

The Securities and Exchange Board of India (SEBI), in exercise of its powers under Section 9 of the Securities Contracts (Regulation) Act, 1956, has vide its letter No. SEBI/HO/CDMRD/DEA/OW/P/2017/01920/1 dated 24th January 2017, approved the Bye-laws of Indian Commodity Exchange Limited (ICEX Bye-laws). The Bye-laws of the Exchange as approved by SEBI are as under and these Bye-laws shall come into force on the date of their publication in the Official Gazette of India.

BYE-LAWS OF INDIAN COMMODITY EXCHANGE LIMITED

In exercise of the powers conferred under Section 9 of the Securities Contracts (Regulation) Act, 1956 and with the previous approval of the Securities and Exchange Board of India, 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 “Securities and Exchange Board of India (SEBI) in accordance with the Securities Contracts (Regulation) Act, 1956” 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 “Securities Contracts (Regulation) Act, 1956 (hereinafter referred to as “the SCRA”) and Rules and Regulations made thereunder and SEBI Act and Rules and Regulations made thereunder. These Bye laws shall at all times be read subject to the provisions of the SCRA and Rules and Regulations made thereunder and SEBI Act and Rules and Regulations made thereunder, as amended from time to time and Rules, Business Rules/Regulations of the Exchange Directives, orders, guidelines, norms and circulars issued by the Government of India and/or SEBI from time to time.

1.4 Precedence of SCRA/SCRR over Bye-Laws

“In case of difference between the provisions of any Bye-laws, Rules and Business Rules/Regulations of the Exchange and the provisions of the SCRA and Rules and Regulations made thereunder/ SEBI Act and Rules and Regulations made thereunder the provisions of the SCRA and Rules and Regulations made thereunder/ SEBI Act and Rules and Regulations made thereunder 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 Securities Laws and the rules framed there under and shall include:
- a All regulations existing or new issued or prescribed by SEBI and made applicable to the Commodity Derivatives market; and
 - b All circulars and directives issued or that may be issued and made applicable by SEBI to the Commodity Derivatives market; and
 - c All circulars and directives issued by SEBI and notified by the Exchange through a circular.
- 2.1.2 Rules, Memorandum and Articles of Association of Indian Commodity Exchange Limited approved by the SEBI.

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.
- 2.3.1A. "American Style option contract" American Style option contract means an option contract which may be exercised on any day on or before the expiration day.
- 2.3.1B. "Assignment" means an allocation of an option contract which is exercised, to a short position in the same option contract, at the same strike price, for fulfillment of the obligation, in accordance with the procedure as may be specified by the Relevant Authority, from time to time.
- 2.3.1C. "At the money or Near the money strike price" is the strike price of the option contract at or within such range of the underlying as may be specified by the Relevant Authority from time to time.
- 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 carry out 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” means a person employed or engaged by a member of an Exchange in his/their own exclusive arrangement with the permission of the Exchange for trading in the automated trading system or any other trading system approved by the Exchange.
- 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 and / or the Companies Act, 2013 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 the Exchange, for providing access to the trading platform of the Exchange, as an agent of the Member of the Exchange.
- 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 by himself or by his authorised users, authorized persons and clients and which makes available, quotations in the contracts traded on the Exchange, facilitates trading in such contracts and disseminates information regarding trades effected, volumes transacted, 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 Exchange 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’ means and includes, books of accounts, records and documents which are required to be maintained under the Securities Contracts (Regulations) Act, 1956 and the Rules framed thereunder, SEBI Act and the Rules and Regulations made thereunder and the Bye-Laws, Rules and Regulations of the Exchange and the Clearing House / Clearing Corporation 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 ‘Regulations’ means the 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 Securities

Contracts (Regulations) Act, 1956, Securities Contracts (Regulations) Rules, 1957, SEBI Act and the Rules and Regulations made thereunder 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 SCRA read with SCRR, as approved by SEBI.
- 2.3.17(A): "Cash Settled Derivatives Contract" means a Derivatives Contract which shall be performed by cash settlement rather than delivery of the underlying.
- 2.3.18 'Certified warehouse receipt / storage receipt/vault receipt' means a receipt issued under the authority of the Exchange or any agency approved by the exchange as a certified warehouse/vault, 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 the Exchange Certified/ Approved/ accredited / designated Warehouse and which includes any place of storage, godown, warehouse, tank, cold storage, silo, store house, vault or any type of storage facility whether temporary or permanent approved by the Exchange or any agency authorized by it and designated as such for storage or for making deliveries to and taking delivery of commodities 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 of Directors of ICEX, pursuant to the Guidelines issued by SEBI, 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 a division of the Exchange or any agency identified by the relevant authority or any independent entity such as Clearing Corporation set up and empowered suitably to act as a facilitator for processing of deliveries and payments between clearing members /trading members and participants for trades effected by them on 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.
- 2.3.30.A: "Commodities" means 'goods' as defined under 2 (bb) in SCRA.
- 2.3.30.B: "Commodity Derivative" shall have the meaning as assigned to it in section 2 (bc) of SCRA.
- 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 securities, 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 securities, as specifically approved by the SEBI 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 derivative contracts traded on the Exchange 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 security 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 "or security" 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 to the Clearing House/Clearing Corporation 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 / delivery shall be allocated on the designated tender day or on the contract expiry date.

Explanation: On expiry date the delivery order rate shall be the Due Date Rate (DDR).';2.3.41 'Delivery Period' means the period during which the commodities or securities 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 / securities , 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 or security, commodity or security price or prices, or an index based on the prices of commodities /securities or commodity or security 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 or security 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 or securities that are permitted and/or approved by the SEBI.

2.3.45A. "Exchange Certified/ Approved/ empaneled/ accredited / designated/ appointed assayer/grader" means an agency approved as such by the Exchange/Relevant Authority for quality testing and certification /gradation of the commodities as per relevant contract specification and circulars issued from time to time.

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.

2.3.46A. "Exercise" means the invocation of right, in accordance with and subject to Rules, Bye-laws and Regulations of Exchange or Clearing Corporation, by the option holder.

2.3.46B. "Exercise Price or Strike Price" is the price per unit of trading at which the option holder has the right either to buy or sell the underlying upon exercise of the option.

2.3.46C. "Exercise Settlement Price", in respect of Exercise Settlement, is the closing price of the underlying on the day of exercise or such other price of the underlying as may be decided by the Relevant Authority, from time to time.

2.3.46D. "Exercise Settlement Value" in respect of Exercise Settlement means the difference between the Strike Price and the Exercise Settlement Price for each unit of trading of the option contract for the purpose of settlement.

2.3.46E. "Exercise Style" of an option refers to the price at which and/or time as to when the option is exercisable by the holder. It may either be an American style option or an European style option or such other exercise style of option as the Relevant Authority may prescribe from time to time.

- 2.3.46F. “Expiry Day or Expiration Day” means the last day for trading of the contract.
- 2.3.46G. “Expiration time” is the close of business hours on the expiration day of the option contract or such other time as may be specified by the Relevant Authority from time to time.
- 2.3.46H. “European Style option contract” means an option contract which may be exercised on the expiration day on or before the expiration 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 [Deleted]
- 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 SCRA), 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.
- 2.3.50A “Futures style premium settlement” means premium settlement of option contracts based on settlement system as specified by the Relevant Authority for futures contract and will include initial margins and mark to market settlement on long and short options position, in accordance with the Regulations as may be specified by the Relevant Authority, from time to time.
- 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 or securities.
- 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).
- 2.3.53A. “In the money strike price”, in case of Put Option, is the strike price of the option contract which is above ‘At the money or Near the money’ strike price. In case of Call Option, is the strike price of the option contract which is below ‘At the money or Near the money’ strike price.’
- 2.3.53B. “Investor Grievance Redressal Committee” shall mean a Committee consisting of Independent persons, identified for the purpose of addressing Investor Grievances of the participants trading on the Exchange platform.
- 2.3.53 C. “Investor Service Cell” means the department of the Exchange which facilitates resolution of complaints of investors against the Member of the Exchange and also renders administrative assistance to arbitration proceedings in respect of arbitration cases that are admitted for Arbitration under the Exchange’s Arbitration Framework.
- 2.3.54 [Deleted]
- 2.3.55 ‘Last day of trading’ means the day on which trading ceases for a particular contract

month in a specific commodity or security 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 security 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 or securities 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 / Clearing Corporation and on the basis of which receipts and payments are effected by the Clearing House / Clearing Corporation.
- 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 or securities, without any netting of the positions of one contract month with another contract month.
- 2.3.66.A 'Netting' means the determination by Clearing House of the Exchange/ Clearing Corporation of net payment or delivery obligations of the clearing members of the Exchange or Clearing Corporation by setting off or adjustment of the inter se obligations or claims arising out of buying and selling of commodity derivatives or any other securities including the claims and obligations arising out of the termination by the Exchange or Clearing Corporation in such circumstances as the Exchange or Clearing Corporation may specify in the Bye-laws, of the transactions admitted for settlement at a future date, so that only a net claim be demanded, or a net obligation be owed.

- 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.
- 2.3.68A "Option class" of the same type and style that cover the same underlying constitute an option class.
- 2.3.68B "Option Contract is a type of Derivatives Contract which gives the buyer/holder of the contract the right (but not the obligation) to buy/sell the underlying at a predetermined price within or at end of a specified period. The option contract which gives a right to buy is called a Call Option and the option contract that gives a right to sell is called a Put Option.;"
- 2.3.68C "Option buyer" is a person who has bought an option contract.
- 2.3.68D "Option seller" is a person who has sold an option contract.
- 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 or securities.
- 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.
- 2.3.70A "Out of the money strike price", in case of Put Option, is the strike price of the option contract which is below 'At the money or Near the money' strike price and in case of Call Option, is the strike price of the option contract which is above 'At the money or Near the money' strike price.;"
- 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/commodities/securities 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 /commodities/securities as applicable, to the clearing agency.
- 2.3.74 'Pay-out', in respect of transactions done on the Exchange, means release of funds/commodities/securities 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/commodities/securities to the respective accounts of the exchange members and/or clients.
- 2.3.75A "Premium" is the price which the buyer of the option pays to the seller of the option for the rights conveyed by the option contract.

- 2.3.75B “Premium Style Premium Settlement” means payment of full option premium by the buyer/holder of an option contract to the seller of the option contract, on purchase of such option contract by the buyer/holder.
- 2.3.75C “Professional Clearing Member (PCM)”: Professional clearing member means a person who is admitted by the Exchange as a Clearing member of the Exchange and the Clearing House / Clearing Corporation of the Exchange and who shall be allowed to only clear and settle trades on account of other Trading Members.
- Provided that such a Professional Clearing Member of the Exchange shall be required to become a member of a recognized clearing corporation from such date as may be specified by the Exchange and/or the SEBI.
- 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 in SCRA.
- 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 or securities permitted by the exchange for such registered non member through that exchange member.
- 2.3.79A. ‘Regulator’ means the Securities and Exchange Board of India.
- 2.3.80 ‘Relative’ means a person who is a relative within the meaning as defined in Companies Act, 2013.
- 2.3.81 ‘Relevant Authority’ means the Board of Directors 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 as approved by the Securities and Exchange Board of India.
- 2.3.84A . “SCRA” means Securities Contracts (Regulation) Act, 1956 and amendments thereto.
- 2.3.84B. “SCRR” means Securities Contracts (Regulation) Rules, 1957 and amendments thereto.
- 2.3.84 C. “SEBI” means Securities and Exchange Board of India constituted under SEBI Act 1992.
- 2.3.84 D. “SEBI Act” means the Securities and Exchange Board of India Act, 1992 and amendments thereto.
- 2.3.84 E “SECURITIES LAWS” means the SEBI Act (1992), SCRA (1956), Depositories Act (1996), Companies Act (2013) and any rules, regulations, circulars, guidelines or directions issued, thereunder.
- 2.3.84. F. “Stock Broker Regulations” means SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992 and amendments thereto.
- 2.3.84. G. “SECC Regulations” means Securities Contracts (Regulation) (Stock Exchanges and Clearing

Corporations) Regulations, 2012 and amendments thereto.

