

BYE-LAWS OF NATIONAL COMMODITY AND DERIVATIVES EXCHANGE LIMITED

PART A

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. ¹ [*"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. ² [*"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 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 and shall include any person having clearing and settlement rights on the Exchange.

¹ A new definition of "Books of accounts, records and documents" inserted as Bye Law 1 (2A), of Part A, vide clause 2(1) of Gazette Notification in Part IV of weekly Gazette dated November 11-November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra.

² A new definition of "Buyer" inserted as Bye Law 1 (2B), of Part A, vide clause 2(2) of Gazette Notification in Part IV of weekly Gazette dated November 11-November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra.

Provided that such a clearing member of the Exchange shall be required to become a member of a recognized clearing corporation from such date as may be specified by the SEBI.

8. "Client/Constituent" means a person, on whose instructions and on whose account the Trading Member enters into a deal on the Exchange or Clearing Member clears and settles deals. For this purpose the term "Client" shall include all registered constituents of Trading Members and Clearing Members of NCDEX.
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.³ *["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.]*⁴
- 11B.⁴ *["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.

³ A new definition of "Comtrack" inserted as Bye Law 1 (11A), of Part A, vide clause 2(3) of Gazette Notification in Part IV of weekly Gazette dated November 11-November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra.

⁴ A new definition of "Comtrack Participants" inserted as Bye Law 1 (11B), of Part A, vide clause 2(4) of Gazette Notification in Part IV of weekly Gazette dated November 11-November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra.

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. ⁵ ["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.

⁵ A new definition of "Derivative" inserted as Bye Law 1 (17A), vide clause 2(5) of Gazette Notification in Part IV of weekly Gazette dated November 11-November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra.

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.
- 31.A ⁶ [*"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. ⁷ [*"Securities" shall mean the Securities as defined in Section 2(h) of the Securities Contracts (Regulation) Act, 1956 as amended from time to time.*]

⁶ A new definition of "Option in Securities" inserted as Bye Law 1 (31A) of Part A, vide clause 2(6) of Gazette Notification in Part IV of weekly Gazette dated November 11-November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra.

⁷ A new definition of "Securities" inserted as Bye Law (34 H) of Part A, vide clause 2(7) of Gazette Notification in Part IV of weekly Gazette dated November 11-November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra.

- 34I. ⁸ [*“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.*]
- 34 J.⁹ [*“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.

⁸ A new definition of “Segment” inserted as Bye Law (34 I) of Part A, vide clause 2(8) of Gazette Notification in Part IV of weekly Gazette dated November 11-November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra.

⁹ A new definition of “Seller” inserted as Bye Law (34 J) of Part A, vide clause 2(9) of Gazette Notification in Part IV of weekly Gazette dated November 11-November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra.

43. ¹⁰ [*“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. ¹¹ [*“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.*]

45. ¹² [*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;

¹⁰ A definition of “Warehouse Receipt” defined under Bye Law 1 (43) of Part A, is substituted vide clause 2(10) of Gazette Notification in Part IV of weekly Gazette dated November 11-November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra. Prior to its substitution, clause (i) read as under :

“Warehouse Receipts” means a document issued by a certified warehouse in the manner and form stipulated by the Exchange or relevant authority from time to time shall be deemed to be proof as to the availability of the deliverable commodities for apportionment as per the delivery orders released by the Clearing House of the Exchange and shall include warehouse receipts in electronic form as may be prescribed by Relevant Authority”

¹¹ A new definition of “Warehouse” inserted as Bye Law 1 (44) of Part A, vide clause 2(11) of Gazette Notification in Part IV of weekly Gazette dated November 11-November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra.

¹² A new clause after the definition of “Warehouse” inserted as Bye Law 1 (45) of Part A, vide clause 2(11) of Gazette Notification in Part IV of weekly Gazette dated November 11-November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra.

- 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, ¹³ [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. ¹⁴ [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.

¹³ Inserted vide clause 3 of Gazette Notification in Part IV of weekly Gazette dated November 11-November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra.

¹⁴ Inserted vide clause 4 of Gazette Notification in Part IV of weekly Gazette dated November 11-November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra.

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 be 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. ¹⁵ *[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.]*

6. DEALINGS BY TRADING MEMBERS

¹⁵ Inserted vide clause 5 of Gazette Notification in Part IV of weekly Gazette dated November 11-November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra.

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, 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. ¹⁶ *[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 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

6A.1.2 "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, 1956, or a Co-operative Society as defined under the Cooperative Societies Act, 1912/Multi State

¹⁶ Substituted and inserted vide clause 6 of Gazette Notification in Part IV of weekly Gazette dated November 11-November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra.

