

***Bye-Laws***

**Indian Commodity Exchange  
Limited**

**Date: 21/11/2009**

**Revision History**

<b>Sr. No.</b>	<b>Particulars</b>	<b>Reference</b>
Rev1.0	2.3.6 : Definition of Authorised Person	Circular No. ICEX/L&S/2010/128 dated 27 <sup>th</sup> September 2010.
Rev2.0	12. DECLARATION OF DEFAULTER	FMC Letter No. 1/1/2011-POLICY/ CIRCULARS dated 13 <sup>th</sup> September 2011.
Rev3.0	16.11: Limitation Period for Reference to Arbitration	FMC Letter No. 2/3/2010-MD-I(PF) dated 28 <sup>th</sup> December 2011.
Rev4.0	2.3.6 : Definition of Authorised Person	FMC Letter No. 6/3/2008-MKT-II Dated 11 <sup>th</sup> January, 2012

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## **Bye-Laws**

In exercise of the powers conferred by Section 11 of the Forward Contracts (Regulation) Act , 1952, and with the previous approval of the Forward Markets Commission, The Indian Commodity Exchange Limited makes the following Bye- Laws, namely ;-

# **1 SHORT TITLE AND COMMENCEMENT**

## **1.1 Bye Laws**

These Bye-Laws shall be known as “The Bye-Laws of the Indian Commodity Exchange Limited, ” and are for the sake of brevity and convenience, herein referred to as “these Bye-Laws” or “the Bye-Laws of the Exchange”.

## **1.2 Date of Effect**

These Bye-Laws shall come into force with effect from such date as the Forward Markets Commission established by the Government of India in accordance with the Forward Contracts (Regulation) Act, 1952 {hereinafter referred to as ‘Commission’} and Board of Indian Commodity Exchange Limited, {hereinafter referred to as “the Exchange”} may appoint and notify in that behalf.

## **1.3 Other Laws Applicable**

These Bye-Laws shall be in addition to the provisions of the Forward Contracts (Regulations) Act, 1952, the Forward Contracts (Regulation) Rules, 1954 and the Rules made by the Exchange thereunder. These Bye- Laws 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 by the Government of India and/or Commission thereunder from time to time.

## **1.4 Precedence of FCRA /FCRR over Bye-Laws**

In case of difference between the provisions of any Rules, Regulations or Bye-Laws of the Exchange and the provisions of FCRA or FCRR, the provision of FCRA/FCRR shall prevail.

## **2 DEFINITIONS**

### **2.1 Words and Expressions Used**

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 Forward Contracts (Regulation) Act, 1952 and the Rules framed thereunder.
- 2.1.2 Rules, Memorandum and Articles of Association of Indian Commodity Exchange Limited approved by the Forward Market Commission.

### **2.2 Precedence of Statute**

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

### **2.3 Meaning of Certain Words and Expressions**

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

- 2.3.1 Additional margin means any additional margin deposit that is required from the contracting parties to establish and/or to maintain a position in a contract.
- 2.3.2 'Approved Office' means the registered office of the Member of Exchange, including such premises or offices from where the Member is allowed by the Exchange to trade and/or clear on the automated trading system or any other trading system of the Exchange and/or to carryout back office activities.
- 2.3.3 'Approved Laboratory / Accreditation Agency' means a laboratory/ agency approved as such by the relevant authority for certifying the commodities as per specification prescribed in the Bye Laws, Rules and Business Rules / Regulations.
- 2.3.4 'Approved User' is an individual approved by the Exchange in accordance with the Bye-Laws, Rules and Business Rules / Regulations of the Exchange. The term 'user' may be used interchangeably with the term 'approved user'.
- 2.3.5 'Articles' means the Articles of Association of Indian Commodity Exchange Limited and includes any modification or alteration thereof for the time being in force.
- 2.3.6 "Authorized Person" means and includes any person whether being an individual, (including proprietors), a partnership firm as defined under the Indian Partnership Act 1932, a Limited Liability Partnership (LLP), as defined under the Limited Liability Partnership Act, 2008, body corporate as defined under the Indian Companies Act 1956 or a Co-operative Society as defined under the Co-operative Societies Act 1912/Multi State Co-operative Societies Act, 2002 / any other respective State/UT Co-operative

Society Act (including federations of such co-operative societies), who is appointed as such by a Member of a recognized Commodity Derivative Exchange upon the approval of such Commodity Exchange, for providing access to the trading platform of a Commodity Derivative Exchange, as an agent of the Member of the Commodity Derivative Exchange.

"Commodity Exchange" means a Commodity Derivative Exchange as recognized under Section 6 of the Forward Contracts (Regulation) Act, 1952.

"Commission" means the Forward Markets Commission established under section 3 of the Forward Contracts (Regulation) Act, 1952.

- 2.3.7 'Authorised representative of a member' means a person authorised by a exchange member to represent and act on behalf of that member and registered as such under the Articles of Association, Bye- Laws, Rules and Business Rules /Regulations of the Exchange.
- 2.3.8 'Automated Trading System (ATS) of the Exchange' means the computerised system provided by the exchange for trading in contracts permitted by the Exchange, access to which is made available to an Exchange Member, for use either by himself or by his authorised persons, participants and authorised users and which makes available, quotations in the contracts traded on the Exchange, facilitates trading in such contracts and disseminates information regarding trades effected, volumes transacted, other notifications, etc., as may be decided to be placed thereon by the Relevant Authority..
- 2.3.9 'Basis variety or grade' means a standard variety or grade for a commodity permitted for trading in its futures contract at the exchange as specified in the contract specifications issued by the Exchnage from time to time and which is deliverable without any "on" or "off" allowance.
- 2.3.10 'Bank' means and includes any banking company as defined in the Banking Regulation Act, 1949 (110 of 1949), a co-operative bank as defined in the Reserve Bank of India Act, 1934 and a scheduled commercial bank or a foreign bank licensed to carry on the business of a bank in India by the Reserve Bank of India.
- 2.3.11 "Board" or 'Governing Body' means the Board of Directors of the 'Indian Commodity Exchange Limited'.
- 2.3.12 'Books of Accounts, Records and Documents' meand and includes, books of accounts, records and documents which are required to be maintained under the Forward Contracts (Regulation) Act, 1952 and the Rules framed there under, and the Bye-Laws, Rules and Business Rules / Regulations of the Exchange and the Clearing House and includes the records maintained in a computer or in any electronic or other form by the Member of the Exchange.
- 2.3.13 'Branch Office' in relation to an exchange member means any establishment described as a branch, any establishment carrying on either the same or substantially the same activity as that carried on by the head office, except the offices of the clients trading through the exchange member who has trading rights in the Exchange.
- 2.3.14 Business Rules /Regulations' means the Business Rules /Regulations of the Exchange for the time being in force and include, code of ethics / conduct / governance, circulars, notices and such other Regulations prescribed by the Board of Directors or Relevant Authority from time to time for the operations of the Exchange and these shall be subject to the provisions of the Forward Contracts (Regulation) Act, 1952 Forward Contracts

(Regulation) Rules,1954 and directives issued by the Commission and Bye Laws and Rules of the Exchange

- 2.3.15 'Buy Order' means an order to buy a contract permitted for trading on the Exchange.
- 2.3.16 'Buyer' means and includes, unless the context indicates otherwise, the buying client, the buying exchange member acting either as an agent on behalf of the buying client or buying on his own account.
- 2.3.17 'Bye-Laws' mean the Bye-Laws of the Exchange made pursuant to the provisions of The FCRA read with FCRR, as approved by the Commission..
- 2.3.18 'Certified warehouse receipt' means a receipt issued under the authority of the Exchange or any agency approved by the exchange as a certified warehouse, evidencing proof of ownership of a stated quantity of commodities of a stated grade and quality by the beneficial owner or the holder of the certified warehouse receipt. Certified warehouse receipt may either be in physical form or in dematerialized/electronic form as may be permitted by law.
- 2.3.19 'Certified warehouse' means a warehouse approved and designated by the Exchange for making deliveries to and taking deliveries from, for fulfilling contractual obligations resulting from transactions in commodity contracts.
- 2.3.20 'Chairman' means the Chairman of the Board of Directors of Indian Commodity Exchange Limited.
- 2.3.21 'Chief Executive Officer (CEO)' means the Chief Executive Officer of the Exchange appointed by the Board pursuant to the Guidelines issued by Commission or Central Government, as the case may be, and may also include Managing Director of the Company.
- 2.3.22 'Circular Trading' means and relates to trading by a client or an exchange member or a group of related exchange members and/or their clients, normally through more than one exchange member and executing trades, with one or more entities of this group entering buy orders and on the other side one or more entities of the same group and/or with other unconnected entities in the market entering sell orders or vice versa with a design to manipulate the price of a contract and/or to create artificial volumes in a contract.
- 2.3.23 'Clearing Agency' means and includes the Clearing House and/or Clearing Corporation, whose services are availed of by the Exchange, for carrying out clearing, guaranteeing and settlement by delivery or otherwise of transactions effected on the Exchange.
- 2.3.24 'Clearing bank' means a bank that is designated or appointed to provide banking and other facilities to the Exchange, the Clearing House of the Exchange and members of the Exchange to facilitate clearing and settlement functions.
- 2.3.25 'Clearing Delivery' means in relation to settlement of transactions effected on the Exchange means clearing and settlement of such transactions by delivery through the Clearing House or Clearing Corporation in the manner prescribed in the Bye-Laws, Rules and Business Rules /Regulations of the Exchange.
- 2.3.26 'Clearing House' means the division of the Exchange, or an entity designated as such by the Exchange, providing the services of settlement of transactions to the exchange members, and guaranteeing settlement by delivery or otherwise of the obligations to the clearing members, on behalf of the Exchange.

- 2.3.27 'Clearing member' means a Trading- cum-Clearing Member, an Institutional Trading-cum-Clearing member and Professional Clearing Member of the Exchange or its Clearing House who has the right to clear transactions, on own account or on account of its clients / constituents, in contracts that are executed in the trading system of the Exchange.
- 2.3.28 'Client//Constituent' means,a person, whether incorporated or not,, who has executed an agreement with a member of the Exchange for dealing through such member in contracts permitted on the Exchange.
- 2.3.29 'Collateral' means money, fixed deposit receipt, bank guarantee, securities, warehouse receipts or any other transactions as specified by the exchange, offered as security deposit, margin deposit or as such security for any other transaction as required by the exchange.
- 2.3.30 'Committee' means any committee constituted by the Board pursuant to the provisions of the Memorandum and Articles, Bye Laws, Rules and Business Rules /Regulations of the Exchange, empowering it to perform such functions as the Board may determine from time to time..
- 2.3.31 'Company' means Indian Commodity Exchange Limited and shall also be referred to as 'ICEX' or 'the Exchange'.
- 2.3.32 'Contracts' shall mean and include all types of contracts in commodities, price indices etc. which shall inter alia include a ready delivery contract, forward contract, future contract or any derivative contract relating to the buying and selling of commodities, as specifically approved by the Forward Markets Commission and the Company for trading on the Exchange.
- 2.3.33 'Contract month, Delivery month, Contract period' means that month in which contractual obligations in respect of forward/futures contracts are due for fulfillment by the parties to the contract.
- Explanation: Contract Months shall be referred as 'contracts' in these Bye-Laws. For example, a futures contract for settlement in the month of July can be referred to as 'the July Contract'.
- 2.3.34 'Cross Deals' mean and include deals in which the same Exchange Member is both on buy and sell sides of a trade and where the buy and sell orders have been entered into within such time, as may be specified by the Relevant Authority from time to time, and where the price of both the orders is the same and where the quantity is by and large the same.
- 2.3.35 'Daily Price List' means the publication in whatever mode, including an electronic mode, issued by or under the authority of the Exchange, which contains details of prices and quantities of the commodity contracts traded on any given day, and any other relevant information.
- 2.3.36 "Days of tender" mean the days on which relevant delivery documents and certified warehouse receipts are permitted to be presented to the Clearing House of the Exchange.
- 2.3.37 'Delivery' means the tender and receipt of warehouse receipts/ or any other document of title to goods by issue of delivery order in settlement of a contract.

- 2.3.38 'Delivery Centers' means the centres where the commodities permitted for trading on the Exchange can be delivered by the seller against his outstanding short open position during the delivery period through issue of delivery orders.
- 2.3.39 'Delivery Order' means an order issued by a seller in the prescribed form in favour of the Clearing House offering delivery of goods at one or more permitted delivery centres in fulfillment of his obligation against an expiring contract.
- 2.3.40 'Delivery Order Rate' means the rate at which delivery order shall be issued to the Clearing House on the designated tender day or on the contract expiry date
- 2.3.41 'Delivery Period' means the period during which the commodities are tendered in terms of the contracts in fulfillment of the transactions executed under the Bye-laws, Rules and Business Rules /Regulations of the Exchange, or under the orders issued in exercise of the powers vested by any of them, and includes tender days as prescribed by the Exchange for different contract months.
- 2.3.42 'Derivatives Contract' mean and include a contract which derives its value from the prices, or index of prices, of underlying commodities, the trading of which is carried out in such manner as provided under these Bye-Laws, Rules and Business Rules / Regulations of the Exchange..
- Explanation: For the purpose of this definition, derivative includes a contract, whose value is derived from a commodity, commodity price or prices, or an index based on the prices of commodities or commodity contracts as may be specified by the Exchange.
- 2.3.43 'Due Date/Contract Expiry Day/Contract Maturity Day means' the maturity date (last day) on which a specific contract in a specific commodity expires and is not available for trading thereafter.
- 2.3.44 'Due Date Rate' means the settlement price fixed for squaring up (closing out) of all the outstanding contracts in a contract month on the due date, which are not fulfilled by giving or taking delivery.
- 2.3.45 'Exchange' means Indian Commodity Exchange Limited and the premises and/or the system for executing transactions in ready, forward or futures delivery contracts in commodities that are permitted and/or approved by the Forward Markets Commission.
- 2.3.46 'Exchange Member – Client Agreement' means an agreement, which is executed between an Exchange member and his client, in the form and manner prescribed by the Exchange from time to time.
- 2.3.47 'Financial year' means year commencing from 1st April and ending with 31st March of the following year.
- 2.3.48 'Financing or Financial Deals' mean and include deals entered into by two exchange members for a client or a group of clients under the same exchange member and/or different exchange members, normally done to secure payment against the first leg of a transaction, which is carried out between the client and the exchange member on principal-to-principal basis.
- 2.3.49 'Forward Contract' means the forward contract as defined in the Forward Contracts (Regulation) Act 1952..
- 2.3.50 'Futures Contract' means a forward contract (that is neither a non-transferable specific delivery contract nor a transferable specific delivery contract as defined in the FCRA), the

