse or son or sons or unmarried daughter or daughters or daughter-in-law or daughters-in-law or father's brother or brothers or son's or sons' son or sons or brother or brothers or unmarried sister or sisters or brothers' son or sons.
- 2.3.8. **Inactive Member of the Exchange** means a member of the Exchange who has not traded in the Exchange even for a single day in a year.
- 2.3.9. **Member of the Exchange or Exchange Member** means a person, a sole proprietary firm, joint Hindu family, a partnership firm governed under Indian Partnership Act, 1932, a Limited Liability Partnership (LLP) incorporated under Limited Liability Partnership Act, 2008, a company (as

defined under the Companies Act), a co-operative society, a body corporate, Association of persons or public sector organisation 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 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 or entitle shareholding in the Company.

2.3.10. **Multiple Trading Membership** means an individual, or a partnership firm or a LLP or a company (as defined under the Companies Act) or a body corporate or any other entity having either, directly or indirectly, or is in the process of acquiring, control in another entity which is a member of the Exchange of either the same Exchange and/or of any other Commodity Exchange/s and shall include:

- a. An individual member of the Exchange being a member of one Exchange, is also a member of another Exchange, or
- b. An individual, being a member of one Exchange is also a designated director/nominee of a company/ body corporate, which is a member of another Commodity Exchange, or
- c. An individual, who is a designated director/nominee of a company/body corporate which is a member of a commodity exchange in which there are at least two designated directors/nominees and one of the designated directors/nominees is a member individually of another commodity Exchange, or
- d. An individual, being a member of one commodity Exchange or an individual, who is a designated director/nominee of a company/body corporate, which is a member of one Commodity Exchange, is a designated partner in any partnership firm of another Commodity Exchange.

2.3.11. **Notice Board:** Notice Board refers to the Board displayed at the registered office of the Exchange and also the Bulletin Board Market News and Information corner displayed on the trading system of the Exchange or the News and circulars, notifications, etc. downloaded / broadcast at the trading system of the members.

2.3.12. **Prescribed** means prescribed under the Bye-laws, or Rules of the Exchange.

- 2.3.13. **Public Medium** means by way of broadcast to the members of the Exchange through the automated trading system and/or any other system of the Exchange and/or the web site of the exchange in digital form as a web page and/or a circular or any other medium as may be decided by the relevant authority from time to time.
- 2.3.14. **Register of Exchange Members** means the register containing the names and other details of the Members of the Exchange registered with the Exchange under various categories.
- 2.3.15. **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.
- 2.3.16. **Specified** means specified under the Business Rules, Code of Conduct or any Circulars, Notices, or Directions issued by the Exchange or Relevant Authority.'
- 2.4. The definitions not covered herein above will be taken from these Byelaws, 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. MANAGEMENT OF THE EXCHANGE

3.1. Governing Board /Relevant Authority

- 3.1.1. The Board of Directors (herein referred to as Governing Board/Relevant Authority) of ACE, constituted in accordance with the provisions of the Articles of Association, Rules, Regulation and Bylaws of the Company, may organize, maintain, control, manage, regulate and facilitate the operations of the Exchange and of commodities transactions by Trading Members / Clearing Members, subject to the provisions of the Forward Contracts (Regulation) Act, 1952, and Rules thereunder, and any directives issued thereunder as may be prescribed from time to time.
- 3.1.2. Directors of the ACE shall be appointed in accordance with the provisions of the Articles of Association of the Company as amended from time to time. The Central Government may nominate Director(s) in accordance with Section 6 (2) (b) of Forward Contracts (Regulation) Act, 1952. Any such appointment of Directors shall be considered as one being made under the provisions of these rules.
- 3.1.3. All appointments to the Board of Directors shall be in accordance with the procedure prescribed for appointment of Directors under the provisions of FMC guidelines, the Articles of Association of the Company and the Companies Act, 1956.
- 3.1.4. The Governing Board/Relevant Authority is authorised to vary, amend, repeal or add to Business Rules framed by it.
- 3.1.5. The Governing Board/ Relevant Authority is empowered to make Business Rules from time to time, for all or any matters relating to the conduct of business of the Exchange, the business and transactions of Trading Members/Clearing Members between Trading Members/Clearing Members inter-se as well as the business and transactions between Trading Members/Clearing Members and persons who are not Trading Members / Clearing Members, and to control, define and regulate all such transactions and dealings and to do such acts and things which are necessary for the purposes of the Exchange.
- 3.1.6. Without prejudice to the generality of the foregoing, the Governing Board/ Relevant Authority is empowered to make Business Rules, subject to the provisions of the Forward Contracts (Regulation) Act, 1952 and Rules thereunder, for all or any of the following matters:

- a. Norms, procedures, terms and conditions for admission to membership of the Exchange,
- b. Conduct of business of the Exchange;
- c. Conduct of Trading Members/Clearing Members with regard to the business of the Exchange;
- d. Prescription from time to time, and administration of penalties, fines and other consequences, including suspension/expulsion of Trading/Clearing Members from the Exchange for violation of any requirements of the Rules, Bye Laws and Business Rules and the codes of conduct;
- e. Manner of operations and interfacing with clearing bank(s) and other clearing and settlement agencies;
- f. Prescription, from time to time, of capital adequacy and other norms which shall be required to be maintained by different categories of Trading / Clearing Members;
- g. Maintenance of records and books of accounts by Trading Member / Clearing Members as may be specified from time to time;
- h. Investigation of the financial condition, business conduct and dealings of the Trading Member / Clearing Members;
- i. Disciplinary action/procedures against any Trading Member /Clearing Member;
- j. Declaration of any Trading Member / Clearing Member as a defaulter or suspension or resignation or exclusion from Trading Membership/Clearing Membership and consequences thereof and Readmission;
- k. Conditions, levy for admission or subscription for admission or continuance of Trading Membership / Clearing Membership;
- l. Charges payable by Trading Members / Clearing Members for business transacted through the Exchange, as may be laid down from time to time;
- m. Appointment and dissolution of Committee or Committees like Membership Committee, Trading Committee, Clearing House Committee, Vigilance Committee, Product Advisory group, Arbitration Panel or such other Committees for any purpose of the Exchange;
- n. Such other matters in relation to the Exchange as may be specified under the provisions of the Articles of Association, Bye Laws or these Rules or as may be necessary or expedient for the organization, maintenance,

control, management, Business Rules and facilitation of the operation of the Exchange.

The Business Rules made by the Governing Board/ Relevant Authority, the Guidelines and Circulars issued under the said Business Rules shall be subject to the directives, if any, received from the FMC from time to time and shall be deemed to have been amended, modified or deleted accordingly.

3.1.7. The Governing Board/ Relevant Authority at its discretion or as prescribed under the FC(R) Act/Guidelines or directions issued by FMC or if felt necessary for the conduct of business may, from time to time, constitute/reconstitute one or more committees/panel/advisory board comprising of Relevant Authority or such others as the Relevant Authority may in its discretion deem fit or necessary and delegate to such committees such powers as the Relevant Authority may deem fit and the Relevant Authority may from time to time revoke such delegation.

The composition, role, functions and powers of the Committees/panels shall be determined by the Governing Board/ Relevant Authority as per directives of the Commission, if any, issued from time to time.

3.1.8. A member of any Committee who is on the Committee by virtue of being a Member of the Exchange or of the Clearing House shall vacate such office forthwith if he ceases to be a Member of the Exchange and/or member of Clearing House, as the case may be; or upon suspension, expulsion or declaration as defaulter by the Exchange. Provided that the Relevant Authority will have the power to terminate the services of a Committee member at any point of time, if it so desire.

3.1.9. All members of the Committee(s), Panels and Advisory Boards appointed under rule no 3.1.8 shall hold office from the date of their respective appointments or from such other period stipulated by the Relevant Authority whichever is later. Provided that, if new members of the Committees are not appointed at the meeting of the Relevant Authority, the existing members shall continue until the successors are validly appointed by the Relevant Authority.

3.1.10. The Board/ Relevant Authority may either suo moto or upon receiving specific request from the Commission, shall furnish the details of composition / changes in the composition of the Committees of the

Exchange. The Exchange shall furnish annual information regarding status of composition of Board of Directors, its Committees, Panels, Advisory Board etc.

- 3.1.11. The Governing Board/ Relevant Authority shall have the authority to issue directives from time to time to the committee so appointed or any other person or persons to whom any powers have been delegated by the Governing Board/ Relevant Authority. Such directives issued in exercise of this power, which may be of policy nature or may include directives to dispose off a particular matter or issue, shall be binding on the concerned Committee(s) or person(s).
- 3.1.12. The Members of the Governing Board and of such committees as may be identified by the Board/ Relevant Authority shall adhere to the Code of Conduct as may be prescribed by the Relevant Authority from time to time.
- 3.1.13. Notwithstanding anything contained in the Business Rules or any circular, in the event of any conflict or ambiguity on any matter, the decision of Governing Board/ Relevant Authority shall supersede and the Governing Board/ Relevant Authority shall have final say on all matters including but not limited to the matters concerning functioning, Business Rules, business, membership, and day to day management of Exchange. Governing Board/ Relevant Authority may delegate and instruct any authority or committee to exercise such powers and functions as it may deem fit irrespective of such powers and functions being vested in any other authority or committee or subcommittee under Business Rules or any directions and any such delegation of power and functions by the Relevant Authority shall supersede in the event of any conflict or ambiguity.

3.2. Chief Executive

- 3.2.1. The designated Chief Executive Officer of the Exchange shall be the Chief Executive of the Exchange and shall be the Relevant Authority for day-to-day management and affairs of the Exchange including but not limited to trading, surveillance, clearing and settlement of trades.
- 3.2.2. The Chief Executive Officer shall represent the Exchange officially in all public matters.
- 3.2.3. Without prejudice to the generality of above provisions, the Chief Executive Officer shall perform such function and shall exercise such powers as may

be delegated to him by the Board.

3.2.4. The Chief Executive Officer shall function in accordance with the directions of Governing Board/ Relevant Authority from time to time on matters as the Board may deem fit.

3.2.5. The Chief Executive Officer may delegate any of his powers and functions from time to time to any person, committee of persons or sub- committee of persons who may be referred to as Relevant Authority for exercise of such delegated power/s and function/s.

3.2.6. The Chief Executive Officer may revoke, modify, substitute or alter at any time, any power or function delegated by him to any person, committee or sub- committee.

3.3. Board's Power In Respect Of Committees:

3.3.1. The Governing Board/ Relevant Authority will have absolute power to terminate, dissolve or suspend any Committee / panel appointed by the Board. Governing Board/ The Relevant Authority will have absolute power to amend, modify, change, partially accept or fully override recommendations of the Committee. The role of all the Committees will be recommendatory in nature and their decisions will be advisory in nature so as to enable the Board to take appropriate decision.

3.4. Committees Power To Seek Advice:

3.4.1. A Committee may decide to take opinion from others including members of the Exchange on any matter connected with the Exchange with prior approval of the Exchange. For this purpose, a Committee will have the power to invite Trading Member/Clearing Members and other independent professionals at a Committee meeting as a special invitee for seeking their advice.

4. EXECUTIVE COMMITTEE

4.1. Constitution

4.1.1. If found necessary one or more Executive Committee(s) may be appointed by the Relevant Authority for the purposes of managing the day to day affairs of the Exchange. The Relevant Authority at its discretion may decide on the constitution, duration and powers of the Executive Committee(s), nomination and vacation of the nominees from the Executive Committee(s) and appointment of office bearers and rules and procedures for the functioning of the Executive Committee(s).

4.1.2. The maximum strength of any Executive Committee shall be decided by the Relevant Authority from time to time.

4.1.3. Executive Committee(s) appointed by the Governing Board/ Relevant Authority may, interalia, include:

- a. Chief Executive Officer of the Exchange
- b. One or more person(s) nominated by the Central Government as its representative, if so required by the Government/FMC.
- c. Not more than three Trading Members as may be nominated by the Governing Board/ Relevant Authority as per Rules laid down in this regard.
- d. Such individual persons of eminence in the field of Commodity markets, Development Economics, Finance, Accounting, Law or any other discipline and to be known as 'public representatives' as may be nominated by the Governing Board/ Relevant Authority .
- e. Members of Governing Board or official of the Exchange
- f. Such other persons nominated by the Relevant Authority, to be known as 'other nominees', which may include two ex-officio senior officers of the Company.

4.1.4. The person nominated shall hold office for a period of one year or for a period as mentioned by the authority nominating him.