Cooperative Societies Act, 2002/any other respective State/UT Cooperative Society Act (including federations of such cooperative societies), 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 APPOINTMENT OF AUTHORISED PERSON

6A.3.1 A Member of the Exchange may apply to the Exchange in such format as may be notified by the Exchange for appointment of "Authorized Person".

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. in case, he/she has been suspended or barred by any Stock or Commodity Exchange for a period of more than six continuous calendar months, a period of at least three years has elapsed from the of completion of the period of suspension;
- e. has good reputation and character;
- f. has passed atleast 10th 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 commodities derivatives contracts;

6A.4.3 A cooperative society shall be eligible to be appointed as an Authorized Person:

- a) If all the Members/Directors by whatever name called, of the Managing Committee/Governing Body comply with the requirements contained in clause 6A.4.1 above. However, in respect of clause 6A.4.1.(f) above, the Exchange may at its discretion relax the criteria of the Educational qualifications.
- b) If the object clause of the Memorandum of Association of the Co-operative society contains a clause permitting the Co-operative society to deal in commodities derivatives contracts. The eligibility criteria as detailed above may be added or amended from time to time as per directives or guidelines issued by the SEBI.

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) or a Member/Director of the Managing Committee/ Governing Body of a Member (if the Member is a co-operative society) shall be eligible to become an "Authorized Person" of any other Member of the Exchange in which its company, partnership firm, LLP or co-operative society 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 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, inter alia, 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 at least 15 days before the change.

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 along with photographs, PAN number of all the Members/Directors by whatever name called, of the Managing Committee/ Government Body of a Co-operative society along with photographs.
- 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. ¹⁷ *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.*

¹⁷ Existing Clause deleted and Substituted vide clause 7 of Gazette Notification in Part IV of weekly Gazette dated November 11-November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra.

Prior to its substitution, Bye Law 7 read as under : “7. **TRADING SYSTEM AND 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.”

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 shall prescribe the norms, procedures, terms and conditions from time to time as may be directed by SEBI from time to time.*
3. *The Exchange shall prescribe norms, procedures, terms and conditions for cyber security and cyber resilience policy as may be directed by SEBI from time to time.*
4. *The Exchange shall refer to the standing committee or such other committee 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. ¹⁸ *The provisions under sub clause (1) and (2) of clause 8.1, shall be subject to the approval of SEBI, if any.*

¹⁸ A new Sub clause 3, inserted in Clause 8.1 of Bye Law 8 of Part A, vide clause no.8(a) of Gazette Notification in Part IV of weekly Gazette dated November 11-November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra.

8.2 ¹⁹[DEALS THROUGH] TRADING SYSTEM

1. The Exchange ²⁰[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.
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.
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;

¹⁹ A title to the clause 8.2 which is mentioned as "Trading System" is revised to add the words "Deals through" and would now read as "Deals through Trading System.", vide clause 8(b) of Gazette Notification in Part IV of weekly Gazette dated November 11-November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra.

²⁰ The word "may" appearing after the word 'the Exchange' and before the word 'make arrangement' in Sub Clause 1 of Clause 8.2, is deleted and substituted with the word "shall", vide clause 8(c) of Gazette Notification in Part IV of weekly Gazette dated November 11-November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra.

- 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

²¹[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.

²²[2.] Details of all deals affected, as may be specified, shall be communicated to the Exchange on the day of the transaction.

²³[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

²¹ The earlier unnumbered para 1 is numbered as "1." ;

²² The earlier unnumbered para 2 is numbered as "2." ;

²³ The earlier unnumbered para 3 is numbered as "3."; vide clause 8(d) of Gazette Notification in Part IV of weekly Gazette dated November 11-November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra.

- (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 ²⁴ [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.*

²⁴ Existing clause 9.3 is amended and renumber as clause 9.3.1 and clause 9.3.2 and a new clause is added as 9.3.3 in terms of clause 9 and 10 respectively of Gazette Notification in Part IV of weekly Gazette dated November 11-November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra.

Prior to Amendment, Bye Law 9.3 read as under : “9.3 MARGIN: 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 an initial margin in cash/ bank guarantee / fixed deposit receipts/ warehouse receipts or such other acceptable mode of collateral from its constituent before executing an order and/or to stipulate that the constituent shall make a margin deposit or furnish additional margin according to changes in market prices. The constituent shall when from time to time called upon to do so forthwith provide a margin deposit and/or furnish additional margin as required under these Bye Laws, Rules and Regulations in respect of the business done for him by and/or as agreed upon by him with the trading member concerned.”