- terms, conditions and specifications regarding the quality of 'basis' and 'tenderable varieties', delivery centers, delivery months, payment with "on" and "off" allowances, as the case may be, for delivering varieties other than the 'basis' variety, unit of trading and quotation, etc. are so standardized in all their details in the Bye-laws, Rules and Business Rules /Regulations of the Exchange for specified commodities and price indices that the parties to such a contract have merely to agree on only the quote and quantity to be traded for delivery and settlement in the trading system of the Exchange so as to tender such agreement to buy and sell the underlying commodity or price index enforceable in law, and is in no way void, voidable or illegal under any law in force for the time being.
- 2.3.51 'Gross open interest' means the sum of the open interest of the market aggregated over all contract months pertaining to all commodities.
- 2.3.52 'Gross open position for a contract month or Outstanding obligations in a contract' means the sum of either the long positions or the short positions which remain to be settled in that contract for the contract month.
- 2.3.53 'Hours' means and refer to hours based on Indian Standard Time (IST).
- 2.3.54 'Institutional Trading-cumClearing 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 and to settle trades done by himself as well as by other Trading- cum- clearing members, Trading members Clients or Constituents.
- 2.3.55 'Last day of trading' means the day on which trading ceases for a particular contract month in a specific commodity and after which trading is not permitted.
- 2.3.56 'Limit Order Book' means a book maintained on the ATS or any other trading system of the Exchange, which stores unmatched limit orders for matching on the day of entry of the order on the ATS.
- 2.3.57 'Limit Order, in the case of a buy order' means the rate at or below which the order may be matched on the ATS and in the case of a sell order means the rate at or above which the order may be matched on the ATS.
- 2.3.58 'Long Position' means the net outstanding purchase obligations of a person, whether a member or not, in respect of his transactions in a contract month for a commodity or its price index at any given point of time, whose settlement is yet to be effected.
- 2.3.59 'Margin' means a deposit or payment of cash/other specified assets, collaterals /documents to establish or maintain a position in a contract and includes initial margin, special margin, ordinary margin, delivery period margin, additional margin and variation margin or any other type of margin as may be determined by the Exchange from time to time.
- 2.3.60 'Market Maker' means an Exchange Member registered on such terms and conditions, as may be prescribed in these Bye-Laws, Rules and Business Rules /Regulations, for making a market in the specific commodities and/or contracts assigned to such member and on such terms and conditions as may be prescribed by the Exchange from time to time.
- 2.3.61 'Market Order' means an order for a specified quantity of a contract to be bought or sold at the best available order/quote prevailing on the trading system(s) of the Exchange at the time of entry of the order on the trading system(s) of the Exchange.

- 2.3.62 'Market Type' means and refers to the different markets in which trading is allowed on the ATS or any other trading system allowed by the Exchange.
- 2.3.63 'Mark-to-market' means a process by which all the transactions executed in the exchange for a contract month are priced at the settlement price decided by the Clearing House and on the basis of which receipts and payments are effected by the Clearing House.
- 2.3.64 '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 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.
- 2.3.65 'Month' means a month reckoned according to the English calendar.
- 2.3.66 'Net open interest' means the sum of either the long or short net open positions aggregated over all contract months pertaining to all commodities, without any netting of the positions of one contract month with another contract month.
- 2.3.67 'Net open position for a contract month' means
- a) the total of long positions that remain to be settled less the total of short positions that remain to be settled if the long positions exceed the short positions and
  - b) the number of short positions that remain to be settled less the number of long positions that remain to be settled if the short positions exceed the long positions.
- 2.3.68 'Open interest' means the total volume of transactions in a contract for a contract month, which remain to be settled. Open interest of the market is equal to either the total long positions, which remain to be settled or the total short positions, which remain to be settled in that contract for the specified contract month, the two being always equal.
- 2.3.69 'Order' means an offer to buy or sell any contract through the ATS or any other trading system permitted by the Exchange for specific commodities.
- 2.3.70 'Ordinary margin' means the margin deposit that is required from the contracting parties to establish a position in a contract month and may be called as initial margin.
- 2.3.71 'Participant' means and refers to an entity registered as such in accordance with these Bye-Laws, Rules and Business Rules /Regulations framed from time to time for such purpose and subject to such terms and conditions, as may be prescribed by the Relevant Authority.
- 2.3.72 'Pay-in', in respect of transactions done on the Exchange, means making available funds to the clearing agency by the exchange members in accordance with the applicable settlement schedule notified by the clearing agency from time to time.
- 2.3.73 'Pay-in Date' means the date and time prescribed by the Exchange or its clearing agency for each settlement by which date and time, exchange members are required to perform their obligations by way of payment of funds as applicable, to the clearing agency.

- 2.3.74 'Pay-out', in respect of transactions done on the Exchange, means release of funds by the clearing agency to the exchange members who become entitled to receive them to the extent of and upon their fulfilling their pay-in obligations into the clearing agency, in accordance with the applicable settlement schedule notified by the Exchange or clearing agency from time to time.
- 2.3.75 'Pay-out Date' means the date and time prescribed by the Exchange or clearing agency for each settlement on which date and time, the clearing agency shall be required to release funds to the respective accounts of the exchange members and/or clients.
- 2.3.76 'Quote' means a bid price and/or an offer price given by an exchange member for a contract on the ATS or any other trading system allowed by the Exchange.
- 2.3.77 'Rate' means the price of unit of quote specified in the contract specifications for a contract transacted on the ATS or any other trading system allowed by the Exchange.
- 2.3.78 'Ready delivery contract' means a contract as defined clause 2 (i) of the Forward Contracts (Regulation) Act, 1952.
- 2.3.79 'Registered Non-Member (RNM)' means a client of a member of the Exchange who is registered with the Exchange to transact in contracts in specified commodities permitted by the exchange for such registered non member through that exchange member.
- 2.3.80 'Relative' means a person who is a relative within the meaning assigned under Section 6, read with Schedule IA of the Companies Act, in force from time to time.
- 2.3.81 'Relevant Authority' means the Board including its committee thereof and any committee appointed by the Board or such authority as specified by Board from time to time as relevant for a specified purpose..
- 2.3.82 'Relevant Contracts' mean contracts pertaining to the relevant trading segment of the Exchange.
- 2.3.83 'Retention Period', in relation to an order, means the period, up to which the unmatched quantity of an order is to be retained on the ATS or any other trading system of the Exchange, as a standing limit order in the limit order book.
- 2.3.84 'Rules' means the Rules of the Indian Commodity Exchange Limited approved by the Forward Markets Commission under the Forward Contracts (regulation) Act, 1952.
- 2.3.85 'Sell Order' means an order to sell a contract permitted for trading on the Exchange.
- 2.3.86 'Seller' means and includes, unless the context indicates otherwise, the selling client, and the selling exchange member acting as an agent on behalf of such selling client and denotes the selling exchange member when he is dealing on his own account.
- 2.3.87 'Settlement Day' means the day fixed by the Relevant Authority for members of the Exchange to settle their transactions as per instruction of the Exchange.
- 2.3.88 'Settlement price' for a contract and a contract month means the price of a contract for the purpose of payment of differences (or dues) pertaining to all fresh and outstanding position that remain to be settled. Settlement price shall be determined for the settlement days and shall be based on price quotations of transactions executed in accordance with the Bye-Laws, Rules and Business Rules / Regulations of the Exchange and other information available on the daily price list.

- 2.3.89 'Short Position' means the net outstanding sell obligations of a person, whether a member or his client, in respect of his transactions in a contract month for a commodity or its price index, at any given point of time, whose settlement has yet to be effected.
- 2.3.90 'Special margin' means the margin deposit that is required from the contracting parties to hold a position in a contract as specified by the Relevant Authority empowered in this behalf and/or as directed by the Forward Markets Commission.
- 2.3.91 'Standing Order' means an unmatched order, which is retained on the ATS or any other trading system of the Exchange in the limit order book.
- 2.3.92 'Structured Deals' mean and are similar to cross deals except that the exchange members on the buy and sell sides of the trade are different.
- 2.3.93 'Tenderable or Deliverable varieties or grades/ means varieties or grades other than 'basis' variety or grade which are permitted by the Exchange to be delivered or tendered against a futures contract for a commodity traded on the Exchange with or without the "on" and "off" allowances as may be prescribed from time to time by the Relevant Authority under these Bye-Laws and Rules and Business Rules /Regulations of the Exchange.
- 2.3.94 'To Input' means to transmit an order to buy or sell a contract from a trader workstation (TWS) of an exchange member and any other information, as may be required, into the ATS.
- 2.3.95 'To Match' means an order to sell or a part of an order to sell which matches with an order to buy or a part of an order to buy, or vice versa, in terms of price and quantity, either in part or full, and resulting into a trade.
- 2.3.96 'Touch Line' means the best bid and offer, together with the related quantity for buy and sale, displayed on the TWS.
- 2.3.97 'Trade' means a transaction for purchase and sale of a contract resulting from the matching of a bid to buy or a part of a bid to buy with an offer to sell or a part of an offer to sell, or vice versa on the ATS or any other trading system permitted by the Exchange.
- 2.3.98 'Trader Work Station (hereafter referred to as "TWS")' means a computer terminal of an exchange member which is approved by the Exchange and which is installed and connected to the ATS or any other trading system of the Exchange, for the purpose of trading on the Exchange.
- 2.3.99 'Trading Member' means a member of the Exchange and who is admitted in accordance with the Bye –Laws, Rules and Business Rules /Regulations, of the Exchange for trading in commodity derivatives on his own account or on account of his clients, but without having clearing and settlement rights.
- 2.3.100 'Trading Period' means the duration of a contract prescribed by the exchange during which a contract will be available for trading.
- 2.3.101 'Trading system' means such spaces, systems and networks, which carries out trade matching and allied functions, as the Exchnage may from time to time determine and which shall be notified by the Board as reserved for trading in contracts for specific commodities permitted on the exchange, and also includes its trading segments.
- 2.3.102 'Trading Segment or Segments' mean the different segments or divisions into which the commodities, contracts and centres of trading are admitted to dealings on the Exchange,

as classified by the Relevant Authority for admission of members to the exchange and for the purpose of trading on the ATS or any other trading system approved by the Exchange.

- 2.3.103 'Trading session' means the hours during which the sale and purchase of contracts are permitted by the Exchange.
- 2.3.104 'Trading-cum-clearing member' means a person who is admitted by the Exchange as a member of the Exchange conferring a right to trade and clear through the Clearing House of the Exchange as a clearing member and who may be allowed to make deals for himself as well as on behalf of his clients and clear and settle such deals only.
- 2.3.105 'Underlying or underlying commodity' means the commodity with reference to which ready, forward, futures and other contracts are permitted to be traded by the Exchange from time to time.
- 2.3.106 'Unit of Trading' means the minimum quantity of a contract that can be purchased or sold, as may be specified by the Exchange, from time to time in the contract specifications for a commodity.
- 2.3.107 'Unit of Quotation' means the specified quantity of a commodity for which the bid or offer price may be given by an exchange member for a contract month.
- 2.3.108 'Variation margin' means the difference between the contractual monetary value of a contract and the monetary value of the contract determined at the settlement price.
- 2.3.109 'Warehouse' means and includes any place of storage, godown, warehouse, tank, silios, storehouse where the commodity traded on the Exchange are stored.
- 2.3.110 'Warehouse Receipt' means a document issued by certified warehouse in the manner and form stipulated by the Exchange or the relevant authority from time to time which shall be deemed to be proof as to the availability of the deliverable commodities for appointment as per the delivery orders released by the clearing house of the Exchange and shall include warehouse receipts in electronic form as may be prescribed by the relevant authority..
- 2.3.111 'Working day' means a day on which the sale and purchase of contracts is permitted by the Exchange.

Words importing singular number shall include plural number and vice versa. Words importing masculine gender shall include feminine gender number and neuter gender and vice versa.

## **3 PRELIMINARY**

### **3.1.1 POWER TO FRAME AND AMEND BUSINESS RULES /REGULATIONS**

Subject to the provisions of these Bye-Laws, the Articles of Association and Rules of the Exchange, relevant authority shall have powers to frame Business Rules /Regulations from time to time for efficient functioning and operations of the Exchange and to regulate the functioning and activities of the members of the Exchange, their authorised representatives or persons, approved users, Clearing House or Clearing Corporation, Clearing Banks, and all other persons operating

under or through them or dealing with them both inter-se and in relation to the Exchange and, determine trading and delivery specifications for contracts in commodities and price indices and their derivatives permitted for trading on the Exchange, including method of trading, clearing, settlement and other operations related thereto. The relevant authority, from time to time, amend, add to, alter, modify, delete or repeal any of the provisions of the Business Rules /Regulations, as may be deemed necessary or appropriate or if so desired or directed by the Commission. Without prejudice to the generality of the bye laws of the Exchange, Rules, Business / Regulations shall provide *inter alia* for necessary authorization for taking care of operational requirements, which need to be enforced with immediate effect.

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

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

### **3.1.2 TRADING, CLEARING AND SETTLEMENTS ON THE EXCHANGE**

Subject to the foregoing Bye-law, the relevant authority empowered for the purpose may provide for Rules, Regulations or issue orders for: -

#### **3.1.2.1 TRADING ON THE EXCHANGE**

- a. Norms and procedure for admission of different categories of Exchange Members, Market Makers etc.
- b. Determination of trading sessions and proceedings in such trading sessions on the ATS of the Exchange or any other trading system allowed by the Exchange, for specified commodities, price indices or their derivatives permitted by the Exchange.
- c. Allotment of TWS to the exchange members and appointment of approved users.

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

**3.1.2.2 TRANSACTIONS IN EXCHANGE SUBJECT TO RISK MANAGEMENT & SURVEILLANCE**

- a. Determination of various types of margins on the transactions.
- b. Rates of ordinary margins and mode of their payment.
- c. Special or additional margins, and mode of their payment.
- d. Lien on capital and margin deposits.
- e. Penalty for non-fulfilment and/or evasion of margin requirements.
- f. Client's liability to pay margins.
- g. Exchange members' responsibility to collect margins from the clients.
- h. Exchange members' responsibility to maintain proper books of accounts.
- i. Any other matter relating to trading in the Exchange.

**3.1.2.3 CLEARING AND SETTLEMENT OF TRANSACTIONS**

- a. Procedure for determination of settlement prices.
- b. Procedure of marking-to-market, delivery, payment and closing-out of transactions in contracts where trading allowed.
- c. Clearing and other settlement forms and returns, delivery and receive orders, statement of accounts and balance sheet, norms and procedures for clearing and settlement of transactions and delivery and payment.
- d. Norms and procedures for establishment and functioning of Clearing House for clearing and settlement of trades.