- 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.
- 2.3.86A 'Self 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.
- 2.3.86B "Series of Options" means all options of the same class having the same exercise price and expiration day;
- 2.3.86C "Settlement Amount" shall include premium settlement amount and/ or exercise settlement amount and/ or such other amount as may be decided by the Relevant Authority from time to time';
- 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.
- 2.3.88A. "Settlement price, in respect of Exercise Settlement", is the closing price of the underlying on the day of exercise or such other price as may be decided by the Relevant Authority from time to time.
- 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 / security or its price index, at any given point of time, whose settlement has yet to be effected.
- 2.3.89A. 'Square off / Close Out' means off-setting partly or fully a long or short position held by a member or client.'
- 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 SEBI.
- 2.3.90.A. "Specified Period" for an option contract is the time period between the start day and the expiration time.'
- 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.
- 2.3.91A. "Strike price interval" is the gap between any two successive strike prices which the Relevant Authority may prescribe from time to time.'
- 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 "and include deals that subvert the fair price discovery mechanism.
- 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 or security 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.
- 2.3.97A . ‘Trading-cumClearing Member’ means a person who is admitted by the Exchange as an 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.
- 2.3.98 ‘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 Exchange 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 or securities, 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 [Deleted]
- 2.3.104A. “Type of option” means the classification of an option as either a put or a call or any other option as may be prescribed by the Relevant Authority.’
- 2.3.105 “Underlying” or ‘underlying commodity’ or ‘underlying security’ means the commodity or security with reference to which ready, forward, futures, options, price indices, or an index based on underlying goods or activities , services, rights , interests and events 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/security.

- 2.3.107 'Unit of Quotation' means the specified quantity of a commodity/security 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.
- 2.3.108A 'Vault' means and includes any place of storage and store house accredited by the Exchange where the precious metals are stored.
- 2.3.108B 'Vault receipts' means a document whether in physical or electronic form issued by a Vault which serves as evidence of title to the precious metal stored in the accredited vault.
- 2.3.109 'Warehouse' means and includes any place of storage, godown, warehouse, tank, silios, storehouse , vault, etc. where the commodity traded on the Exchange are stored.
- 2.3.110 'Warehouse Receipt / Vault Receipt' means a document, whether in physical or electronic form evidencing a commodity/security being held in the approved warehouse/vault
- 2.3.110 A 'Warehouse Service Provider (WSP)' means an agency approved and accredited by the Exchange for storage and preservation of commodities.'
- 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 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/securities 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 Regulations, as may be deemed necessary or appropriate or if so desired or directed by SEBI. Without prejudice to the generality of the Bye-laws of the Exchange, Rules, 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 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 to be enforced with immediate effect in the following matters.

The 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 SEBI from time to time and shall be deemed to have been amended, modified or deleted accordingly. The provisions of the Regulations amended, added to, altered, modified, deleted or repealed by the relevant authority shall also be subject to the directives, if any, received from SEBI 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/securities, 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/securities, "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/securities 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/Clearing Corporation 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.
- j) Exemption from payment of margins subject to the provisions of the Bye- laws, Rules , Regulations and circulars of 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 / Clearing Corporation for clearing and settlement of trades.
- e) Supervision of Clearing House / Clearing Corporation 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 "service providers" 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) Norms and procedures for availing services from surveyors, assaying agencies, quality testing and certification laboratories/agencies, assayers, approved laboratories and other appropriate authorities and agencies for quality specifications of commodities deposited for delivery against contracts traded on the Exchange and 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 or securities.la. Norms and procedures for availing services from agency (ies) for undertaking audits of the Warehouse Service Providers and Warehouses.
- m) Any other matter, as may be decided by the relevant authority from time to time.

3.1.2.3 A Settlement and netting.

- a) The payment and settlement in respect of a transaction in the Exchange shall be determined in accordance with the netting or gross procedure as specified in the bye-laws of the Exchange

with the prior approval of the Securities and Exchange Board of India.

“netting” means the determination of net payment or delivery obligations of the clearing members by setting off or adjustment of the inter se obligations or claims arising out of buying and selling of contracts traded on the Exchange including the claims and the obligations arising out of termination of the contracts, so that only a net claim be demanded, or a net obligation be owed.

- b) Payment and settlement in respect of a transaction between parties referred to in sub-clause (1), effected under the bye-laws of the Exchange or Clearing Corporation, shall be final, irrevocable and binding on such parties.
- c) When a settlement has become final and irrevocable, the right of the Exchange, to appropriate any collaterals or deposits or margins contributed by the trading member, clearing member or client towards its settlement or other obligations in accordance with the bye-laws of the Exchange take priority over any other liability of or claim against the said trading member, clearing member or client, as the case may be.

Explanation – For removal of doubts, it is hereby declared that the settlement, whether gross or net, referred to in this bye-law is final and irrevocable as soon as the money, commodity, securities or other transactions payable as a result of such settlement is determined, whether or not such money, commodity, securities or other transactions is actually paid.

3.1.2.3.B (1) The exchange shall comply with the provisions for recognized stock exchanges in the SECC regulations 2012 as amended from time to time in the manner and within the timelines as specified by the SEBI: Provided that-

- (a) The exchange shall continue with the existing arrangement for clearing and settlement of trades for a period not exceeding three years from the date of commencement of the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2015, and till the functions of clearing and settlement are transferred to a separate clearing corporation, the provisions of sub-regulation (4) of Regulation 7 and Regulations 31, 39 and 44B shall continue to apply to the exchange, as they apply to a recognized clearing corporation, to the extent that they are applicable;
- (b) Clause (b) of sub-regulation (1) of Regulation 29 shall not be applicable to the Exchange unless and until the Exchange is permitted by SEBI to start Equity segment.
- (c) The exchange shall not engage in any activity other than that of assisting, regulating or controlling the business of buying, selling or dealing in commodity derivatives, except with the prior permission of the SEBI;
- (d) The exchange shall credit the settlement related penalties to its Settlement Guarantee Fund and other penalties to its Investor Protection Fund and till such time as may be specified by the SEBI.

(2) The exchange shall ensure guarantee for settlement of trades including good delivery.

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

All Claims, differences or disputes between the Members inter-se and between the Members and Constituents arising out of or in relation to dealings, contracts and transactions made subject to the Bye-Laws, Rules and 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 thereto and including any question of whether such dealings, transactions and contracts have been entered into shall be submitted to arbitration in accordance with the provisions of these Bye-laws and Rules. The Exchange shall be entitled to facilitate arbitration for such disputes between the parties as mentioned in the provision of Bye-laws, including the arbitration reference filed by the Member against the order of the Investor Grievance Redressal Committee (IGRC), by adopting such procedures as prescribed in the Bye-laws, Rules, Regulations or Circulars issued by the Exchange. For that purpose, the Board or a committee constituted by it 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 Board of Directors or Relevant Authority may, from time to time, 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 Regulations of the Exchange, which shall have the same effect as these Bye-Laws, Rules and Regulations framed thereunder.

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 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 Mumbai only and the place of contracting as between the members of the Exchange shall be at Mumbai, irrespective of the locations of the Trader Workstations of the members connected thereto. 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 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, The provisions of this Bye-law shall not object the jurisdiction of any court deciding any dispute as between members and

their constituents to which the Exchange is not a party.

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

The arbitration and appellate arbitration shall be conducted at the regional arbitration centre of the Exchange nearest to the address provided by investor/client in the KYC form or as per the change of address communicated thereafter by the investor/client to the Member.

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, SEBI 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, SEBI 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 SCRA, 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 SCRA and the Rules framed thereunder or these Bye-Laws or the Rules or SEBI Act and the Rules, Regulations and directions framed/issued under the SEBI Act, 1992 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 securities and derivatives thereon, for which the Exchange has obtained permission from SEBI. The Exchange shall before commencement of any contract obtain prior concurrence of SEBI
- 4.2 Members of the Exchange shall execute and clear transactions in only such contracts as specified by the relevant authority and approved by SEBI.
- 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/Clearing Corporation and shall be subject to these Bye-Laws, Rules and Regulations framed by the Exchange. The Clearing House / Clearing Corporation 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 as the format prescribed by the Exchange or the Clearing Corporation. Members shall not issue contract note for any transaction, which has not been executed through the trading system of the Exchange.
- 4.8 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 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 Corporation; Clearing Members shall alone be eligible and qualified to obtain directly the clearing, settlement and guaranteeing services of the Clearing House/Clearing Corporation.
- 4.10 A Clearing Member of the Exchange shall have an agreement to clear, register and settle transactions in contracts for commodities or securities and contracts permitted for trading in the Exchange, of any Exchange Member who has trading rights in the Exchange. A Professional Clearing Member (PCM) / Trading cum Clearing Member (TCM) 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 /Clearing Corporation by the Exchange Member for settling transactions in the Exchange.
- 4.11 Only transactions in contracts for commodities or securities permitted for trading on the Exchange, will be recognised as valid, provided the Clearing Member has paid to the Clearing House /Clearing Corporation adequate security and margin deposits as prescribed. Clearing Members who clear contracts shall pay the prescribed security, margin deposits and variation margins or any other margins applicable from time to time 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 or any other margins applicable from time to time 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 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 SEBI.
- 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 SEBI.
- 4.15 The relevant authority shall with prior approval of SEBI 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 or security and contract month.

- 4.16 The relevant authority shall with prior approval of SEBI 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, security 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 unless and otherwise specified by the SEBI. 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.
- 4.18 (a) All outstanding transactions in contracts for commodities or securities 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 SEBI.
- 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 Board of Directors, Relevant authority or the Committees appointed for the purpose shall determine the norms and Procedures for storage and dealing in commodities stored in warehouses/vaults, delivery procedure, methods of sampling, testing, , grading, quality certification, determination of grades and validity / final expiry period, determination of quality and variety, survey, transportation, packing, weighing, applicability of deductions and allowances, and final settlement procedures.;
- 4.21 (a) Members of the Exchange may enter into only such contracts for which the Exchange is approved under the Securities Contracts (Regulations) Act, 1956..
- (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 relevant authority 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 commodity derivatives and any other security as may be permitted for trading on the Exchange by SEBI 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 SEBI.
- 4.24 Transactions for contracts in commodities & securities that are not permitted by SEBI 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 Applicable Indian laws shall apply to the contracts entered into between the members of the Exchange and courts in Mumbai shall have jurisdiction for the same.”
- 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.

4A. DEALINGS IN OPTIONS

- 4A.1 The Relevant Authority may from time to time introduce new contracts such as options as permitted by SEBI at such strike prices ('in the money', 'at the money or near the money' and 'out of the money') for put /call options respectively for every month after the expiry of immediate preceding contract.
- 4A.2 The Relevant Authority may from time to time prescribe the exercise style of an option.
- 4A.3 The Exchange may at any time introduce additional series of option contracts with different exercise prices based on changes in the value of the underlying or such other factors and circumstances including investor interest, market conditions, etc. as may be decided from time to time.
- 4A.4 The Exchange may at its discretion suspend trading in derivatives contracts, inter alia, on the following grounds:
- (a) suspension of trading in the underlying securities;
 - (b) for protection of the interests of the investors;
 - (c) for the purpose of maintaining a fair and orderly market.
- 4A.5 If the Relevant Authority is of the opinion that a particular underlying no longer meets its requirements for options trading or is not eligible for trading or if the Relevant Authority decides to discontinue trading in a particular options series for such reason(s) as it may deem fit, it may stop introducing new options on that underlying and may in such circumstances impose restrictions on transactions that open new positions in options series that have been previously introduced.
- 4A.6 The Relevant Authority may discontinue trading in a particular option contract if there are no open positions in such a contract.
- 4A.7 The Relevant Authority may limit the total number of puts or calls on the same underlying that a single investor or group of investors acting in concert may exercise during such time period as may be prescribed by the Relevant Authority from time to time. The Relevant Authority may also limit the maximum number of options on the same side of the market (i.e., calls held plus puts written or puts held plus calls written) with respect to a single underlying that may be carried in the accounts of a single investor or group of investors acting in concert.