- (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

²⁵[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.

²⁶[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

²⁵ The earlier unnumbered para 1 is numbered as "1." ;

²⁶ The earlier unnumbered para 2 is numbered as "2." ; vide clause 11 of Gazette Notification in Part IV of weekly Gazette dated November 11-November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra.

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 - TRADING MEMBER

10.1 DECLARATION OF DEFAULT

²⁷[1.] A trading member may be declared a defaulter by direction / circular / intimation of the clearing member / notification of the relevant authority of the trading segment if:

- a) He is unable to 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 differences and commodities, balance sheet and such other clearing forms and other statements as the relevant authority may from time to time prescribe; or

²⁷ The earlier unnumbered para 1 is numbered as "1." ; vide clause 12 of Gazette Notification in Part IV of weekly Gazette dated November 11-November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra.

- 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.

²⁸[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 area holding membership in stock exchange) of the defaulter member

For the purpose of this sub clause 10.3, the term 'associate' shall include a person:

- 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 although he/it may not have at the

²⁸ A new Sub Clause 2 and Sub Clause 3, to Bye-law 10.1 and is inserted after sub clause 1. (h) of Clause 10.1 of Bye Law 10, Part A, vide clause 13 of Gazette Notification in Part IV of weekly Gazette dated November 11-November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra.

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.

10.11 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.

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 REPORT

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

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 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, Bye-laws 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.
- c) Dues to the Approved Banks, Warehouses, Assayers and claims of any other persons as approved by the Relevant Authority: After making payments under Clause (b) 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
- d) Surplus: Surplus, if any, to the defaulter trading member.

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 CLAIMS AGAINST DEFAULTING REPRESENTATIVE TRADING MEMBER

The Relevant Authority shall entertain the claim of a trading member against a defaulter in respect of loss incurred by it by reason of the failure of the constituents introduced by such defaulter to fulfil their obligations arising out of dealings which are permitted on the Exchange and made subject to and in accordance with the Bye Laws, Rules and Regulations of the Exchange provided the defaulter was duly registered as a representative trading member working with such creditor member.

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.

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 1A

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 admissible to the Constituent as ascertained by the Investor Grievance Redressal Committee or Panel and 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 IGRP.
7. ²⁹*['Investor' for the purpose of this chapter shall mean anyone who have entered into a deal as defined in the Bye Law 1.14 of Part A of the NCDEX Bye Laws.]*
8. ³⁰ **'Investor Grievance Redressal Committee or Investor Grievance Redressal Panel'** shall mean a Committee or Panel consisting of Independent persons, identified for the purpose of addressing Investor Grievances of the participants trading on the Exchange platform."
9. ³¹ [] '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. ³² [] 'Order' shall mean the Order of the Investor Grievance Redressal Committee of the Exchange (IGRC).

11.1A REFERENCE TO IGRC

²⁹ A new definition of "Investor" is inserted as Sub clause 7 of Clause 11.1 of Bye Law 11, Part A, vide clause 14 of Gazette Notification in Part IV of weekly Gazette dated November 11-November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra.

³⁰ The existing clause is replaced with the new clause vide amendment notification in the State Gazette, vide RNI No. MAHBIL/2009/35827 in Part -II Sankirna, Thursday– Wednesday, August 8 – 14, 2019 and in the Gazette of India, vide No. DL(N)-04/0007/2003-19, New Delhi, Saturday, August 10- August 16, 2019 (Savana 19,1941), Part IV.

³¹ The existing Clauses 11.8 is renumbered as 11.9;

³² The existing Clauses 11.9 is renumbered as 11.10, vide clause 15 of Gazette Notification in Part IV of weekly Gazette dated November 11- November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra.

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

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 Bye-Laws, 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.

The Exchange shall facilitate arbitration for such disputes including for references filed by Trading/Clearing Member against the directions or order of the IGRC.

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.

3. ³³[*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.*

³³ A new Sub Clause 3, inserted in Clause 11.2 of Bye Law 11, Part A, vide clause 16 of Gazette Notification in Part IV of weekly Gazette dated November 11-November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra.

(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 clause (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 clause (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 IGRC 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;
 - 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/apellate 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.
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 IGRC, arbitration.

22. The Relevant Authority from time to time may amend, modify, alter, repeal, or add to the provisions of the Regulations.

³⁴11.5A Empanelment of arbitrators and segregation of arbitration and appellate arbitration panel

There shall be separate panels for arbitration and appellate arbitration. Further, for appellate arbitration, at least one member of the panel shall be a Retired Judge. Exchanges shall obtain prior approval of SEBI before empanelment of arbitrators/ appellate arbitrators.”