- e. Supervision of Clearing House and framing of Rules and Regulations for supervision of clearing and settlement activities of the members of the exchange
- f. Norms and procedures for availing of banking services from clearing banks for clearing and settlement of trades
- g. Norms and procedures for availing services from warehouses and warehouse keepers for physical delivery of commodities and from quality certification agencies or laboratories for quality specifications of commodities deposited with warehouse keepers and of commodities tendered for delivery against contracts traded in the exchange.
- h. Any other matter relating to clearing and settlement of transactions and deliveries thereto, including surveys and sampling for quality testing.
- i. Appointment of surveyors, quality testing laboratories and other appropriate authorities and agencies for settling quality disputes arising out of deliveries.
- j. Procedure for dissemination of information and announcements to be broadcasted by the Exchange on the ATS, or its computer system or internet.
- k. Issue of guidelines for advertisements, booklets or circulars to be published by the members of the Exchange in connection with their business activities.
- l. Appointment of monitoring, surveillance and intelligence agencies for monitoring trading at the Exchange in contracts for different commodities
- m. Any other matter, as may be decided by the relevant authority from time to time.

**3.1.2.4 SETTING-UP OF SETTLEMENT GUARANTEE FUND, CLIENT PROTECTION FUND AND OTHER FUNDS**

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

**3.1.3 CONCILIATION AND ARBITRATION**

In all claims, differences and disputes, irrespective of whether the Exchange is a party or not, arising out of or in relation to transactions on the Exchange including any agreements and contracts, made subject to these Bye-Laws or the Rules or Business Rules/ Regulations of the Exchange or with reference to anything incidental thereto or in pursuance thereof or relating to their validity, construction, interpretation, fulfilment or the rights, obligations and liabilities of the parties thereof and including any question of whether such agreements, contracts and transactions have been entered into or not, the parties shall adopt conciliation

proceedings subject to the provisions of these Bye-Laws and the Arbitration and Conciliation Act, 1996. In case the conciliation proceedings do not result in any settlement, the dispute shall be referred to and decided by arbitration, as provided in these Bye-Laws and Rules and Business Rules/ Regulations as prescribed by the relevant authority from time to time. For that purpose, the relevant authority may provide for.

- 3.1.2.1 Norms, procedures, forms, jurisdiction, terms, conditions and scale of arbitration fees and other charges for reference to arbitration.
- 3.1.2.2 Appointment of conciliation officers, arbitrators, substitute arbitrators and umpires
- 3.1.2.3 Procedure for serving notice of hearing and adjournment of hearings and communications to the parties and witnesses.
- 3.1.2.4 Procedure for appearance, hearing, filing of information and counter claims and taking witnesses and evidence of assessors and experts
- 3.1.2.5 Procedure for issue of arbitration awards
- 3.1.2.6 Procedure for implementation of arbitration awards.

## **3.2 POWER TO PRESCRIBE ENABLING PROVISIONS**

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

## **3.3 JURISDICTION**

These Bye-Laws shall be applicable on all the members and participants of the exchange, authorized persons, approved users, sub-brokers, clients and all entities involved in trading, clearing and settlement of transactions, to the extent specified herein. These shall be subject to the jurisdiction of the Courts in Gurgaon or Mumbai, where the Exchange is situated, irrespective of the place of business of the members of the Exchange in India or abroad. All transactions entered into or executed through the ATS or any other trading system of the Exchange located at the premises of the Exchange at any place shall be deemed to have taken place in the city of Gurgaon only and the place of contracting as between the members of the Exchange shall be at Gurgaon, irrespective of the locations of the Trader Workstations of the members connected thereto. The Bye-Laws, Rules and Business Rules/ Regulations of the Exchange shall be governed by and construed in accordance with the laws in force in India. Every exchange member shall expressly

provide in the contract notes to be issued by him that only the Courts at Gurgaon or Mumbai shall have the exclusive jurisdiction for claims in relation to any dispute arising out of or in connection with or in relation to such contract notes.

### **3.4 LOCATION FOR ARBITRATION BETWEEN MEMBERS OF THE EXCHANGE, OTHER INTERMEDIARIES AND CLIENTS**

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

### **3.5 RECORDS FOR EVIDENCE**

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

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

### **3.6 GOVERNING LANGUAGE**

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

### **3.7 LIMITATION OF LIABILITY**

The Exchange shall not be liable for any activities of its members or of any other person, authorised or unauthorised, acting in the name of any member, and any act of commission or omission by any one of them, either singly or jointly, at any time shall not be in any way construed to be an act of commission or omission by any one of them, as an agent of the Exchange. Save as otherwise specifically provided in these Bye-Laws and in the Rules and Business Rules/ Regulations of the Exchange, the Exchange shall not incur or shall not be deemed to have incurred any liability and accordingly, no claim or recourse shall lie against the Exchange, any member of the relevant authority or any other authorised person acting for and on behalf of the Exchange, in respect of or in relation to any transactions entered into

through the exchange made by its members and any other matters connected therewith or related thereto, which are undertaken for promoting, facilitating, assisting, regulating, or otherwise managing the affairs of the Exchange.

### **3.8 PROTECTION FOR ACTS DONE IN GOOD FAITH**

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

### **3.9 SECRECY OR CONFIDENTIALITY**

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

### **3.10 INDEMNITY**

Each member of the Exchange and the Clearing Agency, if not a part of the Exchange, but an independent entity engaged in clearing and settlement of

transactions entered into on the Exchange, shall indemnify and keep indemnified the Exchange from and against all harm, loss, damages, injury and penalty suffered or incurred and all costs, charges and expenses incurred in instituting and/or carrying on and/or defending any suits, action, litigation, arbitration, disciplinary action, prosecution or any other legal proceedings suffered or incurred by the Exchange on account of or as a result of any act of commission or omission or default in complying with any of the provisions of the FCRA, and the Rules framed thereunder or these Bye-Laws or the Rules or Business Rules/ Regulations of the Exchange or due to any agreement, contract or transaction executed or made in pursuance thereof or on account of negligence or fraud on the part of any member of the Exchange or the Clearing Agency as aforesaid and their employees, servants and agents.

### **3.11 DISCLAIMER**

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

### **3.12 SEVERABILITY**

If any provision of these Bye-Laws or the Rules and Business Rules/ Regulations of the Exchange is rendered unlawful, void or unenforceable by reason of any statutory amendment, re-enactment, notification or any judicial decision or pronouncement by any competent court, tribunal or regulatory authority, such provision shall, to the extent required, be severed and rendered ineffective without in any way affecting the validity or enforceability of the rest of the provisions of these Bye-Laws or the Rules and Business Rules/ Regulations of the Exchange, which shall continue to apply with full force and effect, provided further that the action already taken earlier under such provision shall remain unaffected.

### **3.13 FORCE MAJEURE**

- 3.13.1 The Exchange shall provide its services on best effort basis and it shall not be liable for any harm, loss, damage and injury caused to any person arising in any way out of causes beyond its control.

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

## **4 ADMISSION OF CONTRACTS FOR TRADING**

- 4.1 The relevant authority appointed and empowered for the purpose shall be the authority to finalise contract specification and modification authority in respect of contracts in commodities and other instruments and derivatives thereon, for which the Exchange has obtained permission from the Forward Markets Commission. The Exchange shall before commencement of any contract obtain prior concurrence of the Commission.
- 4.2 Members of the Exchange shall execute and clear transactions in only such contracts as specified by the relevant authority and approved by the Forward Markets Commission.
- 4.3 All transactions in contracts permitted on the Exchange shall be made only in the manner approved by the Exchange.
- 4.4 While entering an order in the system, the member shall specify whether such order is on his own account or it is on account of his client. If the order is for and on behalf of a client, he should specify the respective client identification number.
- 4.5 Before executing a contract for a client, the member shall sign a written agreement (Member Client Agreement) with the client, as per the procedure and in the format, as may be specified by the Exchange.

- 4.6 All transactions in contracts permitted on the Exchange shall be cleared, registered and settled by the Clearing House and shall be subject to these Bye-Laws, Rules and Business Rules/ Regulations framed thereunder by the Exchange. The Clearing House shall clear, register and settle the financial performance of the contracts entered into in the exchange.
- 4.7 Members of the Exchange shall issue contract note for each of the transaction done by them for their respective clients on the trading system of the Exchange. Such Contract notes shall be issued strictly as the format prescribed by the Exchange. Members shall not issue contract note for any transaction, which has not been executed through the trading system of the Exchange.
- 4.8 In respect of all contracts executed by the members of the Exchange, it shall be the responsibility of the respective members to pay all applicable statutory fee, stamp duty, service tax, taxes and levies in respect of all deliveries as well as futures contracts directly to the concerned Government Departments.
- 4.9 All transactions in contracts permitted on the exchange shall be settled through the Clearing House; Clearing Members shall alone be eligible and qualified to obtain directly the clearing, settlement and guaranteeing services of the Clearing House.
- 4.10 A Professional Clearing Member of the Exchange shall have an agreement to clear, register and settle transactions in contracts for commodities and contracts permitted for trading in the Exchange, of any Exchange Member who has trading rights in the Exchange. A Professional Clearing Member of the Exchange shall not clear and settle contracts without a valid agreement with the Members of the Exchange. A copy of the agreement shall be given to the Exchange and to the Clearing House by the Exchange Member for settling transactions in the Exchange.
- 4.11 Only transactions in contracts for commodities permitted for trading on the Exchange, will be recognised as valid, provided the Clearing Member has paid to the Clearing House adequate security and margin deposits as prescribed. Clearing Members who clear contracts shall pay the prescribed security, margin deposits and variation margins for their respective outstanding transactions to remain valid. Members of the Exchange and registered non-members whose contracts are cleared by Clearing Members shall pay the prescribed margin deposits and variation margins for their respective outstanding transactions to remain valid.
- 4.12 Rates and/or prices for the contracts permitted for trading in the exchange shall be quoted in accordance with Rules and Business Rules/ Regulations specified for that contract and they shall be for the basis variety of the underlying commodity of that contract and for the base centre/place prescribed in the clauses of specified Bye-Laws, Rules and Regulations of that contract/underlying commodity of that contract.

- 4.13 The Board shall, upon the recommendation of the Committee / Advisory Board constituted for a commodity or a group of commodities, have the right to determine, specify and modify the basis variety for the contracts in that commodity or group of commodities from time to time with the prior approval of the Commission.
- 4.14 The number, and the commencement and expiration cycles of the all contracts in commodities and other contracts shall have the approval of the relevant authority and the Forward Market commission.
- 4.15 The relevant authority shall with prior approval of the Commission have the right to determine, specify and modify the position limits with respect to the contracts permitted on the exchange. Such position limits could differ for membership categories and/or differ from member to member; and exceptions may be provided by the relevant authority. Position limits and exception rules will be specified in the Business Rules/ Regulations specific to each underlying commodity and contract month.
- 4.16 The relevant authority, with prior approval of the Commission, shall have the right to determine, specify and modify the price limits with respect to the contracts permitted on the exchange. Such price limits may include floor and ceiling price for a day or for a specific period. Applicability of the price limits will be specified in the Rules and Regulations specific to each commodity or contract from time to time.
- 4.17 The Exchange shall have the right to specify and charge trading fee, clearing fee or any other fee from the member of the exchange subject to the directions of the Commission. The Exchange may specify the maximum and minimum fees a clearing member may charge from other members of the Exchange and an exchange member from their clients. However the Exchange shall not charge the member any fees and / or differential transaction charges based on commodities or trade timings, without prior approval of the Commission.
- 4.18 (a) All outstanding transactions in contracts for commodities shall in general be for delivery at any one or more delivery points and/or warehouses approved, certified and designated by the relevant authority.  
(b) All outstanding contracts not settled by giving or receiving deliveries shall be closed at the Due Date Rate as fixed by the relevant authority, together with a penalty as prescribed by the relevant authority in consonance with the directives issued by the Forward Market commission. .
- 4.19 The relevant authority shall have the right to determine, specify and modify the terms and manner of delivery of that commodity or group of commodities resulting from outstanding transactions in contracts in that commodity or group of commodities.

- 4.20 The relevant authority shall have the right to determine, specify and modify the terms regarding quantity, packing, place of delivery, discounts and premiums in terms of quality and delivery centres, tender period, certification and quotation for bids and offers.
- 4.21 (a) Members of the Exchange may enter into only such contracts for which the Exchange is approved under the Forward Contracts (Regulation) Act, 1952;  
(b) Members shall enter into contracts only on the terms and conditions prescribed under the Bye-Laws, Rules and Business Rules/ Regulations of the Exchange and the circulars and notices issued thereunder.  
(c) No member shall enter into a contract before trading therein has been commenced/after trading therein has ended in accordance the circulars and notices issued thereunder.
- 4.22 Any member of the Exchange transacting in any contract and basis varieties that are not specified by the Board shall be liable to be dealt with under Bye-Laws relating to disciplinary action.
- 4.23 Members shall maintain a record of all their transactions in all contracts permitted by the Exchange. Members shall have separate records of all their own account transactions and those of registered non-members, including orders from registered non-members for execution of transactions in forward contracts in commodities. Members shall preserve the records of registered non-members' orders for transactions for each registered non-member separately with the time and date of receipt of order, details of executed transactions for each registered non-member and books of accounts relating to the same, for a period of three years for production whenever required by the relevant authority and/or by the Forward Markets Commission.
- 4.24 Transactions for contracts in commodities that are not permitted by the Forward Markets Commission are prohibited. Any member who infringes or attempts to infringe or who assists in any infringement or attempted infringement of this Bye-Law shall be liable to suspension and/or expulsion from membership of the Exchange or any other action that the Exchange may take under its Bye-Laws, Rules and Business Rules/ Regulations.
- 4.25 Indian law shall apply to the contracts entered between the members of the Exchange.
- 4.26 The death of any party to a contract made subject to the Bye-Laws, Rules and Business Rules/ Regulations of the Exchange shall not discharge the legal representatives of the deceased from fulfilling the obligations under such contracts and shall not in anyway affect the right of any other party to such contract or legal representatives of the deceased to refer any dispute or differences to Arbitration under these Bye-Laws, Rules and Business Rules/ Regulations and, in such event,

the right to refer any dispute or differences to Arbitration shall be exercised by or against the legal representative of the deceased.

## **5 TRADING ON THE EXCHANGE**

### **5.1 TRADING DAYS**

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

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

### **5.2 ALTERATION OR CANCELLATION OF EXCHANGE HOLIDAYS**

5.2.1 In exceptional circumstances and for reasons to be recorded in writing, the Managing Director and / or CEO or any authorized official may at any time: under prior intimation to the commission ;

- a. alters or cancel any of the Exchange holidays fixed under these Bye-Laws.
- b. keep the ATS or any other trading system of the Exchange available for trading on any day notwithstanding that such day had earlier been declared as an Exchange holiday.
- c. close trading in any one or more or all contracts in one or more or all commodities on the ATS or any other trading system of the Exchange for one day.