4.2. Powers of Executive Committee

4.2.1. The Governing Board/ Relevant Authority may delegate from time to time to the Executive Committee such of the powers vested in it and upon such terms as it may think fit, from time to time, to revoke, withdraw, alter or vary all or any of such powers.

4.2.2. The Executive Committee shall have such responsibilities and powers as may be delegated to it by the Governing Board/Relevant Authority from time to time which may include the following responsibilities and powers to be discharged in accordance with the provisions of the Bye Laws and Rules:

- a. Approving contracts/ commodities for admission to the relevant Official List which can be traded in derivative segment of the Exchange subject to approval of the FMC;
- b. Admitting and appointing members being TM/CM
- c. Supervising the market and promulgating such Business Rules and Codes of Conduct as it may deem fit;
- d. Determining from time to time, fees, deposits, margins and other monies payable to the exchange by Trading Members / Clearing Members and commodities which are admitted/to be admitted to the Official List and the scale of brokerage chargeable by Trading Members / Clearing Members;
- e. Prescribing, from time to time, capital adequacy and other norms which shall be required to maintained by Trading Members;
- f. Prescribing, from time to time, and administering and effecting penalties, fines and other consequences, including suspension/expulsion for defaults or violation of any requirements of the Bye-laws and Business Rules and the Rules and Codes of Conduct and criteria for readmission, if any, promulgated thereunder;
- g. Administering, maintaining and investment of the corpus of the Fund(s) set up by the Exchange including Settlement Guarantee Fund;
- h. Norms, procedures and other matters relating to arbitration;
- i. Power to take disciplinary action/proceed legally against any Trading Member;
- j. Dissemination of information, announcements to be placed on the trading system;
- k. Any other matter delegated by the Relevant Authority.

The Business Rules and Code of Conduct promulgated by the Executive Committee or any norms or procedures prescribed by it 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.

4.2.3. Devise policies for development of market for commodities and derivatives and recommend to the Relevant Authority for implementation.

4.2.4. The Relevant Authority or Executive Committee may from time to time constitute such sub-committees viz., Membership Committee, Trading Committee, Clearing House Committee, Arbitration Panel, Vigilance Committee or Commodity specific advisory committee etc and sub delegate any or all its functions to such Sub Committees. The constitution, quorum and responsibilities of such sub committees will be determined by Relevant Authority/Executive Committee.

4.2.5. The Relevant Authority and or Executive Committee may from time to time, authorize the Chief Executive Officer or such other person (s) to carry out such acts, deeds and functions in accordance with such provisions as may be laid down in this regard for fulfilling the responsibilities and discharging the powers delegated to it by the Relevant Authority .

4.2.6. The Executive Committee(s)/Sub committee(s) shall be bound and obliged to carry out and implement any directives issued by the Relevant Authority from time to time and shall be bound to comply with all conditions of delegation and limitations on the powers of the Executive Committee(s) as may be prescribed.

4.3. Filling up of Vacancies

4.3.1. Any vacancy caused by resignation, withdrawal of nomination, death or otherwise of a particular category of nominated person on the Executive committee shall be filled in by Relevant Authority by nominating another person.

4.4. Vacation of Office of Members of the Governing Board/Relevant Authority / Executive Committee

4.4.1. The office of any member of the Relevant Authority or Executive Committee including that of the public representatives, Trading Members and other nominees on the Executive Committee shall ipso facto be vacated if:

- a. He is adjudicated as insolvent;
- b. He applied to be adjudicated insolvent;
- c. He is convicted by any Court in India of any offence and sentenced in respect thereof to imprisonment for not less than 30 days;
- d. He absents himself from three consecutive meetings of the Executive Committee or for a continuous period of three months whichever is longer without obtaining leave of absence from the Committee meeting;
- e. In the case of a Trading Member / Clearing Member, if he ceases to be a Trading Member of the Exchange / member of the clearing house of the Exchange, or if he, by notice in writing addressed to the Relevant Authority or Executive Committee as the case may be, resigns his office or if he is suspended or expelled or if his membership is terminated;

4.4.2. Provided however that if at any time the Relevant Authority is satisfied that circumstances exist which render it necessary in public interest to do so, the Relevant Authority may revoke the nomination of any such person.

4.5. Eligibility of a Member to Become Executive Committee Member

4.5.1. No Member shall be eligible to be nominated as a member of an Executive Committee:

- a. Unless he satisfies the requirement, if any, prescribed in that behalf by the Rules framed under the Forward Contracts (Regulation) Act, 1952 and the rules thereunder;
- b. Unless he is a Member of Exchange for such period as may be decided by the Governing Board/Relevant Authority from time to time;
- c. If he is a partner with a Member who is already a member of that Executive Committee;
- d. If he has at any time been declared as defaulter or failed to meet his liabilities in ordinary course or compounded with his creditors;

4.5.2. No Member shall be eligible to continue or be nominated on the Executive Committee :-

- a. If his certificate of registration as a Member has been cancelled by the competent authority or he has been expelled by the Exchange or any other

Commodity Exchange;

- b. If his certificate of registration as a Member or his trading rights have been suspended by the Relevant Authority or the Exchange as the case may be or his membership rights have been suspended by the Exchange on account of any disciplinary action taken against him under the Rules, Business Rules or Bye laws of the Exchange and two years have not elapsed from the date of expiry of such suspension of certificate of registration, trading rights or membership rights;
- c. If he falls in the category of Notified Persons as per the Special Courts (Trial of Offences Relating to Transaction in Securities) Act, 1992 or is prohibited as per SEBI / SAT / FMC orders and two years have not elapsed from the date the member is denotified under the said Act or order.

4.6. Office Bearers of Executive Committee

- 4.6.1. The Executive Committee shall from time to time have the following office-bearers namely, the Chairman and Vice Chairman.
- 4.6.2. The Executive Committee members shall elect one among themselves as Chairman and Vice Chairman.
- 4.6.3. In the event of any casual vacancy arising in the office of the Chairman /Vice-Chairman due to any reason whatsoever, the Executive Committee shall nominate a successor from among the members of the Executive Committee.
- 4.6.4. The persons nominated/elected as above in any casual vacancy shall hold office for the same period for which the office-bearer in whose place he was appointed would have held office if it had not been vacated as aforesaid.

4.7. Meetings of the Executive Committee

- 4.7.1. The Executive Committee may meet at such times and at such periodicity as may be required due to business exigency and may adjourn and otherwise regulate its meetings and proceedings as it thinks fit.
- 4.7.2. The quorum for a meeting of the Executive Committee, shall be one-third of the total strength of the Executive Committee, any fraction being rounded off as one, or five members whichever is lower; provided that where at any time the number of interested members exceeds two-thirds of the total strength, then the number of remaining members, i.e., the number of members present and not interested shall be the quorum for the meeting.

- 4.7.3. The Chairman or Vice-Chairman or any two members of the Executive Committee may at any time convene a meeting of the Executive Committee.
- 4.7.4. Questions arising at any meeting of the Executive Committee shall be decided by a majority of the votes cast excepting in cases where a larger majority is required by any provision of the Rules, Bye Laws and Business Rules of the Exchange. In the case of equality of votes on matters, which can be decided by a majority of votes, the Chairman presiding over the meeting shall have a second or casting vote.
- 4.7.5. At all meetings of the Executive Committee the Chairman shall ordinarily preside and in his absence the Vice-Chairman shall preside. If the Vice-Chairman also were not present at the meeting, the members of the Executive Committee present shall choose one from among themselves to be Chairman of such meeting.
- 4.7.6. Subject to the conditions stated elsewhere every member of the Executive Committee shall have only one vote whether on a show of hands or on a poll except that in the case of a poll resulting in equal votes, the Chairman who presides over the meeting shall have a casting vote.
- 4.7.7. No vote by proxy shall be allowed either on a show of hands or on a poll in respect of any matter.
- 4.7.8. No member, who has been suspended, expelled or declared defaulter, shall be entitled to be present at a meeting or to take part in any proceedings or to vote thereat.

4.8. Chairman and Vice Chairman

- 4.8.1. The Chairman may assume and exercise all such powers and perform all such duties as may be delegated to him by the Executive Committee from time to time as provided in the Rules, Bye Laws and Business Rules of the Exchange.
- 4.8.2. The Chairman and in his absence the Vice-Chairman, shall be entitled to exercise any or all of the powers exercisable by the Executive Committee whenever he be of the opinion that immediate action is necessary, subject to such action being placed before by the Executive Committee within twenty-four hours.
- 4.8.3. In the absence of the Chairman or on his inability to act, the Vice-Chairman, and in his absence or inability to act, his functions and powers shall be exercised by the senior available officer of the Company under the

directions of the Executive Committee.

- 4.8.4. A meeting of the Executive Committee for the time being, at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretion for the time being vested in or exercisable by the Executive Committee generally.
- 4.8.5. In the absence of Executive Committee(s), Chief Executive or any director on the Relevant Authority may discharge all the functions of Executive Committee(s) as given in 4.2.2.

5. MEMBERSHIP OF THE EXCHANGE

- 5.1. The Relevant Authority may classify the membership of the Exchange in different categories for different commodities / commodities derivatives permitted to be traded on the Exchange and provide for different rights and privileges for trading, clearing and settlement of contracts in any commodity or group of commodities or commodities derivatives to the members of different categories. A person desirous of securing the membership of the Exchange may apply for any category of membership, subject to his fulfilling the membership criteria.
- 5.2. The Relevant Authority of the Exchange may define and admit more than one category of membership for the same trading/clearing sub-segment or for different clearing sub-segments and may specify different norms including eligibility, admission and cessation of membership for different sub-segments.
- 5.3. A person desirous of securing the membership of the Exchange may apply for any category of membership, subject to fulfilling the membership criteria. Provided "Ordinary Members" or "Associate Members" of the Exchange as on 7th Jan 2008 shall continue to be "Trading Members or Trading cum Clearing Members" of the Exchange. Provided further that the Exchange may register them either as "Trading Member" or "Trading cum Clearing Member" depending upon the networth of such member and the "networth" criteria prescribed.
- 5.4. The rights and privileges of a member shall be subject to the Bye Laws, Rules and Business Rules of the Exchange.
- 5.5. The membership of the Exchange shall entitle a member of the Exchange to exercise such rights and privileges attached to such membership as he specifically applies for dealing on the Exchange, subject to the Bye-Laws, Rules and Business Rules of the Exchange as applicable from time to time.
- 5.6. A Member of the Exchange shall not assign, mortgage, pledge, hypothecate, or charge his right of membership or any rights or privileges attached thereto, and any such attempt shall not be effective as against the Exchange.
- 5.7. The membership rights of the Exchange are transferable subject to the terms and conditions that may be prescribed by the Exchange in this regard from time to time and also subject to prior approval of the Exchange.
- 5.8. All members of the Exchange shall have to register themselves prior to commencing operations on the Exchange, with the Forward Market Commission and/or any other relevant competent regulatory authority.

5.9. The Relevant Authority shall expel any Trading Member /Clearing Member of the Exchange who acts or attempts to act in violation of the provisions of the Rule/Bye Laws and Business Rules and any other directions issued by the Exchange and FMC from time to time.

5.10. The Relevant Authority may specify pre-requisites, conditions, formats and procedures for application for admission, termination, re-admission, etc. of Trading / Clearing Members and eligibility criteria for trading / clearing in all or any of the trading / clearing segments of the Exchange. The Relevant Authority may, at its absolute discretion for the reasons to be recorded in writing, refuse permission to any applicant to be admitted as Trading Member / Clearing Member.

5.11. Types of Members:

5.11.1. There shall be different classes of membership of the Exchange along with associated rights and privileges which shall include Trading-cum-clearing members, Institutional clearing member and other classes as may be defined by the Exchange from time to time. The different types of members of the Exchange for the present are as under.

- a. **Trading Members (TM):** A Trading Member is entitled to trade on his own account as well as on account of his clients but takes the services of a Clearing Member for Clearing and Settlement of the trades.
- b. **Trading-Cum-Clearing Member (TCM):** Trading-cum-clearing member means a person who is admitted by the Exchange as the 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 deals for himself as well as on behalf of his clients and clear and settle such deals only.
- c. **Institutional Trading Cum Clearing Member: (ITCM):** Institutional Trading cum Clearing Member means 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 as well as on account of his clients, clear and settle trades done by himself as well as of other members of the exchange.
- d. **Professional Clearing Member (PCM):** Professional clearing member is a person who is admitted by the Exchange as a Professional Clearing member of the Exchange and the Clearing House of the Exchange and

who shall be allowed to only clear and settle trades on account of Trading-cum-Clearing members or Trading Members or Institutional Trading members.

