

# **BYE LAWS OF NATIONAL COMMODITY & DERIVATIVES EXCHANGE LIMITED**

## **1. DEFINITIONS:**

1. “Approved Laboratory” means a laboratory approved as such by the relevant authority for certifying the commodities as per specification prescribed in the Bye Laws, Rules and Regulations.
2. “Board” means Board of Directors of National Commodity & Derivatives Exchange Limited.
- 2A “Books of accounts, records and documents” include books of accounts, records and documents, which are required to be maintained under Securities Contracts (Regulation) Act, 1956 and Rules framed thereunder, Rules, Bye Laws and the Regulations of the Exchange and any other law for the time being in force and records maintained in a computer or in any magnetic form.
- 2B “Buyer” means the buying Constituent and the buying member acting as his broker and agent and denotes the buying member when he is dealing on his own account as a principal.
3. “Certified/Approved Warehouse” means a godown or a warehouse approved by the Exchange or any agency authorised by it and designated as such for making deliveries to and taking delivery of commodities.
4. “Clearing and Settlement” means clearing or settlement or clearing and settlement of deals in respect of contracts or commodities in such manner and subject to such conditions as may be specified by the Relevant Authority from time to time, unless the context indicates otherwise.
5. “Clearing Bank(s)” is such bank(s) as NCDEX may appoint to act as a funds settling agency, for the collection of margin money for all deals cleared through exchange and any other funds movement between clearing members and the Clearing House and between clearing members as may be directed by the Clearing House from time to time.
6. “Clearing Corporation/ 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.
7. “Clearing Member” means a person having clearing and settlement rights in any recognized clearing corporation from whom the exchange avails clearing and settlement services.
8. “Client/Constituent” means a person, on whose instructions and on whose account the Trading Member enters into a deal on the Exchange. For this purpose, the term “Client” shall include all registered constituents of Trading Members.

Explanation: The terms 'Constituent', 'Client' and 'Investor' are interchangeable to the context in the Bye Laws, Rules & Regulations and shall have the same meaning as assigned herein, as applicable.

9. "Closing Buy Transaction" means a buy transaction, which will have the effect of partly or fully offsetting a short position.
10. "Closing Sell Transaction" means a sell transaction, which will have the effect of partly or fully offsetting long position.
11. "Collateral" means money, fixed deposit receipt, bank guarantee, securities 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.
- 11A "Comtrack" is an electronic web based repository system which facilitates electronic accounting of commodities deposited in the Exchange approved Warehouses and facilitate transfer of such deposited commodities against the obligations arising out of the trades executed on NCDEX online trading platform under the Clearing and Settlement process of the Exchange.
- 11B "Comtrack Participants" (CPs) are entities admitted as such for recording the transfer and withdrawal of commodities from exchange approved warehouses in accordance with the norms for admission as prescribed by the Relevant Authority from time to time.
12. "Goods" mean the meaning assigned to it in section 2 (bb) of SCRA.
- 12A "Commodity Derivative" shall have the meaning as assigned to it in section 2 (bc) of SCRA.
13. "Contract" means a contract for or relating to the purchase or sale of securities and which is specifically approved by SEBI for trading on the Exchange.
14. "Deal" means, unless the context indicates otherwise, a trade, contract, transaction or a deal which is admitted for trading and cleared and settled, through the Clearing House of the exchange or as prescribed by the exchange.
15. "Delivering Member" means a clearing member who has to or has delivered commodities or documents of title or other relevant documents for commodities in fulfilment of contract to which these Bye Laws, Rules and Regulations apply unless the context indicates otherwise.
16. "Delivery month" means the month in which a contract is required to be finally settled as prescribed by the relevant authority from time to time.
17. "Delivery Period" means the period during which the delivering member notifies his intent to deliver and or deliver commodities for physical settlement as per the procedures prescribed by the exchange.

17A “Derivative” — includes

- a. a security derived from a debt instrument, share, loan, whether secured or unsecured, risk instrument or contract for differences or any other form of security;
- b. a contract which derives its value from the prices, or index of prices, of underlying securities;
- c. commodity derivatives; and
- d. such other instruments as may be declared by the Central Government to be derivatives.

18. “Exchange” means National Commodity and Derivatives Exchange Limited and the premises and/ or the system for executing transactions in commodity derivatives or any other products/ securities that are permitted and/ or approved by SEBI.

19. “Expiration Day” is the day on which the final settlement obligation is determined in the contract or deal.

20. \*\*\* Deleted\*\*\*

21. “Futures Contract” means a legally binding agreement to buy or sell the underlying asset in the future.

22. “Godown/ Warehouse” means any structure/facility meant for storing and preserving the commodities approved in this behalf by the relevant authority from time to time.

23. “Last Trading Day” means the day upto and on which a deal or contract is available for trading.

24. “Long Position” in a contract means outstanding purchase obligations in respect of a permitted contract or commodity at any point of time.

25. “Market-Maker” means a trading member registered under the Bye Laws of NCDEX.

26. “Open Position” means the sum of the long and short positions of the member and his constituent in any or all of the contracts or commodities outstanding with the Clearing House.

27. “NCDEX” means the National Commodity & Derivatives Exchange Limited.

28. “Official List” means the list including the contracts or commodities admitted or permitted for trading on the exchange.

29. “Opening Buy Transaction” means a buy transaction which will have the effect of creating or increasing a long position.

30. “Opening Sell Transaction” means a sell transaction, which will have the effect of creating or increasing a short position.

31. “Open Interest” means the total number of contracts or deals of an underlying commodity that have not been offset and closed by an opposite transaction nor fulfilled by delivery of the cash or underlying commodity.
- 31A “Option in Securities” means a contract for the purchase or sale of a right to buy or sell, or a right to buy and sell, securities in future, and includes a teji, a mandi, a teji mandi, a galli, a put, a call or a put and call in securities.
32. “Regulations”, unless the context indicates otherwise, includes business rules, code of conduct and such other regulations prescribed by the relevant authority from time to time for the operations of the Exchange and these shall be subject to the provisions of the Securities Laws, and directives of SEBI and such other directives and provisions of relevant authority as may be specified from time to time.
33. “Relevant Authority” means the Board or such other authority as specified by the Board from time to time as relevant for a specified purpose.
34. “Rules”, unless the context indicates otherwise, means rules as intimated for regulating the activities and responsibilities of trading members and clearing members of NCDEX and as prescribed by the relevant authority from time to time for the constitutions, organisation and functioning of the Exchange and these rules shall be subject to the provisions of the Securities Laws, Rules and directives of SEBI and relevant authority.
- 34A “SCRA” means Securities Contracts (Regulation) Act, 1956 and amendments thereto.
- 34B “SCRR” means Securities Contracts (Regulation) Rules, 1957 and amendments thereto.
- 34C “SEBI” means Securities and Exchange Board of India constituted under SEBI Act, 1992.
- 34D “SEBI Act” means the Securities and Exchange Board of India Act, 1992 and amendments thereto.
- 34E “Stock Broker Regulations” means SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992 and amendments thereto.
- 34F “SECC Regulations” means Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 and amendments thereto.
- 34G “Securities Laws” means the SEBI Act, 1992, SCRA, 1956, Depositories Act, 1996 and any rules, regulations, circulars, guidelines, or directions issued thereunder.
- 34H “Securities” shall mean the Securities as defined in Section 2(h) of the Securities Contracts (Regulation) Act, 1956 as amended from time to time.

- 34I “Segment” means and includes a division for trading and clearing of derivatives or goods at NCDEX, as approved by SEBI or as classified by the Relevant Authority from time to time, and a part thereof.
- 34J “Seller” shall mean the selling Constituent and the selling Member acting as his broker and agent and denotes the selling member when he is dealing on his own account as a principal.
35. “Settlement Date” means the date on which the settlement of outstanding obligations in permitted contracts and deals are required to be settled as provided in the Bye laws, Rules and Regulations.
36. “Short Position” in a contract or deal means outstanding sell obligation in respect of permitted contracts or commodities at any point of time.
37. “Settlement Fund” means a fund established and maintained in accordance with the relevant provisions of the Bye Laws.
- 37A “Self-Clearing Member” means the self-clearing member as defined in Regulations 2 (1) (fa) of the Stock Broker Regulations.
- 37B “Stock Broker” means the Stock Broker as defined in Regulation 2 (1) (gb) of the Stock Broker Regulations.
38. “Trading Cycle” means the period as notified by the exchange from time to time, during which the contracts and deals will be available for trading.
39. “Trading Member” means a person having trading rights in NCDEX and includes a stock broker”.
40. “Trading Segments” or “Segments” mean the different segments or divisions of NCDEX as may be classified and specified by the Board or relevant authority from time to time.
41. “Trading system of the NCDEX” means a system which carries out trade matching and allied functions and makes available to trading members and the investing public, by whatever method, quotations in NCDEX contracts or commodities and disseminates information regarding trades effected, volumes or any other relevant matter, etc. and such other notifications as may be placed thereon by the relevant authority.
42. “Receiving Member” means a clearing member who has to receive or has received documents of title or other relevant documents in fulfilment of contracts to which these Rules, Bye Laws and Regulations apply unless the context indicates otherwise.
43. “Warehouse Receipt” means a “Warehouse Receipt” as defined under Section 2 (u) of the Warehousing (Development and Regulation) Act, 2007 as amended from time to time.

44. "Warehouse shall mean the Warehouse as defined under Section 2 (s) of the Warehousing (Development and Regulation) Act, 2007 as amended from time to time.

Words and expressions used and not defined under this Bye-laws but defined in the Companies Act, 2013 or Securities Laws or the Warehousing (Development and Regulation) Act, 2007 shall have the meanings respectively assigned to them in those Acts.

## **2. TRADING SEGMENTS**

1. There may be more than one trading segment as may be specified by the relevant authority from time to time.
2. The relevant authority will specify contracts and/or commodities, which will be eligible for admission to the different trading segment from time to time.

## **3. REGULATIONS**

1. The Board or relevant authority may prescribe Regulations from time to time for the functioning and operations of the Exchange and the Clearing House and to regulate the functioning and operations of the trading and/or clearing members of the Exchange.
2. Without prejudice to the generality of Bye law (1) above, the Board or relevant authority may prescribe regulations from time to time, inter alia, with respect to:
  - a) Norms, procedures, terms and conditions to be complied with for inclusion of a contract or commodity in the Official List of Exchange;
  - b) Norms and procedures for admission of trading and/or clearing members;
  - c) Norms and procedures for approval of market-makers;
  - d) Forms and conditions of contracts to be entered into, and the time, mode and manner for performance of contracts between trading members inter se or between trading members and their constituents and between clearing members inter se or between clearing members and their constituents or between clearing members and trading members and fee chargeable by clearing members;
  - e) Norms, procedures, terms and conditions to be complied with for admission of deals for clearing and settlement by the Clearing House of the Exchange;
  - f) Norms, procedures, terms and conditions for clearing and settlement of deals for different clearing segments and different contracts / commodities;
  - g) Norms, procedures, terms and conditions for guaranteed settlement by the Exchange;
  - h) Determination from time to time, of fees, system usage charges, deposits, margins and other monies payable to the Exchange by trading members, clearing members, participants or any other intermediaries;
  - i) Prescription, from time to time, of the scale of brokerage chargeable by trading members and fee chargeable by clearing members;

- j) Prescription, from time to time, of capital adequacy and other norms which shall be required to be maintained by trading and/or clearing members;
- k) Supervision of the market and promulgation of such Business Rules and Codes of Conduct as it may deem fit;
- l) Maintenance of records and books of accounts by trading members and/or clearing members and all the other intermediaries as it may deem fit and records as required by the Exchange;
- m) Inspection and audit of records and books of accounts;
- n) Prescription, from time to time, and administration of penalties, fines and other consequences, including suspension/expulsion for defaults or violation of any requirements of the Bye Laws and Regulations and the Rules and Codes of Conduct and criteria for readmission, if any promulgated hereunder;
- o) Disciplinary action/procedures including withdrawal of trading facilities, suspension, declaration as defaulter, expulsion etc. against any trading and/or clearing member and other intermediaries;
- p) Settlement of disputes, complaints, claims arising between trading members inter se, clearing members inter se, as well as between trading members and clearing members and persons who are not trading members or clearing members relating to any transaction in contracts or commodities made on the Exchange including settlement by arbitration;
- q) Norms and procedures for arbitration;
- r) Administration, maintenance and investment of the corpus of the Fund(s) set up by the Exchange including Settlement Fund(s);
- s) Norms and procedures for settlement and clearing of deals, including establishment and functioning of Clearing House or other arrangements for clearing and settlement including administration, maintenance and investment of the corpus of the Fund(s) set up by the Exchange including Settlement Guarantee Fund;
- t) Norms and procedures in respect of, incidental or consequential to closing out of contracts, deals or transactions;
- u) Norms and procedures for approval, certification and inspection of warehouses, allied facilities and laboratories;
- v) Norms and procedures pertaining to delivery mechanism to meet contractual obligations including gradation of commodities;
- w) Dissemination of information, announcements to be placed on the trading system;
- x) Prescribe norms and procedure for ware houses, allied facilities and laboratories;
- y) Any other matter as may be decided by the Board.