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 SEBI 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".

The 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 SEBI.

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 SEBI.

- 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 or securities in one or more segments on the ATS or any other trading system of the Exchange for such number of days as may be deemed necessary.

5.2.2 [Deleted]

5.3 DIVISION / GROUP OF CONTRACTS

The Exchange may constitute different divisions for each or group of agricultural commodities, metals and other commodities or securities, 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 relevant authority may admit such contracts for dealings on the Exchange as are eligible under the SCRA 1956 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 or days.

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 or days, 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 SEBI 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 or any entity debarred by SEBI, 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 or securities 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-Laws, 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

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 SEBI. 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 SEBI.
- 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 & securities 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 or otherwise 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 / security or securities, 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.
- 6.1.1A The Exchange may make arrangements for Disaster Recovery Site (DRS) and / or Near Site (NR) as part of its Business Continuity Plan and Disaster Recovery Management Plan.
- 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 or any other Relevant Authority.
- 6.1.3 The ATS shall be available for facilitating trading in the contracts 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 SEBI. 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 SCRA Act 1956 and SEBI Act, 1992. 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 / CLEARING CORPORATION

- 7.1 The Clearing and Settlement functions of the Exchange shall be managed by Clearing House of the Exchange or Clearing Corporation.
- 7.2 All contracts transacted in the Exchange shall be cleared and settled by the Clearing House of the Exchange or Clearing Corporation, and whenever required closed out in accordance with the Bye-Laws or as ordered by SEBI.
- 7.3 All Trading cum clearing members, self-clearing member and professional clearing members shall be the clearing members of the Exchange;
 - 7.3.1 Trading cum-clearing members, self-clearing member 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 / Clearing Corporation; 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 & self-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. PCM / TCM may also clear the transaction of other trading members.
- 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, self-clearing 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 member may be a constituent member of not more than one 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 / Clearing Corporation 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 Clearing Member is available or willing to provide such services, then the member concerned shall continue to work as a Clearing member provided the reasons for the discontinuation are such that they do not pertain to violation of these Bye-Laws, Rules and Business Rules/ 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 / Clearing Corporation shall undertake to guarantee the financial settlement of all the deals arising out of trade in commodities / securities 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 / clearing corporation 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 of the Exchange / Clearing Corporation or the Exchange
- Provided however, the Clearing House shall not be deemed to guarantee the title, ownership, genuineness, regularity or validity of any goods / security 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 or upon failure of the seller to give delivery, the price difference and the share of monetary penalty recovered from the defaulting seller as specified in the Circulars issued by the Exchange from time to time.
- 7.8.2. If any party to such contracts defaults in respect of his financial obligations or fails to deliver goods / security 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
- 7.8.3A The Exchange shall not be deemed to guarantee the financial obligations of a defaulting clearing member to other members, who are doing clearing and settlement through him.
- 7.8.4 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 or Clearing Corporation.
- 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 or Clearing Corporation in the manner specified by the Clearing House / Clearing Corporation.
- 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 / Clearing Corporation or fail to pay damages to the Clearing House of the Exchange / Clearing Corporation 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 / Clearing Corporation 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 / Clearing Corporation 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 / vault receipts amongst 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 or any other margins as may be specified by the Relevant Authority and/or the direction issued by SEBI in this regard 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 / Clearing Corporation:
- 8.2.1 Every clearing member shall pay the appropriate margin amount with the Clearing House of the Exchange / Clearing Corporation 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 / securities 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 "All positions (including those which are squared off during the day)"of all exchange members shall be marked to market daily by the Clearing House of the Exchange/Clearing Corporation and the exchange members shall be required to pay the same as may be prescribed by the Clearing House of the Exchange/Clearing Corporation.
- 8.3.A The Exchange shall specify the Extreme Loss Margins on gross open positions which shall be levied and deducted from the liquid assets of a Clearing Member on an online real time basis.
- 8.3.B The Exchange shall determine and levy Tender period/Pre-expiry margin which shall be increased gradually every day beginning from the pre-determined number of days before the expiry of the contract as applicable.
- 8.3.C Appropriate delivery period margin shall be levied by the Exchange on the long and short positions marked for delivery till the pay-in is completed by the member. Once delivery period margin is levied, all other applicable margins may be released by 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 vault receipts or such other instruments/ collaterals as may be specified by the Exchange from time to time to fulfill the initial margin requirement in respect of open positions. Variation margin shall be paid only in cash or cheque, or by electronically debiting the account of the member of the exchange with the designated Clearing bank of the Exchange. Deposits in cash shall not carry any interest.

- 8.5 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 fulfillment of its engagements, obligations liabilities arising out of or incidental to any bargains, dealings, transactions and contracts made subject to the Bye-laws, rules and 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 immediate measures including square off of outstanding open positions. The Exchange may also take 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 for the different contracts permitted to trade on the Exchange;
- 8.7.3 All positions 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 square off 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 square off 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 square off 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 as per the procedure laid down by the Exchange;
- 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 Clearing Corporation, or the designated clearing bank(s), as directed by the Relevant Authority, within the prescribed time and in the prescribed manner.
- 8.10A The members shall be required to maintain Base Minimum Capital, Base Capital, Deposit with the Exchange, as may be specified by the Exchange and/ or SEBI from time to time,
- 8.10B Clearing Members shall maintain 'Liquid Network' as specified by the Exchange and/ or SEBI from time to time
- 8.11 The Exchange shall prescribe such additional or special margins or any other margin 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 and vaulting 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 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 or Clearing Corporation in the form and manner that is specified and prescribed by the Relevant Authority to enable the Clearing House or Clearing Corporation to provide clearing facility to the clearing members.
- 9.4 The Clearing House or Clearing Corporation shall process all transactions submitted to the Clearing House or Clearing Corporation and shall accept for substitution of the Exchange only the net liability of the Clearing member to the Clearing House or Clearing Corporation.
- 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 or Clearing Corporation 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 or Clearing Corporation, the Exchange shall be substituted as counter party for all net financial liabilities of the clearing members in specified contracts.
- 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 derivative 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 9.8.1 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 SEBI.
- 9.9.1 All transactions in contracts permitted on the Exchange shall be subject to marking to market and settlement through the Clearing House or Clearing Corporation, 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 or Clearing Corporation 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 or Clearing Corporation.
- 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 settlement, cleared by the Clearing House or Clearing Corporation shall be included in the succeeding mark -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.

9A. ACCREDITATION OF WAREHOUSE SERVICE PROVIDERS (WSPs)

9A.1 Eligibility Norms for WSP

Warehouse Service Provider should be responsible persons/entities of repute with a good business reputation and credibility, and who are in the business of public warehousing for at

least 3 years and have knowledge of, and experience in, generally accepted warehousing and handling practices for Commodities, and are competent and willing to operate such a warehouse in accordance with the relevant Bye-laws/Business Rules of the Exchange.

9A.2 Financial Norms for the WSPs.

- i) Net worth: The minimum net worth for the WSP shall be Rs. 25 crore or as may be stipulated by SEBI/Exchange from time to time. However for warehouses providing services for single commodity at a particular location, the minimum net worth requirement may be relaxed to –Rs. 10 crore or as may be stipulated by SEBI/Exchange from time to time.
- ii) Financial Security Deposits to be furnished by WSP and the acceptable forms for such Security Deposits:

The WSP shall furnish security deposit as under:-

- a. 3% for the value less than or equal to Rs. 250 crores
 - b. 4% for the value above Rs. 250 crores and equal to Rs. 500 crores and
 - c. 5% for the value above Rs. 500 crores,
of the goods stored in the warehouses or as may be stipulated by
SEBI/Exchange from time to time.
- iii) The security deposit shall be in cash or cash equivalent like Bank FDRs, Bank Guarantees, Government Securities etc. as may be prescribed by the Exchange.
 - iv) A daily monitoring of the security deposits vis-à-vis the value of the commodity stored shall be done by the Exchange so as to ensure that the minimum stipulated security deposits are always maintained with the Exchange. The Exchange may as for additional security deposit over that stipulated under clause (ii) above, if considered necessary.

9A.3 Corporate Governance norms for WSP

- i) The WSP should be a Corporate Body.
- ii) The WSP Company should have a professional management team to oversee its functioning and operations.
- iii) The WSP should have good internal systems and controls which should meet the operating guidelines, if any, issued by the Exchange in this regard. The WSP should have clear delegation of powers to meet operational requirement.
- iv) The WSP shall submit a net worth certification to the Exchange every six months.
- v) The Financial Statements of the WSPs should be audited and submitted to the Exchange within six months of the close of each Financial Year.
- vi) The WSP should have a Customer Grievance Cell to handle customer complaints and WSP shall take proactive steps to resolve customer related issues and maintain a record of complaints received / resolved.
- vii) The WSP should comply with Know Your Depositor Policy as prescribed by the Exchange from time to time.

Management of WSP (defined as 'Key Managerial Personnel' including Whole Time Directors of WSP and their 'relatives' as per Companies Act, 2013) or entities owned or controlled by management of WSP/Group concerns or persons 'acting in concert' shall not be allowed to trade on the commodity Exchange in the commodity for which it is accredited by the Exchange.

9A.4 Facilities & Infrastructure Requirement for WSPs

The WSPs to be eligible for accreditation shall have reasonable facility and infrastructure for proper handling and storage of commodities in general, in addition to the following:-

- a) Warehouses are physically and operationally suitable for the proper storage of Commodities and that specifically:
 - are of sound construction and in a state of good repair;
 - have adequate equipment, installed and maintained in good working order, as may be prescribed by the Exchange, for the movement of commodities into, out of and within the warehouse;
 - have adequate ventilation, installed and maintained in good working order, as may be prescribed by the Exchange, for the proper storage and preservation of grain quality
 - have adequate lighting arrangement as may be prescribed by the Exchange;
 - are free from materials and substances that may adversely affect the quality of stored commodities;
 - have a safe work environment; and
 - ensure adequate security as may be prescribed by the Exchange and protection of stored or handled commodities from tampering or adulteration.
- a) The WSP should undertake to have assaying/testing facilities for the commodities it intends to render warehousing facility, or should undertake to be associated with an assaying/testing agency which may preferably be certified by one or more national/international agencies like NABL (National Accreditation Board for calibration and testing Laboratories), BIS etc. The Exchange shall conduct independent pre-empanelment due diligence of Assayers. The exchange shall also identify and empanel another assayer(s) at each delivery location where the participants can get assaying done in respect of the goods which are proposed to be deposited or already deposited at Exchange accredited warehouse before depositing or withdrawing commodities. This facility shall be in addition to the assaying being done by the warehouse/assayer(s) appointed by Exchange.
- b) WSP will provide for accurate and efficient weighing, sampling, inspection and grading of the commodities in store, and the WSP should have personnel who have knowledge and experience in sampling, weighing, inspecting and/or grading of commodities.

- c) The WSP shall have own or access to fumigation facilities/agencies for pest control activities.

9A.5 Insurance

The WSP shall at all times ensure to fully cover the value of goods stored at the Exchange approved warehouses under insurance for all perils relevant to the commodities for which insurance cover is available and necessary. The WSP shall undertake to take insurance cover for risks such as fire and allied perils, flood, cyclone, earthquake and spontaneous combustion, burglary and theft. The WSP should take fidelity guarantee & crime insurance and professional indemnity cover to cover all deliverable stocks on the Exchange. The value of goods to be insured should be marked to market on replacement value on ongoing basis.

9A.6 Inspection/Audit

- i) The WSP should ensure that there is periodic inspection/audit of the goods stored in the warehouses and the inspection/audit report is submitted to the Exchange within a week of the completion of such inspection/audit.
- ii) The physical counting of stocks and their reconciliation with the corresponding electronic records shall be done periodically.
- iii) Independent audit of the stock in the warehouses by expert agencies at regular intervals shall be carried but not less than once in a year. In addition, the audit may be risk based as identified by the Exchange.