- e. **Commodity/Complex Specific Trading Clearing Member:** Commodity/Complex Specific Trading Cum Clearing Member means a person having been admitted by the Relevant authority as such, who shall have trading and clearing rights only in respect of specific commodity or group of commodities, while in respect of other commodities he shall not have any trading or clearing rights. Provided that such Commodity/Complex specific Trading Clearing Members shall be entitled to enroll themselves for other commodities by fulfilling such conditions, as may be specified by the Relevant Authority.

5.11.2. All trading members must be affiliated with any one of the Institutional Clearing Members or Institutional Trading cum clearing members having clearing rights on the Exchange.

5.12. Existing Registered Members:

5.12.1. All the ordinary and associate members registered with the exchange as on 7th Jan 2008 shall continue to have the rights of Trading Membership of the exchange subject to the directives given by the Commission and payment of fees Exchange Charges as may be prescribed by the Exchange from time to time and fulfillment of admission criteria/procedures as may be made applicable to them from time to time.

5.13. Eligibility for Membership:

5.13.1. **Trading Member / Trading Clearing Member** : The following persons shall be eligible to become Trading Members of the Exchange:

- a. Individuals/sole proprietors (not less than 21 years of age)
- b. A joint Hindu undivided family,
- c. A cooperative society registered with the registrar of cooperative societies of respective states/union territories,
- d. Association of persons,
- e. Registered partnership firms,
- f. A Limited Liability Partnership (LLP) as registered under the Limited Liability Partnership act, 2008,
- g. Bodies corporate,
- h. A public sector organization, Government Undertakings,
- i. Companies as defined in the Companies Act, 1956, and,
- j. Bodies corporate statutory organization or any other Government or non-Government entity and such other persons or entities as may be permitted under the Forward Contracts (Regulation) Act, 1952,
- k. Any other category of persons/entity permitted to be admitted as members as prescribed by FMC from time to time,
- l. A person, who is not a citizen of India, is eligible to be admitted as a member of the Exchange, if he complies with the Laws and Rules applicable to such a person in the country where he is a citizen, besides the Laws, Bye-laws, Rules and Business Rules applicable to such a person in India.

5.13.2. **No person shall be admitted as a Trading Member /Clearing Member of the Exchange if such proposed member:**

- a. Is an individual who has not completed 21 years of age;
- b. does not have a minimum net worth as the Relevant Authority may from time to time determine and consider acceptable;
- c. Is a body corporate who has committed any act which renders the entity liable to be wound up under the provisions of the law;
- d. Is a body corporate who has had a provisional liquidator or receiver or official liquidator appointed to the person;
- e. Has been adjudged bankrupt or a receiving order in bankruptcy has been made against the person or the person has been proved to be insolvent

even though he has obtained his final discharge;

- f. Has been convicted of an offence involving a fraud or dishonesty;
- g. Has been convicted of an offence involving moral turpitude;
- h. Has been found to be of unsound mind, by a court of competent jurisdiction;
- i. Has been declared/rendered incompetent to enter into contract under any law in force in India;
- j. Has compounded with his creditors for less than full discharge of debts;
- k. Has been at any time expelled or declared a defaulter by any other Commodity / Stock Exchange / Clearing Corporation;
- l. has applied to be adjudicated as an insolvent and the application is pending;
- m. Has been previously refused admission to membership unless the period of one year has elapsed since the date of rejection;
- n. Incurs such disqualification under the provisions of the Forward Contracts (Regulation) Act, 1952 or Rules made thereunder as disentitles such person from seeking membership of a commodity exchange.
- o. Exchange determines that it is not in public interest to admit him as Member of Exchange.
- p. has been punished for contravention of any of the provisions of the FC(R) Act or any Rules made thereunder or any other applicable Act or any Rules made thereunder and a period of two years or any longer period, as may have been specified by FMC in its order, has not elapsed from the date of order of such punishment, and in case such person is sentenced to imprisonment by a competent Court of Law, a period of five years has not elapsed from the date of expiry of sentence;
- q. Such other conditions as may be specified by the Relevant Authority or the Committee thereon from time to time.

5.13.3. No person shall be admitted as a Trading Member /Clearing Member of the Exchange unless the person satisfies:

- a. Such additional eligibility criteria as the Governing Board or Relevant Authority may prescribe for the different classes of Trading Member/Clearing Member.
- b. Compliance with the capital adequacy norms as may be prescribed by the Relevant Authority for membership of the Exchange, from time to time;

- c. Compliance with the registration and other provisions as may be prescribed by the Relevant Authority from time to time.
- d. Payment of such fees, charges, deposits and other monies, as may be specified by the Exchange.

5.14. Membership

5.14.1 A person who is desirous of becoming a registered member of Exchange may apply for any of the following categories:

5.14.2 Trading–Cum Clearing Member (TCM) – A TCM is entitled to trade on his own account as well as on account of his clients, and clear and settle these himself. A sole proprietor, a partnership firm, a Limited Liability Partnership, a joint hindu undivided family, a company, a cooperative society, a public sector organization, statutory organization or any other Government or non-Government entity can apply for TCM.

5.14.3 Professional Clearing Member (PCM) – A PCM is a person, who is entitled to clear and settle trades executed by other members of the Exchange. A company and an institution only can apply for PCM.

5.14.4 Institutional Trading-cum-Clearing Member (ITCM) – An ITCM is entitled to trade on his own account as well as on account of his clients, clear and settle trades executed by himself as well as of other members of the exchange. A company and an institution only can apply for ITCM.

5.15. Admission and Annual Subscription Charges:

5.15.1. Any person desirous of becoming a member for any category of membership shall apply to the Exchange in accordance with Business Rules of the exchange.

5.15.2. Every applicant shall be dealt with by the Relevant Authority/Governing Board/any committee appointed for the purpose that shall be entitled to admit or reject such applications at its discretion.

5.15.3. The application shall be made in such formats as in the Business Rules from time to time.

5.15.4. The Application shall have to be submitted along with such fees security deposit and other monies in such form and in such manner as may be specified by the relevant authority from time to time. Such fees could be non refundable at the discretion of the exchange,

5.15.5. The applicant members of the Exchange or their authorised representatives shall appear personally, if required before the Relevant Authority or any Committee thereof, for an interview and/or test as may be prescribed.

5.15.6. The Relevant Authority/Governing Board shall have the right to call upon the applicant to pay such fees or deposit such additional security in cash or kind, to furnish any additional guarantee or to require the deposit of any building fund, computerisation fund, training fund or fee as the Relevant Authority may prescribe from time to time.

5.15.7. The Relevant Authority/Governing Board may provisionally admit the applicant to Trading Membership / Clearing Membership provided that the applicant satisfies the eligibility conditions and other procedures and requirements of application subject to such terms and conditions as may be specified by the Relevant Authority / Governing Board. Upon the Relevant Authority/Governing Board being satisfied that all other terms and conditions and other requirements for the Trading Membership/Clearing Membership have been complied with, the applicant may be admitted to Trading Membership/Clearing Membership. The granting of provisional membership shall not entitle the applicant to any privileges and rights of the Trading Membership/Clearing Membership.

5.15.8. Members may be charged interest for late payment of any fees, annual subscription charges.

5.16. Rejection of Membership:

5.16.1. Exchange reserves the right to reject any application for membership for the reasons to be recorded in writing.

5.16.2. If for any reason the application is rejected, the application fee or admission fee, as the case may be, or part thereof as may be decided by the Relevant Authority/ may at its discretion be refunded to the applicant, without any interest.

5.16.3. The Governing Board /Relevant Authority may at any time from the date of admission to the Trading Membership Clearing Membership of the Exchange cancel the admission and expel a Trading Member/Clearing Member if he has in or at the time of his application for admission to membership or during the course of the inquiry made by the Relevant Authority preceding his admission:

- a) Not found to be Fit and Proper person as may have been prescribed by relevant competent authority
- b) Made any willful misrepresentation; or
- c) Suppressed any material information required of him as to his character and antecedents; or

d) Has directly or indirectly given false particulars or information or made a false declaration.

5.16.4. When a person is admitted as Trading Member/Clearing Member of the Exchange, intimation of the person's admission shall be sent to the person and to the competent regulatory authority.

5.16.5. If the person admitted to the membership of the Exchange and after intimation of his admission is duly sent, does not become a member by complying with acts and procedures for exercising the privileges of membership as may be prescribed by the Relevant Authority/Governing Board within a specified time period from the date of dispatch of the intimation of admission, the admission fee paid by him may be forfeited by the Exchange.

5.17. Approval of Membership:

5.17.1. Certificate of Admission to Membership of the Exchange: On due payment of requisite fees, subscription, deposits including the initial security deposit and such other amounts and requirement as may be prescribed in the Bye-Laws, Rules and Business Rules of the Exchange and by the Governing Board from time to time and on compliance with all the requirements necessary before commencement of trading and/or clearing & settlement activity, a Certificate of Membership, under the common Seal of the Exchange and signed in such manner as the Relevant Authority may decide from time to time, may be issued to the newly admitted member.

5.17.2. If any such Certificate be lost, destroyed, defaced or worn out, the Relevant Authority or the Committee appointed and empowered for the purpose may issue a duplicate certificate on receipt of written representation as prescribed.

5.17.3. Certificate of Membership of the Exchange may be issued to the new member in such other form as the Relevant Authority may, from time to time, prescribe together with the intimation of the date from which he shall enjoy the rights and privileges and be subject to all the duties, liabilities and obligations of a Member of the Exchange.

5.17.4. When a member of the Exchange is admitted and a Certificate of Membership as provided above is issued to the member of the Exchange, notice of such admission may be published on the public media of the exchange.

5.17.5. A Member of the Exchange on admission shall not be entitled to exercise any

of the rights or privileges of membership until unique Membership Code has been allotted by the Commission and he shall have paid in full the non-refundable admission fee and any other fee or deposit as may be decided by the Board, and the annual subscription for the year of admission for the specific category of membership to which he has sought the admission. Where such member fails to make such payment within such number of days of receipt of the intimation of his admission, as may be decided by the Exchange from time to time, his admission shall be deemed to have been cancelled ab initio and he shall be deemed never to have been admitted as a member of the Exchange and the amount remitted to the Exchange shall be forfeited.

5.18. Renewal of Subscription:

- 5.18.1. Every Member of the Exchange shall pay the subscription, fee, deposit, interest or any other charges as may be fixed by the Relevant Authority, from time to time.
- 5.18.2. If any Member of the Exchange fails or neglects to pay subscription, fee, deposit or any other levies as required by the Relevant Authority for a continuous period of six (6) months, or such other fine as may be decided Governing Board/by Relevant Authority, Governing Board/the Relevant Authority may declare such Member of the Exchange as a defaulter for exchange charges within the meaning of these Rules.
- 5.18.3. Provided that such defaulting Member of the Exchange shall be at liberty to apply for re-admission as a member of the Exchange by complying with the provisions of these Rules as applicable to re-admission of defaulters.

5.19. Register of Exchange Members:

- 5.19.1. The Exchange shall maintain a register and index of Members of the Exchange in physical and/or electronic form. In the register of Members of the Exchange, the style, constitution and such other information as may be considered appropriate by the Relevant Authority/Governing Board may be collected and recorded for the use of the Exchange. In case of any change in these records, the members shall be liable to intimate the Exchange and take permission prior to carrying out such changes. Further all other details of the Members of the Exchange may be stored either on the system in electronic form or in the form of hard copies or both of the details as provided by the Members of the Exchange along with the application form, which shall be stored appropriately.

5.19.2. Every Member of the Exchange shall promptly notify the Exchange in writing about any change in the information provided by the Member of the Exchange at the time of admission or at a later stage to the Exchange. The Exchange shall indicate the changes in respect of which the Member of the Exchange should take prior approval from the Exchange. In case the Member fails to do so, then the Exchange shall charge penalty and/or take further disciplinary action as may be required.