5.2.2 In exceptional circumstances and for reasons to be recorded in writing, the Relevant Authority may close the trading in any one or more or all contracts in one or more or all commodities on the ATS or any other trading system of the Exchange for more than one trading day, under prior intimation to the Commission.

Provided that such trading on the ATS or any other trading system of the Exchange shall not be so closed by the Relevant Authority at any time continuously for a period exceeding three trading days without the approval of Commission:

Provided further that when information regarding closure of the trading as aforesaid on the ATS or any other trading system of the Exchange is so conveyed as to reach

Commission in the normal course within twenty-four hours of the closure of such trading, the Relevant Authority may close such trading on the ATS or any other trading system of the Exchange or continuously for any period exceeding three trading days without the approval of Commission, till such time as the decision of Commission is received by the Exchange.

### **5.3 DIVISION / GROUP OF CONTRACTS**

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

### **5.4 RESTRICTIONS ON TRADING**

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

### **5.5 TRADING SESSIONS**

The Relevant Authority or Managing Director and / or CEO or any authorized official may prescribe different trading sessions for different trading segments on the ATS or any other trading system of the Exchange, and may also decide on the timings and operational requirements for the same which may extent to the next day after midnight, as may be provided in the relevant Bye Laws, Rules and Business Rules/ Regulations of the Exchange from time to time. The Relevant Authority or Managing Director and / or CEO or any authorized official may reduce, extend or otherwise alter the timings of such trading sessions for any particular trading day.

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

5.5.2 The Relevant Authority may with prior intimation to the Forward Market Commission alter, contract, extend or suspend any or all the trading sessions in specific circumstances, for reasons to be recorded in writing. Wherever possible, such changes may be communicated to the members in advance.

## **5.6 WHO MAY BE PERMITTED TO TRADE**

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

## **5.7 POOL OF TWS**

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

## **5.8 WHO MAY NOT BE PERMITTED TO TRADE**

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

## **5.9 PERMISSION TO TRADE THROUGH TWS**

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

## **5.10 TRADING WITH GOOD DECORUM**

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

## **5.11 MANAGEMENT OF THE ATS**

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

## **5.12 PRICES**

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

## **5.13 DAILY PRICE LIST**

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

## **5.14 TRADING FACILITY**

5.14.1 Transactions in the ATS or any other trading system of the Exchange may be effected through order driven, quote driven (through market makers or jobbers) and/or such other system as the Exchange may provide for trading in specified commodities and as specified in the relevant Rules and Regulations of the Exchange, and circulars and notices issued thereunder from time to time.

5.14.2 The Exchange may at its discretion provide the ATS to its members and their authorised persons and approved users.

5.14.3 No exchange member shall have any title, right or interest in the ATS or any other trading system of the Exchange, its facilities, and software and the information provided on the ATS or any other trading system of the Exchange, and no such claim shall lie against the Exchange at any time.

5.14.4 The permission to use the ATS or any other trading system of the Exchange may be given to an exchange member, subject to compliance with such terms and conditions as the Exchange may prescribe from time to time, which may inter alia include, payment of such deposits and/or charges, as may be provided in the relevant Bye, Rules and Business Rules/ Regulations and circulars and notices issued thereunder from time to time.

5.14.5 An exchange member shall not by himself or through any other person on his behalf, publish, supply, show or make available to any other person, or reprocess, retransmit, store or use the facilities of the ATS or any other trading system of the Exchange or the information provided thereof, except with the prior approval of the Exchange.

## **5.15 REGISTRATION AND DE-REGISTRATION OF APPROVED USERS**

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

a. The appointment of users shall be subject to such terms and conditions and submission of application in such form as the Relevant Authority may prescribe from time to time in the Bye Laws, Rules and Business Rules/ Regulations of the Exchange, or orders and notices issued thereunder.

b. The Exchange may, at its discretion, deregister any authorized representative or approved user of an exchange member for failure to comply with the applicable provisions of the Bye-Laws, Rules and Business Rules/ Regulations and/or circulars and notices issued thereunder; but the member concerned shall continue to be liable for acts of commission and/or omission prior to de-registration by the Exchange and/or loss / damage consequent to the de-registration.

c. The Relevant Authority shall have the right to disallow any person from being registered as an authorized representative or an approved user, without assigning any reason whatever, or may allow registration with such conditions, as may be deemed necessary by such Authority.

d. No person shall be appointed at any time as an authorised representative or an approved user by more than one exchange member.

e. The Relevant Authority shall have the power to prescribe different levels of usage of the ATS or any other approved trading system of the Exchange, and may also prescribe norms for enquiry on the TWS, order entry, etc. by the authorized representatives or authorized users of an exchange member.

## **5.16 OPERATIONAL PARAMETERS FOR TRADING**

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

a. determination of functional details of the TWS, including the system design, user infrastructure, user interface and system operation

b. Determination of the procedure and norms for trading on any other approved trading system of the Exchange.

c. limits on trading and open positions mark to market losses, exposure, concentration and on the spread between bid and offer rates.

- d. fixation of units of trading and/or minimum and/or maximum quantity of contracts or order which may be offered to be bought or sold or the limits on price fluctuations permitted in a day or period.
- e. fixation of tick sizes and levels for providing alerts.
- f. determination of the types of trades permitted for an exchange member and for a contract.
- g. specifications of different order books, types of orders, order conditions and other details related to orders and trades.
- h. Maintenance of recording of transactions executed and the manner of reporting transactions in the prescribed forms to the Exchange and Commission.
- i. other matters, which may affect smooth operation of trading in contracts permitted on the exchange. All the parameters shall be strictly adhered to by the Exchange member. The parameters, however, may vary for commodities and for different centres of trading.

#### **5.17 LOSS OF ACCESS TO ATS**

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

#### **5.18 CLOSING-OUT – EXCHANGE MEMBER'S RESPONSIBILITY**

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

#### **5.19 CONTINGENCY POOL OF TWS**

To facilitate the members of the Exchange to carry on trading in the event of a failure or malfunctioning of their TWS or loss of access to the ATS, the Exchange may, at its discretion, provide a contingency pool of TWS at its premises or in other places as decided by the exchange and such facility may be extended to the members of the Exchange on such terms and conditions as may be decided by the Exchange from time to time. The affected members may, with the prior written permission of the Exchange, use the facility of any such contingency pool to carry on trading. Provided that no liability can be attached to the Exchange in case of failure of the system due to non-provision of Contingency Pool, even if it results into loss to the members of the Exchange.

- 5.19.1 Without prejudice to anything contained in the provisions above, such failure or malfunctioning of his TWS or loss of access to the ATS or any contingency pool

of TWS shall not reduce, alter or affect the liability of an exchange member or the clients in respect of any trades, already executed by or through such exchange member or his authorised representative or approved user.

## **5.20 ORDER MANAGEMENT**

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

- 5.20.1 The Exchange Member shall maintain in the relevant records the orders received from his client or modifications thereof, as specified in the Business Rules / Regulations and Circulars and Notices issued there under by the Exchange from time to time.

## **5.21 TRADE MANAGEMENT**

Trading shall be allowed on the ATS or any other trading system of the Exchange in such contracts as may be admitted to dealings on the Exchange and for such categories of members of the Exchange, trade types, market types, settlement periods and for such trading hours as the Board, the Chairman, the Managing Director and / or CEO or Relevant Authority may specify from time to time or as may be provided in the Bye Laws, Rules and Business Rules/ Regulations and Circulars and Notices issued thereunder, from time to time.

- 5.21.1 An exchange member shall be liable for all the trades executed on the ATS or any other trading system of the Exchange, arising out of orders entered into the system by him. The member shall be solely responsible for all the acts of commission and/or omission of authorised representatives or approved users, employees and other persons deployed by such member, in relation to performance of obligations arising therefrom, connected therewith and incidental to such acts of commission and/or omission. Provided, if the member satisfies the Exchange that the action and/or the trade took place due to fraud or misrepresentation by any person other than himself, his authorised representative or approved user and/or that the action and/or the trade did not originate from any of his approved TWS and/or from the TWS pools provided by the exchange and used by the member or his authorized representative or approved users to access the ATS, the Board or Chairman, Managing Director and / or CEO or Relevant Authority may issue such directions as it/he considers just and reasonable and the same shall be final and binding on the member. Such directions may include referring the matter to arbitration,

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

## **5.22 ORDER VALIDATION**

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

## **5.23 MATCHING RULES**

The Exchange may from time to time specify in its relevant Rules and Regulations the rule or principles to be applied for matching orders on the ATS or any other trading system of the Exchange, which may vary for different order books. Unless specified, the orders shall be matched on price-time priority.

5.23.1 Where the Relevant Authority is of the opinion that it is in the interest of trade or public interest to do so, it may, at any time, make unavailable any particular order book or forms of matching, in the case of a specific contract or a group of contracts or for an exchange member or a class of members of the Exchange or members of the Exchange as a whole.

## **5.24 TRANSACTION WHERE THE EXCHANGE TO ACT AS A LEGAL COUNTER PARTY**

The Relevant Authority of the Exchange may specify from time to time the types of transactions in a contract for specified commodity or commodities, with regards to which the Exchange shall act as a legal counter party and the transactions that may be excluded for this purpose. Provided that if on an investigation by the Exchange, the Exchange concludes that either all the transactions or part thereof in any contract are found to have been executed on the ATS or any other trading system of the Exchange in a fraudulent manner and/or are done as financial transactions or structured deals and / or with a design to defraud the Settlement Guarantee Fund, the Relevant Authority of the Exchange shall have absolute authority and discretion to withdraw itself as a legal counter party to any transaction. Provided further that where the Relevant Authority decides to exercise its discretion to withdraw itself as a legal counter party to the transactions, either in full or in part, and/or either from both sides or single side of the transaction, it shall afford an opportunity of being heard to all the parties affected or likely to be affected by such decision. The decision taken by the Relevant Authority thereafter shall come into force forthwith and shall be final and binding on all the parties concerned, including the clients.

## **5.25 USE OF TECHNOLOGY**

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

# **6 TRADING SYSTEM**

## **6.1 ACCESS TO TRADING**

6.1.1 The Exchange shall provide an Automated Trading System (ATS), or any other trading system, to the exchange members to access and carry on trading in the contracts admitted to dealings on the Exchange. The transactions may be effected

- through order driven or quote driven or such other system as the Exchange may put in place for the different trading segments from time to time.
- 6.1.2 The Automated Trading System (ATS), as may be provided by the Exchange shall be called “ICEX system” or by other name, as may be decided by the Board.
- 6.1.3 The ATS shall be available for facilitating trading in the contracts for specified commodities permitted for trading on the Exchange and also for trading in such other contracts, which may be allowed by the Exchange for trading from time to time.
- 6.1.4 The Exchange may provide an architecture and the infrastructure related thereto, to the extent possible, to facilitate the members of the Exchange to establish connectivity with the ATS or any other trading system of the Exchange. The Exchange shall have absolute right to specify the maximum number of Trader Work Stations that may be allotted to an exchange member who has trading rights in the exchange and the conditions for such allotment. The Exchange shall also have absolute right to reject any place or places where it observes that the TWS shall not be installed.
- 6.1.5 The Exchange may prescribe the specifications/descriptions of hardware, software and equipment and the specifications to carry out the required testing thereof in such manner and time as may be specified by the Exchange from time to time, which an exchange member shall be required to strictly adhere to have connectivity with, or use of the ATS or any other trading system of the Exchange, to ensure compatibility and minimize/avoid technical issues arising out of incompatibility of hardware, software and equipment.
- 6.1.6 An exchange member who has trading rights in the exchange may be authorised to appoint such number of persons as authorised representatives or authorised users, as may be provided in relevant Rules and Regulations of the Exchange that may be in force from time to time.
- 6.1.7 Any exchange member who has trading rights in the exchange and is desirous of extending his network, be it through VSAT connectivity and/or lease line connectivity and /or internet connectivity and/or through any other means of connectivity, authorized by the Exchange, and/or through the Computer to Computer Link (CTCL) software or any other software approved by the Exchange, which facilitates access to the trading system of the Exchange, shall be required to seek prior approval of the Exchange. Such terminals of an exchange member may be allowed to be installed by the Exchange at the places from where the members of the Exchange or authorized representatives or approved users or clients carry out trading activities. No exchange member shall install either directly or indirectly any terminal through CTCL connectivity, having access to the trading system of the Exchange, without prior approval of the Exchange. In case any exchange member fails to obtain necessary approval from the Exchange

for any terminal installed through CTCL connectivity having access to the trading system of the Exchange, the member concerned shall be personally responsible for trading done through such terminals and also render himself liable for disciplinary action by the Exchange.

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

- 6.1.8 The Relevant Authority shall have the power to provide for:
- a. the procedure for registration and cancellation of the registration of a person as an authorized representative or approved user or client;
  - b. the conditions required to be fulfilled before a person can be registered as an authorized representative/ approved user/client;
  - c. the conditions required to be fulfilled before an authorised representative/approved user or client may have access to the ATS or any other trading system of the Exchange;
  - d. the maximum number of persons who may be allowed to have access to the ATS on behalf of an exchange member;
  - e. the procedure for provision and modification of a password used by an authorized representative / approved user / client to access the ATS; and
  - f. the circumstances in which the Exchange may refuse and/or withdraw and/or cancel the permission to an authorised representative/ approved user / client to have access to the ATS or any other trading system of the Exchange, either indefinitely or for a specified period or until the fulfilment of conditions, as may be specified by the Exchange from time to time.
- 6.1.9 All the orders for purchase or sale of contracts by an exchange member shall be required to be entered only through the ATS or any other trading system approved by the Exchange.

## **6.2 SPECIFICATION OF CODES AND OPERATIONAL PARAMETERS**

The Relevant Authority may provide for an appropriate mechanism for specification, alteration and rescission of the unique codes for contracts, exchange members, authorised representatives, approved users, participants and clients, and operational parameters, for contract specifications, trading limits, tick sizes, trading units, order types, order attributes, order matching logic, market view

contents, limits of variations, participation norms for trading through the ATS or any other trading system approved and adopted by the Exchange with the prior approval of the Commission.. The Relevant Authority may also provide for any other parameters deemed necessary in the relevant Rules and Business Rules/Regulations of the Exchange that may be in force from time to time.

### **6.3 SURVEILLANCE, MARKET WATCH SYSTEM, INVESTIGATION AND EXCHANGE MEMBERS DATABASE**

The Exchange may, at its discretion, decide to look after the functions relating to surveillance, investigation and any other market related activities, either by itself or by a separate entity through outsourcing or by a separate and distinct entity established by it, either jointly or in collaboration with any other institution. The provisions relating to surveillance, market watch system, investigation, any other market related activities and exchange members' database shall be specified in the relevant Rules and Regulations relating to these matters from time to time and Circulars and Notices issued thereunder.