## **4. DEALINGS IN CONTRACTS OR COMMODITIES**

### **4.1 DEALINGS ALLOWED**

Subject to the provisions of SCRA in force and rules framed hereunder and requisite permissions required from SEBI or any other authority, dealings in contracts or commodities shall be permitted on the Exchange as provided for in these Bye Laws and Regulations and save as so provided, no other dealings are permitted.

### **4.2 ADMISSION OF CONTRACTS OR COMMODITIES TO DEALINGS**

Dealings are permitted on the Exchange in accordance with the provisions prescribed in these Bye Laws and Regulations in that behalf, in contracts or commodities which are, from time to time, permitted to trade on the trading segments by the relevant authority.

The relevant authority may admit from time to time contracts or commodities, which are permitted to trade on the Exchange.

### **4.3 PROHIBITED DEALINGS**

The relevant authority may prohibit or withdraw dealings on the Exchange in any contract or commodity.

### **4.4 SUSPENSION OF ADMISSION TO DEALINGS ON THE EXCHANGE**

The relevant authority may suspend at any time the admission to dealings on the Exchange granted to any contract or commodity for such period as it may determine. At the expiration or prior to the expiration of the period of suspension the relevant authority may reinstate such contract or commodity subject to such conditions, as it deems fit.

### **4.5 READMISSION TO DEALINGS ON THE EXCHANGE**

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

## **5. TRADING MEMBERS**

### **5.1 APPOINTMENT AND FEES**

1. The relevant authority may admit trading members in accordance with the Bye Laws, Rules and Regulations it may frame from time to time in accordance with the SCRA, [SEBI (Stock Brokers and Sub Brokers) Regulations, 1992] or any other relevant enactment.
2. The relevant authority may specify prerequisites, conditions, formats and procedures for application for admission, termination, re-admission etc. of trading members to each trading segment. The relevant authority may, at its absolute discretion, refuse permission to any applicant to be appointed as trading member.
3. The trading member shall pay such fees, security deposits and other monies as may be specified by the Board or the relevant authority from time to time, and meet such prerequisite condition as may be specified from time to time, on admission as trading member and for continued



admission. The fees, security deposits, other monies and any additional deposits paid, whether in the form of cash, Bank Guarantee, Securities, fixed deposit receipt, warehouse receipt, or otherwise, with the Exchange, by a trading member from time to time, shall be subject to a first and paramount lien for any sum due to the Exchange and all other claims against the trading member for due fulfilment of engagements, obligations and liabilities of trading members arising out of or incidental to any dealings made subject to and in accordance with the Bye laws, Rules and Regulations of the Exchange. The Exchange shall be entitled to adjust or appropriate such fees, deposits and other monies for such dues and claims, to the exclusion of the other claims against the trading member, without any reference to the trading member.

4. Trading member of any trading segment may trade on the Exchange in the contracts or commodities applicable to that segment or such contracts or commodities as may be specified by the exchange for such class of trading members.
5. Trading members may trade in relevant contracts or commodities either on their own account as principals or on behalf of their clients unless otherwise specified by the relevant authority and subject to such conditions, which the relevant authority may prescribe from time to time. They may also act as market-makers in such commodities if they are so authorised and subject to such conditions as may be prescribed by the relevant authority from time to time.
6. The trading members shall pay such transaction charges as may be levied by the Exchange in accordance to the norms as specified by SEBI.

## **5.2 CONDITIONS**

1. Trading members shall adhere to the Bye Laws, Rules and Regulations of the Exchange and shall comply with such operational parameters, rulings, notices, guidelines and instructions of the relevant authority as may be applicable.
2. All contracts issued for trades on the Exchange shall be in accordance with the Bye Laws, Rules and Regulations of the Exchange.
3. Trading members shall comply with such Exchange requirements as may be prescribed by the relevant authority from time to time with regard to advertisements and issue of circulars in connection with their activities as trading members.
4. Trading members shall furnish declarations relating to such matters and in such forms as may be prescribed by the relevant authority from time to time.
5. Trading members shall furnish to the Exchange an Auditors' Certificate certifying that specified Exchange requirements as may prescribed from time to time by the relevant authority pertaining to their operations have been complied with.

6. Trading members shall furnish such information and periodic returns pertaining to their operations as may be required by the relevant authority from time to time within such period of time that the Exchange may stipulate.
7. Trading members shall furnish to the extent such audited and/or unaudited financial or quantitative information and statements as may be required by the relevant authority from time to time.
8. Trading members shall extend full co-operation and furnish such information and explanation as may be required for the purpose of any inspection or audit authorised by the relevant authority or other authorised official of the Exchange into or in regard to any trades, dealings, their settlement, accounting and/or other related matters.
9. A trading member shall allow operation of its trading terminal only at its registered office, branch offices or such other place as may be permitted by the Exchange from time to time.
10. Trading members shall,
  - a. with respect to any trading software permitted by the Exchange for use by them, obtain necessary clearance after testing of such Software in the manner required by the Exchange; and
  - b. execute and submit necessary documents and undertakings as may be required from time to time; and
  - c. in the event of any malfunction of software used by them, be liable to pay such penalty, as may be stipulated by the Exchange.
11. Trading Member(s) shall be liable for Systems Audits as per the framework prescribed by SEBI and notified by the Exchange from time to time.
- 12.<sup>1</sup>The Members shall adhere to all obligations with regard to periodic settlement of running account of funds of its clients in the manner prescribed by SEBI from time to time and as may be deemed necessary.
- 13.<sup>2</sup>The Exchange may prescribe norms, procedures, guidelines with regards to handling of client securities and/or funds by the Trading Member(s) in the manner prescribed by SEBI from time to time and as may be deemed necessary.

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<sup>1</sup> Inserted vide clause 2(a) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>2</sup> Inserted vide clause 2(b) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

## **6. DEALINGS BY TRADING MEMBERS**

### **6.1 JURISDICTION**

1. Any deal entered into through automated trading system of the Exchange for buying or selling or any acceptance of any such proposal for buying and selling shall be deemed to have been entered at the computerised processing unit of the Exchange at Mumbai and the place of contracting as between the trading members shall be at Mumbai. The trading members of the Exchange shall expressly record on their contract note that they have excluded the jurisdiction of all other Courts save and except, Civil Courts in Mumbai in relation to any dispute arising out of or in connection with or in relation to the contract notes, and that only the Civil Courts at Mumbai have exclusive jurisdiction in claims arising out of such dispute. The provisions of this section shall not object the jurisdiction of any court deciding any dispute as between trading members and their constituents to which the Exchange is not a party.
2. The record of the Exchange as maintained by a central processing unit or a cluster of processing units or computer processing units, whether maintained in any register, magnetic storage units, electronic storage units, optical storage units or computer storage units or in any other manner shall constitute the agreed and authentic record in relation to any transaction entered into through automated trading system. For the purposes of any dispute the record as maintained by the computer processing units by the Exchange shall constitute valid evidence in any dispute or claim between the constituents and the trading member of the Exchange or between the trading members of the Exchange inter-se.

### **6.2 INDEMNITY**

The Exchange shall not be liable for any unauthorised dealings on the Exchange by any persons acting in the name of trading member(s).

### **6.3 TRADING MEMBERS ONLY PARTIES TO TRADE**

The Exchange does not recognise as parties to any deal any persons other than its own trading members.

Every trading member is directly and wholly liable, in accordance with the Bye Laws, Rules and Regulations of the Exchange, to every other trading member with whom such trading member effects any deal on the Exchange for due fulfilment of the deal, whether such deal be for account of the trading member effecting it or for account of a constituent.

### **6.4 ALL DEALINGS SUBJECT TO BYE LAWS, RULES AND REGULATIONS**

All dealings in contracts or commodities on the Exchange made in accordance with the Byelaws, Rules and Regulations of the Exchange shall be deemed made subject to the Bye Laws, Rules and Regulations of the Exchange and this shall be a part of the terms and conditions of all such deals and the deals shall be subject to the exercise by the relevant authority of the powers with respect thereto vested in it by the Bye Laws, Rules and Regulations of the Exchange.

## **6.5 INVIOABILITY OF TRADE**

1. All the dealings in contracts or commodities on the Exchange made subject to and in accordance with the Bye Laws, Rules and Regulations of the Exchange shall be in-violable and shall be cleared and settled in accordance with the Bye Laws, Rules and Regulations of the Exchange. However, the Exchange may by a notice annul the deal(s) on an application by a Trading Member in that behalf; if the relevant authority is satisfied after hearing the other party/parties to the deal(s) that the deal(s) is/are fit for annulment on account of fraud or wilful misrepresentation or material mistake in the trade.
2. Notwithstanding anything contained in clause (1) above, the Exchange may, to protect the interest of constituents in contracts or commodities and for proper regulation of the commodities market, suo moto annul deal(s) at any time if the relevant authority is satisfied for reasons to be recorded in writing that such deal(s) is/are vitiated by fraud, material mistake, misrepresentation or market or price manipulation and the like.
3. Any annulment made pursuant to clauses (1) and (2) above, shall be final and binding upon the parties to trade(s). In such an event, the trading member shall be entitled to cancel the relevant contracts with its constituents, subject to the criteria and the procedures prescribed thereof from time to time.
4. The Relevant Authority shall prescribe such norms and procedures for Annulment of Trade(s) either on its own or as may be directed by SEBI from time to time.

## **6.6 DEALS BY REPRESENTATIVE TRADING MEMBERS**

1. A trading member may authorise another trading member to act as a representative for a specified period with the prior permission of the relevant authority.
2. When a trading member employs another trading member as a representative to put through the transaction of a constituent such representative shall report the transaction to the employing trading member at the same price as dealt in the market and the employing trading member shall report the same price to the constituent in respect of such transaction.

## **6.7 RESTRICTION ON THE TRADING MEMBERS**

1. Unless the Exchange otherwise specifies, a Trading Member shall not become a constituent of another Trading Member.
2. Prohibition from Trading: A trading member should not trade in his own name or through another trading member in any contracts or commodities, if the Exchange or SEBI prohibits him from entering into any such contracts.

## **6A. AUTHORISED PERSON**

### **6A.1 AUTHORISED PERSON**

**6A.1.1 \*\*\* Deleted\*\*\***

#### **6A.1.2 AUTHORIZED PERSON**

Authorized Person means and includes any person whether being an individual (including proprietors), a partnership firm as defined under the Indian Partnership Act, 1942, a Limited Liability Partnership (LLP) as defined under the Limited Liability Partnership Act, 2008, a body corporate as defined under the Companies Act, 2013, as amended from time to time, who is appointed as such by a Member of the Exchange upon the approval of Exchange, for providing access to the trading platform of the Exchange, as an agent of the Member of the Exchange.

### **6A.2 APPOINTMENT OF AUTHORISED PERSON**

6A.2.1. Member(s) of the Exchange may appoint one or more Authorized Persons after obtaining specific prior approval from the Exchange.

6A.2.2. The approval as well as the appointment shall be specific for each such Authorized Person.

### **6A.3 PROCEDURE FOR APPOINTMENT OF AUTHORISED PERSON**

6A.3.1. A Member of the Exchange may apply to the Exchange in such format(s)/ norm(s) and process(es) as specified in SEBI circular and as may be notified by the Exchange for appointment of “Authorized Person” from time to time.

6A.3.2. On receipt of the application for approval of the appointment of an Authorized Person from its Member, the Exchange may: -

- a. accord approval on satisfying itself that the person is eligible for appointment as Authorised Person; or
- b. refuse approval on satisfying itself that the person is not eligible for appointment as Authorised Person;

6A.3.3. The Exchange will have the discretion to refuse or withdraw permission, if any, granted/to be granted to any Authorized Person at any time without assigning any reason, if the Exchange, in its absolute discretion, considers such refusal or withdrawal to be in the interest of the market.

### **6A.4 ELIGIBILITY CRITERIA**

#### **6A.4.1 Individuals**

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

- a. is a Citizen of India;
- b. is not less than 18 years of age;
- c. has not been convicted of any offence involving fraud or dishonesty;
- d. \*\*\*Deleted\*\*\*
- e. has good reputation and character;

- f. has passed atleast 10<sup>th</sup> standard or equivalent examination from an institution recognized by the Central/State Government; and
- g. possesses such certification that may be prescribed by the Exchange, as approved by the SEBI from time to time.

**6A.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 Bye-law 6A.4.1 above;
- b) the object clause of the partnership deed or of the Memorandum of Association contains a clause permitting the person to deal in securities business.

**6A.4.3. \*\*\*Deleted\*\*\***

**6A.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.

**6A.5. CONDITIONS OF APPOINTMENT**

6A.5.1 On being appointed as an “Authorized Person” of a Member of the Exchange, such person or entity shall not, during continuation of being an Authorized Person of such Member, qualify for becoming Authorized Person of any other Member of the Exchange.

6A.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) shall be eligible to become an “Authorized Person” of any other Member of the Exchange in which its company, partnership firm, or LLP as the case may be, is a member.

6A.5.3 The Authorized Person shall not receive or pay any money or deal in deliveries of commodities/ securities in its own name or account. All receipts and payments of money and dealings in commodities shall be in the name or account of the concerned Member.

6A.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.

6A.5.5 All acts of omission and commission of the Authorized Person shall be deemed to be those of the Member.