5.20. Adherence of Conditions for Member:

5.20.1. Registered Members from time to time:

- a. shall adhere to the Rules, Bye Laws and Business Rules and shall comply with other operational parameters, rulings, notices, guidelines and instructions issued by the Exchange.
- b. shall be bound by the provisions of Forward Contract (Regulation) Act, 1952 and Forward Contract (Regulation) Rules, 1954 framed thereunder as in force and all directions / guidelines / circulars issued by the Commission from time to time and all other applicable laws in force
- c. shall adhere not to use the name as “Commex”, “CommDEX”, “Share”, “Stock” and “Securities” for registration of an entity as a member of the Exchange.
- d. shall furnish declarations, undertakings, confirmation and such other documents and papers relating to such matters and in such forms as may be specified by the Relevant Authority/Governing Board .
- e. shall furnish to the Exchange, in the specified form including electronic upload within such time as may be specified, an annual Auditors' Certificate certifying that requirements as may be specified by the Relevant Authority/Governing Board pertaining to their operations have been complied with.
- f. shall furnish such information and periodic returns pertaining to their operations as may be required by the Governing Board/ Relevant Authority either electronically or hardcopies or both as specified by the exchange or in hard or in both forms.
- g. shall furnish to the Exchange such audited and/or unaudited financial or qualitative information and statements and in such manner as may be required by the Governing Board / Relevant Authority.

- h. shall comply with the capital adequacy norms as may be prescribed by the Governing Board /Relevant Authority for membership of the Exchange; and
- i. shall comply with such requirements as may be specified by the Relevant Authority/Governing Board with regard to advertisements, booklets and issue of circulars in connection with their activities as Trading Member /Clearing Members.
- j. shall extend full cooperation and furnish such information and explanation and in such manner as may be required by the Relevant Authority/Governing Board or authorised person of the Exchange for inspection or audit or in regard to any dealings, settlement, accounting and/or other related matters.
- k. shall maintain the net worth during the entire period of his membership of the Exchange as may be stipulated by the Relevant Authority/Governing Board.
- l. shall pay such fees, subscription fees, security deposits and other charges as may be stipulated by the Relevant Authority/Governing Board.
- m. shall make payment of transaction fee including Annual Advance Minimum Transaction charges, if any, as may be specified by exchange.
- n. Shall take insurance policy at their own cost every year as per directions issued by the Exchange so as to protect themselves from risks and hazard relating to their business at the Exchange.

5.21. Security Deposit:

- 5.21.1. Initial Security Deposit: The Exchange may prescribe payment of initial security deposit from a Member payable at the time of his admission. A new member of the Exchange shall, not later than such number of days as may be specified by the Exchange, from the date of intimation in writing by the Exchange conveying its decision of admission, provide security deposit of a sum and in such mode(s) as may be decided by the Relevant Authority from time to time and shall maintain such security deposit with the Exchange at all times. The Exchange may also decide to bifurcate such security deposit into refundable and non refundable security deposits and may allow trading and exposure limit only on such part of the security deposit, as it may deem fit.
- 5.21.2. Additional Security Deposit: The member of the Exchange may be required to provide additional security deposits in the form of margin as may be directed by exchange from time to time in order to get higher limits to trade and settle.
- 5.21.3. Form of Security Deposit: The security deposit to be paid by a member of the Exchange shall be payable in such form, as specified by the Exchange subject to such terms and conditions as the Exchange may from time to time stipulate.
- 5.21.4. First Charge on Security deposit or Additional Security Deposit: The security deposit, margin, contribution to settlement guarantee fund and/or any other fund of a Member of the Exchange arising under these Rules, Bye-Laws, and Business Rules shall be charged with the due repayment of all debts and obligations of such Member of the Exchange to the Exchange/Company, to other Members of the Exchange; to the Clearing House of the Exchange and to any person arising out of contracts entered into and/or transacted under the Bye-Laws, Rules and Business Rules of the Exchange. All such debts and obligations to the Exchange shall rank in priority to all other claims; the debts to other Members of the Exchange shall rank pari passu and be entitled to have a charge on the residue thereof left after meeting debts to exchange, if any, subject to such first charge; after payment thereof, the residue, if any, shall be charged with all dues to any person under any award made in any arbitration proceeding held under the provisions of the Bye-Laws, Rules and Business Rules; and, after the above said appropriations, the residue thereof, if any, shall vest unconditionally with the Exchange.

5.21.5. On the termination of his membership of the Exchange or on death or liquidation of the Member of the Exchange, all the security deposit and additional security deposit, shall at the cost of the Member of the Exchange be repaid either to him/it or as directed or in the absence of such direction to the nominees or legal representatives.

5.21.6. Return of security deposit or additional deposit to Members of the Exchange or Designated Partners/directors: On the termination of membership of the Exchange, the security deposit and the additional deposit shall (at the cost of the member of the Exchange or designated partner) be repaid subject to such terms and conditions as may be decided by the Relevant Authority from time to time and transfer either to him or as directed by him or, in the absence of such direction to his legal heirs/legal representatives after recovering all the dues of the Exchange and the Clearing House.

5.21.7. However, the Exchange shall return back only such amount as may have been collected as a deposit in the form of refundable security deposit or additional deposit for providing trading and clearing limits, subject to settlement of all pending dues and also settlement of all outstanding contracts. Such deposits, fees or contributions, which are collected on non – refundable basis, shall not be refunded.

5.21.8. When a member of the Exchange or designated partner or representative member fails to provide security deposit as and when specified by the Exchange and within the time period specified by exchange, such relevant authority shall order deactivation of the trader work station suspending his business forthwith.

A member of the Exchange or designated partner or representative member providing security deposit under the provisions of the Rules of the Exchange shall sign a letter of declaration and/or other specified documents in the form prescribed in these Rules or in the Business Rules.

5.22. Partnership Firms as Member :

5.22.1. A partnership firm shall be eligible for admission as a member of the Exchange provided it fulfils the following:

- a. The firm is duly registered with the Registrar of Firms and the Income Tax authorities and such authorities as may be required;
- b. The deed of partnership is approved by the Exchange;
- c. The deed of partnership contains a provision to the effect that the business of the firm shall at all times be carried out so as to comply with

the Bye-Laws, Rules and Business Rules of the Exchange, for the time being in force;

- d. The partners of the firm are acceptable to the Exchange; and
- e. The deed of partnership permits individual partners of the firm from carrying on business of commodities trading and/or clearing in their individual capacity or as partners in other firms;

5.22.2. The firm shall undertake to fulfill the following:

- a. The Exchange shall be informed of any change in the partnership deed or of existing partners within one (1) month of such change and if any such change is unacceptable to the Exchange, the firm shall upon receipt of such written communication desist from such action and if the firm fails to comply, the Exchange shall have the right to suspend the rights and privileges of such Member of the Exchange, for a period as may be decided by the Relevant Authority , or expel such Member of the Exchange;
- b. The deed of partnership will include such provisions as the Exchange may from time to time require;
- c. The firm and its partners have undertaken unconditionally to fulfill any condition or requirement which the Exchange may insist upon for admission and continuance as a Member of the Exchange, from time to time; and
- d. No new partner shall be admitted without the prior approval of the Exchange.

5.22.3. No change in the name of an existing partnership shall be effected without prior intimation to the Relevant Authority and its approval; and if it is so approved, it shall be posted on the public mediums of the exchange.

5.22.4. None of the partners shall assign or in any way encumber his interest in the firm.

5.22.5. No Trading Member / Clearing Member who is a partner in any partnership firm shall assign or in any way encumber his interest in such partnership firm without intimation and prior approval of the Relevant Authority in such form and manner and subject to such requirements as the Relevant Authority may specify from time to time.

- 5.22.6. The partners of the firm shall do business only on account of the firm and jointly in the name of the partnership firm. No single partner or group of partners is entitled to any rights and privileges of Trading Member /Clearing Membership independent from that of their partnership firm.
- 5.22.7. The members of the partnership firm must communicate to the Exchange in writing under the signatures of all the partners or surviving partners any change in such partnership either by dissolution or retirement or death of any partner or partners.
- 5.22.8. The erstwhile partners of a dissolved firm, other than those who are members of the Exchange in their personal capacity, shall have absolutely no right, privilege, entitlement or concession of a Member of the Exchange, or any claim against the Company or the Exchange in connection with his partnership business, by virtue of having been a partner in the erstwhile partnership firm.
- 5.22.9. Any notice to the Exchange intimating dissolution of a partnership shall contain a statement as to who undertakes the responsibility of settling all outstanding contracts and liabilities of the dissolved partnership firm but that shall not be deemed to absolve the other partner or partners of his or their responsibility for such outstanding contracts and liabilities.
- 5.22.10. Any partnership that violates any of the provisions herein above, after being afforded an opportunity of being heard, shall be liable to be suspended by the Relevant Authority for such period as may be decided by the Relevant Authority and/or expelled from the membership of the Exchange.
- 5.22.11. Upon dissolution the partnership firm shall cease to be a Member of the Exchange

5.23. Partnerships by Members of the Exchange:

- 5.23.1. A Member of the Exchange desirous of carrying on business in partnership shall take approval of the Relevant Authority/Governing Board in advance by giving the names and particulars of the partners and the name of the partnership firm in the form, if any, prescribed. The existing Membership of the desirous Member of the Exchange shall then be transferred to the Partnership firm on admission of such firm as a Member of the Exchange. All regulatory compliances shall thereafter be in the name of the firm.
- 5.23.2. Every such application shall be accompanied by such information and a copy

of the draft deed of partnership, initially in connection therewith as may be required by the Governing Board/ Relevant Authority. Thereupon, after giving permission, Governing Board/ Relevant Authority shall record the partnership. When the partnership is entered into, a signed copy of the deed of partnership shall be delivered to the Exchange for the purpose of record within one month of its execution.

- 5.23.3. When the firm so constituted is dissolved, the firm shall cease to be a Member of the Exchange and there upon only the original Members of the Exchange holding membership in their individual capacity, and who was/were partner(s) thereof may carry on business in own individual names, but subject to the payment of the admission fee or deposit, if any, that shall be payable by him in accordance with the Bye-Laws, Rules and Business Rules in that behalf.
- 5.23.4. A partner of a firm who is not a Member of the Exchange in his individual capacity shall have absolutely no right, privilege, entitlement or concession of a Member of the Exchange, or any claim against the Company or the Exchange in connection with his partnership business, by virtue of he/she being a partner in the partnership with a member of the Exchange. Provided that he shall be jointly and severally responsible for all dues, claims or demands pending, if any, against the partnership firm.
- 5.23.5. The Member of the Exchange, who is the partner of any partnership firm, which is a Member of the Exchange, shall be primarily liable and responsible for all dues, claims or demands against the partnership by the Company or the Exchange and also the liabilities of the partnership to the Exchange and its Members of the Exchange. Provided that the other partners shall also be jointly and severally responsible for all dues, claims or demands pending, if any, against the partnership firm.

5.24. Limited Liability Partnership (LLP) as members of the Exchange

5.24.1. LLP shall be eligible for admission as a member of the Exchange provided it fulfils the following:

- a. The LLP is duly registered with the Registrar of Companies ;
- b. The LLP Agreement is approved by the Exchange;
- c. The LLP Agreement contains a provision to the effect that the business of the LLP shall at all times be carried out so as to comply with the Bye-Laws, Rules and Business Rules of the Exchange, for the time being in force;
- d. The partners and designated partners of the LLP are acceptable to the Exchange; and
- e. The LLP Agreement permits individual partners of the LLP from carrying on business of commodities trading and/or clearing in their individual capacity or as partners in other LLP;
- f. In case of a LLP in which all the partners are bodies corporate or in which one or more partners are individuals and bodies corporate, at least two individuals who are partners of such LLP or nominees of such bodies corporate shall act as designated partners.

5.24.2. The LLP shall undertake to fulfill the following:

- a. The Exchange shall be informed of any change in the LLP Agreement or of partners/designated partners within one (1) month of such change and if any such change is unacceptable to the Exchange, the LLP shall upon receipt of such written communication desist from such action and if the LLP fails to comply, the Exchange shall have the right to suspend the rights and privileges of such Member of the Exchange, for a period as may be decided by the Relevant Authority , or expel such Member of the Exchange;
- b. The LLP Agreement will include such provisions as the Exchange may from time to time require;
- c. The LLP and its partners have undertaken unconditionally to fulfill any condition or requirement which the Exchange may insist upon for admission and continuance as a Member of the Exchange, from time to time; and
- d. No new partner shall be admitted without the prior approval of the Exchange.

5.24.3. No change in the name of an existing LLP shall be effected without prior

intimation to the Relevant Authority and its approval; and if it is so approved, it shall be posted on the public mediums of the exchange.

5.24.4. None of the partners/ designated partners shall assign or in any way encumber his interest in the LLP.

5.24.5. No person shall at the same time be a partner in more than one LLP carrying on the business of commodities trading and/or clearing.

5.24.6. No Trading Member / Clearing Member who is a partner in any LLP shall assign or in any way encumber his interest in such LLP without intimation and prior approval of the Relevant Authority in such form and manner and subject to such requirement as the Relevant Authority may specify from time to time.