### **6.4 APPROPRIATION OF THE CLIENTS ORDER**

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

## **7 CLEARING HOUSE OF THE EXCHANGE**

- 7.1 The operations of Clearing House of the Exchange shall be managed by the Clearing House Committee of the exchange or relevant authority; the Board may from time to time delegate such additional authority and responsibility to the Clearing House, Committee or Relevant Authority or any Clearing Agency as deemed fit by the Board with the prior approval of the Commission..

- 7.2 All contracts transacted in the Exchange shall be cleared and settled by the Clearing House of the Exchange, and whenever required closed out in accordance with the Bye-Laws or as ordered by the Commission under the FCRA.
- 7.3 All Trading cum clearing members, institutional trading cum clearing members and professional clearing members shall be the clearing members of the Exchange;
- 7.3.1 Trading cum-clearing members, institutional trading cum clearing members and such other category of members, who have been given clearing rights, shall alone be eligible and qualified to obtain directly the clearing, settlement closing out and guaranteeing services of the Clearing House of the Exchange; and
- 7.3.2 All contracts transacted in the Exchange shall be downloaded by the Exchange to the Clearing Members for settlement in the manner specified in the Rules and Regulations and Circulars and Notices issued thereunder.
- 7.4 In respect of transactions in the Exchange, a trading cum-clearing member shall be entitled to self-clearing or may have an agreement with a Professional Clearing Member for clearing the executed transactions. A copy of the agreement shall be given to the Exchange.
- 7.5 In respect of transactions on the Exchange, a Professional Clearing Member shall not clear and settle or close out contracts without a valid agreement with trading cum-clearing members, Institutional trading member, trading member. A copy of which shall be given to the Exchange. Thereafter, until the termination of the agreement, such trading members shall be the constituent members of the Professional Clearing Member for the purpose of clearing, settling and closing out of their contracts.
- 7.6 A trading-cum-clearing member may be a constituent member of not more than one Professional Clearing Member.
- 7.7 Clearing Members shall forthwith notify the Exchange any addition to or deletion from the list of constituent members.
- 7.7.1 A Clearing Member may at its discretion discontinue clearing or settling services after closing out of outstanding contracts of any constituent member with whom the clearing member has an agreement to provide clearing and settlement services. The clearing member shall communicate the reasons for discontinuing the services in writing to the constituent member and also to the Exchange;
- 7.7.2 The discontinuation of such services shall become effective as soon as the clearing member notifies the Exchange and obtains the approval of the Exchange and after the outstanding contracts are settled. Pursuant to the above, the Clearing House may, after examining the reasons for the discontinuation and upon the receipt of a written application from the member, facilitate the provision of clearing and settlement services to the member by another Professional Clearing Member who has

no objection to provide such services. If no other Professional Clearing Member is available or willing to provide such services, then the member concerned shall continue to work as a Trading cum-clearing member provided the reasons for the discontinuation are such that they do not pertain to violation of these Bye-Laws, Rules and Business Rules/Regulations and Circulars and Notices issued thereunder.

7.8 In respect of contracts for specified commodities, price indices, securities or their derivatives as may be determined by the Exchange from time to time, and traded and cleared by the Exchange in the manner specified in these Bye-Laws, the Exchange shall be deemed to guarantee the net outstanding financial obligations to clearing members.

7.8.1 The Clearing house shall undertake to guarantee the financial settlement of all the deals arising out of trade in commodities duly executed / reported on the trading system of the Exchange irrespective of defaults, insolvency or failure on the part of the corresponding member. Provided that the settlement guarantee by the clearing house extend only;

i..to its own members, and

ii.to those transactions that have been executed, registered and accepted for clearing and settlement by the clearinghouse after having been matched by the Exchange, and

iii. to those members who are not in defaults in their financial obligations to the clearing house or the Exchange.

Provided however, the Clearing House shall not be deemed to guarantee the title, ownership, genuineness, regularity or validity of any goods or any document passing through the clearing house, the object of the maintaining the Clearing House being to facilitate the delivery and payment in respect of the goods or documents between Members.

Provided however that the nature of the guarantee by the Clearing House is strictly financial. That is;

i. the seller will be assured the payment of the settlement price fixed by the relevant authority on the delivery / expiry date after the Clearing House is satisfied that the delivery has been completed ; and

ii. the buyer will be assured either a delivery order, or open upon failure of the seller to give delivery, the monetary value of the short delivery based on the settlement price fixed by the relevant authority as on the delivery and expiry date and the monetary value based on the ready market price on the expected delivery day as may be specified by the relevant Authority.

7.8.2. If any party to such contracts defaults in respect of his financial obligations or fails to deliver goods on maturity of the contract, the defaulting member shall be liable for appropriate disciplinary actions by the Relevant Authority and his contract will be closed out by the relevant authority in accordance with the Bye-

- Laws, Rules and Business Rules / regulations or notices or orders issued thereunder. The Exchange shall then be entitled to recover dues of any defaulting member from his security deposit and other funds, if any lying with the Exchange, as also from his debtor members and appropriate the amount so recovered for distribution amongst his creditor members on pro rata basis.
- 7.8.3 The Exchange shall not be deemed to guarantee the financial obligations of any member of the Exchange to his/its clients; and
- 7.8.4 The Exchange shall not be deemed to guarantee the delivery, the title, genuineness, quality or validity of any goods or any documents passing through the Clearing House of the Exchange.
- 7.9 The following provisions shall apply in respect of contracts that are transacted in the Exchange and then cleared, settled and closed out by the Clearing House of the Exchange in the manner specified by the Clearing House:
- 7.9.1 Every member of the Exchange shall be fully responsible for all his commitments to the Exchange, his clearing member and clients irrespective of whether one or more clients with whom he has dealings have defaulted. Default of any one or more clients shall not affect the rights of the clearing member. Default of any one or more clients shall not affect the rights of other clients with whom the Exchange member has dealings but who are not in default;
- 7.9.2 The Exchange shall be responsible for its commitments to each clearing member whether the remaining clearing members with whom it has dealings have defaulted except under circumstances where improper trades not covered under the Settlement Guarantee Fund (SGF) are the cause for default. Default of any one or more clearing members shall not affect the rights of the remaining clearing members who are not in default. The Bye-Laws, Rules and Regulations shall be applied by the Relevant Authority in the determination of and in the fulfilling of such responsibility of the Exchange;
- 7.9.3 The Exchange shall not be responsible for the commitments of a defaulting clearing member to his/its constituent members, with whom the clearing member has an agreement as per these Bye-Laws;
- 7.9.4 No clearing member shall fail to effect clearance, settlement or payment of margin in the manner specified by the Clearing House or fail to pay damages to the Clearing House of the Exchange or fail to effect delivery merely on the ground of default of others including his constituent members of the Exchange and clients; and
- 7.9.5 No registered non-member client or constituent member shall fail to effect clearance, settlement or payment of margin in the manner specified by the Clearing House or fail to pay damages to his respective clearing member with

whom he has an agreement as per these Bye-Laws or fail to effect delivery merely on the ground of default of others including his clients

- 7.10 The Clearing House of the Exchange shall, in the manner specified by the Relevant Committee or the relevant authority, have the responsibility of receiving and maintaining margin payments, monitoring open positions and margins, and transmission of documents, payments and certified warehouse receipts amongst the trading-cum- clearing members, institutional trading cum clearing members and professional clearing members of the Exchange.
- 7.11 In consultation with the Board, one or more scheduled commercial bank(s) shall be designated by the Relevant Authority as the designated clearing bank(s) of the Exchange for providing and facilitating the collection of funds, transfer of funds, sharing of information and other value added services pursuant to these Bye-Laws, Rules and Regulations.
- 7.12 The Exchange and the designated clearing bank(s) shall have an agreement for the services to be rendered by the clearing bank(s) and to be availed by the Exchange.

## **8 MARGINS**

- 8.1 In respect of contracts that are transacted in the Exchange, buyers and sellers shall post such amount as initial margin, including special margin, as may be specified by the Relevant Authority from time to time.
- 8.2 The following margin provisions, subject to margin requirements determined by applying any methodology specified or recommended by the Relevant Authority, shall apply in respect of contracts that are transacted in the Exchange and then cleared and settled by the Clearing House of the Exchange:
- 8.2.1 Every clearing member shall pay the appropriate margin amount with the Clearing House of the Exchange against the aggregate open positions cleared by the clearing member
- (i) For the clearing member's own account where applicable and
  - (ii) For other members of the Exchange with whom the clearing member has an agreement and;
  - (iii) Clients, where applicable.
- 8.2.2 Every member of the Exchange executing transactions on behalf of clients shall have right to collect from the clients the margins specified from time to time, against their open positions within such time as may be prescribed by the Relevant Authority;
- 8.2.3 The margin to be paid shall be calculated, based on the methodology specified under the Business Rules /Regulations and Circulars and Notices issued thereunder for all commodities and contracts from time to time, which may be on

- gross position basis, net position basis, client level basis or in other manner, as may be decided by the Exchange.
- 8.3 Margin accounts of all exchange members shall be marked to market daily by the Clearing House of the Exchange and the exchange members shall be required to pay the same as may be prescribed by the Clearing House of the Exchange.
- 8.4 Members of the Exchange shall deposit initial margin in cash or may furnish Fixed deposit or bank guarantees or warehouse receipts or such other instruments / collaterals as may be specified by the Exchange from time to time to fulfil the initial margin requirement in respect of open positions. Variation margin shall be paid only in cash or cheque, or by electronically debiting the account of the member of the exchange with the designated Clearing bank of the Exchange. Deposits in cash shall not carry any interest.
- 8.5 The cash, fixed deposits, and other assets deposited by an exchange member by way of margin under the provisions of these Bye laws, Rules and Business Rules /regulations shall be subject to a first and paramount lien for any sum due to the Exchange. Subject to the above, the margin shall be available in preference to all other claims of the exchange member for the due fulfilment of its engagements, obligations liabilities arising out of or incidental to any bargains, dealings, transactions and contracts made subject to the bye laws, rules and regulations of the exchange or anything done in pursuance thereof.
- 8.6 Failure to pay variation margin may lead to the exchange members being deactivated/suspended and declared as defaulters by the Exchange. The Relevant Authority may also take such other measures including disciplinary actions, against the defaulting members, as it may deem fit.
- 8.7 No clearing member shall directly or indirectly enter into any arrangement or adopt any procedure for the purpose of evading or assisting in the evasion of the margin requirements prescribed under the Bye-Laws, Rules and Business Rules /Regulations or any orders issued thereunder;
- 8.7.1 Margin deposits received by clearing members from their constituent members and clients in any form shall be accounted for and maintained separately in segregated accounts and shall be used solely for the benefit of the respective constituent member's and client's positions;
- 8.7.2 The Exchange may specify the type/quantum of margin and the applicability of the same from time to time. Such margin may vary from commodity to commodity and for different contract months.
- 8.7.3 Margin accounts of constituent members shall be marked to market daily by clearing members and further margin should be collected when necessary to maintain the appropriate margin;

- 8.7.4 An Exchange member may close out an open position of a client when the call for further margin or any other payment due is not fulfilled by the client;
- 8.7.5 A clearing member may close out an open position of a constituent member when the call for further margin or any other payment due is not fulfilled by the constituent member;
- 8.7.6 The Relevant Authority may close out the cleared open positions of a clearing member when the call for further margin or any other payment due is not fulfilled by the clearing member;
- 8.7.7 Members of the Exchange shall post and accept margin deposits only in such form as may be permitted by the Relevant Authority;
- 8.7.8 The margin account of constituent members shall be utilised by clearing members only for settling the dues to the clearing member upon marking-to-market or for fulfilling the obligations resulting from their open positions; and
- 8.7.9 Exchange members shall furnish their clients in writing such reports and at such intervals as may be specified by the Relevant Authority.
- 8.8 Every clearing member shall collect from constituent members, with whom he has an agreement to provide clearing and settlement services as per these Bye-Laws, all such margins as specified by the Relevant Authority on the transactions executed by constituent members for clearing and settlement.
- 8.9 Members of the Exchange shall maintain such banking arrangements with the designated clearing bank(s) as specified by the Relevant Authority so as to permit the transfer of funds and to maintain margins in a segregated manner.
- 8.10 Each member shall deposit initial, variation, or any additional margin or deposits with the Clearing House, or the designated clearing bank(s), as directed by the Relevant Authority, within the prescribed time and in the prescribed manner.
- 8.11 The Exchange shall prescribe such additional or special margins as may be considered necessary during the Delivery Period and the emergencies.

## **9 CLEARING AND SETTLEMENT**

- 9.1 The Clearing House of the Exchange or any other agency identified by the relevant authority shall function in respect of trading in contracts permitted on the exchange so as to provide clearing and settlement services for the transactions.

Provided that Clearing and settlement of deals shall be effected by the parties concerned by adopting and using such arrangements, systems, agencies or procedure as may be prescribed or specified by the relevant authority from time to time.

Provided further that without prejudice to the generality of the forgoing, the Relevant Authority may prescribe or specify for adoption and use by Exchange Members, Clients and constituents, custodial and depository services and warehousing services for facilitating smooth operation of Clearing and settlement arrangement and system.

- 9.2 In order to facilitate smooth clearing and settlement, all members of the Exchange participating in futures trading shall be required to open such number of bank accounts with designated Clearing Banks as may be advised by the Exchange. All such members shall be required to strictly follow instructions of the Exchange in respect of operation of such bank accounts, minimum balance, segregation of clients' fund and own fund, etc. as may be required by the Exchange. They shall also submit an irrevocable mandate in writing enabling the Exchange to debit and credit their account electronically. They shall be required to keep the accounts adequately funded, so as to enable the Exchange to recover its dues by debiting their respective bank accounts.
- 9.3 Each clearing member shall submit or cause to be submitted all trades executed by constituent members or clients with whom he has an agreement to provide clearing and settlement services for their transactions and assist the Clearing House in the form and manner that is specified and prescribed by the Clearing House Committee to enable the Clearing House to provide clearing facility to the clearing members.
- 9.4 The Clearing House shall process all transactions submitted to the Clearing House and shall accept for substitution of the Exchange only the net liability of the Clearing member to the Clearing House.
- 9.5 An order to buy or sell will become a matched transaction only when it is matched in the Trading system and the Clearing House does not find the order to be invalid on any other consideration and after verifying that the following are in agreement and/or in order:
- 1 Contract month,
  - 2 Underlying commodity, price indices, security
  - 3 Quantity,
  - 4 Transaction quote,
- 9.6 Once a contract is matched and marked to market by the Clearing House, the Exchange shall be substituted as counter party for all net financial liabilities of the clearing members in specified commodities
- 9.7 All outstanding transactions shall be binding upon the original contracting parties, that is, the members of the Exchange, and the clearing members who have cleared

the transactions until liquidated by offset or issue of delivery notice or delivery order or payment for delivery, as the case may be.