6A.5.6 The Member and the “Authorized Person” shall enter into written agreement(s) in the forms specified by the Exchange. The agreement shall, interalia, cover scope of the activities, responsibilities, confidentiality of information, conditions for appointment as “Authorized Persons” as prescribed in this chapter or as may be directed by the SEBI from time to time,

particulars of remuneration (whether by way of salary, commission, allowance or otherwise), termination clause, etc.

6A.5.7 The permission granted by the Exchange for 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 in any manner whatsoever to waive, reduce or affect the liability and responsibility of the Member in such matter.

#### **6A.6. WITHDRAWAL OF APPROVAL**

##### **The Exchange may withdraw approval given to an Authorized Person:**

- 6A.6.1 On receipt of a request to that effect from the Member or the Authorized Person concerned, subject to compliance with the requirements as may be prescribed by the Exchange.
- 6A.6.2 On being satisfied that the continuation of the Authorized Person is detrimental to the interests of investor/s or the commodities market.
- 6A.6.3 On such Authorized Person becoming ineligible under Bye-law 6A.4.1 of this chapter, at a subsequent date.
- 6A.6.4 Upon the directions of the SEBI.

#### **6A.7. OBLIGATIONS OF THE MEMBER**

- 6A.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.
- 6A.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 Bye-law 6A.7.1 above.
- 6A.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.
- 6A.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.
- 6A.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 Exchange.
- 6A.7.6 The Member shall notify changes, if any, in the Authorized Person to all registered Clients of that branch within such time as may be prescribed by the Regulator.
- 6A.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.
- 6A.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.

- 6A.7.9 The Client dealing through an Authorized Person shall be registered with the Member only. The funds, monies, commodities or warehouse receipts or electronic credit of commodities, 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.
- 6A.7.10 All documents like contract notes, statement of 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.
- 6A.7.11 On noticing irregularities, if any, in the operations of an Authorized Person, the Member shall forthwith seek withdrawal of approval, withhold all monies due to such Authorized Person till resolution of Client grievances, alert Clients in the location where the Authorized Person operates, file a complaint with the police, and take all measures as may be required to protect the interest of its Clients and the market.
- 6A.7.12 Members shall ensure that no orders are executed at the Authorized Person's end before all documents as prescribed by the Exchange or the SEBI, as the case may be, including the Member and Constituents agreement, Client Registration Form and Risk Disclosure Document or such other documents as prescribed by the Exchange or the SEBI are obtained from each such Client.
- 6A.7.13 Uploading of details pertaining to the Unique Client Code shall be the responsibility of the Member and the Authorised Person cannot create or allot Unique Client Code to any Client.
- 6A.7.14 All documents as mentioned in these Byelaws with specific reference to Bye-laws 6A.7.12 and 6A.7.13 above, should be available with the Member for audit and inspection as and when required by the Exchange or the SEBI.

#### **6A.8. OBLIGATIONS OF THE EXCHANGE**

- 6A.8.1. The Exchange shall maintain a database of all the Authorised Persons, which shall include the following:
- a. Permanent Account Number (PAN) of Authorised Person and in case of partnership or body corporate, PAN number of all the partners or directors as the case may be.
  - b. Details of the member with whom the Authorised Person is registered.
  - c. Location of the branch assigned to the Authorised Person.
  - d. Number of terminals and their details, given to each Authorized Person.
  - e. Withdrawal of approval of an Authorised Person.
  - f. Change in status of constitution of Authorized Person.
  - g. Disciplinary action taken by the Exchange against any member for violations of the Securities Laws, Bye Laws, of the SEBI or the Exchange, as the case may be, by the Authorised Person.



- 6A.8.2. While conducting the inspection of the Member, the Exchange may also conduct inspection of the branches where the terminals of Authorized Persons are located and records of the operations carried out by them.
- 6A.8.3. Any dispute between a Client and an Authorized Person shall be treated as a dispute between the Client and the Member and the same shall be redressed by the Exchange accordingly under the Rules, Bye Laws and Regulations of the Exchange for all purposes and actions.
- 6A.8.4. In case of withdrawal of approval of an Authorized Person due to disciplinary action or upon the regulatory directive, the 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.

## **7. TRADING SYSTEM AND MARKET MAKERS**

### 7.1. Trading System:

1. The Exchange shall provide the electronic platform for Trading, Clearing and Settlement as prescribed by the relevant authority or the SEBI as the case may be from time to time.
2. The Exchange shall make the arrangements for Testing of software used in or related to Trading and Risk Managements including software used for Algorithmic trading and <sup>3</sup>the Exchange shall prescribe the norms, procedures, terms and conditions <sup>4</sup>as may be directed by SEBI from time to time <sup>5</sup>in this regard and as may be deemed appropriate. The Members shall only use the Software used for algorithmic trading as may be permitted by adhering to terms and conditions & norms and procedures as prescribed by SEBI and/or Exchange.
3. The Exchange shall prescribe norms, procedures, terms and conditions for cyber security<sup>6</sup>, cyber resilience policy <sup>7</sup>or any such other policy, procedure or framework required to deal with or overcome technical disruption, Cyber Security incidents or technology outage including but not limited to reasons beyond the control of Exchange and which shall be governed by processes, procedures and norms including risk reduction framework or standard operating procedures for handling technical glitches and financial disincentives or other methodologies

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<sup>3</sup> New words and symbol are inserted vide clause 3(a) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>4</sup> The existing words are deleted vide clause 3(b) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>5</sup> New words and symbol are inserted vide clause 3(c) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>6</sup> The existing word is substituted with new symbol vide clause 3(d) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>7</sup> The existing words are substituted with new words vide clause 3(e) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

as prescribed by SEBI, for handling disruptions in the services provided by the trading members or including technology glitches in the trading system of the Members. The Exchange shall carry out proactive cyber security risk assessment measures as specified by SEBI from time to time.

4. The Exchange shall refer to the standing committee<sup>8</sup>/ Governing Board to investigate all instances of hanging/slowdown/breakdown and any other problems in the computerized Trading system and report the same to SEBI in the manner as may be prescribed by SEBI from time to time and take such remedial measures as may be required or advised by SEBI/Board.

#### 7.2 Market Makers:

Contracts or commodities, which will be eligible for market making, if at all, will be specified by the relevant authority from time to time.

The Exchange may prescribe from time to time the criteria for eligibility of market makers, procedure for registration, functions, rights, liabilities of market makers, suspension and prohibition of market makers and operational parameters for market makers.

## **8. TRANSACTIONS**

### **8.1. BUSINESS HOURS**

1. The business hours for dealing in contracts or commodities in different segments on the Exchange shall be during such time as may be decided by the relevant authority from time to time. The relevant authority may, from time to time, specify business hours for different types of deals.
2. The relevant authority may declare a list of holidays in a calendar year. The relevant authority may from time to time alter or cancel any of the Exchange holidays fixed in accordance with these provisions. It may, for reasons to be recorded, close the market on days other than or in addition to holidays.
3. The provisions under sub clause (1) and (2) of clause 8.1, shall be subject to the approval of SEBI, if any.

### **8.2. DEALS THROUGH TRADING SYSTEM**

1. The Exchange shall make arrangement for Disaster Recovery Site (DRS) and/or Near Site (NS) as a part of its Business Continuity Plan and Disaster Recovery management plan or as prescribed by SEBI from time to time.
2. Deals may be affected through order driven, quote driven (market makers) or such other system as the Exchange may put in place for the trading segments from time to time.
3. Deals between trading members may be effected by electronic media or computer network or such other media as specified by the relevant authority from time to time.

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<sup>8</sup> The existing words are substituted with new words vide clause 3(f) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

4. Deals may be affected on ready delivery or on such basis as may be specified by the relevant authority from time to time, subject to the Securities Laws.

### **8.3. TRANSACTION AT BEST QUOTATION**

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

### **8.4 OPERATIONAL PARAMETERS FOR TRADING**

The relevant authority may determine and announce by Regulations or otherwise, from time to time operational parameters regarding dealing of contracts or commodities on the Exchange which trading members shall adhere to.

The operational parameters may, inter alia, include:

- a) Contract specifications such as date of commencement, last date of contract, delivery period, grades, delivery centers and all other conditions;
- b) Trading limits allowed which may include trading limits with reference to net worth and capital adequacy norms;
- c) Trading volumes and limits at which it will be incumbent for trading members to intimate the Exchange;
- d) Limit of spread between bid and offer rates for different contracts or commodities, if found necessary;
- e) Fixation of market lots, odd lots and/or minimum number and size of contracts or commodities to be offered to be bought or sold;
- f) Limit of variation within a day or between days in bid and offer prices;
- g) Other matters which may affect smooth operation of trading in contracts or commodities keeping in view larger interest of the public;
- h) The types of trades permitted for a member and a contract or commodity;
- i) The functional details of the trading system including the system design, users, infrastructure, system operation.

### **8.5. SUSPENSION / CLOSE OUT OF POSITIONS ON FAILURE TO MEET TRADING LIMITS**

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

### **8.6. CONTRACT NOTES**

1. Contract Notes shall be issued within such period as may be specified by the relevant authority from time to time for deals effected with clients or on behalf of clients, and will contain such details as the relevant authority may specify from time to time. The contract notes shall specify that the deal is subject to and in accordance with the Bye Laws, Rules and Regulations of the

Exchange and subject to arbitration as provided therein and subject to the jurisdiction of the Civil Courts of Mumbai. The provisions of this section shall not object the jurisdiction of any court deciding any dispute as between trading members and their constituents to which the Exchange is not a party.

2. Details of all deals affected, as may be specified, shall be communicated to the Exchange on the day of the transaction.
3. Unless otherwise provided in these Bye Laws, all dealings carried out in respect of Exchange contracts or commodities shall be subject to and in accordance with the Bye Laws, Rules and Regulations of the Exchange.

## **8.7. BROKERAGE ON DEALINGS**

### **8.7.1 Brokerage**

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

### **8.7.2 Sharing of Brokerage**

- (a) A trading member shall not share brokerage with a person who –
  - (i) Is one for or with whom trading members are forbidden to do business under the Bye Laws, Rules and Regulations of the Exchange;
  - (ii) Is a trading member or employee in the employment of another trading member;
- (b) Irrespective of any arrangement for the sharing of brokerage with any person, the trading member shall be directly and wholly liable to every other member with whom such trading member effects any deal on the Exchange.

## **9. RIGHTS AND LIABILITIES OF TRADING MEMBERS AND CONSTITUENTS**

### **9.1 ALL CONTRACTS SUBJECT TO BYE LAWS, RULES AND REGULATIONS**

All contracts relating to dealings permitted on the Exchange made by a trading member in accordance with the Bye Laws, Rules and Regulations of the Exchange shall in all cases be deemed made subject to the Bye Laws, Rules and Regulations of the Exchange. This shall be deemed to be a part of the terms and conditions of all such contracts and shall be subject to the exercise by the relevant authority of the powers with respect thereto vested in it by the Bye Laws, Rules and Regulations of the Exchange.

### **9.2 TRADING MEMBERS NOT BOUND TO ACCEPT INSTRUCTIONS AND ORDERS**

A trading member may not accept instructions or orders of constituents for purchase or sale of contracts or commodities where circumstances appear to justify such action or on reasonable grounds. Where such refusal is made, the same may be communicated to the constituent. The

trading member shall also furnish the constituent the reasons for such refusal on a request being made by him.

### **9.3 MARGIN**

- (1) A trading member shall have the right to demand from its constituent the margin deposit he has to provide under these Bye Laws, Rules and Regulations in respect of the business done by it for such constituent. A trading member shall also have the right to demand from its Constituent an initial margin in cash/ bank guarantee / fixed deposit receipts/ warehouse receipts or such other acceptable mode of collateral as notified by the Exchange from time to time. The trading member shall collect the requisite margin(s) before executing an order and/or collect further margin deposit or additional margin according to changes in market prices.
- (2) The constituent shall, when from time to time called upon by the trading member forthwith provide the margin deposit and/or furnish additional margin as required under these Bye Laws, Rules and Regulations in respect of the business done for him by and/or as agreed upon by him with the trading member concerned.
- (3) A Trading Member shall be liable to pay penalties for non-collection/short-collection of margins as prescribed by the Exchange from time to time subject to directions of SEBI and as per the norms and procedures notified by the exchange from time to time.

### **9.4 CONSTITUENT IN DEFAULT**

1. A trading member shall not transact business directly or indirectly or execute an order for a constituent who to his knowledge is in default to another trading member unless such constituent shall have made a satisfactory arrangement with the trading member who is his creditor.
2. On the application of a creditor trading member who refers or has referred to arbitration its claim against the defaulting constituent as provided in these Bye Laws, Rules and Regulations, the relevant authority shall issue orders against any trading members restraining them from paying or delivering to the defaulting constituent any monies or collateral, up to an amount or value not exceeding the creditor member's claim payable or deliverable by him to the defaulting constituent in respect of transactions entered into subject to and in accordance with the Bye Laws, Rules and Regulations of the Exchange, which monies and securities shall be deposited with the Exchange. The monies, and collateral deposited shall be disposed of in terms of the award in arbitration and pending a decree shall be deposited with the concerned Court when filing the award unless the creditor member and the defaulting constituent mutually agree otherwise.