5.24.7. Notice of the formation of LLP, the names of partners/ designated partners and every change therein shall be posted on the public medium or any other Relevant Authority/Relevant Authority of the Exchange.

5.24.8. Upon dissolution the LLP shall cease to be a Member of the Exchange.

5.24.9. The erstwhile partners of a dissolved LLP, other than those who are members of the Exchange in their personal capacity, shall have absolutely no right, privilege, entitlement or concession of a Member of the Exchange, or any claim against the Company or the Exchange in connection with his LLP business, by virtue of having been a partner in the erstwhile LLP.

5.24.10. Any notice to the Exchange intimating dissolution of a LLP shall contain a statement as to who undertakes the responsibility of settling all outstanding contracts and liabilities of the dissolved LLP but that shall not be deemed to absolve the other partner or partners of his or their responsibility for such outstanding contracts and liabilities.

5.24.11. Any LLP that violates any of the provisions herein above, after being afforded an opportunity of being heard, shall be liable to be suspended by the Relevant Authority for such period as may be decided by the Relevant Authority and/or expelled from the membership of the Exchange.

5.25. Body Corporate and other forms of organizations as Members of the Exchange:

5.25.1. No company / body corporate and other forms of organizations shall be eligible for admission as a Member of the Exchange unless:

- a. The memorandum and articles of association of the company shall contain the enabling provision to undertake dealing in commodities and authorizes to take membership of the Exchange
- b. The objects for which the company is established shall include carrying

on business in commodities and/or to clear and settle transactions/contracts in commodities.

5.25.2. The company shall undertake to fulfill the following:

- a. The Exchange shall be informed of any appointment or re-appointment of directors within two (2) months of such appointment or re-appointment and if any such director is unacceptable to the Exchange, the company shall upon receipt of such written communication remove/exclude such director within three (3) months and if the company fails to comply, the Exchange shall have the right to suspend the rights and privileges of such Member of the Exchange, for a period as may be decided by the Relevant Authority of the Exchange, or expel such Member of the Exchange;
- b. The list of shareholders along with the shareholding pattern of the company will be furnished to the Exchange, if so desired by the Exchange;
- c. The Articles of Association of the company will incorporate such provisions as the Exchange may from time to time require;
- d. To fulfill any condition or requirement, which the Exchange may insist upon for admission as a member of the Exchange;
- e. The business of the company shall at all times be so managed as to comply with the Bye-Laws, Rules and Business Rules of the Exchange as may be applicable from time to time;
- f. A director of a company that is a Member of the Exchange shall not carry on business in commodities trading and clearing, either, as a proprietor, partner of a firm or director of any other company which is a Member of the Exchange, except with the previous approval of the Exchange;
- g. If there is any change in the shareholding pattern of the company, which is not acceptable to the Relevant Authority of the Exchange, the Relevant Authority may take such action as it may think appropriate.

5.25.3. In respect of other forms of organization, the Exchange may in its Bye-Laws and Rules, prescribe from time to time the eligibility requirement, terms and conditions of the membership of the Exchange.

5.26. Register of Business Names:

5.26.1. Trade Names Register to be Kept:

- a. Where any Member of the Exchange has obtained the permission or approval of the Relevant Authority to carry on business under a business or trade or firm name, the particulars thereof shall be entered in the register of business names, which shall be open for inspection by Members of the Exchange. The business names will also be available in member directory on exchange website.

5.27. Appointment of Intermediaries by Exchange Members:

5.27.1. **Appointment of Authorized Persons :**

- a. Member (s) of Commodity Exchange (s) may appoint one or more Authorized Persons after obtaining specific prior approval from the concerned Commodity Exchange.
- b. The approval as well as the appointment shall be specific for each such authorized person.
- c. The Exchange will have the discretion to refuse or withdraw permission if any, granted/ to be granted to any Authorized Person at any time without assigning any reason, if the Exchange, in its absolute discretion, considers such refusal or withdrawal to be in the interest of the market
- d. The Relevant Authority in its absolute discretion or in accordance with the FMC directives/guidelines may prescribe the terms and conditions governing the appointment and functioning of the Authorized Person.

5.27.2. **Appointment of Authorized Representatives**

- a. Any Member of the Exchange shall be entitled to be represented in respect of his or its business by an authorized representative.
- b. A Member of the Exchange desirous of appointing authorized representative(s) shall apply for the permission of the Exchange in such form as the Relevant Authority may from time to time prescribe.

5.27.3. Appointment of Approved Users

- a. A member of the Exchange carrying on business on the Exchange shall be entitled to appoint persons who are in his own exclusive employment or are his authorized representatives as approved users with the permission of the Exchange for operating the trader work stations connected with the automated trading system of the Exchange and entering orders in such system/segment or having view only terminals on behalf of such member/Trading Member.
- b. A Member of the Exchange desirous of appointing approved users shall apply for the permission of the Exchange in such form as the Relevant Authority may prescribe from time to time.

5.28. Constituted Attorneys:

5.28.1. Power to Appoint Attorneys as good as Authorised Representatives

- a. A Member of the Exchange may give a power of attorney to any person to carry on or supervise his business in the Exchange or to clear and sign contracts, reports and statements on his behalf in respect of transactions in the Exchange; provided the person so appointed, is in all other respects eligible for election as a Member of the Exchange and his appointment is previously approved by the Exchange.
- b. No member or constituted attorney/ authorized representative shall manage portfolio for any passive client. The member shall keep record of each order placed by the client in the form of written or electronic document or the voice recording instrument. Such record shall be preserved and maintained atleast for two years and in disputed cases, till six months from the final disposal of the dispute, at a place notified by the Member of the Exchange.
- c. A register of constituted attorneys shall be maintained by the Exchange in which shall be entered the names of the constituted attorneys and the names of the appointing Members of the Exchange and any changes thereof, together with the dates on which the authority is granted and/or rescinded, which shall be open for inspection by the Members of the Exchange.
- d. Nothing contained in these presents shall absolve the Member of the Exchange granting the power of attorney from responsibility for the acts or omissions of his attorney.

5.29. Termination of Membership:

5.29.1. Any Member of the Exchange shall cease to be a Member of the Exchange:

- a. By surrender of membership;
- b. By transfer/nomination
- c. By death;
- d. By expulsion in accordance with the provisions contained in the Bye Laws, Rules and Business Rules;
- e. By dissolution in case of partnership firm;
- f. By winding up or dissolution of such company in case of a limited company.
- g. By being declared a defaulter in accordance with the Bye Laws, Rules and Business Rules of the Exchange;
- h. he is adjudged bankrupt or a receiving order in bankruptcy is made against him or he is proved to be insolvent;
- i. he is convicted of an act involving moral turpitude;
- j. By resignation;
- k. he is declared as lunatic;
- l. Being a company/body corporate, it ceases to maintain or have the characteristics of eligibility under the provisions of the Rules and Articles of the Exchange or is wound up
- m. On the directives issued by the Forward Market Commission

5.29.2. Notwithstanding anything contained in any other provisions of the Articles, Bye-Laws, Rules and Business Rules of the Exchange, the expulsion of a Member of the Exchange from the membership of the Exchange, whether it being bodies corporate, partnership, individual or such other person as may be admitted as Member of the Exchange, shall be final and conclusive.

5.29.3. The termination of Member shall not in any way absolve the Member from any obligations and liabilities incurred by the Member prior to such termination.

5.30. Nomination of Membership:

5.30.1. A Member or his successor(s) may make a nomination to the certificate of Membership. The nomination(s) made by a Members or successor(s) of a Trading/Professional Clearing/Institutional Trading cum clearing Member shall be subject to the following conditions, namely:

- a. The nominee(s) shall, at the time when the nomination becomes

effective, be person(s) who shall be qualified to be admitted as Trading Member(s) of the Exchange;

- b. The nominee(s) shall give to the relevant authority his/their unconditional and irrevocable acceptance of his/their nomination;
- c. A Member shall nominate one or more of his successor(s) as per the applicable succession laws. If the Member has no successor(s) willing to carry on the Trading Membership, then, the Trading Member may nominate person(s) other than his successor(s);
- d. If the Member has not nominated any person and is rendered incompetent to carry on his business on the Exchange on account of physical disability, then the Member may, within a period of six months, make a nomination as per the provisions of sub-clause (c) above;
- e. If the Member has not nominated any person, the successor(s) of the said Member may nominate one or more persons from among themselves within six months from the date of the death of the Trading/ Member;
- f. If the nomination of the Member is such that it cannot be given effect to by the relevant authority, at the time when the nomination would have become effective, then the successor(s) of such a Trading Member may nominate any other person(s) within six months from the date on which the nomination would have become effective;
- g. If more than one person(s) are nominated by the Member or the successor(s), then such nominated person(s) shall be required to form an entity which can either be an individual, sole proprietorship, Body Corporate, Limited Liability Partnership or such other entity as may be permitted by the exchange to carry on the Trading Membership;
- h. A nomination made by a Member or successor(s) may be revoked with the prior written approval of the relevant authority and subject to such terms and conditions as the relevant authority may prescribe from time to time. No such revocation shall be permitted after the nomination becomes effective; and
- i. The nomination shall become effective in the case of a nomination made by a Member, from the date of his death or physical disability or from the date of approval by the relevant authority, whichever is later and in the case of a nomination made by successor(s), from the date on which such nomination is made or from the date of approval by the relevant

authority, whichever is later.

5.30.2. Other Rules for Nomination

- a. The nomination may be made by a member of the Exchange whether before or after his resignation and shall be in such form or forms as the Relevant Authority / Governing Board may, from time to time, prescribe.
- b. The legal representatives of a deceased Member of the Exchange or his heirs, with the sanction of the Relevant Authority, may nominate any person eligible under these presents for admission to membership of the Exchange as a candidate for admission in the place of the deceased Member of the Exchange.
- c. A Member of the Exchange who has resigned from membership of the Exchange shall be entitled to exercise the power of nomination hereby conferred only if he had been a member of the Exchange for a period of not less than three (3) years prior to the date of his resignation. Provided further that the requirement as to membership of the Exchange for three (3) years shall not apply to succession by nomination on death of a member of the Exchange.
- d. A Member of the Exchange who intends to resign may also exercise the aforesaid power of nomination, provided that in his letter of nomination, the nominating Member of the Exchange shall also tender his resignation as Member of the Exchange to take effect immediately upon the admission of the nominee as a member of the Exchange.
- e. If any person so nominated is found ineligible for admission as a Member of the Exchange under the provisions of these presents or if the Board rejects the application of the nominee for membership of the Exchange, the nominating Member of the Exchange or nominating legal representatives of a deceased Member of the Exchange shall be entitled to make fresh nomination or nominations until his nominee has been admitted as a Member of the Exchange and thereafter he shall not be entitled to make any such nomination.
- f. Where a member of the Exchange makes a nomination before resigning and has tendered his resignation thereafter, and if the application of the nominee for membership of the Exchange is rejected by the Board, the resignation of the nominating Member of the Exchange shall not take effect until his nominee has been admitted as a Member of the

Exchange.

- g. The person so nominated by a Member of the Exchange or by his legal representatives shall send in his application for membership of the Exchange in accordance with these presents and the application shall be dealt with on its merits and no nominee shall be entitled to be admitted by reason only of his having been nominated unless he is duly qualified in accordance with these presents.
- h. A person applying for membership of the Exchange with a nomination as aforesaid shall be bound to pay such fee as prescribed in the Bye-Laws, Rules and Business Rules of the Exchange. Provided that, the Board may decline to consider the nomination made by a Member of the Exchange or legal representative of a deceased Member of the Exchange unless all amounts due by the Member of the Exchange or the deceased Member of the Exchange to the Exchange arising out of the contracts cleared and/or transacted by the nominating Member of the Exchange or deceased Member of the Exchange under these presents shall have been paid and satisfied in full; and if not so paid in full within such period as may be notified by the Board, the Board shall be entitled to reject such nomination.
- i. The Board shall recognize the executor or administrator of the estate of the deceased Member of the Exchange as the person entitled to nominate in accordance with these presents; provided that where there is no executor or administrator of the estate of the Member of the Exchange, the Board may recognize the claim of any person to be the heir of the deceased Member of the Exchange for the purpose of making the nomination as aforesaid on such evidence and subject to such conditions as to indemnity and security as the Board may consider necessary.