9.8 An offset shall only be in respect of the own-account positions of clients or of the own-account of the members of the Exchange in the same commodity, price index or security and same contract month;

9.8.1 When a constituent member of the Exchange buys and sells the same contract, price index or security or any of its derivatives for the same contract month, the purchases and the sales shall not be automatically offset against one another by the clearing member if it is for different clients of the constituent member; and

9.8.2 Bye-Law 9.8.2 shall not apply to own-account transactions of clients and constituent members. Such own-account transactions in the same basis grade and same contract month shall be automatically offset.

9.9 Each trading day shall be a settlement day, unless it is declared otherwise by the Relevant Authority at its discretion with the prior approval of the Commission.;

9.9.1 All transactions in contracts permitted on the Exchange shall be subject to marking to market and settlement through the Clearing House, at intervals specified by the Relevant Authority under the Rules and Business Rules /Regulations of the Exchange, except on holidays when there is no trading and clearing. The Relevant Authority shall have the right to effect marking to market and settlements through the Clearing House more than once during the course of a working day, if deemed fit on account of the market risk and other parameters; and

9.9.2 Settlement of differences due on outstanding transactions shall be made by clearing members through the Clearing House.

9.10 There shall be a daily settlement price in respect of each contract month and for each underlying commodity, price index or security.

9.10.1 Settlement price shall be determined by the Relevant Authority based on price quotations of transactions executed in accordance with the Bye-Laws, Rules and Business Rules /Regulations of the Exchange and other information available on the daily (price) official list or in such other manner, as may be determined by the Relevant Authority.

9.10.2 All transactions, after a mark-to-market and settlement, cleared by the Clearing House shall be included in the succeeding marked-to-market settlement.

9.11 In case of contracts coming under settlement for the first time, the difference shall be calculated between the contract rate and the settlement price. In the case of contracts coming under subsequent settlements, difference shall be calculated between settlement prices.

## **10 DELIVERY**

- 10.1 For the fulfilment of outstanding contracts maturing at the end of the contract month, commodity shall be tendered by Delivery Orders, wherever applicable, through the respective Clearing Members to the Clearing House.
- 10.2 The Exchange may prescribe tender days and delivery period for each contract month in a commodity during which sellers who wish to tender delivery may issue Delivery Orders through their respective Clearing Members to the Clearing House. Tender days and Delivery period shall end on or before/on or after the last day of trading of the relevant contract month.
- 10.3 The Clearing House shall allocate the delivery orders received by it amongst one or more buyers having outstanding long open positions in a manner as considered appropriate by the Relevant Authority.
- 10.4 The Relevant Authority may specify in advance before commencement of a contract various grades of a commodity that may be tendered and the discounts and premiums for such grades.
- 10.5 All contracts outstanding at the end of the last trading day of the contract of the maturing contract shall be closed-out by the Relevant Authority at the due date rate as fixed by the Relevant Authority. The Relevant Authority may prescribe penalty on sellers with outstanding positions who fail to issue delivery orders as may be applicable and the Exchange may financially compensate the buyers who hold outstanding positions, but who intended to lift delivery and could not receive Delivery Orders against such positions due to failure on the part of the seller. The buyer who fails to accept the delivery orders shall be required to pay the difference between the settlement price and the due date rate and in addition to the same, they shall be required to pay such penalty, as may be decided by the Exchange. The seller, who has tendered delivery document, shall be compensated out of penalty recovered from the buyer, while the delivery will be returned to the seller. Failure to pay the dues and penalties relating to such closing out within the stipulated period shall cause the member to be declared as defaulter, and render him liable for disciplinary action.
- 10.6 Every Delivery Order shall be tendered for the units of delivery specified for the commodity, or multiples thereof and the same shall be issued at the Delivery Order Rate fixed by the Relevant Authority on the day of tender. A seller who issues Delivery Order shall receive from or pay to the Clearing House through the respective Clearing Member the difference between the contract rate or the last settlement rate, as the case may be, and the Delivery Order Rate. A buyer who is assigned a Delivery Order shall receive from or pay to the Clearing House through the respective Clearing Member the difference between the immediately preceding

trading day's settlement price and the Delivery Order Rate in addition to the amount payable for the value of delivery. Registered non-members shall receive and pay, as the case may be, through their respective members of the Exchange. Delivery order once submitted shall not be withdrawn or cancelled or changed, unless so agreed by the Exchange.

- 10.7 A seller issuing the delivery order shall receive from the Clearing House the full price of the commodity delivered as per the delivery order rate, subject to additions or deductions on account of such premium or discounts as the case may be, prescribed under these Bye-Laws for delivering grades for varieties other than the basis variety or grade and also on account of quantity adjustment and freight adjustment notified in advance.
- 10.8 A buyer shall pay to the Clearing House the value of delivery allocated on his account by the Exchange within such time as may be specified, of getting intimation to such effect from the Exchange. After getting full price of delivery from the buyer as per delivery order allocated to him, the Exchange will endorse the delivery order to him. Thereafter, till completion of the delivery process, the money will be retained by the Clearing House and will be passed on to the seller only on completion of the delivery process to the satisfaction of the Exchange. The Clearing House will pass on the proceeds to the seller after making adjustments relating to quality, quantity and freight factors, as the case may be. The balance amount, if any, remaining after such adjustments, will be passed on to or recovered from the buyer.
- 10.9 An Exchange Member desiring to tender goods against an open short position in the maturing contract shall send Delivery Orders to the Clearing House through his Clearing Member upto such time on the tender days, as may be decided by the Relevant authority. The Delivery Order Forms duly signed by the sellers or sellers representative, holding short open positions shall give the following particulars, in addition to the particulars in the prescribed form for Delivery Order:
1. The quality and quantity of goods to be delivered (Warehouse receipt and Quality certificate issued by the approved Assayer).
  2. Delivery Order Rate.
  3. Name of the seller issuing the Delivery Order.
  4. Period of delivery.
  5. The address or addresses of the warehouse(s) or any storage place where the goods are kept and the quantity thereof at each warehouse.
  6. The name and address of the seller's representative who should be contacted by the buyer for taking delivery.
- 10.10 Delivery Orders shall be passed on to the Clearing House through the Clearing Members and vice versa. The Members of the Exchange themselves or their agents shall be entitled to receive or give Delivery Order, Registered non-members shall give or receive Delivery Orders through Members of the Exchange who have executed their transactions.

- 10.11 At the time of issuing the Delivery Order, the seller of such contract must satisfy his Clearing Member that he owns and holds in his possession or his agent's possession adequate stocks of the required quantity and quality of the commodity in which he has open position to make delivery in the specified manner to cover the commitments included in the Delivery Order.
- 10.12 A seller member is entitled to offer delivery only at the delivery centres specified by the Exchange in advance for the respective commodity. Delivery can be tendered at such specified centres strictly as per the delivery procedure specified by the Exchange. Before tendering delivery, the seller is also required to obtain a certificate from a surveyor empanelled by the Exchange and such certificate shall be accompanied with the delivery order being tendered by him to the Clearing House. The surveyor's certificate shall clearly specify the quality of the goods tendered and shall also confirm that such quality is tenderable as per the contract specification of the Exchange. In case of non compliance of any of these conditions, the delivery order is rejected *ab initio*.
- 10.13 Assignment of Delivery Orders among the Clearing Members having outstanding long position shall be binding on them, irrespective of the fact that there was no direct contract between the buyer and seller. The Clearing Members shall, in turn assign the full quantity of goods covered by the Delivery Orders to their Clients holding outstanding long positions. The member clients may in turn, assign the delivery order to their registered non-member clients, if any holding outstanding long open positions and such member-clients or constituents shall not reject such assignment on any ground whatsoever including the fact that there was no direct contract with the seller. Clearing Members and Member/Clients shall submit to the Exchange a written statement of assignment of goods covered by the Delivery Orders.
- 10.14 Members of the Exchange and the clients / constituents dealing through them shall strictly abide by the delivery procedure, methods of sampling, survey, transportation, storage, packing, weighing and final settlement procedures, as may be specified by the Relevant Authority from time to time. Any violation of such method will be dealt with by the Relevant Authority in the manner, as may be specified from time to time.
- 10.15 A seller of commodity shall deliver the quantity as per his net sale position in the expiring contract during the period specified in the Bye Laws, Rules and Business Regulations of the Exchange and notices and orders issued thereunder from time to time for the specified commodity, which should confirm to the quality specified by the Exchange in the contract specification. In case of any failure to do so, such net sale position shall be closed out as per the Due date rate and the seller shall be required to pay the difference, as determined by the Clearing House and penalty in addition thereto.

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

## **11 REPORTS**

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

## **12 DECLARATION OF DEFAULTER**

- 12.1 The Relevant Authority may by and after necessary diligence declared a Exchange Member as defaulter by direction / circular/notification of the Relevant Authority if:

- (a) he is unable to fulfil his obligations; or
- (b) he admits or discloses his inability to fulfil or discharge his duties, obligations and liabilities; or
- (c) he fails or is unable to pay within the specified time the damages and the money difference due on a closing-out effected against him under these Bye-laws, Rules and Regulations; or
- (d) he fails to pay any sum due to the Exchange or to submit or deliver to the Exchange on the due date delivery and receive orders, statement of differences, balance sheet and such other clearing forms and other statements as the Relevant Authority may from time to time prescribe; or
- (e) if he fails to pay or deliver to the Relevant Authority all monies, Warehouse receipts and other assets due to exchange member who has been declared a defaulter within such time of the declaration of default of such exchange member as the Relevant Authority may direct; or
- (f) if he fails to abide by the arbitration award as laid down under the Bye-laws, Rules and Regulations
- (g) if he has been declared defaulter by any other Stock or Commodity Exchange.
- (h) if he files a petition before the Court of Law for adjudication of himself as an insolvent or for its winding up as the case may be.

### **12.2 Compromise Forbidden**

An Exchange member guilty of accepting from any exchange member anything less than a full and bona fide money payment in settlement of debts arising out of a transaction in commodities shall be suspended for such period as the Relevant Authority may determine.

### **12.3 Notice of Declaration of Default**

On an exchange member being declared a defaulter a notice to that effect shall be placed forthwith on the trading system of the Exchange.

### **12.4 Defaulter's Book and Documents**

When an exchange 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. The Defaulter shall file with the Relevant Authority within such time of the declaration of his default as the Relevant Authority may direct a written statement containing a complete list of his

debtors and creditors and the sum owing by and to each. 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.

- 12.5:** If a member is declared as a defaulter by Exchange, intimation shall immediately be sent to all other Commodity Exchanges about the default of the member. If membership is held in the name of a corporate body, then the names of the promoter(s), dominant shareholders will also be intimated. Further, if associates of the defaulter broker are Members of Commodity Exchanges, then action, if any, will be taken against such associate member(s) as per the decision of the Exchange, after examining the relevant facts;
- 12.6:** If the defaulting member of a particular exchange holds membership in other exchanges in his/her/its own name, then such member should be declared defaulter in the other exchanges also;
- 12.7:** The defaulter member may not be re-admitted for trading at the Exchange for a period of 5 (five) years;
- 12.8:** The apportionment of the assets of the defaulter member will be made exchange wise as per the claims at each of the exchange. In the event of any shortfall in the settlement of the claims at any exchange (s), the other exchange (s) which has surplus after meeting the claims at their exchange, such surplus shall be utilized for the settlement of the claim at other Exchange (s) on a pro-rata basis."

## **13 SETTLEMENT/ TRADE GUARANTEE FUND**

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

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

13.1.3 The minimum corpus of the Settlement Guarantee Fund to be ensured before commencement of trading will be Rs. 1 crore, which will be suitably increased from time to time, as the Board may decide.

### **13.2 Contribution to and Deposits with Settlement Guarantee Fund.**

13.2.1 Each member shall be required to contribute to and provide a minimum security deposit, as may be determined by the Relevant Authority from time to time, to the relevant Settlement Guarantee Fund. The Settlement Guarantee Fund shall be held by the Exchange. The money in the Settlement Guarantee Fund shall be applied in the manner, as may be provided in these Bye- Laws, Rules and Business Rules /Regulations of the Exchange and notices and orders issued thereunder from time to time.

13.2.2 The Relevant Authority may specify the amount of additional contribution or deposit to be made by each member and/or category of clearing members, which may, inter alia, include the minimum amount to be provided by each clearing member.

13.2.3 The Exchange shall, as a result of multi-lateral netting followed by it in respect of settlement of transactions, guarantee financial settlement of such transactions to the extent it has acted as a legal counter party, as may be provided in the relevant Bye-Laws from time to time.

13.2.4 The total amount of security deposit and additional deposit, deposited and maintained by a clearing member with the Clearing House of the exchange, in any form as specified herein, shall form part of the Settlement Guarantee Fund.

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

### **13.3 Form of Contribution or Deposit**

The Relevant Authority may, in its discretion, permit a member to contribute to or provide the deposit to be maintained with the Settlement Guarantee Fund, in the form of either cash, fixed deposit receipts, bank guarantees or in such other form or method and subject to such terms and conditions, as may be specified by the Relevant Authority from time to time.

### **13.4 Replacement of Deposit**

By giving a suitable notice to the Exchange and subject to such conditions, as may be specified by the Relevant Authority from time to time, a member may

withdraw fixed deposit receipts or bank guarantees given to the Exchange, representing the member's contribution or deposit towards the Settlement Guarantee Fund, provided that the member has, simultaneously with such withdrawal, deposited cash, fixed deposit receipts, or bank guarantees with the Clearing House or the Exchange or made contribution through such other mode, as may be approved by the Clearing House or the Exchange from time to time, to meet his required contribution or deposit, except as provided in these Bye-Laws.