### **9.5 CLOSING-OUT OF CONSTITUENT'S ACCOUNT**

1. The Exchange may close-out open positions of a constituent or transfer his open positions to another trading member under such circumstances and in respect of such trading segment of the Exchange as may be specified by the relevant authority from time to time.

2. When closing-out the account of a constituent a trading member may close-out in the open market and any expense incurred or any loss arising therefrom shall be borne by the constituent or assume or take over such transactions to his own account as a principal at prices which are fair and justified by the condition of the market. The contract note in respect of such closing-out shall disclose whether the trading member is acting as a principal or on account of another constituent.

#### **9.6 CLOSING-OUT/ TRANSFER BY CONSTITUENT ON FAILURE TO PERFORM A CONTRACT**

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

#### **9.7 NO LIEN ON CONSTITUENT'S COMMODITIES**

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

#### **9.8 COMPLAINT BY CONSTITUENT**

When a complaint has been lodged by a constituent with the relevant authority that any trading member has failed to implement his dealings, the relevant authority shall investigate the complaint and if it is satisfied that the complaint is justified it may take such disciplinary action as it deems fit.

#### **9.9 RELATIONSHIP BETWEEN TRADING MEMBER AND CONSTITUENTS**

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

## **10. DEFAULT AND LIKELIHOOD OF DEFAULT - TRADING MEMBER**

### **10.1 DECLARATION OF DEFAULT**

1. A trading member may be declared a defaulter by direction / circular / intimation / notification of the Exchange / relevant authority of the trading segment if:
  - a) He is unable to fulfil his obligations; or
  - b) He admits or discloses his inability to fulfil or discharge his duties, obligations and liabilities; or
  - c) He fails or is unable to pay within the specified time the damages and the money difference due on a closing-out effected against him under these Bye Laws, Rules and Regulations; or
  - d) He fails to pay any sum due to the Exchange or to submit or deliver to the Exchange on the due date, delivery and receipt orders, statement of balances/ differences, balance sheet and such other forms and other statements as the relevant authority may from time to time prescribe; or
  - e) He fails to pay or deliver to the Relevant Authority all monies, commodities and other assets due to a trading member who has been declared a defaulter within such time of the declaration of default of such trading member as the relevant authority may direct; or
  - f) He fails to abide by the arbitration proceedings as laid down under the Bye Laws, Rules and Regulations
  - g) He has been declared a defaulter in any other stock / commodity exchange
  - h) He, being an individual and /or partnership firm, /it, being a company incorporated under the Companies Act, files a petition before a Court of Law for adjudication of himself as an insolvent or for its winding up, as the case may be.
  - i) Under any other compelling circumstances as may be decided by the Relevant Authority/ Exchange and recorded in writing.
2. When a trading member of any segment is declared a defaulter in terms of 10.1 above, the Stock Exchange shall immediately declare such member as defaulter in all other segments and inform the other Stock Exchange/Clearing Corporation.
3. The relevant authority shall take appropriate action against the associates (who are holding membership in stock exchange/ clearing corporation) of the defaulter member.

For the purpose of this sub clause 10.3, the term 'associate' shall mean and include persons/ entities defined as associate under relevant regulations or guidelines as stipulated by SEBI:

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

Explanation: The expression “control” shall have the same meaning as defined under clause (e) of Regulation 2 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 or as SEBI may prescribe in this regard from time to time.

## **10.2 FAILURE TO FULFILL OBLIGATIONS**

The relevant authority may order a trading member to be declared a defaulter if he fails to meet an obligation to a trading member or constituent or clearing member arising out of Exchange transactions.

## **10.3 INSOLVENT A DEFAULTER**

A trading member, being an individual and/or partnership firm, has been adjudicated as an insolvent or it, being a company incorporated under the Companies Act, has been ordered to be wound up by a Court of Law in the petition filed by any of his/its creditors, shall be declared a defaulter although he/it may not have at the same time defaulted on any of his / its obligations on the Exchange provided however the time for preferring an appeal against such order under the applicable Acts, if any, has expired.

## **10.4 TRADING MEMBER'S DUTY TO INFORM**

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

## **10.5 COMPROMISE FORBIDDEN**

A trading member guilty of accepting from any trading member anything less than a full and bona fide money payment in settlement of a debt arising out of a transaction in contracts or commodities may be suspended for such period as the relevant authority may determine.

## **10.6 NOTICE OF DECLARATION OF DEFAULT**

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

## **10.7 DEFAULTER'S BOOK AND DOCUMENTS**

When a trading member has been declared a defaulter, the Relevant Authority shall take charge of all his books of accounts, documents, papers and vouchers to ascertain the state of his affairs and the defaulter shall hand over such books, documents, papers and vouchers to the Relevant Authority as may be required by Relevant Authority to find out the obligations of the defaulting trading member towards Exchange, other trading members, constituents and clearing members.

## **10.8 LIST OF DEBTORS AND CREDITORS**

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.



## **10.9 DEFAULTER TO GIVE INFORMATION**

The defaulter shall submit to the Relevant Authority such statement of accounts, information and particulars of his affairs as the Relevant Authority may from time to time require and if so desired shall appear before the Committee at its meetings held in connection with its default.

## **10.10 INQUIRY**

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

## **10. 10(A) NOTICE INVITING CLAIMS**

- a) The Exchange shall publish a notice inviting the legitimate claimants to file claims against the defaulter member within a period of ninety days or such other period as may be specified by the Regulator /Relevant Authority.
- b) Such notice may be issued by the Exchange and in appropriate cases as may be deemed necessary, on behalf of Clearing Corporation.

## **10.11 VESTING OF ASSETS IN THE EXCHANGE**

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

## **10.11 (A) CHARGE ON DEFAULTER'S ASSETS:**

For the purpose of satisfying the liabilities/obligations of a defaulter under the Rules, Bye Laws and Regulations, the Exchange shall have a first charge on all unencumbered assets and pari passu charge on the other assets, including receivables and properties of the defaulter member, wherever situated and of whatsoever nature.

## **10.12 PAYMENT TO RELEVANT AUTHORITY**

1. All monies, commodities and other assets due, payable or deliverable to the defaulter must be paid or delivered to the Relevant Authority within such time of the declaration of default as the relevant authority may direct. A trading member violating this provision shall be declared a defaulter.
2. A trading member who shall have received a difference on account or shall have received any consideration in any transaction prior to the date fixed for settling such account or transaction

shall, in the event of the trading member from who he received such difference or consideration being declared a defaulter, refund the same to the Relevant Authority for the benefit and on account of the creditor members. Any trading member who shall have paid or given such difference or consideration to any other trading member prior to such settlement day shall again pay or give the same to the Relevant Authority for the benefit and on account of the creditor member in the event of the default of such other member.

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

#### **10.13 DISTRIBUTION**

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

#### **10.14 CLOSING-OUT**

1. Trading members having open transactions with the defaulter shall close out such transactions on the Exchange after declaration of default. Such closing out shall be in such manner as may be prescribed by the relevant authority from time to time. Subject to the regulations in this regard prescribed by the relevant authority, when in the opinion of the relevant authority, circumstances so warrant, such closing out shall be deemed to have taken place in such manner as may be determined by the relevant authority or other authorised persons of the Exchange.
2. Differences arising from the above adjustments of closing out shall be claimed from the defaulter or paid to the Relevant Authority for the benefit of creditor trading members of the defaulter.

#### **10.15 CLAIMS AGAINST DEFAULTER**

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

#### **10.16 DELAY IN COMPARISON OR SUBMISSION OF ACCOUNTS**

Any trading member failing to compare his accounts or send a statement or certificate relating to a defaulter within the time prescribed shall be called upon to compare his accounts or send such statement or certificate within such further time as may be specified.

#### **10.17 PENALTY FOR FAILURE TO COMPARE OR SUBMIT ACCOUNTS**

The relevant authority may fine, suspend or expel any trading member who fails to compare his accounts or submit a statement of its account with the defaulter or a certificate that he has no such account within the prescribed time.

#### **10.18 MISLEADING STATEMENT**

The relevant authority may fine, suspend or expel a member if it is satisfied that any comparison statement or certificate relating to a defaulter sent by such trading member was false or misleading.

#### **10.19 ACCOUNTS OF RELEVANT AUTHORITY**

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

#### **10.20 \*\*\*Deleted\*\*\***

#### **10.21 SCALE OF CHARGES**

The charges to be paid to the Exchange on the assets collected shall be such sum as the relevant authority may from time to time prescribe.

#### **10.22 APPLICATION OF ASSETS**

The Relevant Authority shall apply the net assets remaining in its hands after defraying all such costs, charges and expenses as are allowed under Bye laws, Rules and Regulations to be incurred by the Exchange, in satisfying the claims in the order of priority provided hereunder:

- a) Dues to the Exchange: The payment of such subscriptions, debts, fines, fees, charges and other moneys due to the Exchange.
- b) Dues to the Clearing Corporation: The payment of such subscriptions, debts, fines, fees, charges and other moneys due to the Clearing Corporation of the Exchange.
- c) Dues to the SEBI: The payment of such subscriptions, debts, fines, fees, charges and other moneys due to the SEBI.
- d) Dues to other Trading Members / Clearing Members and to Constituents of the defaulter: The payments as may be admitted by the Relevant Authority, as being due to other Trading Members, Clearing Members and Constituents of the defaulter for debts, liabilities, obligations and claims arising out of any contracts made by the defaulter subject to and in

accordance with the Rules, Byelaws and Regulations of the Exchange, provided that if the amount is insufficient then the amounts shall be distributed pro rata amongst other Trading Members, Clearing Members and all the Constituents of the defaulter. The other Trading Members / Clearing Members shall in turn share the amounts so received with their Constituents on pro rata basis.

- e) Dues to the Exchange Repository: The payment of such subscriptions, debts, fines, fees, charges and other moneys due to the Repository.
- f) Dues to any other recognised Stock Exchange / Clearing Corporation: After meeting the claims in the order above, the remaining amounts, if any shall be disbursed to any other recognised stock exchange / Clearing Corporation for the purpose of meeting the obligations of the defaulter as a member of that exchange / clearing corporation as per timelines and process put in place, if any. If the defaulter is a member of more than one recognised stock exchange / clearing corporation, then the remaining amounts shall be distributed amongst all such recognized stock exchanges / clearing corporations and if the remaining amount is insufficient to meet the claims of all such stock exchanges / clearing corporations, then the remaining amount shall be distributed pro rata among all such stock exchanges / clearing corporations.
- g) Dues to the Approved Banks and other persons: After making payments under Clause (a, b, c, d, e and f) above, the amounts remaining, if any, shall be utilised to meet the claims of the approved banks and of any other person as may be admitted by the Relevant Authority. The claims of the approved banks should have arisen by virtue of the Exchange invoking any bank guarantee issued by the bank concerned to the Exchange on behalf of the defaulter to fulfill his obligation of submitting bank guarantee, guaranteeing discharge of obligations under the Byelaws, Rules and Regulations of the Exchange. The claims of other persons should have arisen out of or incidental to the transaction done on the Exchange or requirements laid down by the Exchange, provided that if the amount available be insufficient to pay all such claims in full, they shall be paid pro rata, and
- h) Surplus: Surplus, if any, shall be paid to the defaulter Member

Explanation: for the purpose of this Bye Law, cases where any litigations are pending against the defaulter member, the residual amount, if any, may be retained by the exchange until such litigations are concluded.

### **10.23 CERTAIN CLAIMS NOT TO BE ENTERTAINED**

The Relevant Authority shall not entertain any claim against a defaulter:

- a) which arises out of a contract in contracts or commodities dealings in which are not permitted or which are not made subject to and in accordance with Bye Laws, Rules and Regulations of the Exchange or in which the claimant has either not paid himself or colluded with the defaulter in evasion of margin payable on transactions or contracts in any commodity;

- b) which arises out of a contract in respect of which comparison of accounts has not been made in the manner prescribed in these Bye Laws, Rules and Regulations or when there has been no comparison if a contract note in respect of such contract has not been rendered as provided in these Bye Laws, Rules and Regulations;
- c) which arises from any arrangement for settlement of claims in lieu of bona fide money payment in full on the day when such claims become due;
- d) which is in respect of a loan with or without security;
- e) which is not filed with the Relevant Authority within such time of date of declaration of default as may be prescribed by the relevant authority.

#### **10.24 SUBSEQUENT RECOVERY FROM THE DEFAULTER MEMBER**

10.24.1 Any amount that the Relevant Authority may later recover from the Defaulter Member shall, to the extent of such recovery, reduce the loss of the Exchange and shall be distributed as per the Bye law no. 10.22 'Application of asset'.

#### **10.25 ASSIGNMENT OF CLAIMS ON DEFAULTERS' ESTATE**

A trading member being a creditor of a defaulter shall not sell, assign or pledge its claim on the estate of such defaulter without the consent of the relevant authority.

#### **10.26 PROCEEDINGS IN NAME OF OR AGAINST THE DEFAULTER**

The Relevant Authority shall be entitled to but not bound to:

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

#### **10.27 PAYMENT OF RELEVANT AUTHORITY**

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

2. The Relevant Authority for the purpose of this Chapter shall be a Committee as may be constituted by the Board of Directors from time to time.