5.30.3. Nomination Form :

- a. Form for Member of the Exchange nominating during his lifetime: A member of the Exchange may lodge with the Exchange nomination in the form prescribed by the Exchange tendering his resignation from membership of the Exchange. This nomination in favour of a person other than a family member shall be valid if lodged with the Exchange during the lifetime of the member of the Exchange and shall automatically get revoked, if the member of the Exchange expires before this nomination form is lodged with the Exchange.
- b. Form of Nomination in favour of a Family Member: A member of the Exchange may lodge with the Exchange nomination in the prescribed form, tendering his resignation from membership. This nomination lodged by a member of the Exchange during his lifetime in favour of a family member shall be valid until substituted by a fresh nomination.
- c. Form for Legal Heirs/Legal Representatives: Legal heirs/legal representatives shall be required to lodge with the Exchange nomination in the prescribed form, exercising right of nomination vested in them in respect of the deceased member of the Exchange.

5.30.4. The Membership of the Exchange shall be transferable on payment of such fee as the Exchange may prescribe from time to time provided that such transfer shall be effected only from the date of the approval by the Board. The Board shall have the power to refuse transfer of membership if in the interest of the Exchange; it is expedient to do so.

5.30.5. The Board shall also be competent to decide other terms and conditions relating to transfer of membership from time to time.

5.30.6. Notice of Nomination

- a. A notice of the proposed nomination shall be posted on the notice board or notified by way of the automated trading system of the exchange. Within 15 calendar days of the posting/notifying, as the case may be, of such notice, any person or any member of the Exchange may file claims against the member of the Exchange in respect of whom the nomination has been made and/or the persons in whose favour the nomination has been made and any claim not so filed, within the said period, shall be rendered liable for summary rejection and may not be considered by the Governing Board/ Relevant Authority.

5.30.7. **Dues and Claims**

- a. The Relevant Authority shall not approve a nomination unless the nominating member of the Exchange, and legal heirs/legal representatives in the case of a deceased member or the person/s in whose favour the nomination has been made, shall have paid all required dues and completed all required formalities satisfactorily as specified in Rules, Bye-Laws and Business Rules or any other Exchange regulatory release from time to time and following dues:
 - i. **Dues of the Exchange:** Such subscriptions, debts, fines, fees, charges, interest and other monies due to the Exchange and/or the Clearing House payable by the nominating member of the Exchange or by the legal heirs/legal representatives on behalf of the deceased member of the Exchange;
 - ii. **Liabilities Relating to Contracts:** Such debts, liabilities, obligations and claims arising out of any contract made by the nominating or deceased member of the Exchange, subject to the Rules, Bye-Laws and Business Rules of the Exchange, as shall have been admitted by the Relevant Authority or the Membership Committee and all amounts due or payable by the nominating or **deceased member of** the Exchange to the Settlement/Trade Guarantee Fund or any other fund of the Exchange.

5.30.8. **Fresh Nomination**

- a. If a nominee is not eligible under the Rules or Business Rules of the Exchange or if a nominee be rejected by the Governing Board/ Relevant Authority, a fresh nomination or nominations may be submitted to the Exchange, until a nominee is admitted as a member of the Exchange.

5.31. Transfer of Membership:

- 5.31.1. Membership of the Exchange shall be transferable to any eligible entity as stated and as may be approved by the Relevant Authority/Governing Board thereof.
- 5.31.2. The membership can be surrendered either by resignation from the Membership of the Exchange or transfer of the membership by nomination.
- 5.31.3. In case of resignation, the member of the Exchange shall be entitled to receive back his deposit, if any, after the Exchange and the Clearing House have recovered all outstanding dues from the member who has tendered his resignation, subject to such lock in period as may be specified by the Relevant Authority .
- 5.31.4. The admission fee paid by the member of the Exchange shall be non-refundable.
- 5.31.5. The relevant authority may permit the transfer of the certificate in the following circumstances:
- a. Death of a Trading Member;
 - b. If in the opinion of the relevant authority, the Trading Member is rendered incompetent to carry on his business on the Exchange on account of physical disability;
 - c. Upon amalgamation or merger of a Trading Member company;
 - d. Upon takeover of a Trading Member company; and
 - e. Upon the death of or resignation or notice of dissolution by a partner of a Trading Member firm, and re-alignment, if any, by the partners in such firm or by the partners in such firm and the nominee(s)/successor(s) of the outgoing partner or by the partners in such firm and person(s) other than the nominee(s)/successor(s) of the outgoing partner in a new firm, within a period of six months from the date of such death or resignation or notice of dissolution.
- 5.31.6. The relevant authority may, while permitting the transfer, prescribe from time to time such transfer fee as it deems fit in the following circumstances viz.,
- a. nomination by a Trading Member of a person other than successor(s) under the applicable laws;
 - b. nomination by the successor(s) of a Trading Member, if the nominee(s) is/are not from amongst the successors;

- c. amalgamation or merger of a Trading Member company with a non Trading Member company resulting in the loss of majority shareholding and/ or control of management by the majority shareholders of the Trading Member company;
- d. takeover of the Trading Member company by non Trading Member(s) resulting in the loss of majority shareholding and/ or control of management by the majority shareholders of the Trading Member company; and
- e. in the case of sub-clause (e) of clause (5.29.2), if the person(s) other than the nominee(s)/successor(s) of the outgoing partner hold at least 51% of share in the profits & losses of the new firm and /or atleast 51% of share in the capital of the new firm.

Explanation I

For the purpose of sub-clauses (c) and (e) above, the term “loss of majority shareholding” means a shareholder or a group of shareholders holding 51% or more shares/interest in the Trading Member company ceases to hold 51% of shares/interest in the Trading Member company or in the amalgamated company which shall take up Trading Membership upon amalgamation of the Trading Member company with a non Trading Member company.

Explanation II

For the purpose of sub-clauses (c) and (e) above, the term “loss of control in management” means the loss of the right to appoint majority of the directors or to control the management or policy decision exercisable by 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.

5.32. Conversion of Legal Status of the Trading Member / Clearing Member:

5.32.1. Subject to such terms and conditions as the Relevant Authority/Governing Board may prescribe from time to time and to the prior written approval of the Relevant Authority, conversion of the legal status of a Trading Member / Clearing Member may be effected as follows:

- a. By conversion of an individual Trading Member / Clearing Member into a partnership firm / company;
- b. By conversion of a Trading Member firm / Clearing Member firm into a company.
- c. By dissolution of a Trading Member firm / Clearing Member partnership firm

5.32.2. The Membership does not confer any ownership right as a member of the Exchange and shall not be a transferable instrument without prior specific permission in writing from the Relevant Authority/Governing Board and subject to these Bye Laws and conditions as may be stipulated by the Relevant Authority/Governing Board from time to time.

5.33. Surrender of Membership:

5.33.1. A Trading Member / Clearing Member who intends to surrender the Trading Membership/Clearing Membership of the Exchange shall intimate to the Exchange by a written notice to that effect which shall be displayed on the public media of the exchange.

5.33.2. Any member of the Exchange objecting to any such surrender shall communicate the grounds of his objection to the Relevant Authority/Governing Board by letter within such period as may be specified by the Relevant Authority/Governing Board from time to time.

5.33.3. The Relevant Authority/Governing Board may accept the surrender of a member either unconditionally or on such conditions as it may think fit or may refuse to accept such surrender and in particular may refuse to accept such surrender until it is satisfied that all outstanding transactions with such member have been settled.

- 5.33.4. A Trading/Clearing Member desirous of surrendering the membership shall before making an application for surrender of membership comply with the following:
- a. Intimate all his clients/ constituents regarding surrender of membership at least 21 days prior to date of application of surrender of membership of the Exchange.
 - b. Ensure that his open positions as on the date of the application are nil.
 - c. Ensure that there are no pending dues towards the Exchange, clients and Forward Markets Commission.
 - d. There are no pending disciplinary proceedings against him from the Exchange or Forward Markets Commission.
 - e. There are no investor complaints/ arbitrations pending against him.
- 5.33.5. The member has to make an application for surrender of membership in the prescribed format of the Exchange. The application for surrender includes a request for deactivation also.
- 5.33.6. The exchange shall process the request for deactivation keeping in view pending dues, disciplinary action, etc. De-activation, if approved, will be intimated to the member by the Exchange.
- 5.33.7. On receipt of intimation of de-activation from the Exchange, the member shall publish an advertisement in prescribed format in a regional and in a national daily newspaper and forward the original copies of the advertisements to the exchange. The member shall also forward a request for surrender of leased line and VSAT, if any, and an application for cancellation of User IDs.
- 5.33.8. On completion of 3 months from the date of publication of the advertisement, the Exchange shall process the application for surrender of membership subject to clearance of all pending dues/disciplinary proceedings etc. and investor complaints received by the exchange, if any.
- 5.33.9. On approval of the surrender request, the exchange will intimate the same to the member.

- 5.33.10. The initial security deposit will be refunded to the member after three years from the date of approval of membership OR one year after the approval of surrender of membership by the Exchange, whichever is later. The initial security deposit may be retained by the Exchange beyond the stipulated period if any unfulfilled obligations, investor complaints, disciplinary action, etc. against the member come to exchange's notice after the approval of surrender and before the stipulated date of release of security deposit.
- 5.33.11. Admission fee is not refundable, but margin deposits are refundable subject to settlement of all pending dues, outstanding contracts and charges, VSAT expenses, fees, etc.
- 5.33.12. The member shall be required to replace/renew the maturing non-cash component of the initial security deposit suitably till the release of initial security deposit by the exchange.
- 5.33.13. The member shall be required to pay annual subscription and other charges till surrender of membership are approved by the Exchange provided that the delay in approval of surrender of membership is by reason of the Member's failure to fulfill the obligations/conditions stipulated for surrender of membership.
- 5.33.14. The application for surrender of membership once filed is irrevocable and irreversible.
- 5.33.15. For any of the clauses referring to process of admission, transfer, nomination and surrender the term 'Trading Member' shall to the extent applicable, include a partner of a Trading Member firm or a shareholder of a Trading Member company. The term successor(s) shall to the extent applicable, include successor(s) of a partner of a Trading Member firm or successor(s) of a shareholder of a Trading Member company.

5.34. Resignation

- 5.34.1. A Trading Member / Clearing Member who intends to resign from the Membership shall intimate a written notice to that effect.
- 5.34.2. Any Trading Member / Clearing Member objecting to any such resignation shall communicate the grounds of his objection to the Relevant Authority/Governing Board by letter within such period as may be specified by the Relevant Authority/Governing Board from time to time.
- 5.34.3. The Relevant Authority/Governing Board may accept the resignation of a Trading Member/Clearing Member either unconditionally or on such conditions as it may think fit or may refuse to accept such resignation and in particular may refuse to accept such resignation until it is satisfied that all outstanding transactions with such Clearing Member have been settled.

5.35. Death

- 5.35.1. On death of a Trading Member / Clearing Member, his legal representatives and authorized representatives, if any, shall communicate due intimation thereof to the Relevant Authority/Governing Board in writing immediately and all future activities of the Clearing Member shall cease immediately except so far as it pertains to past obligations prior to his death.
- 5.35.2. On the termination of membership on his death, the Exchange, with whom security deposits, other monies, any additional deposits, whether in the form of cash, bank guarantees, securities or otherwise, or any other securities are lying, shall deduct only the dues, liability of the deceased member from his deposits and in such manner as the Relevant Authority/Governing Board may prescribe from time to time.

5.36. Failure To Pay Charges:

- 5.36.1. Save as otherwise provided in the Bye Laws, Rules and Business Rules of the Exchange if a member fails to pay his annual subscription, fees, charges, deposits, fines, penalties, contribution to Settlement Fund(s), other charges, or other monies which may be due by him to the Exchange or to the Clearing House within such time as the Relevant Authority/Governing Board may prescribe from time to time after notice in writing has been served upon him by the Exchange, he may be suspended by the Relevant Authority/Governing Board until he makes payment and if within a further period of time as may be specified by the Relevant Authority/Governing Board from time to time, he fails to make such payment, he may be declared a defaulter or expelled

by the Relevant Authority / Governing Board.

5.37. Continued Admittance:

5.37.1. The Relevant Authority/Governing Board shall from time to time prescribe conditions and requirements for continued admittance to Trading Membership/Clearing Membership which may, inter alia, include maintenance of minimum networth and capital adequacy. The Trading Membership / Clearing Membership of any person who fails to meet these requirements shall be liable to be terminated.