### **13.5 Investment of Settlement Guarantee Fund**

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

### **13.6 Administration and Utilization of Settlement Guarantee Fund**

13.6.1 The Settlement Guarantee Fund may be utilised for such purposes, as may be provided in these Bye-Laws and Regulations and subject to such conditions as the Relevant Authority may prescribe from time to time, which may include:

- a. defraying the expenses of creation and maintenance of Settlement Guarantee Fund including administrative and employee costs of the Clearing and Settlement,
- b. temporary application of Settlement Guarantee Fund to meet shortfalls and deficiencies arising out of the clearing and settlement obligations of clearing members in respect of such transactions, as may be provided in these Bye-Laws, Rules and Regulations of the Exchange in force from time to time,
- c. payment of premium on insurance cover(s) which the Relevant Authority may take from time to time, and/or for creating a Default Reserve Fund by transferring a specified amount every year, as may be decided by the Relevant Authority from time to time,
- d. meeting any loss or liability of the Exchange arising out of clearing and settlement operations of such transactions, as may be provided in these Bye-Laws, Rules and Regulations of the Exchange in force from time to time,
- e. repayment of the balance amount to the member pursuant to the provisions regarding the repayment of deposit after meeting all obligations under the Bye-Laws, Rules and Regulations of the Exchange, when such member ceases to be a member, and
- f. any other purpose, as may be specified by the Relevant Authority, from time to time.

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

Whenever a member fails to meet his settlement obligations to the Exchange arising out of his clearing and settlement operations in respect of his transactions, as may be provided in these Bye-Laws, Rules and Business Rules /Regulations of the Exchange, the Relevant Authority may utilise the Settlement Guarantee Fund

and other moneys lying to the credit of the said member to the extent necessary to fulfil his obligations under such terms and conditions, as the Relevant Authority may specify from time to time.

### **13.8 Utilisation in Case of Failure to Meet Settlement Obligations or on Declaration of Defaulter**

Whenever a member fails to meet his settlement obligations to the Exchange arising out of the transactions, as may be provided in these Bye-Laws, Rules and Business Rules /Regulations of the Exchange in force from time to time, or whenever a member is declared a defaulter, the Relevant Authority may utilise the Settlement Guarantee Fund and other moneys of the member to the extent necessary to fulfil his obligations in the following order:

13.8.1 any amount that may have been paid by the defaulter member in the form of margin or any other money, other than bank guarantees or, deposited with or retained by the Exchange for the purpose of meeting the clearing and settlement obligations;

13.8.2 the proceeds, if any, recovered from disposal of any security deposited by the defaulter member, other than those deposited towards security deposit and/or additional deposit by the member with the Clearing House or the Exchange,

13.8.3 any contribution or deposit made by the defaulter member towards additional deposit to the Settlement Guarantee Fund, in the form of cash or fixed deposit receipts or bank guarantee;

13.8.4 any amount that may have been paid by the defaulter member towards margin in the form of bank guarantees or, and deposited with the Exchange;

13.8.5 any amount that may have been deposited by the defaulter member towards additional deposit in the form of bank guarantees or with the Exchange;

13.8.6 any amount that may have been deposited by the defaulter member towards security deposit in the form, other than bank guarantees, with the Exchange;

13.8.7 any amount that may have been deposited by the defaulter member towards security deposit in the form of bank guarantees with the Exchange;

13.8.8 the amount lying to the credit of the defaulter with the Exchange to the extent not appropriated by the Exchange towards the obligations of the defaulter to it;

13.8.9 the proceeds, if any, recovered from auctioning or disposing of the exchange membership right vested in the Exchange, subject to deduction of the expenses relating or incidental to the auction or disposal, as the case may be;

13.8.10 the fines, penalties, penal charges, interest on delayed payments, interest or other income, if any, earned by investment or disinvestments of the Settlement Guarantee Fund or interest earned on margin moneys that form part of the Settlement Guarantee Fund to the extent, as may be decided by the Clearing House or the Exchange;

13.8.11 the profits available for appropriation in the Settlement Guarantee Fund in the year in which the member is declared a defaulter;

13.9.1 The amount of contribution and/or deposit made towards security deposit by all categories of clearing members to the Settlement Guarantee Fund in proportion to the total contribution and/or deposit made by each clearing member, Note: The Relevant Authority may, at its discretion, alter the order of utilization of the Settlement Guarantee Fund from time to time.

13.9.2 If the cumulative amount under all the above heads is not sufficient, the balance obligations shall be assessed against all the clearing members in the same proportion as their total contribution and deposit towards security deposit, and the clearing members shall be required to contribute or deposit the deficient amount in the Settlement Guarantee Fund within such time, as the Relevant Authority may specify in this behalf from time to time.

### **13.10 Obligation to Bring in Additional Contribution or Deposit**

13.10.1 If a pro-rata charge is made as mentioned in Bye-Law 12.9.2 against a member's actual contribution or deposit, and as a consequence, the clearing member's remaining contribution and deposit towards the Settlement Guarantee Fund falls below his required contribution and deposit, the clearing member shall contribute or deposit towards the shortfall in the Settlement Guarantee Fund within such time as the Relevant Authority may specify.

13.10.2 Where any clearing member, who is required to contribute or deposit, as specified in Bye-Law fails to do so, the Relevant Authority may charge such rate of interest on the shortfall, as it may determine from time to time and also take suitable disciplinary action, including imposition of fines and penalties against the clearing member. Any disciplinary action which the Relevant Authority may take pursuant to the above provisions or the clearing member ceasing to be an exchange member, for whatever reasons, shall not affect the obligations of the clearing member to the Clearing House or the Exchange or any remedy to which the Exchange or Clearing House may be entitled to under these Bye-Laws, Rules and Business Rules /Regulations of the Exchange and the applicable laws.

### **13.11 Allocation of the Contribution or Deposit**

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

### **13.12 Repayment to the Clearing Member on His Cessation**

13.12.1 A member shall be entitled to repayment of the actual amount of deposit, if any, made by him to the Settlement Guarantee Fund provided it is not part of the admission fee after

- a. the member ceases to be an exchange member on account of any reason whatsoever,
- b. all pending transactions at the time the member ceases to be an exchange member, which may result in a charge to the Settlement Guarantee Fund, have been closed and settled,
- c. all obligations to the Exchange for which the member was responsible while he was an exchange member have been satisfied, or at the discretion of the Relevant Authority, have been deducted by the Exchange from the member's actual deposit; provided, the member has presented to the Exchange such indemnities or guarantees as the Relevant Authority may deem necessary or another clearing member has been substituted owning liability for all the transactions and obligations of the clearing member, who had ceased to be a member.
- d. a suitable amount, as may be determined by the Relevant Authority at its discretion, has been set aside for taking care of any loss/liability/obligation arising out of his past transactions and
- e. a suitable amount, as may be determined by the Relevant Authority at its discretion, has been set aside by the Exchange towards such other obligations, as may be perceived by the Exchange to exist or be perceived by the Exchange to arise in future.

13.12.2 The Relevant Authority may specify norms for repayment of deposit including the manner, amount and period within which it may be paid. The repayment amount, at no point of time, will exceed the actual deposit available to the credit of the clearing member after deducting the necessary dues or charges payable by such clearing member from time to time, including the initial deposit.

13.12.3 Any obligation of a member to the Exchange, remaining unsatisfied at the time he ceases to be a clearing member, shall not be affected by his cessation of exchange membership, and the Exchange shall have a remedy as provided in the Bye-Laws 13.10.2.

### **13.13 Recovery of Loss and Re-distribution**

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

### **13.14 Limitation of Liability**

The liability of the Exchange resulting from the deemed contracts of members with the Exchange and to losses in connection therefrom shall be limited to the extent of contributions made to the Settlement Guarantee Fund. The Settlement Guarantee Fund of the Exchange shall not be available for obligations of a non-clearing member, obligations of a member to a non-clearing member, obligations of a member to another member of the Exchange towards transactions to which the Exchange is not a counter party or where the Exchange withdraws as a counter party on account of fraud or fraudulent transactions as provided in the relevant Bye-Laws and Regulations from time to time or obligations to a client by an exchange member, and to losses arising there from or in connection therewith or incidental thereto.

## **14 CLEARING LIMITS**

- 14.1 The Relevant Authority may specify the limits of open positions applicable to the clearing members of the exchange in co-relation to the deposits made by them towards margin or deposit or contributions made by the members to the settlement guarantee fund or any other fund established by the Exchange.
- 14.2 The aggregate monetary value of all the net open positions in respect of all contract months that each clearing member may clear and settle shall be related to the sum of the clearing member's contributions to the settlement guarantee fund of the Exchange or any other fund specified by the Exchange.
- 14.3 The Exchange reserves the right to specify different clearing limits for different commodities.
- 14.4 Clearing members, to enhance their clearing limits, may make additional deposits to the settlement guarantee fund or to the fund specified by the Exchange.
- 14.5 The net open position and the monetary value thereof in respect of each contract month shall be computed by the Exchange and then aggregated to determine the aggregate monetary value of all the net open positions.

- 14.6 When the clearing limit of a clearing member reaches the threshold / upper limit, the Exchange shall notify the same to the clearing member. After receipt of notification the clearing member shall not enter into any further transactions that would increase the aggregate monetary value of net open positions until he has paid additional monies to enhance his/ its limit.
- 14.7 The Relevant Authority may close-out the positions of clearing members who has failed to comply with the notification issued under Bye-Law 13.6.
- 14.8 The aggregate monetary value of contracts shall be determined on the basis of:
- (i) the net open positions in each of the contract months for each underlying commodity for which transactions have been cleared by the clearing member and
  - (ii) the respective settlement prices.

## **15 CODE OF ETHICS /CONDUCT/GOVERNANCE**

- 15.1 The Relevant Authority shall form model Code of Ethics / Code of Conduct to be followed and observed by the Members of the Exchange, their clients, constituents, Clearing Banks, other intermediaries and the designated employees of the Exchange / Company.
- 15.2 The said Code shall content the Direction/ Guidelines / Do's and Don't's issued by the Commission, Other Statutory Authorities and Trade Bodies in the interest of the Commodity Future Trading in the Country and Abroad.
- 15.3 The Relevant Authority shall from time to time communicate, annul, amend the code and may make the code available on its web site.
- 15.4 The Code of Ethics / Code of Conduct shall *inter alia* provide:
- a. that every member of the Exchange shall endeavour to promote to the best of his ability, the objects and interests of the Exchange and to protect and safeguard the interests of his clients trading on the Exchange.
  - b. that the members of the Exchange shall inform various Risk Disclosure statement or any such statement, as may be prescribed by the Exchange, to all the clients willing to trade through them.
  - c. that every member shall access Byelaws, Rules and Business Rules / regulations and notices, circulars, orders and instructions issued by the Exchange from time to time and shall also provide all relevant information to his clients, before executing any order on behalf of such client.
  - d. that the members of the Exchange shall not encourage, abet nor allow their clients to evade margin, security deposits, etc. in respect of trading on the Exchange and other financial and non financial compliance;
  - e. that every member of the Exchange and its clients and constituents shall abide by all the Bye-Laws, Rules and Business Rules / regulations of the Exchange as

well as notices, circulars, orders and instructions issued by the Exchange from time to time .

f. that every member of the Exchange shall be liable to expulsion, suspension and/or to payment of a fine, subject to the opportunity of being heard, for any of the following acts or omissions:

i. Refusal to abide by awards of any arbitrators or, surveyors or Relevant Authority made in conformity with these Bye- Laws, Rules and Business Rules / regulations.

ii. For acting in any manner detrimental to the interest of the Exchange or unbecoming of a member.

iii. For any misconduct in his dealing with or relations to the Exchange or any member or members thereof or for any disreputable or fraudulent transactions with any person whether a member or not of which complaint is made to the Managing Director and / or CEO or Relevant Authority, any Standing Committee or the Board by one or more members or clients and is found to be valid by the Relevant Authority.

iv .For violating, disobeying or disregarding any Bye-Laws or any enactment, order, ordinance or notification issued by the State or The Union Government in respect of trading in any commodities, or the provisions of the Forward Contracts (Regulation) Act, 1952, and the Rules made thereunder and any directions issued by the Forward Markets Commission.

v. For publishing or permitting to be published in any newspapers, circulars, or otherwise, any misrepresentation relating to the trade in any commodities or contracts, calculated to mislead the members and/or the public.

vi. For not complying with any notice or request made to him by or on behalf of the Exchange or the Relevant Authority requiring him to attend any meeting or to produce any books, documents, correspondence or other papers in his possession, power or control, or for refusing or neglecting to answer any question put to him by the Relevant Authority, as the case may be.

vii. For failure to pay any amount due under these Bye-Laws and Business Rules / regulations and order and instructions issued thereunder by the Exchange, and/or arbitration or any other fees when due or for non-payment of any fine imposed on him pursuant to these Bye- Laws or for failure to pay any other amount due by him under these Bye-Laws or under any order of the Relevant Authority.

g. that In case a member of the Exchange has been suspended, deactivated, expelled and / or declared deemed defaulter / defaulter, no other member of the Exchange shall do business for or on behalf of such member.

h. that the code shall be applicable *mutadis mutandis* to the persons who are in the employment of the Exchange and are designated by relevant authority in this regard from time to time. The said designated employees shall be bound by the Code and shall not indulge in the activities detrimental to the trading and operations of the Exchange.

- 15.5 The Relevant Authority may from time to time obtain such declarations, disclosures as may be deemed fit from the persons to whom the code is applicable.

**15.6 No employee (Including Directors) of the Company or Exchange shall:**

- a. Engage directly or indirectly in trading of contracts that are transacted in the Exchange and cleared and settled by the Clearing House of the Exchange; or
  - b. Directly or indirectly make disclosure of any confidential, financial, or other information that may come into his possession as a result of his functions as an employee of the Company or the Exchange.
- 15.7. Employees who violate the above restriction shall be subject to immediate dismissal by the Board upon the recommendation of the Managing Director and / or CEO or The Relevant Authority .
- 15.8 No employee of the Company or the Exchange shall maintain directly or indirectly any employment with any member of the Exchange or any person, firm, or corporation which is engaged in activities related to trading in contracts of the Exchange, whether such employment involves or does not involve any compensation, whether periodic or otherwise. Employees who violate this Rule shall be subject to immediate dismissal by the Board upon the recommendation of the Relevant Authority.
- 15.9 Members of the Exchange including clearing members who cause or attempt to cause employees of the Exchange or the Company to violate or who participate with employees in violating the above rules shall be guilty of improper conduct and shall be liable to immediate suspension/ expulsion from the Exchange and the withdrawal of membership privileges.

## **16 ARBITRATION**

### **16.1 Definitions**

1. 'Arbitrator' means an arbitrator selected from the panel of arbitrators.
2. 'Arbitral Tribunal' means one or more arbitrators constituting a tribunal to adjudicate a reference to arbitration.
3. 'Act' means Arbitration and Conciliation Act, 1996 and any amendments thereto in force.
4. 'Applicant' means a person who makes a reference to arbitration by filing an application as prescribed by the Exchange.
5. 'Conciliator' means either sole conciliator or a bench of three conciliators as agreed between the parties.
6. 'Panel of Arbitrators' means a body of arbitrators, constituted by the Relevant Authority from time to time.
7. 'Panel of Conciliator' means a body of conciliator, constituted by the Relevant Authority from time to time under these Bye-Laws.