For this purpose, the Exchange shall form a panel of independent expert agencies and the cost of such audit shall be borne by the Exchange. The result of such audit shall be displayed by the Exchange on its website immediately after the completion of the audit and submission of report by the auditor. The panel of such independent agencies shall also be reviewed by the Exchange from time to time. In addition, the Exchange shall also conduct in-house physical audit of accredited warehouses at regular intervals.

- iv) The WSP would allow the members /clients holding electronic credit balances to do physical inspection of their goods. However, the request for such physical inspection would have to be submitted to the Exchange and the Exchange after verification of such request shall forward the same to the concerned WSP for allowing such inspection.

9A.7 MIS System

- i) WSP should have a Standard Operating Procedure (SOP) which is process-dependent and not person-dependent. It is desirable that there should be electronic record of information at the WSP and a MIS system with an arrangement for flow of real time information from the warehouse location to the central MIS and onwards to Exchange. The MIS should have the capability to capture and disseminate information regarding stock being held warehouse wise/location wise and the availability of space in the warehouses.
- ii) The Exchange shall display on a daily basis warehouse wise details of the space available, goods held, name of the warehouse service provider, details of location of the warehouse etc. on its website.

The participants willing to deposit goods in the Exchange accredited warehouses would submit a request to the Exchange. The Exchange shall use a transparent and time-bound process to identify the warehouse where the participants can deposit the goods. After such identification, the Exchange shall intimate the participants about the time, place and the warehouse where they can deposit the goods. The Exchange shall then issue directions to the concerned warehouse for accepting deposits from the concerned participants. The warehouseman shall accept the goods for deposits only at the instruction of the Exchange.

9A.8 Transparency in accreditation process

Accreditation of WSP shall be through a transparent process by issue of open advertisement etc. The process being followed for such accreditation shall be displayed on the website of the Exchange. The accreditation of the WSP shall be done with the approval of the Risk Management Committee of the Exchange.

9A.9 In addition to the above norms, the Exchange may stipulate further conditions to be complied by the WSPs from time to time.

9B. SETTLEMENT OF OPTION CONTRACTS

9B.1 Daily Premium Settlement for Option contracts

The Clearing Members with premium payable positions are obliged to effect pay-in to Clearing House / Clearing Corporation of the premium value at which the option contracts were purchased, towards settlement. The Clearing Members with premium receivable positions are entitled to receive the premium value at which the option contracts were sold, towards settlement, from Clearing House / Clearing Corporation.

- (a) Mode of premium settlement: The daily premium settlement obligation shall be paid in cash or such other form as may be specified by the relevant authority.
- (b) Style of premium settlement: The style of premium settlement may be premium style or future style or such other style as may be specified by the relevant authority from time to time. The Exchange / Clearing Corporation will specify the style of premium settlement for all option contracts that are to be cleared and settled. The Exchange / Clearing Corporation will, from time to time, specify the method for premium settlement for one or more styles of premium settlement.
- (c) Method of premium settlement: The relevant authority will from time to time specify the method of premium settlement, in accordance with the specified style of premium settlement. The Clearing House of the Exchange / Clearing Corporation will arrive at the premium settlement amount payable or receivable by the respective Clearing Members at the end of each trading day or such other time, as may be specified by the relevant authority from time to time, for all option contracts admitted, in accordance with the method of premium settlement, and communicate the same to the Clearing Members. Accordingly, such Clearing Members will pay or receive such premium settlement amount towards premium settlement to or from the Exchange / Clearing Corporation.
- (d) Time of premium settlement: The relevant authority will specify from time to time the day and time when Premium settlement will take place.

9B.2 Exercise

9B.2 (a) Type of Exercise

Type of exercise for an option contract may be Voluntary or Automatic or such other type as

may be specified by the relevant authority from time to time.

1. Voluntary Exercise

Voluntary exercise is the exercise of option contract by a Clearing Member, at his volition, subject to the Rules, Bye-laws and Regulations.

2. Automatic Exercise

Automatic exercise is the exercise of all in-the-money strike price option contracts, which are automatically deemed to be irrevocably exercised, on the Expiration date, subject to the Rules, Bye-laws and Regulations.

Notwithstanding the foregoing, if a Clearing Member desires not to exercise an in-the-money strike price option contract, it shall be the responsibility of such Clearing Member to give appropriate instructions in accordance with Bye-law 9B.2 (c).

Exercise of an option contract at a strike price other than in-the-money strike price shall be at the discretion of the relevant authority and subject to the requirements as may be specified by the relevant authority from time to time.

9B.2(b) Exercise Mechanisms

Exercise mechanism may be Interim or Final or such other mechanism as may be specified by the relevant authority from time to time.

1. Interim Exercise

Interim Exercise is the exercise of an option contract at any time prior to expiration day or such other day and/ or time as may be specified by the relevant authority from time to time. Interim exercise is voluntary. Settlement of such contracts shall be in accordance with the provisions specified by the relevant authority for Exercise Settlement in Bye-law 9B.4.1.

2. Final Exercise

Final Exercise is the exercise of an option contract on or before expiration time on expiration day or such other day and/ or time as may be specified by the relevant authority from time to time. Final exercise may be automatic or voluntary.

Settlement of such contracts shall be in accordance with the provisions specified by the relevant authority for Exercise Settlement in Bye-law 9B.4.1

9B.2(c) Exercise procedure

The procedure for exercise of an option contract by a Clearing Member shall be as specified hereinafter or such other procedure as may be specified by the relevant authority from time to time:

1. Notice of exercise to Clearing House/ Clearing Corporation

The Relevant Authority may specify from time to time the provisions regarding exercise of option contracts including:

- a. type of members who may exercise
- b. facility/ system for tendering notice of exercise
- c. day/ s when exercise may be submitted
- d. minimum lot size of option contracts which may be exercised
- e. time period within which exercise notice may be submitted

- f. maximum number of option contracts which may be exercised on a day or within a period, for a member or for the market
- g. strike price (i.e. in-the-money and/or at-the-money and/or out-of the-money) at which the option contract may be exercised
- h. such other conditions as it deems fit

Notice for exercise shall be deemed to be on long positions in an option contract at the close of trading hours on the day the notice of exercise has been tendered, or such other day/ time as may be specified by the relevant authority from time to time.

No Clearing Member shall revoke or modify any exercise notice so submitted except as provided under the Rules, Bye-laws and Regulations.

2. Acceptance of Exercise notice by Clearing House / Clearing Corporation

An exercise notice which has been tendered in accordance with the provisions as detailed in Bye-law 9B.2(c)1 may be considered for acceptance by the relevant authority.

Such exercise notices received by the relevant authority shall be declared as valid or invalid after processing, at the close of trading hours on the day on which the exercise notice has been tendered, or on such other day or time, as may be specified by the relevant authority from time to time. All valid exercise notices will be accepted by the relevant authority and invalid exercise notices shall stand automatically rejected by the relevant authority.

Notwithstanding the foregoing, the relevant authority may, in the interest of market, declare an exercise notice as invalid where:

- (1) the entity who has tendered a notice for exercise has no open long positions in that contract, at the time when such notice is processed by the relevant authority.
- (2) any other reason.

3. Revocation of an exercise notice

Unless permitted otherwise by the relevant authority, all valid exercise notices shall be irrevocable.

4. Restrictions on Exercise

The relevant authority shall have an authority to impose such restrictions on exercise in any option contract as it may deem necessary in the interest of maintaining a fair and orderly market in the option contract or in the underlying securities or otherwise may deem advisable in the public interest or for the protection of investors or any other reason as the relevant authority may deem fit. Any exercise in contravention of such restriction shall be automatically invalid and not enforceable.

9B.3 Assignment

9B.3(a) Assignment methods

Assignment methods may be Proportional or Random or such other methods as may be specified by the relevant authority from time to time.

1. Proportional Assignment

Proportional Assignment is an allocation of exercised option contracts, proportionally, in market lots, as specified for the relevant option contract, to one or more than one short positions in the option contract with the same series, in accordance with the procedure as may be specified by the relevant authority from time to time.

2. Random Assignment

Random Assignment is an allocation of exercised option contracts, randomly, in market lots, as specified for the relevant option contract, to one or more than one short position, in the option contract with the same series, in accordance with the procedure as may be specified by the relevant authority from time to time.

9B.3(b) Assignment procedure

The relevant authority may specify the assignment procedure, including day and/ or time when assignment will take place.

Exercise notices accepted by Clearing House / Clearing Corporation as valid will be assigned in accordance with the Assignment procedure, to short positions in the option contracts, with the same series, to the clients of Clearing Members or Trading Members or clients of Trading Members, for fulfillment of obligations. Such short positions, to which the exercised option contracts are assigned, shall be termed as assigned option contracts for the purpose of settlement. The assigned Member shall be liable to fulfill his obligation in accordance with the Exercise settlement procedure specified for the option contract and the Rules, Bye-laws and Regulations.

9B.4 Exercise Settlement

Exercise settlement may be Interim or Final. The Relevant Authority may specify from time to time the procedure, mode, method, days, time etc. for Interim Exercise settlement and Final Exercise settlement. The Relevant Authority may specify the exercise type and mechanism of settlement from time to time.

9B.4.1 Mode of settlement: Mode of settlement may be either cash settled or by creation of obligations in underlying or such other mode as may be specified by the Relevant Authority from time to time. Settlement by creation of obligations in underlying may be either cash based or delivery based or by creation of relevant positions in the underlying futures contracts or such other manner as may be determined by the relevant authority.

9B.4.2 Method of settlement

1. Cash settlement:

An exercised option contract and the short position, to which such exercised option contract has been assigned, shall be settled at the exercise settlement price or such other price, as may be specified by the Relevant Authority from time to time. Clearing Member, who has been assigned the option contract, shall be liable to pay to or entitled to receive from the Exchange/ Clearing Corporation the exercise settlement value for each unit of the option contract, as the case may be, subject to the Rules, Bye-laws and Regulations. Clearing Member, who has exercised the option contract, shall be entitled to receive from, or liable to pay to, Exchange / Clearing Corporation the exercise settlement value for each unit of the option contract, as the case may be, subject to the Rules, Bye-laws and Regulations.

2. Settlement by Creation of Obligation in the underlying commodity / security and underlying-

Clearing House / Clearing Corporation shall, at its discretion, be entitled to create obligations in the underlying commodity / security in the relevant underlying, in respect of both clearing members, who have exercised option contract and to whom such exercised option contracts have been assigned.

An option contract, which has been exercised and the short position to which such exercised option contract has been assigned, shall be settled by the method of creating obligations in an equivalent number of units of the underlying commodity / security, in the relevant underlying, conveyed by the option contract, at the strike price of the option contract or such other method as may be specified by the Relevant Authority from time to

time.

9B.4.2A Delivery Based:

- (1) Obligations in an equivalent number of units of the underlying commodity / security, conveyed by an exercised option contract, shall be created, in accordance with the option type and series, at the strike price, on or after the day of exercise, in the Exchange / Clearing Corporation. The Relevant Authority may specify from time to time the day and time for creation of obligations in the underlying commodity / security for valid exercised option contracts.
- (2) Obligations in an equivalent number of units of the underlying commodity / security, conveyed by an assigned option contract, shall be created, in accordance with the option type and series, at the strike price, on or after the day of exercise, in the Exchange / Clearing Corporation. The Relevant Authority may specify from time to time the day and time for creation of obligations in the underlying commodity / security for valid assigned option contracts.
- (3) The Clearing Member who has exercised or has been assigned, as the case may be, the option contract, shall be liable to fulfill the delivery or payment obligations, so created, as the case may be, to Clearing House / Clearing Corporation. On fulfillment of such obligation, he shall be entitled to receive funds or underlying commodities / securities, as the case may be, from Clearing House / Clearing Corporation, subject to and in accordance with the Rules, Bye-laws and Regulations of the Exchange / Clearing Corporation.
- (4) Obligations, in relation to an option contract, shall be deemed to have been settled, in accordance with the Rules, Bye-laws and Regulations of the Exchange, ipso facto, upon creation of obligations in the relevant underlying security in the Exchange / Clearing Corporation; Provided however if a Clearing Member fails to meet his obligations so created in the underlying commodity / security, the Settlement Guarantee Fund of the Exchange / Clearing Corporation may be utilised to meet such obligations in accordance with the Rules, Bye-laws and Regulations.
- (5) Obligations created in the Exchange / Clearing Corporation, pursuant to the exercise and assignment of an option contract shall be settled, as per the Rules, Bye-laws and Regulations of Exchange / Clearing Corporation.