#### **10.28 RELEVANT AUTHORITY TO DECIDE ON LIKELIHOOD OF DEFAULT**

- a) The Relevant Authority shall, keeping in view the circumstances and/or standard operating procedure, guidelines, directives, circulars of the SEBI issued from time to time, decide that any Trading Member is likely to default in payment/repayment of funds or securities to its client/s and/or likely to fail to meet its obligations or any payment obligations to the Exchange or its Trading Member.
- b) The decision of the Relevant Authority as stated in 10.28 (a) above shall be final and binding on the Trading Members, their agents and banks.
- c) Upon decision as per 10.28(a) the Relevant Authority shall take such actions as it deems appropriate and/ or such actions as prescribed in any standard operating procedure, guidelines, circulars or directives of the SEBI issued from time to time.

Provided however that the relevant authority shall be guided and bound by regulatory prescriptions in this regard.

#### **10.29 FREEZING OF BANK ACCOUNT IN CASE OF LIKELIHOOD OF DEFAULT BY THE TRADING MEMBER**

- 10.29.1 The Relevant Authority is empowered to issue instructions to the concerned bank/s to freeze the bank account/s maintained by the Member, for all debits / withdrawal by the Member in the event of a likelihood of default by the Member in meeting its obligations to the Exchange and/or the Clearing Corporation and / or repayment of funds / securities to his / its clients.

#### **10.30 RIGHTS OF RELEVANT AUTHORITY IN THE EVENT OF DEFAULT OR LIKELIHOOD OF DEFAULT:**

- 10.30.1 In the event of default or a likelihood of default, the Relevant Authority may exercise the following rights among others:
  - a) to do all such necessary acts and things and take such measures as are appropriate in the opinion of the Relevant Authority necessary to reduce, remove or determine the exposure of the Exchange arising out of transactions/ positions of a Member or otherwise, arising as a result of a default, or likelihood of default.
  - b) to take such measures, including but not limited to, Closing- out of positions, effect alternative modes of settlement in the event of Declaration of Default or during the process of declaration of default or in the event of likelihood of default, to ensure financial safety and integrity of the Exchange and its system. The Non-Defaulting

Members shall be bound by the decision of the Relevant Authority and abide by the directives issued in this regard.

- c) to sell, realize, apply and set off any Collateral, deposited by the Defaulter including the member likely to default, by way of Margin, security deposit or otherwise and to apply the proceeds towards the outstanding obligation of the Member as may be deemed fit.
- d) to take such action, as it may deem fit against such Member including suspension of such Member or squaring off / close out / shifting of the Open Positions of the Member and/or its affiliated constituents and their clients.
- e) to transfer all or any Open Positions of a Constituent of the Defaulter member or a member who is likely to default, either on its own or at the request of the member, to another Member together with any corresponding Margins.
- f) to take such actions and/or initiate appropriate legal proceedings to liquidate the assets (movable and immovable) of the defaulter member including that of debit balance clients (to the extent of debit balance), not in possession of the Relevant Authority for recovery of dues in such period and manner as may be prescribed by SEBI from time to time.
- g) the Relevant Authority shall have no liability, obligation or duty to any Member, their affiliates, any of their clients or any third party, including but not limited to, as a result of any force majeure event which is beyond the reasonable control of the Exchange.

10.30.2 The relevant authority may require the clearing corporation to instruct the clearing member/s with whom the trading member is affiliated, (a) to freeze and/ or not release deposits in any form, collateral, margin money, other amounts lying to the credit of and commodities and securities deposited by the defaulter with such clearing member/s; and/ or (b) to call in and realise the security deposits in any form, collateral, margin money, other amounts lying to the credit of and commodities and securities deposited by the defaulter and recover all moneys, commodities, securities and other assets due, payable or deliverable.

## **11. INVESTOR GRIEVANCE REDRESSAL & ARBITRATION**

### **11.1 DEFINITIONS**

For the purposes of this Bye Law 11, the following definitions shall apply in addition to Bye Law 1

1. "Arbitrator" shall mean a sole arbitrator or a panel of arbitrators.
2. "Act" shall mean the Arbitration and Conciliation Act, 1996 and includes any statutory modification, replacement or re-enactment thereof, for the time being in force.

3. Admissible claim value” shall mean the claim value as ascertained by the Grievance Redressal <sup>9</sup>Panel and admissible to the Investor as recorded in the directions or Order.
4. “Award” for the purposes of these bye laws shall mean (i) the Decision of sole/panel of arbitrators at the first instance; or (ii) the Decision of the panel of arbitrators in appeal; as the case may be.
5. “Appellate Arbitral Tribunal” shall mean an Arbitrator or panel of Arbitrators as the case may be identified for the purpose of hearing reference in appeal against a decision of an Arbitrator/Panel of Arbitrator.
6. “Decision” shall mean the findings of the sole/panel of arbitrators in an arbitration reference by a party who is not satisfied with the Order of Grievance Redressal <sup>10</sup>Panel.
7. \*\*\*Deleted\*\*\*
8. “Grievance Redressal <sup>11</sup>Panel” shall mean a <sup>12</sup>Panel consisting of Independent persons or as may be specified by the SEBI, identified for the purpose of addressing grievances of investors/ clients trading on the Exchange platform.
9. “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.
10. “Order” shall mean the Order of the Grievance Redressal <sup>13</sup>Panel of the Exchange (GRP<sup>14</sup>).

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<sup>9</sup> The existing words are substituted with new words vide clause 4(a) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>10</sup> The existing words are substituted with new words vide clause 4(b) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>11</sup> The existing words are substituted with new words vide clause 4(c) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>12</sup> The existing words are substituted with new words vide clause 4(d) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>13</sup> The existing words are substituted with new words vide clause 4(e) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>14</sup> The existing alphabet are substituted with new alphabet vide clause 4(f) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.



### **11.1A INVESTOR SERVICE CENTRE (ISC)**

The Exchange shall set up investor service centers (ISC) in such places as may be necessary or identified by the SEBI from time to time, for the benefit of 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 investors/ clients 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 GRP<sup>15</sup> and filing Arbitration.

### **11.1B INVESTOR SERVICE FUND**

1. The Exchange shall establish and maintain an Investor Service Fund (ISF) or any such fund(s) as mandated by SEBI for providing facilities at various Investor Service Centres (ISC) and/ or otherwise.
2. Such ISF or such other Fund(s) as mandated by the SEBI may be prescribed and governed by the Rules and Regulation of the Exchange from time to time.

### **11.1C INVESTOR GRIEVANCE**

1. An investor/client may submit his complaint against any registered member of the Exchange through SCORES (SEBI Complaints Redress System) or through <sup>16</sup>online web based Complaints Redressal System provided by the Exchange or through Email or in writing to the ISCs of the Exchange. If, after scrutiny of such a complaint, the ISC is satisfied that the complaint is admissible under the Rules, Regulations and Byelaws 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.
2. All investor complaints shall be resolved within such period as stipulated by SEBI and or Relevant Authority from time to time and the period shall be counted from the date of receipt of the complete and/or additional information.

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<sup>15</sup> The existing alphabet is substituted with new alphabet vide clause 5 of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>16</sup> New words are inserted vide clause 6(a) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

3. In case the matter does not get resolved within stipulated time from the date of receipt of the complaint, the same shall be referred to the Grievance Redressal <sup>17</sup>Panel (GRP<sup>18</sup>) for redressal of the complaint.
4. The Exchange shall maintain a record of all the complaints addressed/redressed within the stipulated period. If complaint is not resolved within stipulated time frame, then the reason for non-redressal in given time frame shall also be recorded.
5. Service-related complaints shall include non-receipt/ delay of Account statement, non-receipt/ delay of bills, closure of account/ branch, technological issues, shifting/closure of branch without intimation, improper service by staff, freezing of account, alleged debit in trading account, contact person not available in Trading member's office, demat/ Repository account transferred without permission etc. or of such nature as may be identified by SEBI from time to time. Service-related complaints, if found to have resulted in financial loss, may be referred to the Grievance Redressal <sup>19</sup>Panel (GRP<sup>20</sup>), after recording the reasons in writing by the Relevant Authority.
6. <sup>21</sup>The Exchange may facilitate an online mechanism for redressal of investor grievances as shall be prescribed by SEBI from time to time and as may be deemed necessary.
7. <sup>22</sup>The Exchange shall from time to time take necessary steps to increase investors awareness with respect to grievance redressal including online mechanism for redressal of Investor Grievances.
8. <sup>23</sup>The Exchange shall make such public disclosures for the information of market participants as may be applicable or prescribed by SEBI and/or any statutory authority having jurisdiction.

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<sup>17</sup> The existing words are substituted with new words vide clause 6(b) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>18</sup> The existing alphabet is substituted with new alphabet vide clause 6(c) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>19</sup> The existing words are substituted with new words vide clause 6(d) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>20</sup> The existing alphabet is substituted with new alphabet vide clause 6(e) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>21</sup> New Clause is inserted vide clause 6(f) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>22</sup> New Clause is inserted vide clause 6(g) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>23</sup> New Clause is inserted vide clause 6(h) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

## 11.1D GRIEVANCE REDRESSAL <sup>24</sup>PANEL (GRP<sup>25</sup>)

1. The Relevant Authority shall constitute GRP<sup>26</sup> <sup>27</sup>to resolve investor grievances which shall function in the manner as may be prescribed in such regions as may be necessary or identified by SEBI from time to time.
2. The GRP<sup>28</sup> shall comprise <sup>29</sup>such persons with such qualifications as may be decided by the Exchange/ SEBI from time to time.
3. The disclosures and Code of Conduct as specified by SEBI and/or the Exchange shall be applicable to members of GRP<sup>30</sup>.
4. Composition of GRP<sup>31</sup>:
  - a. The GRP<sup>32</sup> shall comprise of a single person for claims up to Rs. 25 Lakh or such other amount as may be prescribed from time to time, whereas, for claims above Rs. 25 Lakh or such other amount as may be prescribed from time to time, the GRP<sup>33</sup> shall comprise of three persons.
  - b. Further, the three members Committee shall comprise of at least one technical expert for handling complaints related to technology issues (such as internet-based trading, algorithmic trading, etc).
  - c. The members of GRP<sup>34</sup> shall not be associated with a trading member in any manner.

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<sup>24</sup> The existing words are substituted with new words vide clause 7(a) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>25</sup> The existing alphabet is substituted with new alphabet vide clause 7(b) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>26</sup> The existing alphabet is substituted with new alphabet vide clause 8(a) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>27</sup> The existing words are substituted with new words vide clause 8(b) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>28</sup> The existing alphabet is substituted with new alphabet vide clause 8(c) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>29</sup> The existing word is deleted vide clause 8(d) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>30</sup> The existing alphabet is substituted with new alphabet vide clause 8(e) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>31</sup> The existing alphabet is substituted with new alphabet vide clause 8(f) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>32</sup> The existing alphabet is substituted with new alphabet vide clause 8(g) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>33</sup> The existing alphabet is substituted with new alphabet vide clause 8(h) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>34</sup> The existing alphabet is substituted with new alphabet vide clause 8(i) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

d. Exchanges shall empanel GRP<sup>35</sup> members, however, no arbitrator/ appellate arbitrator shall be empanelled as GRP<sup>36</sup> member.

#### **11.1E GRIEVANCE REDRESSAL THROUGH GRP<sup>37</sup>**

1. Grievance Redressal <sup>38</sup>Panel (GRP<sup>39</sup>) shall be allowed a time of 15 working days, or such time period as may be prescribed by SEBI from time to time to amicably resolve the Investors/Client complaint.
2. If GRP<sup>40</sup> needs additional information, then GRP<sup>41</sup> may request the Exchange to provide the same before the initiation of the conciliation process. In such case, where additional information is sought, the timeline for resolution of the complaint by GRP<sup>42</sup> shall not exceed 30 working days or such time period as may be prescribed by SEBI from time to time.
3. GRP<sup>43</sup> 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.
4. In case the matter is not resolved through the conciliation process, GRP<sup>44</sup> would ascertain the claim value admissible to the Investor / Client.

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<sup>35</sup> The existing alphabet is substituted with new alphabet vide clause 8(j) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>36</sup> The existing alphabet is substituted with new alphabet vide clause 8(k) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>37</sup> The existing alphabet is substituted with new alphabet vide clause 9 of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>38</sup> The existing word is substituted with new word vide clause 10(a) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>39</sup> The existing alphabet is substituted with new alphabet vide clause 10(b) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>40</sup> The existing alphabet is substituted with new alphabet vide clause 10(c) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>41</sup> The existing alphabet is substituted with new alphabet vide clause 10(d) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>42</sup> The existing alphabet is substituted with new alphabet vide clause 10(e) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>43</sup> The existing alphabet is substituted with new alphabet vide clause 10(f) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>44</sup> The existing alphabet is substituted with new alphabet vide clause 10(g) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

5. Upon conclusion of the proceedings of GRP<sup>45</sup> 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.
6. A complainant/member, who is not satisfied with the recommendation of the GRP<sup>46</sup> shall avail the arbitration mechanism of the Exchange for settlement of complaints within three months from the date of GRP<sup>47</sup> recommendation or within such time as may be prescribed by the regulator.
7. In case, the Member opts for arbitration against the GRP<sup>48</sup> order and the claim value admissible to the Investors/Client is not more than Rs. 20.00 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. 2.00 lac, whichever is less, shall be released to the Investors/Client from IPF of the Exchange.
  - ii. In case the arbitration award is in favour of the client and the member opts for appellate arbitration then 50% of the amount mentioned in the arbitration award or Rs. 3.00 lakhs (Rs. Three lakhs), whichever is less, shall be released to the client from IPF of the Exchanges. The amount released shall exclude the amount already released to the client under Byelaw 11. 1D.8.i above.
  - iii. In case the appellate arbitration award is in favour of the client and the member opts for making an application under Section 34 of the Arbitration and Conciliation Act, 1996 to set aside the appellate arbitration award, then 75% of the amount mentioned in the appellate arbitration award or Rs.5.00 lakhs (Rs. Five Lakhs), whichever is less, shall be released to the client from IPF of the Exchanges. The amount released shall exclude the amount already released to the client under Byelaw 11. 1D.8.i and 11. 1D.8.ii above.
  - iv. Total amount released to the client through the facility of interim relief from IPF in terms of this Circular shall not exceed Rs. 10.00 lakhs (Ten lakhs) in a financial year.
  - v. The release of amounts from the IPF to the investor/client shall be subject to such other procedure as may be specified by the Exchange from time to time.