8. Reference means reference to arbitration under these Byelaws.
9. 'Respondent' means a person against whom the applicant makes a reference to arbitration whether or not there exists a transaction or is a claim against such person.

## **16.2 Arbitration Subject to the Arbitration and Conciliation Act**

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

## **16.3 Panel Of Arbitrators**

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

## **16.4 Reference to Arbitration**

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

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

## **16.5 Trades, Contracts, Deliveries and Transactions Subject to Arbitration**

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

### **16.6 Jurisdiction**

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

### **16.7 Construction of References**

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

### **16.8 Administrative Assistance**

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

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

The provisions of these Bye-Laws shall become applicable to all claims, difference, disputes between the parties mentioned therein for all trades, contracts and transactions made subject to the Bye-Laws, Rules and Business Rules / regulations of the Exchange and circulars, orders, directions, or rulings, issued by the Exchange provided such trades, contracts and transactions had been entered into between the parties mentioned therein up to and including the date on which

the member was either declared a defaulter or expelled or has surrendered his exchange membership.

#### **16.10 Reference of the Claims, Differences or Disputes**

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

#### **16.11 Limitation Period for Reference to Arbitration**

All claims, differences or disputes referred to in the Bye-Laws above shall be submitted to arbitration within six months from the date of last transaction or delivery or payment effected between the member and his client or between two members of the Exchange, provided where the claim / complaint is not settled / resolved through the process of conciliation by the Exchange within three months of the receipt of the claim / complaint, the Exchange shall in such cases advise the concerned client to refer the case to arbitration. The time taken in dispute resolution and/or conciliation proceedings, if any, initiated and conducted in accordance with the provisions of the Arbitration and Conciliation Act and these Bye-Laws and the time taken by the Managing Director and / or CEO or Relevant Authority to administratively resolve the claims, differences or disputes shall be excluded for the purpose of determining the limitation period of **Three(3) Years** under the Bye-Laws, Rules and Business Rules / regulations of the Exchange. Any claim made or any difference / dispute raised by any complainant / aggrieved person, after expiry of the time limit specified herein, shall become time-barred for the purpose of availing of the remedy under the Bye-Laws, Rules and Business Rules / regulations of the Exchange and may not, however, be invalid for seeking remedy under appropriate civil laws.

### **16.12 Penalty on Failure to Submit to or Abide by Award in Arbitration**

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

### **16.13 Procedure for Appointment of Arbitrators**

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

### **16.14 Vacancy to the Office of the Arbitrator**

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

### **16.15 Recorded Proceedings and Evidence**

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

### **16.16 Order or Ruling of Previous Arbitrator**

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

### **16.17 Disclosure by Person to be appointed as Arbitrators**

Every person, who is approached in connection with his possible appointment as an arbitrator, shall disclose to the Managing Director and / or CEO or Relevant Authority or Exchange Officials in writing any circumstances likely to give rise to

justifiable doubts as to his independence and impartiality. If the person discloses any circumstances, which, in the opinion of the Managing Director and / or CEO or Relevant Authority or Exchange Officials, are likely to give rise to justifiable doubts as to his independence and impartiality, then he shall not be appointed as an arbitrator in respect of such case.

### **16.18 Termination of Mandate of the Arbitrator**

The mandate of the arbitrator shall terminate if;

16.18.1 The arbitrator withdraws from office for any reason; or

16.18.2 In the opinion of the Managing Director and / or CEO or Relevant Authority, which shall be final and binding on the parties, the arbitrator becomes de jure or de facto unable to perform his functions or for other reasons, fails to act without undue delay, including failure to make the arbitral award within the time period prescribed or

16.18.3 The mandate of the arbitrator is terminated by the Managing Director and / or CEO or Relevant Authority upon receipt of written request for the termination of the mandate of the arbitrator from both the parties to arbitration; or

16.18.4 The arbitrator discloses any circumstances referred to in Byelaws 15.17 which in the opinion of the Managing Director and / or CEO or the Relevant Authority are likely to give rise to justifiable doubts as to his independence and impartiality; or

16.18.5 The arbitral proceedings are terminated as provided for herein.

### **16.19 Termination of membership of Arbitrator**

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

### **16.20 Place of Arbitration**

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

### **16.21 Fees and Charges**

The fees for arbitration and the charges for submitting to and for regulating the proceedings of the reference prescribed in the relevant Rules and Business Rules / regulations of the Exchange shall be payable in advance and when there is a failure, neglect or refusal on the part of a party or parties to pay accordingly, the other party shall be responsible for making such payment in advance without

prejudice, however, to its right, if any, to recover the same from such party or parties failing, neglecting or refusing to pay. It shall be a condition precedent to the hearing of any reference that the prescribed fees and charges shall have been paid in advance to the Exchange by the party or parties to the reference. Provided that the fees and charges shall not be collected from a client, who may lodge a claim against an exchange member, who has been declared a defaulter or expelled from the exchange membership if there is adequate asset vested in the Clearing House Committee or other Committee.

#### **16.22 Appearance by Counsel, Attorney or Advocate not permitted**

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

#### **16.23 Set-off and Counter Claim**

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

#### **15.24 Proceedings**

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

#### **16.25 Adjournment of Hearings**

The arbitral tribunal may adjourn the hearing from time to time upon the application of any party to the reference or suo moto, provided, however, that when the adjournment is granted at the request of one of the parties to the reference, the arbitral tribunal may, if deemed fit, require such party to pay the fees and costs in respect of the adjourned hearing borne by the other party and in

the event of such party failing to do so, may refuse to hear him further or dismiss his case or otherwise deal with the matter in any way the arbitral tribunal may think just.

#### **16.26 Written Statements By Parties and Hearing**

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

#### **16.27 Permission Necessary For Witness or Evidence**

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

#### **16.28 Ex Parte Decision and Summary Disposal**

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

#### **16.29 Disputed Matter to be Arbitrated Only Once**

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

#### **16.30 Settlement**

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

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

### **16.31 Interim Arbitral Award and interim Measures**

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

### **16.32 Arbitral Award**

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

### **16.33 Signing of Award**

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

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

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

### **16.34 Award to Classify Award Amount**

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

### **16.36 Award to Adjudge Interest**

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

### **16.36 Intimation of Award**

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

### **16.37 Award Binding on Parties and Their Representatives**

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

### **16.38 Correction in and Clarification on Award**

16.38.1 Within such days, as may be specified in the Rules and Regulations of the Exchange or the orders issued thereunder, from the receipt of the arbitral award

a. Any party to an arbitration agreement, with notice to the other party, may request the arbitral tribunal to correct any computational error, any arithmetical error, any clerical or typographical error or any other error of a similar nature occurring in the award.

b. A party, with notice to the other party, may request the arbitral tribunal to give a clarification on any specific point or part of the award.

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

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

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

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

### **16.39 Honouring of Arbitral Awards**

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

### **16.40 Right to Appeal**

#### **16.40.1 Award Final and Additional Risk Containment Measures Applicable**

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

#### **16.40.2 Enforceability of Award As a Decree**

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

### **16.41 Setting Aside of Award and Fresh Reference**

16.41.1 An arbitral award may be set aside or modified by the court on an application made under relevant provision of the Arbitration and Conciliation Act, on the grounds mentioned in that provision.

16.41.2 Whenever an award made under these Bye-Laws and Regulations of the Exchange is set aside or modified by the court, the matter shall be disposed of in accordance with the direction of the Court.

### **16.42 Costs**

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

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

Explanation: For the purpose of Bye-Law 16.42.1, “Costs” means reasonable cost relating to the fees and expenses of the arbitrators and witnesses, or legal fees and expenses, any administration fees of the Exchange or institution supervising the arbitration, and any other expenses incurred in connection with the arbitral proceedings and the arbitral award.

### **16.43 Notices and Communication How to be Served**

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

16.43.1 by delivering it by hand;

16.43.2 by sending it by registered post;

16.43.3 by sending it under certificate of posting;

16.43.4 by sending it by express delivery post;

16.43.5 by sending it by electronic mail;

16.43.6 by sending it by telegram;

16.43.7 by affixing it on the door at the last known business or residential address;

16.43.8 by oral communication to the party in the presence of a third person;

16.43.9 by advertising it at least once in any daily newspaper published at the place where the parties are located; or

16.43.10 if no address is known, by a notice posted on the notice board of the Exchange or displayed on the automated trading system of the Exchange.

### **16.44 Service by Hand Delivery When Complete**

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

### **16.45 Service by Post or Telegram When Complete**

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

#### **16.46 Service by Advertisement or by Notice on Notice Board When Complete**

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

#### **16.47 Refusal to Accept Delivery Does Not Affect Service**

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

#### **16.48 Indemnity**

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

##### **16.48.1 Parties When Not Discharged**

If any difficulty arises in giving effect to the provisions of these Bye-Laws, Rules and Business Rules / regulations of the Exchange in the conduct of arbitration, the provisions of the Arbitration and Conciliation Act shall prevail over the provisions of these Bye-Laws, Rules and Business Rules / regulations.

#### **16.49 Secretarial Duties**

The Secretary or the officer designated by the Exchange in this behalf and the employees of the Exchange acting under his authority shall:

16.49.1 maintain a register of reference,

16.49.2 register of reference rejected by the Secretary or the designated officer,

- 16.49.3 receive all applications for arbitration, reference and communication addressed by the parties before or during the course of arbitration or otherwise in relation thereto,
- 16.49.4 receive payment of all costs, charges, fees and other expenses,
- 16.49.5 give notices of hearing and all other notices to be given to the parties before or during the course of the arbitration or otherwise in relation thereto,
- 16.49.6 communicate to parties all orders and directions of the arbitral tribunal,
- 16.49.7 receive and record all documents and papers relating to the reference and keep in custody all such documents and papers, stamp duties except those the parties are allowed to retain, for such period as may be prescribed by the Relevant Authority from time to time,
- 16.49.8 publish the award on behalf of the arbitral tribunal,
- 16.49.9 enter the award and any changes therein in the register of reference,
- 16.49.10 generally does all such things and takes all such steps as may be necessary to assist the arbitral tribunal in the discharge of its functions,
- 16.49.11 maintain a register of appeals and make necessary entries therein and generally to do all such things and take all such steps as may be necessary to implement the award of the arbitral tribunal, as may be specified by the Exchange or any court of competent jurisdiction or a regulatory authority having jurisdiction on such matters from time to time.

**16.50 Arbitration Agreement not to become Invalid due to death or incapacity**

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

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

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

- 16.51.1 determination of a question whether the delivery made by the seller confirms to the quality specification prescribed by the Exchange
- 16.51.2 Applicability and/or interpretation of any Rules, Bye-Laws, Regulations, resolutions, orders, notices, directions, decisions or ruling, whatever name called, for determining any matter referred to above in this Bye-Law, and
- 16.51.3 Such other matters as may be specified by the Relevant Authority for the purposes of this Bye-Law.

## **16.52 Reference to Conciliation**

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

## **16.53 Representation and Assistance**

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

## **16.54 Number and Appointment of Conciliators**

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

## **16.55 Submission of Statements to Conciliator**

- 16.55.1 The Conciliator may, upon his appointment, require each party to submit to him a brief statement in writing describing the general nature of the dispute, the points at issues and the amount, if any, of the claim. Each party shall send a copy of such statement to the other party.
- 16.55.2 At any stage of the conciliation proceedings, the conciliator may require a party to submit to him such additional information, as he/they may deem appropriate.

### **16.56 Disclosure of Information**

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

### **16.57 Communication between Conciliator and Parties**

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

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

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

### **16.58 Co-operation of Parties with Conciliator**

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

### **16.59 Suggestions by Parties for Settlement of Disputes**

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

### **16.60 Admissibility of Evidence in Arbitral Judicial Proceedings**

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

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

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

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

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

### **16.61 Role of Conciliator in Other Proceedings**

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

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

### **16.62 Deposits**

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

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

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

### **16.63 Completion of Conciliation Proceedings**

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

Explanation: Conciliation proceedings shall be deemed to have commenced on the date of appointment of conciliator(s) as provided in these Bye- Laws.

### **16.64 Settlement Agreement**

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

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

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

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

### **16.65 Status and Effect of Settlement Agreement**

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

### **16.66 Costs**

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

Explanation: Costs mean reasonable costs relating to:

16.66.1 the fee and expenses of the conciliators and witnesses required by the parties with the consent of the conciliator/s;

16.66.2 any expert advice required by the conciliator/s with the consent of the parties;  
and

16.66.3 any other expenses incurred in connection with the conciliation proceedings and the settlement agreement;

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

### **16.67 Termination of Conciliation Proceedings**

16.67.1 The conciliation proceedings shall be terminated –

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

### **16.68 Intimation of Termination of Conciliation Proceedings**

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

### **16.69 Confidentiality**

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

## **17 MISCELLANEOUS;**

- 17.1 The relevant authority, including the Managing Director and /or CEO as the case may be, shall be empowered to impose such restrictions on transactions in one or more contracts or commodities as the relevant authority in its judgement deems advisable in the interest of maintaining a fair and orderly market in the contracts or commodities or if it otherwise deems advisable in the interest of trade and public interest. . During the effectiveness of such restrictions, no trading member shall, for any account in which it has an interest or for the account of any client, engage in any transaction in contravention of such restrictions.
- 17.2 The Relevant Authority shall have power at any time and from time to time to call upon all or any member to submit detailed statement giving information relating to contracts entered into by a member in such form and in such manner as may be prescribed;
- 17.3 Where the Forward Markets Commission considers it expedient to do so, it may call for periodical statements relating to contracts entered into by the members in such form or manner as may be prescribed.
- 17.4 If the Relevant Authority and/or the Forward Markets Commission is of the opinion that continuation of transactions in any forward and futures contracts in any contract month is detrimental to the interest of the trade or to the public interest or to the larger interest of the economy of India then notwithstanding anything to the contrary

contained in these Bye-Laws or any contract made subject to these Bye-Laws, every transaction relating to any contract notified under this Bye-Law and entered into between a member and a member or between a member and a client then outstanding shall be closed out at such rate or rates, appropriate to such contract or contracts and with effect from such date as shall be fixed by the Relevant Authority and/or Forward Markets Commission.

17.5 Any failure to observe or comply with any requirement of this Bye Law, or any Bye Laws, Rules or Business Rules / regulations, where applicable, may be dealt with by the relevant authority as a violation of such Bye Laws, Rules or Business Rules / regulations.

17.6 No claim, suit, prosecution or other legal proceedings shall lie against the Exchange and/or Clearing House any authorised person(s) acting for the Exchange and/or Clearing House, in respect of anything which is in good faith done or intended to be done in pursuance of any order or other binding directive issued to the Exchange and/or Clearing House under any law or delegated legislation for the time being in force