9B.4.2B Cash Based:

- (1) An exercised option contract and assigned option contract shall be settled by the method of creating obligations in the relevant underlying, conveyed by the option contract, on or after the day of exercise. The Relevant Authority may specify from time to time the day and time for creation of obligations in the underlying security for valid exercised option contracts.
- (2) Clearing Member, who has been assigned the option contract, shall be liable to pay to or entitled to receive from Exchange / Clearing Corporation the exercise settlement value for each unit of the option contract, as the case may be, subject to the Rules, Bye-laws and Regulations.
- (3) Clearing Member, who has exercised the option contract, shall be entitled to receive from or liable to pay to Exchange / Clearing Corporation the exercise settlement value for each unit of the option contract, as the case may be, subject to the Rules, Bye-laws and Regulations.

- (4) Obligations created on behalf of a Clearing member in the Exchange / Clearing Corporation, pursuant to the exercise and assignment of an option contract, shall be settled, as per the Rules, Bye-laws and Regulations of the Exchange / Clearing Corporation.
- (5) Obligations, in relation to an option contract, shall be deemed to have been settled, in accordance with the Rules, Bye-laws and Regulations of the Exchange, ipso facto, upon creation of obligations in the relevant underlying security in the Exchange / Clearing Corporation; Provided however if a Clearing Member fails to meet his obligations so created in the underlying security, the Settlement Guarantee Fund of the Exchange / Clearing Corporation may be utilized to meet such obligations in accordance with the Rules, Bye-laws and Regulations.

9B.4.3 Day and Time of Settlement:

The Relevant Authority may specify from time to time the day and time when the settlement shall take place.”

10 DELIVERY

- 10.1 For the fulfilment of outstanding contracts maturing at the end of the contract month, commodity / security shall be tendered by Delivery, wherever applicable, through the respective Clearing Members to the Clearing House/ Clearing Corporation
- 10.2 The Exchange may prescribe tender days and delivery period for each contract month in a commodity / security during which sellers who wish to tender delivery may issue Delivery Orders through their respective Clearing Members to the Clearing House.
- 10.3 The Clearing House shall allocate the delivery orders / delivery 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 as may be applicable and the Exchange may financially compensate the buyers who hold outstanding positions, and could not receive Delivery against such positions due to failure on the part of the seller..The buyer will have to compulsorily take delivery of goods in contracts specified by relevant authority from time to time. Default on taking delivery by the buyer is not permitted and therefore, the amount due from the buyer for delivery settlement shall be recovered from the buyer as pay-in of funds on stipulated pay-in day. Failure to discharge the pay-in amount will be treated as pay-in default which may lead to deactivation of trading terminal/s of the member and he will also be liable for such other actions as the Exchange deems appropriate. The Exchange shall have the right to sell/ dispose of the goods through auction or through other appropriate mechanism as and when required on account of such defaulting buyer to recover the dues. **However, the clearing house/clearing corporation shall make the pay out to the seller who has delivered good delivery on the pay-out day.**
- 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 / delivery 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 / delivery 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 / delivery 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 the contract specifications 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 or Clearing Corporation 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. The balance amount, if any, remaining after such adjustments, will be passed on to or recovered from the buyer. After getting full price of delivery from the buyer as per delivery order/delivery allocated to him, the Exchange will assign the delivery order /delivery to him and the money will be passed on to the seller. The Clearing House or Clearing Corporation will conduct supplementary settlement for adjustments relating to quality, quantity and freight factors, etc. as the case may be.
- 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 / Clearing Corporation through his Clearing Member upto such time on the tender days and in such form 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 / delivery 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 / delivery, Registered non-members shall give or receive Delivery Orders / delivery through Members of the Exchange who have executed their transactions.
- 10.11 At the time of issuing the Delivery Order / delivery, 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 or grading laboratory empanelled by the Exchange and such certificate shall be accompanied with the delivery order being tendered by him to the Clearing House / Clearing Corporation. The certificate issued by the surveyors or agencies including laboratories 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 / delivery is rejected *ab initio*.

- 10.13 Assignment of Delivery Orders / delivery 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 / delivery to their Clients holding outstanding long positions. The member clients may in turn, assign the delivery order / delivery 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/ delivery
- 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 conform 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 / Clearing Corporation and penalty in addition thereto.
- 10.16 A buyer shall be required to lift delivery from the specified warehouse / vault within the period prescribed by the Relevant Authority, as per the delivery order / delivery assigned to him. In case of his failure to do so, he shall be required to pay the warehouse / vaulting 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 weightment /quantity certification of commodities tendered through delivery orders / delivery.
- 10.18 In respect of contracts for commodities / securities 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 / Clearing Corporation shall forthwith square off all his outstanding positions in contracts for all commodities / securities 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 / Clearing Corporation shall be recovered from his Clearing Member out of the defaulters security deposits, margins, receivables in the contract for all commodities / securities, 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.

- 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 / delivery 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 / Clearing Corporation 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.
- 10.22 The Relevant Authority may advance expiry date of running contract in case physical market is closed in the notified basis centre on the expiry day of the contract, due to festivals, strikes, erratic weather conditions, etc.

Decision about advancing expiry of running contracts shall be intimated to the trade participants at least 10 days before the revised expiry date. The delivery period shall also be advanced accordingly for contract having staggered delivery. The FSP of such contracts shall be fixed as per the relevant circulars issued by SEBI 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 SEBI 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 fulfill or discharge his duties, obligations and liabilities; or
- c) he fails or is unable to pay within the specified time the damages and the money difference due on a closing-out effected against him under these Bye-laws, Rules and 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 / vault 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 / securities 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) / Clearing Corporation 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 / any other security 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, in terms of the guidelines issued by SEBI, if any 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.

13.2 Contribution to and Deposits with Settlement Guarantee Fund.

- 13.2.1 The minimum corpus of the Settlement Guarantee Fund to be ensured before commencement of trading would be as per the guidelines / circulars issued by SEBI from time to time. However the following shall be the part of SGF which may be changed from time in accordance with the directions of SEBI.
- a. The initial contribution to SGF by the Exchange shall be as per the relevant circulars issued by SEBI from time to time. .
 - b. Base Minimum Capital of both clearing and non - clearing members.
 - c. Interest accrued on Base Minimum Capital.
 - d. All settlement related penalties charged by the Exchange from members with effect from 1st September, 2013
 - e. Interest amount and any other income accrued on the investment of funds shall also be credited to SGF.

f. The margin collected by the Exchange from the members shall not be part of SGF.

g. Default waterfall:

Till clearing and settlement of trades in commodity derivatives are transferred to clearing corporation, the default waterfall of exchanges shall follow the following order:

1. Defaulting member's monies (including contribution to SGF)
2. Insurance, if any
3. Exchange resources equal to 5% of SGF
4. SGF resources in the following order:
 - a. Penalties and investment income on SGF
 - b. 25% of Exchange contribution to SGF
 - c. Remaining (non-defaulting members' and exchange) contribution to SGF on pro-rata basis.
5. Remaining exchange resources (excluding INR 100 Crore*)
6. Capped additional contribution by non-defaulting members (equal to their required contribution to SGF)
7. Any remaining loss to be covered by way of pro-rata haircut to payouts.

*INR 100 Crore to be excluded only when remaining exchange resources are more than INR 100 Crore.

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 or Clearing Corporation, 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 SGF 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 / Clearing Corporation or the Exchange made contribution through such other mode, as may be approved by the Clearing House / Clearing Corporation 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 SEBI.

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 subject to relevant regulations of SEBI, 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 / Clearing Corporation 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 / Clearing Corporation 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.
- 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 13.9.2 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 13.10.1 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/ Clearing Corporation or the Exchange or any remedy to which the Exchange or Clearing House/ Clearing Corporation 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

13.12.1A 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 / Clearing Corporation, 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 / Clearing Corporation 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 / securities.
- 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 14.6.
- 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 / security 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 SEBI , 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 Bye-laws, 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 securities, or the provisions of the Securities Contracts (Regulations) Act 1956, and the Rules made thereunder and any directions issued by SEBI.
 - v For publishing or permitting to be published in any newspapers, circulars, or otherwise, any misrepresentation relating to the trade in any commodities or securities 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.
 - viii / 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 Clearing Corporation; 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.

15.10 **Investor Service Centre (ISC):** The Exchange shall set up Investor Service Centres in such places as may be necessary or identified by the SEBI from time to time, for the benefit of public / investors. The ISCs shall render such services as may be decided by the Exchange / SEBI from time to time to the Investors/Clients. The ISCs shall also provide facilities for receiving/ recording investor/ client complaints, register the complaints and provide counselling service to the Investors/Clients. The ISCs shall act as facilitation desks to assist investors/clients engaged in dispute resolution process by obtaining documents/details from the Exchange wherever so required for making application to IGRC and filing Arbitration.

15.11 **Investor Grievance:** An investor/client may submit his complaint against any member of the Exchange through SCORES (SEBI Complaints Redress System) or through E-mail or in writing to the Exchange. If, after scrutiny of such a complaint, the Exchange is satisfied that the complaint is admissible under the Byelaws and Business Rules of the Exchange, it shall forward the complaint to the concerned member(s) through email to reply /settle the complaints. For this purpose, every Member of the Exchange shall provide a dedicated email ID to the Exchange. In case the matter does not get resolved within 15 days from the date of receipt of the complaint, the same shall be referred to the Investor Grievance Redressal Committee (IGRC) for redressal of the complaint.

15.12 Investor Grievance Redressal Committee (IGRC)

- i The Relevant Authority shall constitute IGRC in such regions as may be necessary or identified by the SEBI from time to time.
- ii The IGRC shall comprise of such persons with such qualifications as may be decided by the Exchange/ SEBI from time to time.
- iii The disclosures and Code of Conduct as specified by SEBI or the Exchange shall be applicable to members of IGRC.

15.13 Grievance Redressal through IGRC

- a) Investor Grievance Redressal Committee (IGRC) shall be allowed a time of 15 days to amicably resolve the Investors/Client complaint.
- b) IGRC shall adopt a two-fold approach i.e. for proceedings leading to direction to the Member to render required service in case of service related complaints and proceedings leading to an order concluding admissibility of the complaint or otherwise in case of trade related complaints.
- c) In case the matter is not resolved through the conciliation process; IGRC would ascertain the claim value admissible to the Investor / Client.
- d) Upon conclusion of the proceedings of IGRC and in cases where claim is admissible to the Investor / Client, the Exchange shall block the admissible claim value from the deposit of the Member concerned.
- e) The Exchange shall give a time of 7 days to the Member from the date of signing of IGRC directions as mentioned under Bye-law 14A.4.2 to inform the Exchange whether the Member intends to pursue the next level of resolution i.e. Arbitration.
- f) In case, the Member does not opt for arbitration, the Exchange shall, release the blocked amount to the investor/ client after the aforementioned 7 days.
- g) In case, the Member opts for arbitration against the IGRC order and the claim value admissible to the Investors/Client is not more than Rs. 10 lac, then the Exchange shall provide monetary relief to the Investor/Client as stated below or

as may be stipulated by SEBI from time to time:

- i. 50% of the admissible claim value or Rs. 0.75 lac, whichever is less, shall be released to the Investors/Client from IPF of the Exchange.
- ii. In case the arbitration award in such cases is in favour of the Investor/Client or the arbitration award is in favour of the Investor/Client in the matter directly referred to arbitration where the arbitration award is not more than Rs.10 lac and the Member opts for appellate arbitration or filing petition in the court of competent jurisdiction to set aside such arbitral award or application under section 33 of the Arbitration and Conciliation Act, 1996 within 7 days from the date of receipt of the award then a positive difference of 50% of the amount mentioned in the arbitration award or Rs. 1.5 lac, whichever is less, after reducing any amount already released to the Investor/Client from IPF, will be released to the Investor/Client from IPF of the Exchange.
- iii. In case the appellate arbitration award in such cases is in favour of the Investor/Client and the Member opts for filing petition in the court of competent jurisdiction to set aside such appellate arbitral award under section 34 or application under section 33 of the Arbitration and Conciliation Act, 1996 within 7 days from the date of receipt of the appellate award then a positive difference of 75% of the amount determined in the appellate arbitration award or Rs. 2 lac, whichever is less after reducing any amount already released to the Investor/Client, will be released to the Investor/Client from IPF of the Exchange.
- iv. The release of amounts from the IPF to the investor/client as provided above shall be subject to furnishing of undertaking/ indemnity by him to return the amounts so released, in case the proceedings are decided against him and subject to such other procedure as may be specified by the Exchange from time to time.
- v. If it is observed that there is an attempt by investor/client either individually or through collusion with Member(s) or with any other stakeholders, to misuse the provision of this Bye-law then without prejudice to the powers of the SEBI to take action, appropriate action in this regard shall be taken against any such person, by the Exchange, including disqualification of the person so involved from henceforth accessing the benefits under this chapter.
- vi. Total amount released to the investor/client through the facility of monetary relief from IPF in terms of this Bye-law shall not exceed Rs.5 Lac in one financial year. The release of fund from IPF and recovery thereof from the parties concerned shall be done as per the procedure and formats of documents specified by the Exchange.
- vii. In case Investor/Client loses at any stage of the proceedings and decides not to pursue the matter further, then the investor/client shall refund the amount released from IPF, back to the IPF of the Exchange. In case Investor/Client fails to make good the amount released out of IPF then Investor/Client (based on PAN of the investor/client) shall not be allowed to trade on any of the Exchanges till such time the investor/client refunds the amount to IPF and the names of such investors shall be displayed on the website, if deemed necessary.
- viii. The Exchange may also resort to displaying the names of such investor/clients on their website if considered necessary.

replenished back to IPF from the deposit or collaterals or any other amounts, including the blocked amount of the Member available with the Exchange and the balance will be paid to the investor/client in the following cases:

- (a) The Member informs the Exchange, within 7 days from the date of signing of IGRP directions ascertaining the admissible claim amount, his intention to refer the matter to arbitration and fails to refer the matter to arbitration within the prescribed time limit i.e. three years.
 - (b) The Member fails to inform the Exchange his intention to prefer an appeal before Appellate Arbitrators of the Exchange or court or intention to make a request u/s 33 of Arbitration and Conciliation Act, 1996 for rectification or correction of award, against the arbitral award, within 7 days from the date of receipt of award.
 - (c) The Member informs the Exchange his intention to prefer an appeal before Appellate Arbitrators of the Exchange or court but fails to prefer the same within prescribed time limit (one month from date of receipt of award in case of appellate arbitration and three months from date of receipt of award, in case of petition in court). For cases where request is made under Section 33 of Arbitration and Conciliation Act, 1996 for clarification or rectification of award, the one month period in case of appeal and three months period in case of petition mentioned above will be from the date of receipt of the order passed by arbitrator u/s 33 applications by the Member.
 - (d) The matter is decided in favour of the investor/client after conclusion of arbitration or appellate arbitration or court proceedings and the Member decides not to pursue the matter further.
- 15.15 In case Member has margin calls to the Client and the client has failed to comply with such margin calls, then the contract note issued by Member for transaction owing to noncompliance of such margin calls would bear a remark specifying the same.
- 15.16 The Member shall maintain a verifiable record of having made such margin calls and that the clients have not complied with the same.

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 Bye-laws.
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 time to time a panel of arbitrators as may be required and it shall be composed of professionals from futures trading and professionals conversant with the trading at a commodity exchange and its Bye-Laws, Rules and Business Rules / 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 fulfillment and/or the rights, obligations and liabilities of the parties thereto and including any question of whether such trades, contracts and transactions have been entered into or not shall be submitted to arbitration in accordance with the provisions of these Bye-laws 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.

16.4A. Reference to arbitration by Relevant Authority:

1. The Relevant Authority may, with the prior approval of SEBI:
 - i) Refer any claim, difference or dispute or set of claims, differences or disputes referred to in Bye-Laws 16.4, between any Member and its clients or set of clients to the arbitration; and/or
 - ii) Direct that the claims, differences or disputes or sets of claims, differences or disputes as referred to in Bye-Law 16.4A (i), shall be heard, conducted in combined arbitration proceedings; and/or
 - iii) Appoint without consent of the member or clients, when references are being received from five or more than five clients, any person(s) to act as sole or panel of arbitrators from the empanelled arbitrators, as may be deemed appropriate by the Relevant Authority; and/or
 - iv) Prescribe one or more places as seat of arbitration for hearing the parties, witnesses, inspection of documents and all or any processes or proceedings incidental to such arbitration; and/or
 - v) Prescribe special procedure to be applicable to the hearing and conducting arbitration proceedings under this Bye-law.

2. Subject to special procedure, if any, prescribed by the Relevant Authority under Bye-Law 16.4A(1)(v), all the provisions of the Rules, Bye-Laws and Business Rules of the Exchange shall apply *mutatis mutandis* to all arbitration proceedings under Bye-Law 16.4A.
3. The provisions of the Bye-Law 16.4A shall be applicable even if the claim, difference or disputes or sets of claims, differences of disputes pertain to or arose during the period prior to date of this Bye-law coming into force.

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.

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 Three(3) Years 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 Bye-laws 16.7 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 or Clearing Corporation

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.

16.24 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 / securities 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. REGULATORY FRAMEWORK FOR AUTHORISED PERSON

Market Access through Authorised Persons

1. Definition:

"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 Companies Act, 1956, or a Co-operative Society as defined under the Co-operatives 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

2. Appointment of Authorised Person.

- a) Member(s) of Commodity Exchange(s) may appoint one or more Authorized Persons after obtaining specific prior approval from the concerned Commodity Exchange.
- b) The approval as well as the appointment shall be specific for each such Authorized Person.

3. Procedure for appointment

- a) A Member of a Commodity Exchange may apply to the Commodity Exchange, in such format as may be notified by the Commodity Exchange for appointment as "Authorized Person".
- b) On receipt of the application for approval of the appointment an Authorized Person from its Member, the Commodity Exchange may:
 - i. accord approval on satisfying itself that the person is eligible for appointment as Authorized Person, or

- ii. refuse approval on satisfying itself that the person is not eligible for appointment as Authorized Person.
- c) The Exchange will have the discretion to refuse or withdraw permission if any, granted/to be granted to any Authorized Person at any time without assigning any reason, if the Exchange, in its absolute in discretion, considers such refusal withdrawal to be in the interest of the market.

4. Eligibility Criteria

4.1 Individuals

An individual is eligible to be appointed as “Authorised Person” if he:

- a) is a citizen of India;
- b) is not less than 18 years of age;
- c) has not been convicted to any offence involving fraud or dishonesty;
- d) if he has been suspended or barred by any Stock or Commodity Exchange for a period of more than six continuous calendar months, a period of three years must elapse from the date of completion of the period of suspension before he is considered for a reappointment as an Authorized Person.
- e) has a good reputation and character;
- f) has passed at least 10th standard or equivalent examination from an institution recognized by the Central Government/ State Government; and
- g) [Deleted]

4.2 A partnership firm, LLP or a body corporate

A partnership firm, LLP or a body corporate is eligible to be appointed as Authorized Person:

- a) if all the partners or directors, as the case may be, comply with the requirements contained in clause 4.1 above.
- b) the object clause of the partnership deed or of the Memorandum of Association contains a clause 4.1 permitting the person to deal in commodities derivatives contracts.

4.3 A co-operative society shall be eligible to be appointed as an “Authorised Person”;

- a) if all the Members/ Directors by whatever name called, of the Managing Committee/ Governing Body comply with the requirements contained in eligibility clause above. However, in respect of clause at 3 (A)(f) above, the Exchange may at their discretion relax the criteria of educational qualifications.
- b) if the object clause of the Memorandum of association of the co-operative society contains a clause permitting the co-operative society to deal in commodity derivatives contracts.

4.4 Infrastructure

The Authorized Person must have necessary Infrastructure, viz., adequate office space, equipment, manpower, and such other infrastructural facilities, which the Exchange may prescribe from time to time, to effectively discharge the activities on behalf of the Member.

5. Conditions of Appointment

- 5.1 On being appointed as an "Authorized Person" of a Member for a particular Commodity Exchange, such person or entity shall not, during continuation being an of Authorized Person of such Member, qualify for becoming Authorized person of any other Member of that Exchange.

- 5.2 No director of a Member (if Member is a company under the Companies Act) or a partner of the Member (if Member is a partnership firm or a LLP) or a Member/Director the Managing Committee/Governing of Body of a Member (if the Member is a co-operative society) shall be eligible to become an "Authorized person" of any other Member of that Commodity Exchange in which it's in company, partnership firm, LLP or co-operative society as the case may be, is a Member.
- 5.3 The Authorized Person shall not receive or pay any money or deal in deliveries of commodities in its own name or account. All receipts and payments of money and dealings in commodities shall be in the name or account the concerned of Member.
- 5.4 The Authorized Person shall receive his remuneration- fees, charges, commission, salary, etc. - for his services only from the Member of which it is an "Authorized Person" and he shall not charge any amount under whatever head from the clients of the Member.
- 5.5 All acts of omission and commission of the Authorized person shall be deemed to be those of the Member.
- 5.6 The Member and the "Authorized Person" shall enter into written agreement(s) in the form(s) specified by the concerned Commodity Exchange. The agreement shall, interalia cover scope of the activities, responsibilities, confidentiality of information, conditions for appointment as "Authorized Persons" as prescribed these guidelines, particulars of remuneration (whether by way of salary, commission, allowance or otherwise), termination clause, etc.
- 5.7 The permission granted by the Exchange any Authorized Person is only to facilitate the Members to trade on the Exchange platform through persons authorized by them and such permission shall not be construed any manner whatsoever to waive, reduce or affect the liability and responsibility of the Member in such matter.

6 Withdrawal of Approval

Approval given to an Authorized Person may be withdrawn by the Commodity Exchange:

- 6.1 on receipt of a request to that effect from the Member or the Authorized Person concerned, subject to compliance with the requirements that may be prescribed by the Commodity Exchange;
- 6.2 on being satisfied that the continuation of the Authorized Person is detrimental to the interests of investors or the commodities market.
- 6.3 on becoming ineligible under clause 4 of these guidelines at a subsequent date.
- 6.4 [Deleted]

7 Obligations of the members of the Exchange

- 7.1 The Member shall enter into an agreement prescribed by the Exchange with each of such Authorized Persons after receipt of communication of acceptance of such Authorized Persons by the Exchange.
- 7.2 The Member shall permit the Authorized Person to admit or introduce clients and accept orders from the clients on their behalf only after execution of the Agreement as stated at clause 7.1 above.
- 7.3 The Member shall be responsible for all acts of omission and commission of his Authorized Person and/or their employees, including liabilities arising therefrom.
- 7.4 If any trading terminal is provided by the Member to an "Authorized Person" the place where such trading terminal is located shall be treated as branch office of the Member.