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<sup>45</sup> The existing alphabet is substituted with new alphabet vide clause 10(h) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>46</sup> The existing alphabet is substituted with new alphabet vide clause 10(i) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>47</sup> The existing alphabet is substituted with new alphabet vide clause 10(j) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>48</sup> The existing alphabet is substituted with new alphabet vide clause 10(k) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

- vi. If it is observed that there is an attempt by investor / client either individually or through collusion with Member (s) or with any other stakeholder, to misuse the provision of these Byelaws, then without prejudice to the powers of the Board to take action, appropriate action in this regard shall be taken against any such person so involved from henceforth accessing the benefits of these Bye-laws.
  - vii. In case the complaint is decided in favour of the investor after conclusion of the proceedings, then amount released to the investor shall be returned to IPF from the blocked amount of the Member by Exchange and the rest shall be paid to the investor.
  - viii. 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 deem necessary.
  - ix. The Exchange may also resort to displaying the names of such investor/clients on their website if considered necessary.
8. The complaint shall not be disposed by GRP<sup>49</sup> citing “lack of information and complexity of the case”. The GRP<sup>50</sup> shall give its recommendation to the Exchange.
  9. Expenses of GRP<sup>51</sup> shall be borne by the respective Exchange and no fees shall be charged to the complainant/member.
  10. The Exchange shall organize regular training program for GRP<sup>52</sup> members in consultation with National Institute of Securities Markets (NISM) or as may be prescribed otherwise by the Regulator. The cost of such program shall be borne by Investor Service Fund (ISF) of the Exchange.

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<sup>49</sup> The existing alphabet is substituted with new alphabet vide clause 10(l) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>50</sup> The existing alphabet is substituted with new alphabet vide clause 10(m) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>51</sup> The existing alphabet is substituted with new alphabet vide clause 10(n) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>52</sup> The existing alphabet is substituted with new alphabet vide clause 10(o) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

11. For any arbitration application received without going through GRP<sup>53</sup> mechanism, the time period of three months shall not apply, and for such cases the limitation period for filing arbitration shall be governed by the law of limitation i.e., The Limitation Act, 1963.

## **11.2 REFERENCE TO ARBITRATION**

1. All claims, differences or disputes between the Trading Members inter se and between Trading Members and Constituents and Clearing Members inter se and Clearing Members and constituents and between Clearing Members and Trading Members arising out of or in relation to dealings, contracts and transactions executed or reported on the Exchange and made subject to and in accordance with the Byelaws, Rules and Regulations of the Exchange or with reference to anything incidental thereto or in pursuance thereof or relating to interpretation, fulfilment or the rights, obligations and liabilities of the parties thereto shall be submitted to arbitration in accordance with the provisions of these Bye laws, Rules and Regulations.

Provided however that the Relevant Authority may satisfy itself that the above referred claims, differences or disputes arise out of or in relation to dealings, contracts and transactions executed/reported on the Exchange and are in accordance with and subject to the Byelaws, Rules and Regulations of the Exchange and are referable to Arbitration.

- 1A. All claims, difference or disputes pertaining to additional facilities, incidental or ancillary in nature, including but not limited to Electronic Negotiable Warehouse Receipt (“ENWR”) may be referred to arbitration in accordance with Rules, Bye Laws and Regulations of the Exchange.

For the Purpose of the above clause ENWR shall have same meaning as assigned to it under Regulation 3 (d) of Warehousing Development and Regulatory Authority (Electronic Negotiable Warehouse Receipts) Regulations, 2017.

The Exchange shall also facilitate arbitration for such disputes for references filed by Trading/Clearing Member against the directions or order of the GRP<sup>54</sup>.

2. The provisions of clause (1) above shall become applicable to all claims, differences, disputes between the parties mentioned therein for all dealings, contracts and transactions made subject to and in accordance with the Bye laws, Rules and Regulations of the Exchange provided such dealings, contracts and transactions had been entered into between the parties mentioned therein prior or to the date on which the Trading Member and/or Clearing Member was either declared a defaulter or expelled or has surrendered his trading membership.

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<sup>53</sup> The existing alphabet is substituted with new alphabet vide clause 10(p) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>54</sup> The existing alphabet is substituted with new alphabet vide clause 11 of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

3. Combined Arbitration:

- (a) Notwithstanding anything contained herein above, where multiple claims, differences and disputes arise as referred to in Clause 11.2.1 above, between a Member (Trading and Clearing) and its Constituents (more than one) then, all such claims, differences and disputes shall be referred to a common Arbitral Tribunal if such claims, differences and disputes have arisen out of the common act of the Member (Trading or Clearing). For the purpose of this Clause, common act shall mean the action of Member (Trading or Clearing) which has given rise to a dispute between the Member (Trading or Clearing) and its Constituents.
- (b) The combined Arbitration proceedings shall be in accordance to the procedure prescribed by the Relevant Authority in terms of Bye-law 11.5.3 read with 11.5.7 of Part A of Exchange Bye-laws.

**11.3 PROVISIONS OF THESE BYE LAWS, RULES AND REGULATIONS DEEMED TO FORM PART OF ALL DEALINGS, CONTRACTS AND TRANSACTIONS**

In all dealings, contracts and transactions, which are made or deemed to be made subject to the Bye laws, Rules and Regulations of the Exchange, the provisions relating to arbitration as provided in these Bye laws, Rules and Regulations shall form and shall be deemed to form part of the dealings, contracts 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 sub-Clause 11.2 (1) above shall be submitted to arbitration as per the provisions of these Bye Laws, Rules and Regulations.

**11.4 LIMITATION PERIOD FOR REFERENCE OF CLAIMS, DIFFERENCES OR DISPUTES FOR ARBITRATION**

All claims, differences or disputes referred to in sub-Clause 11.2 (1) above shall be submitted to arbitration within three years from the date on which the claim, difference or dispute arose or shall be deemed to have arisen. The time taken in conciliation proceedings, if any, initiated and conducted as per the provisions of the Act and the time taken by the Relevant Authority to administratively resolve the claim, differences or disputes shall be excluded for the purpose of determining the period of three (03) years.

**11.5 POWER OF THE RELEVANT AUTHORITY TO PRESCRIBE REGULATIONS**

The Relevant Authority may, from time to time prescribe Regulations for the following:

1. The procedure to be followed in GRP<sup>55</sup> mechanism, in arbitration and appeal proceedings (arbitral proceedings). In particular, and without prejudice to the generality of the foregoing power, such procedure may, inter alia, provide for the following:
  - a) the forms to be used;
  - b) the fees to be paid;
  - c) the mode, manner and time period for submission of all pleadings by both the parties;

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<sup>55</sup> The existing alphabet is substituted with new alphabet vide clause 12(a) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.



- d) matters relating to requests from the parties for amending or supplementing the pleadings; and
  - e) the consequences upon failure to submit such pleadings by the parties.
2. The procedure to be followed by the arbitrator in conducting the arbitral proceedings. In particular, and without prejudice to the generality of the foregoing power, such procedure may, inter alia, provide for:
    - a) adjournment of hearings; and
    - b) terms and conditions subject to which the arbitrator may appoint experts to report on specific issues and the procedure to be followed in arbitral proceedings upon such an appointment.
  3. Different set of arbitration procedures for different claims, differences or disputes after taking into consideration such circumstances and facts as the Relevant Authority may deem fit, which circumstances and facts may include the value of the subject matter and the persons who are involved as parties to such claims, differences or disputes.
  4. Creation of seats of arbitration/appellate arbitration for different regions or prescribing geographical locations for conducting arbitration and prescribing the courts which shall have jurisdiction for the purpose of the Act. Such seats and places of arbitration/ appellate arbitration shall include proceedings through digital mode as provided under the Regulations.
  5. The claims, differences or disputes which may be referred to a sole arbitrator and the claims, differences or disputes which may be referred to a panel of arbitrators.
  6. The procedure for selection of persons eligible to act as arbitrators.
  7. The procedure for appointment of arbitrator.
  8. The terms, conditions and qualifications subject to which any arbitrator may be appointed.
  9. Determination of the number of arbitrators in the case of a panel of arbitrators, subject to the condition that where any claim, difference or dispute is heard and determined by Panel of Arbitrators, the number of arbitrators of such a panel shall not be an even number.
  10. The time period within which a substitute arbitrator has to be appointed in case the office of the arbitrator falls vacant for any reason whatsoever.
  11. The matters to be disclosed by any person who is approached in connection with his possible appointment as an arbitrator.
  12. The procedure to be adopted by the parties for challenging an arbitrator.

13. The claims, differences or disputes which, may be decided by the arbitrator without a hearing unless either party in writing requests the Relevant Authority for a hearing and the time period within which such a request shall be made.
14. The claims, differences or disputes which, may be decided by the arbitrator only by hearing the parties unless both the parties jointly waive the right to such hearing and the time period within which such a waiver shall be made.
15. The place of arbitration for each reference and the places where the arbitrator can meet for consultation, for hearing witnesses, experts, or the parties, or for inspection of documents, goods or other property.
16. The making of the Decision and/or arbitral award including the manner in which a decision is to be taken in the case of panel of arbitrators and the form and contents of the arbitral award.
17. The term arbitral award shall also include an arbitral award on agreed terms. Prescriptions as to the contents of the arbitral award may include provisions for costs and where the arbitral award is for the payment of money, may include interest payable on principal sum due.
18. The amount of deposit or supplementary deposit, as the case may be, as an advance for the costs, which it expects, will be incurred in respect of the claim, difference or dispute. Provided where a counter-claim is submitted to the arbitrator, a separate amount of deposit for the counter-claim may also be prescribed.
19. The administrative assistance, which the Exchange may render in order to facilitate the conduct of arbitral proceedings.
20. All matters regarding the mode and the manner of service of notices and communications by the parties including communication addressed to arbitrator.
21. Any other matter which in the opinion of the Relevant Authority is required to be dealt with in the Regulations to facilitate GRP<sup>56</sup>, arbitration.
22. The Relevant Authority from time to time may amend, modify, alter, repeal, or add to the provisions of the Regulations.

#### **11.5A Empanelment of arbitrators**

There shall be a common pool of arbitrators from where the arbitration and appellate arbitration tribunal shall get constituted for each reference and appeal respectively. In case of appellate arbitration, the tribunal shall comprise at least one Retired Judge. Exchanges shall obtain prior approval of SEBI before empanelment of arbitrators.”

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<sup>56</sup> The existing alphabet is substituted with new alphabet vide clause 12(b) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

### **11.5B Empanelment of GRP<sup>57</sup> members**

Exchanges shall empanel GRP<sup>58</sup> members, however, no arbitrator/ appellate arbitrator shall be empaneled as GRP<sup>59</sup> member.”

### **11.5C Automatic Process and Common Pool of Arbitrators**

- (i) The Exchange shall put in place an automatic computerized process for selection of Arbitrators in the manner as may be prescribed by SEBI from time to time.
- (ii) The Exchange shall also maintain a Common Pool of Arbitrators in the manner and as may be prescribed by SEBI from time to time.”
- (iii) A client or Member of the Exchange will be entitled to choose arbitrator(s) from the Common Pool of Arbitrators maintained by the Exchange in pursuance of the directions issued by SEBI from time to time.
- (iv) If the client or member (trading member or clearing member) fails to agree on the Arbitrator(s) from the Common Pool, the Arbitrator(s) will be chosen by an ‘Automatic Process’ wherein neither parties to the arbitration nor will the Exchange be directly involved.
- (v) The ‘Automatic Process’ will entail a randomized, computer generated selection of Arbitrator, from the common pool of Arbitrators. The selection process shall be in chronological order of the receipt of arbitration reference i.e. only after selecting an arbitrator for the former arbitration reference received, selection for the latter shall be taken up.
- (vi) The ‘Automatic Process’ will send a system generated, real time alert (SMS, email etc.) to all entities involved in the particular case. This communication will be sent to all concerned entities including clients, arbitrators, members, exchanges etc. concerning the reference.