³⁵11.5B Empanelment of IGRP/IGRC members

Exchanges shall empanel IGRP/IGRC members, however, no arbitrator/ appellate arbitrator shall be empaneled as IGRP/IGRC member.”

³⁶11.5C 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”

11.6 DISCLOSURE BY PERSONS TO BE APPOINTED AS IGRC MEMBERS/ ARBITRATORS

Every person who is approached in connection with his possible appointment as an IGRC 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 IGRC member/ arbitrator.

11.7 DISCLOSURE BY PERSONS APPOINTED AS IGRC MEMBERS/ ARBITRATORS

³⁴ A new clause inserted vide amendment notification in the State Gazette, vide RNI No. MAHBIL/2009/35827 in Part -II Sankirna, Thursday– Wednesday, August 8 – 14, 2019 and in the Gazette of India, vide No. DL(N)-04/0007/2003-19, New Delhi, Saturday, August 10- August 16, 2019 (Sravana 19,1941), Part IV.

³⁵ A new clause inserted vide amendment notification in the State Gazette, vide RNI No. MAHBIL/2009/35827 in Part -II Sankirna, Thursday– Wednesday, August 8 – 14, 2019 and in the Gazette of India, vide No. DL(N)-04/0007/2003-19, New Delhi, Saturday, August 10- August 16, 2019 (Sravana 19,1941), Part IV.

³⁶ A new clause inserted vide amendment notification in the State Gazette, vide RNI No. MAHBIL/2009/35827 in Part -II Sankirna, Thursday– Wednesday, August 8 – 14, 2019 and in the Gazette of India, vide No. DL(N)-04/0007/2003-19, New Delhi, Saturday, August 10- August 16, 2019 (Sravana 19,1941), Part IV.

An IGRC member/arbitrator, from the time of his appointment and throughout the arbitral proceedings, shall, without delay, disclose to the Relevant Authority in writing any circumstances referred to in clause (11.6) above which have come to his knowledge after his appointment as an arbitrator.

³⁷11.7A 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;
- viii. endeavour 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 MANDATE OF THE IGRC MEMBER/ ARBITRATOR

The mandate of the IGRC member/ arbitrator shall terminate if:

- a. The arbitrator withdraws from office for any reason; or
- b. In the opinion of the relevant authority, the IGRC member/ arbitrator becomes de jure or de facto unable to perform his functions or for other reasons fails to act without undue delay including failure to make the arbitral award within the time period prescribed by the relevant authority. Such a decision of the relevant authority shall be final and binding on the parties; or
- c. The mandate of the IGRC member/ arbitrator is terminated by the Relevant Authority upon receipt of written request for the termination of the mandate of the IGRC member/ arbitrator from both the parties to IGRC proceeding/ arbitration; or
- d. The IGRC member/ 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

³⁷A new clause inserted vide amendment notification in the State Gazette, vide RNI No. MAHBIL/2009/35827 in Part -II Sankirna, Thursday– Wednesday, August 8 – 14, 2019 and in the Gazette of India, vide No. DL(N)-04/0007/2003-19, New Delhi, Saturday, August 10- August 16, 2019 (Sravana 19,1941), Part IV.

e. The IGRC/ arbitral proceedings are terminated as provided for herein.

11.9 SUPPLYING OF VACANCY TO THE OFFICE OF THE IGRC MEMBER/ ARBITRATOR

At any time before the making of the Order/ award should the office of the IGRC Member/arbitrator fall vacant for any reason whatsoever including any vacancy due to the illness or death of the IGRC Member/arbitrator or termination of the mandate of the IGRC 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 IGRC Member/arbitrator.

11.10 CONSIDERATION OF RECORDED PROCEEDINGS AND EVIDENCE

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

11.11 ORDER OR RULING OF PREVIOUS ARBITRATOR NOT INVALID

An order or ruling of the IGRC 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 IGRC Member/arbitrator made prior to termination of his mandate shall become invalid unless otherwise agreed upon by the parties.

11.12 INTERIM ARBITRAL AWARD AND INTERIM MEASURES ORDERED BY THE ARBITRATOR

The arbitrator may be empowered to make an interim arbitral award as well as to provide interim measures of protection. An arbitrator may require a party to provide appropriate commodity in connection with an interim measure.

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 IGRC/ARBITRATION

The IGRC shall make the order within such period as may be prescribed by Relevant Authority from time to time.

The arbitrator shall make the arbitral award normally within 3 months from the date of entering upon the reference.