6. DEFAULT(S)

6.1. Declaration of Defaulter

6.1.1. A member of the Exchange shall be declared by the Governing Board/Relevant Authority a defaulter, where the monies, commodities, securities and bank guarantees deposited with the Exchange are not adequate to discharge the member's obligations and liabilities. A member of the Exchange shall also be declared a defaulter by direction of the Relevant Authority, Governing Board, or a Committee, on the happening of any one or more of the following instances —

- a. If he is unable to fulfill his engagements or obligations; or
- b. If there is inadequate balance in his designated bank account and as a consequence an instruction issued by the Exchange for debiting his account towards recovery of pay in dues, margin dues or any other dues fails; or
- c. If he admits or discloses his inability to fulfill or discharge his engagements, obligations or liabilities; or
- d. If 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 Bye- Laws/Rules / Business Rules of the Exchange; or
- e. If he fails to pay any sum due to the Clearing House or to deliver to the Clearing House any commodity or instrument on the due date; or
- f. If he fails to pay/reimburse to the Settlement Guarantee Fund of the Exchange in respect of the amount used from it for the purpose of fulfilling settlement obligations on his behalf; or
- g. If he fails to honour the award given by the Arbitrator under the Arbitration proceedings provided in the Bye-Laws of the Exchange; or
- h. If he fails to pay or deliver such money and/or such commodities and/or instruments arising out of a transaction executed on the Exchange, provided such obligation is not disputed by the member / trading member; or
- i. If he fails to pay or deliver to the Exchange or Relevant Authority all monies, delivery commitments and other assets due to a member of the Exchange who has been declared a defaulter within such time as directed by the Relevant Authority; Or

j. If any Member of the Exchange fails or neglects to pay subscription, security deposit or any other levies as required by the Relevant Authority for a continuous period of six (6) months or such other time as may be prescribed by the Relevant Authority.

6.1.2. For the purpose of the aforesaid, Members may be accorded an adequate opportunity of being heard by the exchange and after the hearing the decision arrived by the Relevant Authority shall be final and binding on the member.

6.2. Declaration of Deemed Defaulter

6.2.1. In case of death of a member, if the legal heirs/legal representatives of a deceased member of the Exchange or any other person on his behalf do not or are unable to pay and satisfy his dues, debts, liabilities, obligations and claim as provided in the Rules, Bye-Laws and Business Rules of the Exchange, such deceased member shall be declared a deemed defaulter by direction of the Relevant Authority, or a Committee, or the Managing Director and / or Chief Executive Officer.

6.2.2. In case a member does not clear his liability on the Exchange and such liability is more than his available security deposits, margin and other assets available with the Exchange, then the Exchange may declare a person deemed defaulter until the member clears his liabilities. However the Exchange will have the right to declare such deemed defaulter as defaulter any time, as it may decide.

6.3. Compromise Forbidden

6.3.1. A member of the Exchange guilty of accepting from any member of the Exchange anything less than a full and bonafide money payment in settlement of a debt arising out of a transaction in commodities shall be suspended for such period as the Relevant authority may determine.

6.4. Post Declaration of Defaulter Process.

6.4.1. On a member of the Exchange being declared a defaulter, a notice to that effect shall be notified through public media by the exchange.

6.5. Defaulters Books and Documents

6.5.1. When a trading/Clearing member has been declared a defaulter, the Relevant Authority shall take charge of all his books of accounts, documents, papers and vouchers to ascertain the state of his affairs and the defaulter shall hand over such books, documents, papers and vouchers to the Relevant Authority as may be required by Relevant Authority to find out the obligations of the defaulting trading member towards Exchange, other trading members, constituents and clearing members. The Relevant authority shall after strict investigation close out the open positions if any of the Defaulting member and at the risk and cost of creditors of the member pay or distribute on pro rata any realisation out of the assets after deducting its own dues.

6.6. List of Debtors and Creditors

6.6.1. The defaulter shall file with the Relevant Authority a written statement containing a complete list of his debtors and creditors and the sum owing by and to each of them, within such time of the declaration of his default as the Relevant Authority may direct.

6.7. Defaulter to give Information

6.7.1. The defaulter shall submit to the Exchange or Relevant Authority such statement of accounts, information and particulars of his affairs as the Relevant Authority may from time to time require and if the Relevant Authority so desires, he shall appear before the Relevant Authority at its meeting in connection with his default.

6.8. Assets to vest in the Relevant Authority

6.8.1. The Relevant Authority shall call in and realize the security deposits in any form, collateral, margin money, other amounts lying to the credit of and commodities and securities deposited by the defaulter and recover all moneys, commodities, securities and other assets due, payable or deliverable to the defaulter by any other Trading Member/Clearing Member in respect of any transaction or trades/transactions made subject to and in accordance with the Bye-laws, Rules and Business Rules of the Exchange and such assets shall vest ipso facto, on declaration of any Trading Member/Clearing Member as a defaulter, in the Exchange for the benefit of and on account of any dues of the Exchange, other trading members/clearing member, Constituents of the defaulter, approved banks and any other persons as may be approved by the Relevant Authority and other recognized Exchanges provided the dues are in respect of any transaction or trades made by the member subject to and in accordance with the Bye-Laws, Rules and Business Rules of the Exchange.

6.9. Consequences of Declaration of Defaulter

6.9.1. Cessation of Membership of the Exchange at Once: A member of the Exchange who is declared a defaulter/deemed defaulter shall at once cease to be a Member of the Exchange and as such ceases to enjoy any of the rights and privileges of membership of the Exchange but the rights of his creditors, arising out of or incidental to the transactions, against him shall remain unimpaired as provided herein.

6.9.2. Lapse of Right of Membership of the Exchange: The right of member of the Exchange shall lapse or forfeit to and vest in the Exchange ipso facto upon such member of the Exchange being declared a defaulter/ deemed defaulter.

6.9.3. Prohibition to Re-admission: No person who was a member of the Exchange and declared a defaulter or expelled by the Exchange shall be readmitted to the membership of the Exchange for a minimum period of five years or any period as may be decided by the Relevant Authority from the date, he is declared a defaulter/expelled by the Relevant Authority of the Exchange.

declared a defaulter/expelled by the Relevant Authority of the Exchange.

6.9.4. No person who was a member of any other Exchange and who has been declared a defaulter or expelled by the other Exchange shall be admitted as Right to membership of the Exchange shall lapse and vest in the Exchange immediately after he is declared as a defaulter. On the declaration as defaulter he shall at once cease to be a Member of the Exchange and as such cease to enjoy any of the rights and privileges of membership of the Exchange but the rights of the Exchange and his creditor Members of the Exchange against him shall remain unimpaired.

6.9.5. The right of nomination of the interest in the Exchange held by a Member of the Exchange who has been declared a defaulter shall vest with the Exchange and shall be exercised by the Exchange as detailed in these presents.

6.10. Auction of Rights of Membership of the Exchange of Defaulter

- 6.10.1. The Exchange shall sell the interests and the membership in the Exchange of the defaulting Member of the Exchange within a reasonable period through auction or such other process as fixed by the Relevant authority and nominate to membership of the Exchange in the place of the defaulting Member of the Exchange any person who offers the highest bid, provided such successful bidder is otherwise eligible to become a member of the Exchange as per these presents.
- 6.10.2. A notice, of the auction/disposal detailing the terms and conditions shall be intimated by the Exchange in advance before the day fixed for the auction/disposal.
- 6.10.3. The admission fee payable by the successful bidder shall be used to clear the outstanding dues of the defaulter in accordance with these presents.
- 6.10.4. The net amount realized by the Exchange in the auction pursuant to these presents shall be charged with the due repayment of all debts and obligations of such defaulting Member of the Exchange to the Exchange/Company, to other Members of the Exchange, and to any person arising out of contracts entered into and/or transacted under these presents, the Bye-Laws, Rules and Business Rules of the Exchange. All such debts and obligations to the Exchange shall rank in priority to all other claims; the debts to other Members of the Exchange shall rank pari passu and be entitled to have a charge on the residue thereof, if any, subject to such first charge; after payment thereof, the residue left after meeting the debts of the exchange, if any, shall be charged with all dues to any person under any award made in any arbitration proceeding held under the provisions of these presents, Bye-Laws, Rules and Business Rules; and, after the above said appropriations, the residue thereof, if any, shall vest unconditionally with the Exchange.
- 6.10.5. In the case of default by a partnership firm, the individual Memberships of the Exchange, if any, of the partners of the defaulting firm shall also lapse and the provisions of defaulters shall apply to the interest of all the Members of the Exchange who are partners of the defaulting firm.

6.11. Re-Admission of Defaulters

- 6.11.1. The Relevant authority may, upon an application by the defaulter for re-admission, re-admit a defaulter to the membership of the Exchange, at any time before any action pursuant to these presents is initiated effected by the Relevant Authority, subject to the provisions contained in the Bye-Laws, Rules and Business Rules.
- 6.11.2. Any person intending to object to the re-admission of the defaulter shall communicate the grounds of his objection to the Relevant Authority within fourteen (14) days from the date of posting of the notice of the application. The Relevant Authority shall not make public the grounds of objection, which shall be confidential.
- 6.11.3. Upon an application for re-admission by a defaulter, the Governing Board or Relevant Authority shall investigate his conduct and accounts and no further proceedings shall be taken by the Relevant Authority with regard to his re-admission until the report of the Relevant Authority shall have been submitted together with a statement as to the defaulter's estate signed by himself.
- 6.11.4. The Relevant Authority may re-admit only such defaulter who in its opinion:
 - a. Has defaulted owing to the default of principals whom he might have reasonably expected to be good for their commitments;
 - b. Has not been guilty of bad faith or breach of the Bye-Laws, Rules and Business Rules of the Exchange;
 - c. Has kept his business within a reasonable proportion of his means or resources; and
 - d. Has been irreproachable in his general conduct.
- 6.11.5. A defaulter shall not be eligible for re-admission unless he had made out of his own resources, a bona fide money payment of the amount of loss, dues and other arrears in the manner and to the extent, as may be prescribed by the Relevant Authority and to its satisfaction.
- 6.11.6. Any defaulter so re-admitted shall not be required to pay the admission fee as prescribed by the Relevant Authority in these presents provided the Relevant Authority has not nominated any other person in exercise of its rights to nominate a successor to the defaulting Member of the Exchange. But if such nomination has been made and the nominee admitted to the membership of the Exchange, then the defaulter shall be re-admitted only on meeting all the admission criteria and payment of a fresh admission fee

as may be prescribed in these presents.

- 6.11.7. Surrender of Names of Clients and Books - a Condition of Eligibility- A defaulter shall not be eligible for re-admission if he fails to give the names of any clients indebted to him or if he fails to deliver to the Exchange / Relevant Authority soon as he is so required to do, his original books and accounts and all other papers, vouchers, documents and records and any information, explanations and statements he is called upon to submit.
- 6.11.8. Full Payment - a Condition of Eligibility- A defaulter shall not be eligible for re-admission unless, within such time as may be specified by the Relevant Authority , he has made full payment of all amounts payable by him to the Exchange, to the Clearing House/Clearing Corporation or to the Settlement/ Trade Guarantee Fund and also of all amounts payable by him to all other creditors (whether they be members of the Exchange or not) arising out of, or in connection with and/or incidental to the contracts made subject to the Rules, Bye-Laws and Business Rules of the Exchange for which the decision of the Exchange or Relevant Authority shall be final and binding; provided that where a claim of a creditor other than the Exchange, the Clearing House or the Settlement/ Guarantee Fund is the subject matter of an arbitration proceeding under the Rules, Bye-Laws and Business Rules of the Exchange which is pending, the Relevant Authority may, in its discretion, consider the defaulter to be eligible for re-admission if he deposits with the Exchange a sum equal to the amount of such disputed claim. The sum so deposited shall be paid to the claimant to the extent of which the arbitration award is in favour of the claimant and the balance shall be refunded to the defaulter.
- 6.11.9. Defaulter When not to be Re-admitted-A defaulter shall not be readmitted if his default has been contributed to by reckless dealings on his own account or if his conduct has been marked by indiscretion and by the absence of reasonable caution, or when there is a directive from the Commission to that effect.