- 7.5 The Member shall display at each such branch office, additional information such as, particulars of Authorized Person in charge of that branch, terms and conditions of his appointment, time lines for dealing through Authorized Person, etc. as may be specified by the Commodity Exchange.
- 7.6 The Members shall notify changes, if any, in the Authorized Person to all registered Clients of that branch atleast15 days before the change.
- 7.7 The Member shall conduct periodic inspection of the branches assigned to Authorized Persons and records of the operations carried out by them, as prescribed by the Exchange.
- 7.8 It shall be the responsibility of the Member to audit the records of its Authorized Person to ensure that they comply with the Rules, Bye-Laws and Regulations of the Exchange.
- 7.9 The client dealing through an Authorized Person shall be registered with the Member only. The funds, monies commodities or warehouse receipts, as the case may be, of the clients shall be settled directly between the Member and client. No fund or commodities of the clients shall be transferred/deposited /credited into any account of an Authorized Person.
- 7.10 All documents like contract notes, statement funds and commodities etc would be issued by the Member to the client. Authorized Person may provide administrative assistance in procurement of documents and settlement, but shall not issue any document to client in its own name.
- 7.11 On noticing irregularities, if any, in the operations of an Authorized Person, the Member shall forthwith seek withdrawal of approval, withhold all moneys due to Authorized Person till resolution of client grievances, alert clients in the location where Authorized Person operates, file a complaint with the police, and take all measures file as may be required to protect the interest of its clients and the market.
- 7.12 [Deleted]
- 7.13 Uploading of details pertaining to the Unique Client Code shall be the responsibility of the Member and the Authorized Person cannot create or allot Unique Client Code to any client.
- 7.14 [Deleted]

8 Obligations of the Exchange

- 8.1 The Commodity Exchange shall maintain a database of all the Authorized persons, of which shall include the following:
- a) PAN number of Authorized Person and in case of partnership body or corporate, PAN number of all the partners or directors as the case may be alongwith photographs, PAN number of all the Members/Directors by whatever name called of the Managing Committee / Governing Body of a co-operative society along with photographs.
 - b) Details of the Member with whom the Authorized person is registered.
 - c) Locations of the branch assigned to the Authorized person.
 - d) Number of terminals and their details given to each Authorized person.
 - e) Withdrawal of approval of an Authorized person.
 - f) Change in the status constitution or of Authorized person.
 - g) [Deleted]

All the above details except (a) above, shall be made available on the web site of the Commodity Exchange.

- 8.2 While conducting the inspection of the Member, the Commodity Exchange may, also conduct an inspection of branches where the terminals of Authorized Persons are located and records of the operation are carried out by them.

- 8.3 Any dispute between a client and an Authorized person shall be treated as a dispute between client and the Member and the same shall be redressed by the concerned Commodity Exchange accordingly.
- 8.4 In case of withdrawal of an Authorized person due to disciplinary action or upon the regulatory directive, the Commodity Exchange shall issue a press release and disseminate the names of such Authorized Persons on its website citing the reason for withdrawal or cancellation of approval.

18. INVESTOR (CLIENT) PROTECTION FUND (FUND)

1. The Exchange shall establish and maintain an Investor (Client) Protection Fund (Fund) to be held in trust by Indian Commodity Exchange Limited Investor (Client) Protection Fund Trust (Trust).

2. Object of the Fund:

The Trust has been created for the protection, awareness and education of the investors/clients of the Exchange, in such manner as may be permitted by SEBI and decided by the Trustees, from time to time. Without prejudice to the foregoing, the objects specifically shall be:

- a) compensating legitimate/ eligible claims of Investors/clients against any defaulter member or to provide monetary relief on behalf of the member of the Exchange through whom they had traded and / or who had undertaken to settle their trade, in accordance with the provisions hereof and Rules and Business Rules of the Exchange, Scheme and/or the guidelines/ instructions issued by SEBI in this regard,
- b) Creating awareness and educating general public and other stakeholders about the benefits of trading on the Exchange through various means including use of media, advertisements, holding programs/ seminars/ meetings etc.;
- c) Publishing literature including books etc. aimed to create awareness/ education relating to the commodity/ security markets.

3. Composition of Fund:

The fund shall consist of,

- (a) such contributions from the Exchange as decided/directed by the SEBI, from time to time;
- (b) All penalties levied and collected by the Exchange except the settlement related penalties which includes delivery default penalties, will be part of the Investor Protection Fund after deducting the cost of administration. The cost of administration shall not exceed 10 (Ten) percent interest, dividend or other income earned arising from investments of the Fund;
- (c) interest, dividend or other income earned arising from investments of the Fund;
- (d) accretion arising from investments of the Fund;
- (e) any other money or property forming part of the Fund.
- (f) any contribution from the member of the Exchange, as may be stipulated by the Exchange from time to time.

The Exchange shall be further empowered to call from the member such additional contributions as may be required, from time to time, to make up for the short fall if any in the Fund, at the discretion of the Exchange.

The Exchange shall ensure that the funds are well segregated from that of the Exchange

and that the Fund is immune from any liability of the Exchange.

4. Management of the Fund:

The Trustees shall have entire control over the management of the Fund. The Trustees shall meet preferably four times during the year and not more than four months shall elapse between two meetings. Any two Trustees present shall constitute a quorum for such meetings. Each Trustee shall have one vote and the decision of the majority shall prevail. In case of equal division, the Chairman shall have a casting vote.

5. Accounts and Audit of the Fund:

Unless the Board of Directors of the Exchange otherwise directs, the accounts of the Fund shall be prepared and maintained as a part of the accounts of the Exchange and shall be audited as a part of the accounts of the Exchange.

6. Contributions to the Fund by the Exchange:

Subject to any further directives or guidelines of SEBI the Exchange shall, unless otherwise prescribed by SEBI, contribute to the Fund;

- (a) a sum equivalent to 1% of the turnover fee charged from the members of the Exchange or Rs.25,00,000/- (Rupees Twenty five Lacs only) whichever is lower in a financial year;
- (b) a sum of all penalties as and when levied and collected, after deducting the cost of the administration, not exceeding 10 per cent in total of the penalties levied and collected or as may be prescribed by the SEBI, from time to time;
Explanation: "all penalties, except settlement related penalties levied/collected by the Exchange and transferred to the Fund, from time to time;"
- (c) The Board of Directors of the Exchange may also augment the Investor(Client) Protection Fund from such sources as it may deem fit.

7. Contributions to the Fund By the Members:

Every member of the Exchange shall contribute periodically to the Fund, such amounts, as may be determined by the Exchange and permitted by SEBI, from time to time.

8. Threshold limit for claim:

- (a) the Exchange shall be free to fix the suitable compensation limits, in consultation with the Trust. However, the maximum amount of compensation available against a single claim of an investor/Client arising out of default by a member of the Exchange shall be as prescribed by the Exchange subject to directives of SEBI, if any..
- (b) the compensation payable shall not be more than actual amount payable to an investor/client subject to a maximum limit as decided by the Exchange or SEBI from time to time. The amount will be reduced by any amount or other benefits received or receivable by the investor / client from any source in reduction of the loss and by any amount payable by such investor / client to the defaulter member.
- (c) the compensation payable in respect of claims against each Defaulter member shall be as prescribed by the Exchange provided however, such amount shall not exceed the maximum amount prescribed by SEBI.

The Exchange shall disseminate the said compensation limit or any change thereof to the public through Press Release and also Circulars issued by the Exchange through its website. However, SEBI may review the amount of compensation available against a single claim of a client whenever they deem fit.

9. Persons eligible for compensation from the Fund:

Legitimate claims of investors/ clients shall only be eligible for compensation out of the Fund. No claim of member or his Authorised Person (earlier known as Sub-broker) or Franchisee or any other market intermediary of any name or nomenclature shall be eligible for compensation out of the Fund.

10. Eligible Claims under the Fund:

Subject to the other Rules, Bye-laws and Regulations / Business Rules of the Exchange, the Fund shall be utilized to compensate eligible / legitimate claims of an investor/client who suffered loss in respect of transaction of the Exchange due to a member being declared a defaulter, as per the Rules, Bye-Laws and Regulations/Business Rules of the Exchange, where:-

- (a) the claims received against the defaulter member during the specified period of ninety days (as notified by the Exchange), shall be eligible for being considered for compensation from the Fund.
- (b) If any eligible claim arises within three years from the date of expiry of the specified period, such claims will be processed at the discretion of the Trust.
- (c) the claim arises directly in respect of transaction/s executed on the Exchange between the investor /Client and the member (who has since been declared a defaulter) in accordance with the Rules, Bye-laws and Business Rules of the Exchange.
- (d) the trade in the Commodity Futures Contract/s or any other securities contract(s) have already been settled by the Exchange but the obligation in respect of the said Contracts has not been completed by the defaulter member to the concerned investor/Client, and
- (e) the claim fulfills such other requirements as the Exchange may specify from time to time.

11. Ineligible claims for compensation:

The Board of Directors of the Exchange or Defaulters' Committee /Disciplinary Action Committee of the Exchange or Trustees of the Trust shall not be obliged to consider the claims if such claims are arising out of or are in respect of:

- (a) a contract in commodities and Securities, dealings in which are not permitted or which are not subject to and in accordance with Bye-laws, Rules and Regulations/Business Rules of the Exchange or in which the claimant has either not paid himself or colluded with the defaulter member in evasion of margin (including initial, VAR, tender period margin, delivery period margin, Special / Additional margins, etc., as applicable from time to time) payable on transactions or contracts in any commodity or Security; or
- (b) any outstanding balance or any outstanding difference in previous transactions which has not been claimed at the proper time and in the manner prescribed in Bye-laws, Rules and Regulations/Business Rules of the Exchange and/or which arises from arrangement for settlement of claims in lieu of bona fide money payment in full or part on the day when such claims become due; or
- (c) a loan with or without security; or
- (d) a portfolio management services; or
- (e) collusive or sham transactions.
- (f) the surplus fund of the defaulter member is returned to the defaulter member and;
- (g) the claim has not been filed within the specified period.
- (h) The claim has been filed after 3 years from the date of expiry of the specified period.

“Specified period” for the purpose of this chapter means such period as may be notified by SEBI/Relevant Authority as the case may be for inviting the claims”.

12. Procedure to be specified:

The Exchange/ Trustees shall be entitled to specify the procedures, subject to the guidelines/ directions issued by the SEBI from time to time, for carrying out the provisions of this Chapter and shall also be entitled to issue clarifications and directions for removing any difficulties in implementing the provisions of this Chapter.

13. Scrutiny of the Claims by Defaulters' Committee /Disciplinary Action Committee:

The Exchange shall process the claims in accordance with the procedure as may be laid down by the Defaulters Committee /Disciplinary Action Committee and the Defaulters' Committee /Disciplinary Action Committee scrutinize the claims and if the claim of a claimant is not supported with arbitration award passed in accordance with the Rules, Bye-laws and Business Rules of the Exchange, every such claim received by the Defaulters' Committee /Disciplinary Action Committee shall in the first instance be referred to arbitration in accordance with the Rules, Bye-laws and Regulations relating to arbitration for determining the claim. In the event of the award being passed in favour of the Client and upon crystallizing the liabilities and if the assets of the defaulter are insufficient to meet the approved claims, the Defaulters' Committee /Disciplinary Action Committee shall forward the claims along with the recommendations to the Trust. If any eligible claim arises within three years from the date of expiry of the specified period (ninety days), such claims will be processed by Defaulters' Committee / Disciplinary Action Committee at the discretion of the Trustees.

14. Determination of the nature of claims and payment :

The Trustees shall have an absolute discretion as regards the mode and method of assessing the nature of the claims including their genuineness and shall likewise at their discretion accept, reject, or partially grant or allow claims and make payment thereof subject to the limits therein mentioned, as they may deem fit and proper. The Trustees shall admit only such of the claims which are admitted by the Defaulters' Committee / Disciplinary Action Committee or the Investors' Grievance Division/ Committee /Disciplinary Action Committee of the Exchange, and which could not be met from the assets of the defaulter member. If the Trustees are not satisfied that the claim is bona fide they shall reject the claim and inform the investor/Client accordingly along with the reasons. The Trustees may adopt the arbitration mechanism at the Exchange for determining the legitimacy of the claims received from the claimants. The Trustees may also seek the advice of the Defaulters' Committee /Disciplinary Action Committee before sanctioning and releasing the payments to be made to the claimants. The Trustees shall make monetary relief from the IPF to the investors/clients in accordance with these Bye-laws or as may be stipulated by SEBI from time to time.

15. Decision of the Trustees shall be Final:

The decision of the Trustees regarding settlement or other wise of the claims shall be final and binding on the claimant. Claimant shall sign an undertaking to be bound by the decisions of the Trustees.