In case of any probable conflict of interest in an arbitration reference being assigned to any Arbitrator the Arbitrator will have to upfront decline the arbitration reference. After the said arbitrator declines, the ‘automatic process’ will pick the name of another Arbitrator. This cycle will continue till the time there is no conflict of interest, by the selected arbitrator. The process of appointment of arbitrator(s) shall be completed within 30 days. However, the timeline can be extended, and exchanges shall put on record the reasons for such extension.

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<sup>57</sup> The existing alphabet is substituted with new alphabet vide clause 13 of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>58</sup> The existing alphabet is substituted with new alphabet vide clause 14(a) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>59</sup> The existing alphabet is substituted with new alphabet vide clause 14(b) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

## **11.6 DISCLOSURE BY PERSONS TO BE APPOINTED AS GRP<sup>60</sup> MEMBERS/ ARBITRATORS**

Every person who is approached in connection with his possible appointment as an GRP<sup>61</sup> member/ arbitrator shall disclose to the Relevant Authority in writing any circumstances likely to give rise to justifiable doubts as to his independence and impartiality. If the person discloses any circumstances, which in the opinion of the Relevant Authority are likely to give, rise to justifiable doubts as to his independence and impartiality, then he shall not be appointed as an GRP<sup>62</sup> member/ arbitrator.

## **11.7 DISCLOSURE BY PERSONS APPOINTED AS ARBITRATORS**

An arbitrator, from the time of his appointment and throughout the arbitral proceedings, in case of conflict of interest by the arbitrator, the information for the same shall reach the exchange on which the dispute has taken place within 15 days of receipt of communication from the Stock Exchange above. The said information shall be sent by any method which ensures proof of delivery.

NOTE: The above conflict of interest shall be disclosed in writing subject to any circumstances referred to in clause (11.6) above.

### **11.7A Code of Conduct for Arbitrators**

An arbitrator shall:

- i. act in a fair, unbiased, independent and objective manner;
- ii. maintain the highest standards of personal integrity, truthfulness, honesty and fortitude in discharge of his duties;
- iii. disclose his interest or conflict in a particular case, i.e., whether any party to the proceeding had any dealings with or is related to the arbitrator;
- iv. not engage in acts discreditable to his responsibilities;
- v. avoid any interest or activity which is in conflict with the conduct of his duties as an arbitrator;
- vi. avoid any activity that may impair, or may appear to impair, his independence or objectivity;
- vii. conduct arbitration proceedings in compliance with the principles of natural justice and the relevant provisions of the Arbitration and Conciliation Act, 1996, the SEBI Act, 1992, the Securities Contracts (Regulation) Act, 1956 and the Rules, Regulations and Bye-laws framed thereunder and the circulars, directions issued by the Government / SEBI amended/ modified from time to time;

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<sup>60</sup> The existing alphabet is substituted with new alphabet vide clause 15 of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>61</sup> The existing alphabet is substituted with new alphabet vide clause 16(a) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>62</sup> The existing alphabet is substituted with new alphabet vide clause 16(b) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

- viii. endeavor to pass arbitral award expeditiously and in any case not later than the time prescribed in this circular; and
- ix. pass reasoned and speaking arbitral awards.
- x. any and such other condition as may be prescribed by SEBI from time to time.”

## **11.8 TERMINATION OF APPOINTMENT IN A REFERENCE OF THE GRP<sup>63</sup> MEMBER/ ARBITRATOR**

11.8.1 The appointment of the GRP<sup>64</sup> member shall terminate if:

- a. The GRP<sup>65</sup> member withdraws from office for reasons recorded in writing and accepted by the Relevant Authority; or
- b. In the opinion of the Relevant Authority, the GRP<sup>66</sup> member becomes de jure or de facto unable to perform his functions or for other reasons fails to act without undue delay including failure to pass the Order within the time period prescribed by the Relevant Authority. Such a decision of the Relevant Authority shall be final and binding on the parties; or
- c. The appointment of the GRP<sup>67</sup> member is terminated by the Relevant Authority upon receipt of written request for the termination of the appointment of the GRP<sup>68</sup> member from both the parties or either party without the express objection of the other within reasonable period of time; or
- d. The GRP<sup>69</sup> proceedings are terminated as provided for.

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<sup>63</sup> The existing alphabet is substituted with new alphabet vide clause 17 of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>64</sup> The existing alphabet is substituted with new alphabet vide clause 18(a) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>65</sup> The existing alphabet is substituted with new alphabet vide clause 18(b) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>66</sup> The existing alphabet is substituted with new alphabet vide clause 18(c) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>67</sup> The existing alphabet is substituted with new alphabet vide clause 18(d) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>68</sup> The existing alphabet is substituted with new alphabet vide clause 18(e) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>69</sup> The existing alphabet is substituted with new alphabet vide clause 18(f) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

### **11.8.2 The Appointment of an arbitrator shall be terminated:**

- a. If the Arbitrator discloses any circumstances referred to in clauses (11.6) and (11.7) which in the opinion of the Relevant Authority are likely to give rise to justifiable doubts as to his independence and impartiality; or
- b. If in the opinion of the Relevant Authority, the arbitrator de jure or de facto becomes incapacitated to perform his functions including failure to make the arbitral award within the time period prescribed by the Relevant Authority or in exceptional circumstances such as personal disability, death or natural calamities due to which such duties cannot be discharged. Moreover, the Arbitrator shall take all necessary steps to keep the Exchange immediately informed of such exceptional circumstances.; or
- c. By the Relevant Authority upon receipt of written request for termination of the appointment of the arbitrator, from both the parties or either party without the express objection of the other; or
- d. In event the arbitrator fails to initiate the first hearing within 2 (two) months from the date of receipt of the documents, unless the said time limit is extended in writing by the relevant authority, the Arbitrator shall ensure that the Award is passed within the prescribed timeline as provided in these byelaws; or
- e. The arbitrator withdraws from office for any reason for a particular reference.

### **11.9 SUPPLYING OF VACANCY TO THE OFFICE OF THE GRP<sup>70</sup> MEMBER/ ARBITRATOR**

At any time before the making of the Order/ award should the office of the GRP<sup>71</sup> Member/arbitrator fall vacant for any reason whatsoever including any vacancy due to the illness or death of the GRP<sup>72</sup> Member/arbitrator or termination of the mandate of the GRP<sup>73</sup> Member/arbitrator by the Relevant Authority or otherwise, the vacancy shall be supplied by the Relevant Authority by following the same procedure as specified by it for appointment of the GRP<sup>74</sup> Member/arbitrator.

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<sup>70</sup> The existing alphabet is substituted with new alphabet vide clause 19 of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>71</sup> The existing alphabet is substituted with new alphabet vide clause 20(a) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>72</sup> The existing alphabet is substituted with new alphabet vide clause 20(b) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>73</sup> The existing alphabet is substituted with new alphabet vide clause 20(c) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>74</sup> The existing alphabet is substituted with new alphabet vide clause 20(d) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

### **11.9A APPEARANCE IN ARBITRAL PROCEEDINGS BY COUNSEL, ATTORNEY OR ADVOCATE**

In arbitral proceedings where both the parties are either Trading Members or both Clearing members or one party is a Trading member and the other a Clearing member, the parties shall not be permitted to appear by counsel, attorney or advocate but where one of the parties is a Constituent, then the Constituent shall be permitted to appear by counsel, attorney or advocate. If the Constituent chooses to appear by counsel, attorney or advocate, then the trading and/or clearing member shall be granted a similar privilege.

### **11.10 CONSIDERATION OF RECORDED PROCEEDINGS AND EVIDENCE**

Unless otherwise agreed by parties, any GRP<sup>75</sup> Member/arbitrator who has been appointed by the Relevant Authority to supply a vacancy to the office of the GRP<sup>76</sup> Member/arbitrator may repeat any hearings previously held.

### **11.11 ORDER OR RULING OF PREVIOUS ARBITRATOR NOT INVALID**

An order or ruling of the GRP<sup>77</sup> Member/arbitrator made prior to the termination of his mandate shall not be invalid solely because his mandate has been terminated. Provided that when the termination has been effected pursuant to clause (11.8) (d), the order or ruling of the GRP<sup>78</sup> Member/arbitrator made prior to termination of his mandate shall become invalid unless otherwise agreed upon by the parties.

### **11.12 INTERIM MEASURES ORDERED BY THE ARBITRATOR AND ARBITRAL AWARD**

The arbitrator may pass an interim order as well or as to provide interim measures of protection. An arbitrator may require a party to provide appropriate security(ies) in connection with an interim measure.

### **11.12A INTIMATION OF AWARD**

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

### **11.12B NON-ADMISSIBILITY OF MATTERS SETTLED BETWEEN THE PARTIES**

If after duly informing the arbitral tribunal, the parties to the arbitration enter into any arrangement amongst themselves to settle the matter, then, pursuant to such settlement duly recorded and submitted in writing to the Arbitral Tribunal, the arbitrator/s may pass an award in accordance with the terms of Settlement so filed and such award shall be binding on the parties

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<sup>75</sup> The existing alphabet is substituted with new alphabet vide clause 21(a) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>76</sup> The existing alphabet is substituted with new alphabet vide clause 21(b) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>77</sup> The existing alphabet is substituted with new alphabet vide clause 22(a) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>78</sup> The existing alphabet is substituted with new alphabet vide clause 22(b) of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

and operate as the award of the Tribunal. The parties to the reference or any other person claiming through them shall not be entitled to refer the claim under such settlement to arbitration for a second time.

#### **11.13 APPEARANCE IN ARBITRAL PROCEEDINGS BY COUNSEL, ATTORNEY OR ADVOCATE**

In arbitral proceedings where both the parties are either Trading Members or both Clearing members or one party is a Trading member and the other a Clearing member, the parties shall not be permitted to appear by counsel, attorney or advocate but where one of the parties is a Constituent, then the Constituent shall be permitted to appear by counsel, attorney or advocate. If the Constituent chooses to appear by counsel, attorney or advocate, then the trading and/or clearing member shall be granted a similar privilege.

#### **11.14 ADJOURNEMENT**

Adjournment, if any, shall be granted by the arbitrator only in exceptional cases, for bonafide reasons to be recorded in writing.

#### **11.15 TIME FOR COMPLETION OF GRP<sup>79</sup>/ ARBITRATION**

The GRP<sup>80</sup> shall make the order within such period as may be prescribed by Relevant Authority from time to time. The arbitration reference shall be concluded by way of issue of an arbitral award within 4(Four) months from the date of appointment.

#### **11.16 REQUEST FOR EXTENSION**

The Managing Director/ Executive Director of the exchange may for sufficient cause extend the time for issue of arbitral award by not more than two months on case-to-case basis after recording the reasons for the same.

#### **11.17 DATE OF ENTERING REFERENCE**

For the purposes of these byelaws, the arbitrator shall be deemed to have entered upon a reference on the date on which the arbitrator has been appointed.

#### **11.18 ARBITRATION PROCEEDINGS SUBJECT TO THE PROVISIONS OF THE ACT**

The arbitration proceedings as provided for by the provisions of these Bye Laws, Rules and Regulations shall be subject to the provisions of the Act to the extent not provided for in these Bye Laws, Rules and Regulations.

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<sup>79</sup> The existing alphabet is substituted with new alphabet vide clause 23 of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

<sup>80</sup> The existing alphabet is substituted with new alphabet vide clause 24 of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.



### **11.19 CONSTRUCTION OF REFERENCES**

For the purposes of section 2(6) of the Act, in all claims, differences or disputes which are required to be submitted to arbitration as per the provisions of these Bye Laws, Rules and the Regulations, wherever Part 1 of the Act leaves the parties free to determine a certain issue, the parties shall be deemed to have authorised the Relevant Authority to determine that issue.

### **11.20 ADMINISTRATIVE ASSISTANCE**

For the purpose of section 6 of the Act, in all claims, differences or disputes which are required to be submitted to arbitration as per the provisions of these Bye Laws, Rules and Regulations, the parties shall be deemed to have arranged for administrative assistance of the Relevant Authority in order to facilitate the conduct of the arbitral proceedings.

### **11.21 JURISDICTION**

All parties to a reference to arbitration under these Bye Laws, Rules and Regulations and the persons, if any, claiming under them, shall be deemed to have submitted to the exclusive jurisdiction of the courts in Mumbai or any other court as may be prescribed by the Relevant Authority/Regulatory Authority for the purpose of giving effect to the provisions of the Act. The Exchange shall not be construed to be a party to the dealings, contracts and transactions referred to under these Byelaws; and the provisions of this Bye law shall not apply in case of claims, differences or disputes between the Exchange and a Trading/Clearing Member/Constituents and no arbitration shall lie between the Exchange and a Trading Member/Clearing Member/Constituents.

### **11.22 APPEAL**

1. Any party aggrieved by a Decision of an Arbitrator/Panel of Arbitrators may prefer an appeal to the Appellate Arbitral Tribunal against a Decision of an Arbitrator/Panel of Arbitrators within such time and in such manner as prescribed by the Relevant Authority from time to time.
  - 1A. The Appellate panel shall consist of three arbitrators who shall be different from the ones who passed the Arbitral Award appealed against and such Appellate Arbitrators shall dispose of the appeal by way of issue of an Appellate Arbitral Award.
2. The Appellate Arbitral Tribunal shall dispose of the appeal by way of issuance of an Award within such period as may be prescribed by Relevant Authority from time to time.
3. The Decision of an Arbitrator/panel of arbitrator shall be the final Award where no appeal has been preferred by any of the parties and the time for preferring an appeal has lapsed.
4. Where an appeal has been preferred against a Decision, the Award passed by the Appellate Arbitral Tribunal shall be the final Award for the purposes of the Act and the Rules, Bye laws and Regulations of the Exchange.