6.12. Apportionment of Consideration Realized/Other Receivables Realized:

6.12.1. The consideration received against disposal of the right of membership vesting in the Exchange shall be merged with the security deposit and any other securities/monies lying to the credit of the member of the Exchange prior to declaration of a defaulter/deemed defaulter, together with any realisation that may have been made by the Relevant Authority, and shall be applied to the following purposes and in the following order of priority:

- a. First Priority - Dues of the Exchange: payment of subscriptions, debts, fines, fees, charges, transactions and other moneys including interest on such dues to the Exchange.
- b. Second Priority - Dues of the Exchange/Clearing House: payment of dues, pay in liabilities, fines, charges and other moneys due to the Clearing House and Settlement Guarantee Fund including interest on such dues by the member prior to or in respect of his declaration as a defaulter/deemed defaulter and also liabilities arising out of his declaration as a defaulter / deemed defaulter like loss arising out of closing out of outstanding contracts.
- c. Third Priority - Liabilities Relating to Contracts: payment of such debts, liabilities, obligations and claims arising out of any contract made by such member with other members of the Exchange, prior to declaration of defaulter/ deemed defaulter only in respect of transactions done on the Exchange, subject to the Rules, Bye-Laws and Business Rules of the Exchange, as shall have been admitted by the Relevant Authority. If the amount available be insufficient to pay and satisfy all such debts, liabilities, obligations and claims in full, they shall be paid and satisfied pro rata. Provided that under this clause only such claims of the members will be entertained which pertain to contracts made as per Bye-Laws and Rules of the Exchange. All contracts pertaining to loan or financing or personal adjustment/accommodation nature or any such transactions will be rejected altogether.
- d. Fourth Priority - Balance: claims pertaining to the clients of the defaulter member provided they pertain to valid legal transactions entered into at the Exchange. If the amount available be insufficient to pay and satisfy all such debts, liabilities, obligations and claims in full, they shall be paid and satisfied pro rata.

- e. Fifth Priority – Balance: payment of the dues, if any pertaining to the Government – Central and State, Income Tax, Stamps, Custom or other statutory authorities.
- f. Sixth Priority - Balance: payment of the dues, if any, to meet with any claims, which are found to be genuine and admitted by the Exchange/Relevant Authority/Governing Board, not strictly arising on account of a transaction on the Exchange but incidental to such transaction.
- g. Seventh – The balance amount, if any, remaining after satisfying all the above claims in full, will be appropriated and transferred to the Settlement/Trade Guarantee Fund.

6.12.2. A Member of the Exchange shall be fully responsible for the acts and omissions of his partnership firm and of his partners, attorneys, authorized representatives, approved users and employees, by whatever name called. If any such act or omission be held by the Relevant Authority to be done by any such representative, which if done or omitted to be done by the Member of the Exchange would subject him to any of the penalties as provided in these presents, Bye-Laws, Rules and Business Rules of the Exchange, then such Member of the Exchange shall be liable thereof to the same penalty to the same extent as if such act or omission had been done or omitted to be done by him personally

6.13. Power of the Relevant Authority to define the grounds of Suspension / Expulsion.

6.13.1 The Board or relevant authority may, subject to the provisions of the FC (R) A and the Rules framed thereunder from time to time, make Bye-Laws and Business Rules for defining the conduct or acts or omissions which renders a Member of the Exchange, liable to expulsion, suspension, fine or withdrawal or suspension of rights and privileges of membership of the Exchange and other consequences.

6.13.2 If any Member of the Exchange is guilty of such conduct or act or omission that under the aforesaid Bye-Laws, and Business Rules made in that behalf render him liable to suspension, expulsion or other consequences, the Board or the relevant authority shall suspend, expel or impose other consequences as the Board or the relevant authority may deem fit.

6.13.3 In exercising the said powers, the Board or the relevant authority shall observe and follow the procedure respectively set out in that behalf in the aforesaid Bye-Laws and Business Rules.

6.14. General Ground for suspension / Expulsion

6.14.1 The Relevant Authority may, after giving an opportunity of hearing to the Member and recording the reason in writing with copy to the Member, expel or suspend or fine and/or censure and/or warn and/or withdraw any of the membership rights of a Member of the Exchange if he be guilty of contravention, non compliance, disobedience, disregard or evasion of any of the presents herein, Bye-Laws, Rules and Business Rules of the Exchange or of any of the resolutions, orders, notices, directions or decisions or rulings of the Exchange or the Board or any Committee or officer of the Exchange authorized in that behalf, or of any conduct, proceeding or method of business which the Board of Directors in accordance with these presents, Bye-Laws, Rules and Business Rules in force from time to time deems dishonourable, disgraceful or unbecoming of a Member of the Exchange or inconsistent with just and equitable principles of trade or detrimental to the interest, good name or welfare of the Exchange or prejudicial or subversive to its objects and purposes.

6.14.2 The Relevant Authority may expel or suspend and/or fine and/or censure and/or warn a Member of the Exchange, authorized representative, agent, or

employee for any conduct, act or omission, which if done or omitted to be done by the Member of the Exchange, would subject him to the same penalties. Provided that the Relevant Authority, when it has found a Member of the Exchange guilty of such conduct or acts as would entitle the Relevant Authority to expel him may, at its discretion, instead of expelling, suspend him from all or any of the rights and privileges of membership of the Exchange for such period as the Relevant Authority may deem fit or until the Member of the Exchange has carried out or performed any lawful condition imposed by the Board in that behalf.

6.15 Opportunity of being heard mandatory

6.15.1 No resolution of the relevant authority expelling or suspending a Member of the Exchange shall be passed or voted upon until and unless the Member of the Exchange has been given an opportunity to explain the charges against him. Such Member of the Exchange may appear at such meeting or state his case in writing addressed to the Exchange.

6.16 Expulsion of a Member of the Exchange

6.16.1 In addition to the grounds mentioned elsewhere in these presents, the relevant authority may, after giving an opportunity of hearing to the Member and recording the reason for expulsion in writing with copy to the Member, expel any Member of the Exchange from the membership of the Exchange in the following cases:

- a. Where a Member of the Exchange fails or has failed to carry out any award made in arbitration proceedings held by the Exchange, or held under provisions of these presents, or under the Bye-, and Business Rules framed under any power conferred under these presents, within twenty-one (21) days of the communication of the award or such further period as the Board may extend on the written application of the party;
- b. Where a Member of the Exchange has refused to submit a dispute to arbitration, which by the provisions of these presents, is required to be submitted to arbitration and institutes any suit or legal proceeding in contravention of the provisions of these presents.

6.17 Forfeited or Lapsed right of Membership

6.17.1 A right of membership of a Member of the Exchange shall lapse or shall be liable to be forfeited or vest in the Exchange ipso facto upon such member being declared a defaulter/deemed defaulter or expelled under the Rules, Bye-Laws or Business Rules of the Exchange for the time being in force, and it shall belong absolutely to the Exchange free of all rights, claims or interest of such member of the Exchange or any person or authority claiming through or against such member/trading member, and the Governing Board shall be entitled to deal with or dispose off such right of membership, as it may think fit.

Explanation: In case where a member of the Exchange had obligations, engagements or dues outstanding and such member of the Exchange expires before his fulfilment to the Exchange/Clearing House /Settlement Guarantee Fund, such member of the Exchange shall be declared a deemed defaulter by the Governing Board, if the legal heirs or legal representatives of the deceased member of the Exchange fail to fulfill such obligations, engagements or dues as per the stipulated and pre-notified schedule. As a result, the same consequences shall follow as in case of declaration of a defaulter.

6.18 Expelled Member of the Exchange not to be re-Admitted.

6.18.1 A member of the Exchange, who has been expelled by the relevant authority, shall not be re-admitted under any circumstances unless expelled for non-compliance of continued requirements for membership of the Exchange.

6.19 Attachment order against any Member of the Exchange by court, etc. and the consequences

6.19.1 Where any security deposit and/or other payments made by any Member of the Exchange with the Exchange under this presents or any Bye-laws or Business Rules, has been attached by an order of any Court or on behalf of any Income Tax authority, Revenue, Office, or by any authority or officer of the Government under any law, for the time in force and if the Member of the Exchange whose deposit and/or other payments has been so attached or encumbered fails to have such attachment cancelled or removed within

three (3) days of a notice by the Exchange, notifying him of the service on the Exchange of such order of attachment and calling upon the Member of the Exchange to have the said attachment removed or cancelled, the Board or the relevant authority shall suspend the said Member of the Exchange provided that any Member of the Exchange whose deposit as aforesaid has been attached in the manner aforesaid pays into the hands of the Exchange within such period as may be specified by the relevant authority a sum equal to the amount so attached, the Board or the relevant authority shall not exercise its powers to suspend him under this clause so long as the said additional deposit so made is free of any attachment. The provisions of this clause shall apply to any attachment against the said additional deposit made in the like manner as to the original payment and/or security deposit.

6.20 Members of the Exchange required to make personal appearance

6.20.1 A Member of the Exchange shall appear and testify before and cause his partners, authorized representatives, and employees to appear and testify before the Board of Directors or the Managing Director and / or CEO or before a Committee or officer of the Exchange authorized in that behalf and shall produce and cause to be produced before the Board of Directors, or the Managing Director and / or CEO or before a Committee or officer of the Exchange authorized in that behalf such books correspondence, documents, papers and records or any part thereof which may be in his or their possession and which may be deemed relevant or material to any matter under inquiry or investigation or which the Board of Directors or the relevant authority in its absolute discretion deems necessary in the interest of just and equitable principles of trade or in public interest and welfare of the Exchange and the Members of the Exchange.

6.21 Permission necessary for legal representation

6.21.1 No Member of the Exchange shall have right to be represented by professional counsel, attorney, advocate or other representative in any investigation, proceeding or hearing before the Board or any Committee unless the Board or the Committee or the Commission so permits.

6.22 Failure to pay fine attracts suspension / expulsion.

6.22.1 If a Member of the Exchange fails to pay any fine or penalty imposed upon him within fourteen (14) days after notice in writing has been served upon him by the Exchange, he may be suspended by the Board or the relevant authority until he makes payment, and if within a further period of thirty (30) days he fails to make such payment, he may be expelled by the Relevant Authority.

6.23 Discretion in lieu of suspension / expulsion.

6.23.1 The Board or 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.

6.23.2 The Board or 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 Board or the relevant authority may rescind, revoke or modify its resolution suspending any Member of the Exchange. Provided that where any expulsion, suspension or other penalty as aforesaid is imposed in accordance with the directions of the Commission, Government or other authority issued in exercise of any powers conferred on them by the Act or the Rules framed thereunder, then the Board or 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.

6.24 Effect of Suspension of Member of the Exchange.

6.24.1 The suspension of a Member of the Exchange shall have the following consequences:

- a. The suspended Member of the Exchange shall, during the term of his suspension, be deprived of and excluded from all the rights and privileges of membership of the Exchange but he may be proceeded against by the Board or the relevant authority for any offence committed by him either before or after his suspension and the Board shall not be debarred from taking cognisance of and adjudicating on or dealing with

any claim made against him under these presents, Bye-Laws and Business Rules;

- b. The suspension shall not affect the rights of the Exchange and/or other Members of the Exchange who are creditors of the suspended Member of the Exchange;
- c. The suspension shall create a vacancy in any office or position held by the suspended Member of the Exchange;
- d. The suspended Member of the Exchange shall be bound to fulfill contracts outstanding at the time of his suspension; and
- e. The suspended Member of the Exchange shall not, during the term of his suspension, clear and register any contracts at the Exchange, provided that he may with the permission of the Board close out through other Members of the Exchange the transactions outstanding at the time of his suspension.

6.25 Effect of Expulsion of Member of the Exchange.

6.25.1 The expulsion of a Member of the Exchange shall have the following consequences:

- a. The expelled Member of the Exchange shall forfeit to the Exchange his rights of membership of the Exchange and all his rights and privileges as a Member of the Exchange including any right to the use of or any claim upon or any interest in any property or funds with the Exchange including guarantee fund; but any liability of any such Member of the Exchange to the Exchange shall continue and remain unaffected by his expulsion;
- b. The right of nomination shall vest in the relevant authority and shall not be exercised by the expelled Member of the Exchange;
- c. The expulsion shall create a vacancy in any office or position held by the expelled Member of the Exchange;
- d. The expulsion shall not affect the rights of the Exchange and Members of the Exchange who are creditors of the expelled Member of the Exchange; and
- e. The expelled Member of the Exchange shall be bound to fulfill transactions outstanding at the time of his expulsion and he may with the permission of the Board or the relevant authority close such

outstanding transactions with or through another Member of the Exchange.

6.26 Relevant authority to notify suspension, expulsion and default of member of the Exchange.

6.26.1 Notice shall be given to the Member of the Exchange concerned and to the members of the Exchange in general, by a circular or any other suitable means of the expulsion or suspension of or of the suspension of business by a Member of the Exchange or of any other penalty imposed upon him or his partners, attorneys, agents, authorized 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 members of the Exchange and Members 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 his business or ceased to be a Member of the Exchange. No action or other proceedings shall in any circumstances be maintainable by such person against the Exchange or the Board or the relevant authority or any member of the Board or any officer or employee of the Exchange for the publication or circulation of such notification.

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