16. Appeal:

If any claim not entertained by the Defaulters' Committee /Disciplinary Action Committee or is rejected by the Trustees, the claimant may prefer an appeal before the Board of Directors of the Exchange or any Sub- Committee of the Board of Directors of the Exchange, constituted in this behalf, with all papers and pleadings along with the Arbitration proceedings.

The Board of Directors of the Exchange or such Sub-Committee of the Board of Directors of the Exchange, shall not be obliged to accept or direct payment of a claim merely because an arbitration award has been passed in favour of the investor/client or because the arbitration award has been passed with the consent of the member or because the member did not oppose the investor / client's claim.

The Board of Directors of the Exchange or such Sub-Committee of the Board of Directors of the Exchange, shall be entitled to call upon the investor/client to produce such other information and documents as it may consider necessary for scrutinizing the investor / clients' claim and may reject the claim if the investor/ client fails to produce such information and documents.

17. Charge on Defaulter's Assets:

Upon payment of any money out of the fund, the concerned defaulter member shall forthwith repay the money to the Fund along with interest at the rate of 2% per month (or such other rate as the Board of Directors of the Exchange may determine), from time to time. The Exchange, for the benefit of the Fund, shall have a first charge (subject only to and subservient to the charge in favour of the Settlement Guarantee Fund under these Rules, Bye-laws and Regulations/Business Rules of the Exchange) on all assets and properties of the defaulter member wherever situated and of whatsoever nature as a security for the repayment of such money and the payment of interest thereon at the rate of 2% per month (or such other rate as the Board of Directors of the Exchange may determine), from time to time, subject only to any and all charges, mortgages and other encumbrances created thereon by the defaulter member *bona fide* for valuable consideration prior to the day the member is declared as a defaulter.

18. Proceedings by the Board of Directors of the Exchange:

For the purpose of recovering any amount payable by the defaulter member to the Fund, the Board of Directors of the Exchange and/or the Managing Director / Chief Executive Officer shall be entitled to take such steps and proceedings (including but not limited to sale of any property of the defaulter or a portion thereof) as it/he may think fit against the defaulter member, the defaulter member's property and any person by whom any amount is payable to the defaulter member

19. Claim Not To Affect Legal Proceedings:

The rejection or partial acceptance of any claim by the Trustees or the Board of Directors of the Exchange as the case may be, or the grant of any compensation to a client claimant shall not preclude or debar such client to pursue his investor / claim for dues against the defaulter member in any court of law or otherwise howsoever or other legal action on other grounds of causes of action of whatsoever nature subject to, howsoever, that the net claim of any such investor /client against defaulter member shall stand reduced to the extent of the compensation received by him from the Fund.

20. Investment of Fund:

The Trustee shall operate the Fund and its investments in such manner as deemed fit by the Trustees in accordance with the Trust Rules and as permissible under law for the time being in force' instead of "or in the names and under the control of any two of the Trustees with power to operate the Bank accounts and to sells, transfer, vary and transpose such investments."

21. Utilization of the Interest by the Board of Directors of the Exchange:

The Board of Directors of the Exchange may utilize only the interest earned on the Fund, subject to approval of the Trust, for investors' education, awareness or such other programme authorized by the SEBI. The corpus of the Fund will not be utilized for this purpose.

22. Repayment by Payee Disentitled to Receive:

If any claim amount has been paid from the Fund and it is subsequently found that the payee

was for any reason not entitled to receive such claim amount then the payee shall forthwith repay the same to the Fund together with interest thereon at the rate of 2% per month (or such other rate as the Exchange may specify) from time to time, for the period commencing on the date on which the payment was received by the payee and ending on the date on which such amount is repaid by the payee.

23. Cost /Expenses of the Administration of the Fund:

All the expenses incurred by the Trustees in connection with the creation, administration and management of the Fund including;

- a. the sitting fees, conveyance and other expenses, etc. of the Trustees
- b. remuneration/wages of the employees of the Trust,
- c. fees of auditors, Chartered Accountants, Legal Advisors, Lawyers
- d. all rates, taxes, Cess, assessments, dues and duties, if any payable in respect of any Trust Property, income, collection, investment, contributions, and services,
- e. premium for the insurance of the building or any other insurable property movable or immovable for the time being forming part of the Trust Fund.
- f. Cost and expenses incurred for
 - (i) settlement of claims of bonafide / legitimate clients/ investors of members of the Exchange
 - (ii) advertisements (including those for inviting claims for compensation), training, educational literature, brochures, publication of books and periodicals for awareness and investor protection on security /commodity derivative market, and
 - (iii) creating awareness and educating general public and other stakeholders through various means including use of media, advertisements, holding programs/ seminars/ meetings etc. about the benefits of trading on the Exchange,
- g. all other costs, charges and expenses incidental to the management and administration of the Trust Property in accordance with the object and purposes hereof which may be incidental thereto, shall be paid out of the Fund.

24. Loss to Fund Investments:

Any loss or diminution in value of the investments of the Fund from whatever cause arising, not being due to the willful default or fraud of any member(s) of the Exchange, or of any sub-Committee or any Trustee(s), shall be borne by the Fund and the members of the Exchange or of the sub-Committee or the Trustee(s) shall incur no responsibility or liability by reason of or on account thereof. In case of any such loss or diminution by reason of willful default or fraud by any member of the Exchange or of any sub-Committee or any Trustee(s), the persons committing the willful default or fraud shall be personally liable for the loss or diminution and other persons who are not parties to the willful default or fraud shall not be liable for the loss or diminution.

25. Secretariat:

The Exchange shall provide the secretariat for the Fund/ Trust.

26. Indemnity:

The Fund shall bear all costs, charges and expenses for all suits, actions, proceedings and claims filed or made against the Trustees except those arising out of their willful default or fraud.

27. Correspondence:

The Exchange and or the Trustees of the Trust shall not be obliged to recognize or act upon any communication unless it is in writing, discloses the identity and address of the person addressing the communication and is signed and submitted in original by the person addressing the communication.

28. Liability of the Fund:

The liability of the Fund shall not exceed the funds available with the Trust and in respect of any unpaid claims, on account of insufficiency of funds, the Exchange / Trust/ Trustee shall not be liable and the investor/ client may proceed against the member declared as Defaulter for the same.

29. Unutilised Fund in case of Winding Up:

In case the Exchange is wound-up, then the balance in the Fund lying un-utilized with the Trust, shall be transferred to SEBI. In such an event, the funds will be maintained in a separate account and SEBI would act as trustee of the funds. The funds shall be utilized for purposes of investor/client education, awareness, research or such other programme as may be decided by the SEBI, from time to time.

30. Discretionary Nature of Fund:

The Fund shall be discretionary fund and the Trust/ Trustees or the Exchange shall be under no legal obligation to collect the debt of a defaulter member and / or to make payments from the Fund as mentioned in this Chapter.

31. Bar on Assignment:

The contribution of a member shall not be a debt due from the Fund and no member shall be entitled to transfer or assign in any manner his contribution to the Fund.

32. Claim on the direction of any other authority on the Fund:

Claim on the direction of any other authority on the Fund may be routed through SEBI.

33. Liability of Member Unaffected by Cessation or Suspension of Membership:

Any unsatisfied obligation of a member to the Fund shall not be discharged or otherwise prejudicially affected by the suspension or cessation of his membership.

34. Action for Failure to Pay to Fund:

The Board of Directors of the Exchange, may take such action, as it thinks fit and proper, against a member who fails to pay any amount to the Fund including action by suspending, fining, declaring him as a defaulter, canceling its/his registration as a member or expulsion from the membership of the Exchange.

35. Powers of the Trust to recall any amount:

- (1) Notwithstanding anything stated elsewhere in the Rules, Bye-laws and Business Rules of the Exchange, if the Trust has reason to believe that any transaction -
 - (a) is fraudulent; or
 - (b) is disallowed under any Rules, Bye-law and Business Rules of the Exchange relating to the default of a member; or

- (c) is connected with payment or repayment of a deposit or loan or has been paid erroneously then the Trust shall be entitled to recover such amount.
- (2) The Trust shall afford an opportunity to the concerned person(s) to be heard by giving him/them not less than seven days written notice before finally determining to recall any amount.
- (3) For the purpose of determining whether or not to recall any amount, the Trust shall be entitled to consider, inter alia, the surrounding circumstances, the usual course of dealings on the Exchange, the relationship between the defaulter member and the claimant, the quantity and price of the Contract involved in the transaction, other similar trades and such other matters as the Trust thinks relevant.

36. Arbitration:

Any claim, dispute or difference between the Defaulters' Committee /Disciplinary Action Committee / Exchange or the Board of Directors of the Exchange on the one hand and a defaulter member on the other hand in connection with any amount payable or alleged by the Defaulters' Committee /Disciplinary Action Committee / Exchange or the Board of Directors of the Exchange as being payable by the defaulter to the Fund shall be referred to the Arbitration of the Managing Director /Chief Executive Officer of the Exchange or to the Arbitration of such person from the panel of Arbitrators of the Exchange, as the Managing Director /Chief Executive Officer of the Exchange may nominate in this behalf.”

19 MISCELLANEOUS

- 19.1 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 / Securities as the relevant authority in its judgement deems advisable in the interest of maintaining a fair and orderly market in the contracts or commodities / Securities or if it otherwise deems advisable in the interest of trade and public interest. . During the effectiveness of such restrictions, no trading member shall, for any account in which it has an interest or for the account of any client, engage in any transaction in contravention of such restrictions.
- 19.2 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;
- 19.3 Where the SEBI 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.
- 19.4 If the Relevant Authority and/or the SEBI 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 SEBI.
- 19.5 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.
- 19.6 No claim, suit, prosecution or other legal proceedings shall lie against the Exchange and/or Clearing House and/or Clearing Corporation any authorised person(s) acting for the Exchange and/or Clearing House and/or Clearing Corporation, 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 and/or Clearing Corporation under any law or delegated legislation for the time being in force.

20 SAVING CLAUSE

- A. In pursuance of section 28A of the Forward Contracts (Regulation) Act, 1952 (FCRA) the Bye-laws of the Exchange made under the FCRA (referred to as 'the existing Exchange Bye-laws'), shall not be applicable after a period of one year from September 29, 2015 due to repeal of FCRA with effect from September 29, 2015. Notwithstanding such repeal,-
- (i) All actions or activities pursuant to trades executed under the provisions of the existing Exchange Bye-laws, including but not limited to clearing, settlement, auctions, dispute resolution or arbitration and default redressal shall be undertaken and enforced under the corresponding provisions of these Bye-laws.
 - (ii) All rights and liabilities accruing under the existing Exchange Bye-laws including but not limited to risk management measures such as maintenance of Investor Protection Fund and Settlement Fund shall continue to accrue under the corresponding provisions of these Bye-laws.
 - (iii) All eligible members of the Exchange or their agents granted admission to dealings or granted permission to access the trading platform of the Exchange in terms of the existing Exchange Byelaws, shall continue to exercise such rights in the Exchange in terms of the corresponding provisions of these Bye-laws, subject to provisions of SCRA and the Rules and Regulations made thereunder and the SEBI Act and the Rules and Regulations made thereunder and any directives or Circulars etc issued by SEBI from time to time.
 - (iv) Anything done or any action taken or purported to have been done or taken including any inspection, order, penalty, proceeding or notice made, initiated or issued or any confirmation or declaration made or any license, permission, authorization or exemption granted, modified or revoked or any document or instrument executed, or any direction given under the existing Exchange Bye-laws, shall be continued or enforced by the Exchange, in terms of the corresponding provisions of these Bye-laws.
 - (v) All violations of provisions of the existing Exchange Bye-laws and any proceedings initiated or pending as on September 28, 2016, shall continue to be governed by the corresponding provisions of these Bye-laws.
- B. The Exchange, as directed by SEBI shall be empowered to issue clarifications with regard to any of the provisions of these Bye-laws. "

Date: 31.01.2017

Place: Navi Mumbai

Ranjit Kumar Samantaray

Chief Regulatory Officer