5. The Managing Director/Relevant Authority of the exchange may, on an application by either party or arbitrator(s) for sufficient cause recorded in writing, extend the time for issuance/pronouncement of appellate arbitral award by not more than two months on a case-to-case basis after recording the reasons for the same.

Provided further, that the amount and timelines mentioned in this Bye Law 11 herein above shall be subject to such change(s) as may be prescribed by SEBI and or Relevant Authority from time to time.

## **12. MISCELLANEOUS**

1. The relevant authority shall be empowered to impose such restrictions on transactions in one or more contracts or commodities as the relevant authority in its judgment deems advisable in the interest of maintaining a fair and orderly market in the contracts or commodities or if it otherwise deems advisable in the interest of trade and public interest. During the effectiveness of such restrictions, no trading member shall, for any account in which it has an interest or for the account of any client, engage in any transaction in contravention of such restrictions.
2. Save as otherwise specifically provided in the Bye Laws, Rules and Regulations specified by the relevant authority regarding trading, clearing and settlement arrangement, in promoting, facilitating, assisting, regulating, managing and operating the Exchange and/or Clearing House, the exchange or the clearing house should not be deemed to have incurred any liability, and accordingly no claim or recourse in respect of or in relation to any dealing in contracts or commodities or any matter connected therewith shall lie against the Exchange or Clearing House or any authorised person(s) acting for the exchange or the Clearing House.
3. Any failure to observe or comply with any requirement of this Bye Law, or any Bye Laws, Rules or Regulations, where applicable, may be dealt with by the relevant authority as a violation of such Bye Laws, Rules or Regulations.
4. Trading members have an obligation as the trading members of the Exchange to inform the relevant authority of the Exchange about fraudulent and unfair trade practices and other such information/practices as may be construed as being detrimental to the efficient operations of the Exchange and as may be required under Securities Laws and Regulations.
5. No claim, suit, prosecution or other legal proceedings shall lie against the Exchange and/or Clearing House any authorised person(s) acting for the Exchange and/or Clearing House, in respect of anything which is in good faith done or intended to be done in pursuance of any order or other binding directive issued to the Exchange and/or Clearing House under any law or delegated legislation for the time being in force.
6. **POWERS TO AMEND BYE-LAWS:**  
Subject to the requirements set out under the Relevant Acts or as approved by SEBI, the Exchange may from time to time amend all or any part of these Bye Laws as may be deemed necessary or appropriate.

## **7. POWER TO ISSUE NOTICES AND CIRCULARS/ POWER TO PRESCRIBE ENABLING PROVISIONS:**

7.1 The Relevant Authority may, from time to time, issue clarifications/ directive / Notice and/or Circulars, as may be required from time to time including but not limited to:

- a) to remove any difficulties or ambiguity in implementing the provisions of any of the Bye-Laws of the Exchange and Regulations framed thereunder
- b) to provide any clarifications / directions including withdrawal/relaxation of any directive / Notice and/or Circulars in part or otherwise, as it may deem necessary, which shall have the same effect as these Byelaws and the Regulations.

7.2 Any non-compliance or violation of such clarifications/ directives /Notice and/or Circulars shall be deemed to be a contravention of these Byelaws.

## **8. JURISDICTION AND GOVERNING LAW**

8.1 These Bye-Laws shall be governed by and construed in accordance with the laws of India, save as provided under these Bye-Laws and irrespective of the location of member of the Exchange or any of the entities rendering any service to the Exchange and its members towards completing the trading functions under these Bye Laws, the court in Mumbai shall have the exclusive jurisdiction to determine any dispute with the Exchange in relation to or arising from these Bye-Laws.

8.2 All Deals admitted by the Exchange for trading shall be deemed to have been entered into exclusively in the city of Mumbai and courts in Mumbai shall have exclusive jurisdiction with regard to such deals, admitted on the Exchange.

8.3 The Exchange may, from time to time, specify deals as subject to a particular jurisdiction, having regard to the type or nature of the deal on the Exchange and other relevant factors.

8.4 Members are liable for due fulfilment of their obligations to the Exchange as may be specified by the Relevant Authority, whether such obligation be for account of the member or on account of a Constituent.

8.5 The Exchange shall be entitled to bring an action in any court of competent jurisdiction against a member to enforce the obligations of a member which may arise under or in connection with these Byelaws, a judgment an award or an order.

8.6 Any dispute between a member of the Exchange and its constituents may be referred to any court in India depending on the location of the said Client provided the Exchange is not being made a party to the dispute.

## **9. GOVERNING LANGUAGE**

All Rules, Notices, writings, Circulars, instructions and documents issued by the Exchange under these Byelaws in relation to the operation and functions of the Exchange shall be in the English language. For the convenience of members, the Exchange may publish Notice and/or Circulars in any other language in addition to English. In case of any discrepancy between the different versions of any Notice and/or Circular, the English version shall prevail.

## **13. INVESTOR (CLIENT) PROTECTION FUND (FUND)**

**13.1** The Exchange shall establish and maintain an Investor (Client) Protection Fund (Fund) to be held in trust by NCDEX Investor (Client) Protection Fund Trust (Trust).

### **13.2 Object of the Fund:**

The object of the fund shall be

- a) To protect and safeguard the interest of investors/clients, in respect of eligible/ legitimate claims arising out of default of the member of the Exchange, and
- b) To impart investors/client education, awareness, research or such other programmes as may be decided by the SEBI and or the Exchange from time to time out of the interest earned on investments of the Fund or as maybe prescribed from time to time.

### **13.3 Composition of Fund:**

The fund shall consist of,

- a. such contributions/ remittances as mandated/ prescribed by the SEBI, from time to time.
- b. all penalties levied and/ collected by the Exchange, except for the settlement related penalties (including penalties from delivery default) shall be credited to 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.

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.

### **13.4 Contributions to the Fund by the Exchange:**

Subject to any further directive or guidelines of SEBI, the Exchange shall contribute to the Fund;

- (a) a sum equivalent to 1% of the turnover fee charged from the members of the Exchange or Rs.10,00,000/- (Rupees Ten Lacs only) whichever is higher in a financial year;
- (b) a sum of all penalties as and when levied and collected, or as may be prescribed by the SEBI, 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.

### **13.5 Management of the Fund:**

The Trustees shall have entire control over the management of the Fund. The Trustees shall meet preferably three times during the year and not more than four months shall elapse between any two meetings. Any three 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.

### **13.6 Accounts and Audit of the Fund**

The Fund shall be prepared and maintained separately and shall be audited by the auditors of the Fund as appointed by the Trustees.

### **13.7 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 or against each defaulter member whenever they deem fit.

- (d) The Exchange, in consultation with the IPF Trust, shall review in such periodicity as may be prescribed and progressively increase the amount of compensation available against a single claim of an investor subject to regulatory guidelines as may be applicable.

### **13.8 Persons eligible for compensation from the Fund**

Investors/ clients registered with the Exchange and eligible shall only be considered 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.

### **13.9 Eligible Claims under the Fund**

Subject to the Rules, Bye-laws and Regulations of the Exchange,

- (a) the Fund shall be utilized to compensate eligible/legitimate claims of an investor /Client arising out of default of a broker/ member on the Exchange, in the manner

and to the extent as prescribed by the SEBI/relevant authority from time to time in the following circumstances;

- i. Against a member being declared a defaulter,
  - ii. Against a member who has preferred an arbitration reference pursuant to an order of GRP<sup>81</sup>.
  - iii. Against a member who has preferred an appeal against a Decision/Award as the case may be.
  - iv. Against a member who has made an application under section 34 of the Arbitration and Conciliation Act, 1996.
  - v. Toward money that may be spent for the protection of investors.
  - vi. the claim fulfills such other requirements as the Exchange may specify from time to time.
- (b) the claims received against the defaulter member during the specified period as notified by the Exchange, shall be eligible for being considered for compensation from the Fund.
- (c) If any eligible claims arises within three years from the date of expiry of the specified period, such claims;
- i. shall be considered eligible for compensation from IPF in case where the defaulter member's funds are inadequate. In such cases, IPF Trust shall satisfy itself that such claim could not have been filed during the specified period for reasons beyond the control of the claimant.
  - ii. shall not be considered eligible for compensation from IPF in case where the surplus funds of the defaulter member is returned to the defaulter member. The same shall be borne by the Exchange after scrutinizing and satisfying itself that such claims could not be filed during the specified period for reasons beyond the control of the claimant.

Provided that any claim received after 3 years from the date of expiry of the specified period may be dealt with as a civil dispute.

### **13.10 Ineligible claims for compensation:**

The Board of Directors of the Exchange or Relevant 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, dealings in which are not permitted or which are not subject to and in accordance with Bye-laws, Rules and Regulations of the Exchange or in which

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<sup>81</sup> The existing alphabet is substituted with new alphabet vide clause 25 of Gazette Notification in Part IV of weekly Gazette dated November 11, 2023 of Gazette of India and Part II of weekly Gazette dated November 2, 2023 of State Gazette of Maharashtra.

- the claimant has either not paid himself or colluded with the defaulter member in evasion of margin payable on transactions or contracts in any commodity; 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 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. where the surplus fund of the defaulter member is returned to the defaulter member;
  - g. the claim has not been filed within the specified period.

‘Specified period’ for the purpose of this chapter means such period as may be notified by the SEBI/relevant authority as the case may be for inviting the claims.

### **13.11 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.

### **13.12 Procedure for handling Claims:**

The Exchange shall process the claims in accordance with the procedure put in place from time to time, for handling claims of Clients in the event of a member being declared as a defaulter on the Exchange.

### **13.13 Determination of the nature of claims and payment:**

In case of claims against a defaulter member, the claims of the claimant shall be placed before the Relevant Committee. The Relevant Committee may approve the legitimate claims and accordingly recommend payment of Client claims to the IPF Trust for immediate payment out of IPF.

The Trustees shall admit only such of the claims which are admitted by the Relevant Committee including those claims determined by the Investors’ Grievance Division/ 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 also seek the advice of the Relevant Committee before sanctioning and releasing the payments to be made to the claimants.

In case the claim amount is more than the coverage limit under IPF, or the amount sanctioned by the Relevant Committee is less than the claim amount then the investor will be at liberty to prefer for arbitration outside the exchange mechanism / any other legal forum outside the exchange mechanism for claim of the balance amount.

Provided however, the Trust shall provide appropriate interim-monetary relief to clients/ investor if and as may be prescribed by Regulatory Directives/ SEBI Guidelines/Circulars as applicable from time to time.

**13.14 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, however subject to regulatory guidelines in place.

**13.15 Appeal**

If any claim not entertained/ partially entertained by the Relevant Committee/ Relevant Authority or rejected by the Trustees, the claimant may prefer an appeal/ review before the Board of Directors of the Exchange or any Sub-committee of the Board of Directors of the Exchange, constituted in this behalf or as prescribed by SEBI from time to time.

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 Client to produce such other information and documents as it may consider necessary for scrutinizing the Client's claim and may reject the claim if the Client fails to produce such information and documents.

**13.16 Charge on Defaulter's Assets**

Upon payment of any money out of the Settlement Guarantee Fund of concerned Clearing Corporation (hereinafter to be referred as "Fund" for the purpose of this clause), the concerned defaulter member shall forthwith repay the money to the Fund along with interest. The Exchange and/or the concerned Clearing Corporation, for the benefit of the Fund, shall have a priority of charge/ first charge (subject only to and subservient to the charge in favour of the Settlement Guarantee Fund under these Rules, Bye-laws and Regulations 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, 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.

Notwithstanding anything contained herein, such Charge on Defaulter's Asset, shall be subject to regulatory guidelines as applicable.

**13.17 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.



**13.18 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 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.

**13.19 Investment of Fund:**

The Trustees shall invest all monies of the Fund in such manner as may be authorised by law for the time being in force for investment of public charitable trust funds. All investments and banking accounts of the Fund shall be kept by the Trustees in the name of the Fund. The Trustees 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.

**13.20 Utilization of the Interest income:**

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

**13.21 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.

**13.22 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 and Secretariat.
- 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 Property.
- f. Cost and expenses incurred for
  - i. inviting claim for compensation from the investors

- ii. settlement of claims, advertisements, training, preparation and distribution of books and periodicals on commodity derivative market
- 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.

#### **13.23 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.

#### **13.24 Secretariat**

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

#### **13.25 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.

#### **13.26 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.

#### **13.27 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.

#### **13.28 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.

### **13.29 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.

### **13.30 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.

### **13.31 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.

### **13.32 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.

### **13.33 Powers of the Trust to recall any amount**

1. Notwithstanding anything stated elsewhere in the Rules, Bye-laws and Regulations 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 Regulations of the Exchange relating to the default of a member; or
  - (c) is connected with payment or repayment of a deposit or loan; or
  - (d) 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.

## **14. SAVINGS AND CONTINUATION**

- 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 Bye laws, 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.