11.16 REQUEST FOR EXTENSION

The time taken to make the award may not be extended beyond 3 times, not exceeding 6 months, by the Managing Director or Relevant Authority on an application by either of the parties or the arbitrator, as the case may be.

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 held the first hearing.

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.

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

³⁸[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.

³⁹[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.

⁴⁰[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.

⁴¹[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.

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

³⁸ The existing para 1 is numbered as "1.";

³⁹ The existing para 2 is numbered as "2.";

⁴⁰ The existing para 3 is numbered as "3.";

⁴¹ The existing para 4 is numbered as "4.", vide clause 17 of Gazette Notification in Part IV of weekly Gazette dated November 11-November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra.

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.

13. 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.

BYE LAWS

PART B

1. CLEARING SEGMENTS

1. There may be more than one clearing segment as may be specified by the relevant authority from time to time.
2. The relevant authority will specify the Contracts or Commodities, which will be eligible for admission to the different clearing segment from time to time.

2. CLEARING MEMBERS

1. The relevant authority is empowered to admit clearing members in accordance with the Bye Laws, Rules and Regulations subject to the minimum financial requirements prescribed by the Exchange. Such Clearing Members shall pay such fees, security deposits and other monies as may be specified by the Board or the relevant authority from time to time, on admission as Clearing Member and for continued admission. The fees, security deposits, other monies and any additional deposits paid, whether in the form of cash, bank guarantee, securities or otherwise, with the Exchange, by a Clearing Member from time to time, shall be subject to a first and paramount lien for any sum due to the Exchange and all other claims against the Clearing Member for due fulfilment of engagements, obligations and liabilities of Clearing Members arising out of or incidental to any dealings made subject to and in accordance with the Bye laws, Rules and 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 Clearing member, without any reference to the Clearing member.
2. Clearing Member of the Exchange may clear and settle deals through the Clearing House in such manner and mode and subject to such terms and conditions and procedures as may be specified for the clearing member.
3. Trading Members may clear and settle deals either on their own account or on behalf of their clients and shall be referred to as Clearing Members while performing functions of clearing and settlement. Professional Clearing Members may clear and settle deals on behalf of their clients and trading members subject to such terms and conditions, which the relevant authority may prescribe from time to time.
4. ⁴²*[The proceeds arising out of invocation of the bank guarantees furnished by the Clearing Member in lieu of security deposits or additional deposits on being invoked by the Clearing House of the Exchange shall not be reckoned as part of the Clearing Member's deposits for the purpose of enablement or exposure, etc.]*
5. *The Clearing House of the Exchange may utilise the proceeds of the bank guarantee so invoked for the purpose of settlement of claims / dues of clients, Clearing Corporation, the stock exchange or SEBI against the Clearing Member. The surplus, if any, shall be refunded to the Clearing Member.]*

⁴² The new clauses 4 and 5 are inserted in Bye Law 2, Part B, after Sub clause No. 3, vide clause 18 of Gazette Notification in Part IV of weekly Gazette dated November 11-November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra.

3. CLEARING AND SETTLEMENT OF DEALS

⁴³[3.1 A CLEARING AND SETTLEMENT

Settlement shall be effected by clearing members giving and receiving delivery and paying and receiving funds as may be specified by the relevant authority from time to time in the Bye Laws and Regulations.

1. Settlement Finality:

- a) *Payment and settlement in respect of a transactions effected under these bye laws, shall be final, irrevocable and binding on the Clearing Members.*
- b) *When a settlement has become final and irrevocable, the right of the Clearing House of the Exchange to appropriate any collaterals or deposits or margins contributed by the clearing member towards its settlement or other obligations in accordance with these Byelaws shall take priority over any other liability of or claim against the said clearing member.*
- c) *For removal of doubts, it is hereby declared that the settlement, whether gross or net, referred to in Clause (a) above is final and irrevocable as soon as the money, securities or other transactions payable as a result of such settlement is determined, whether or not such money, securities or other transactions is actually paid.*
- d) *The payment and settlement in respect of a transactions, shall be determined in accordance with the netting or gross procedure as specified by the relevant authority with the prior approval of SEBI through the circulars issued by the Clearing House of the Exchange from time to time.*

Explanation: 1. For the purpose of Clause (d) above, "netting" means the determination by Clearing House of the Exchange of net payment or delivery obligations of the clearing members by setting off or adjustment of the inter se obligations or claims arising out of buying and selling of securities including the claims and obligations arising out of the termination by the Clearing House of the Exchange, in such circumstances as the Clearing House of the Exchange may specify in Byelaws, of the deals admitted for settlement at a future date, so that only a net claim be demanded, or a net obligation be owed.

Explanation: 2 For removal of doubts, it is hereby declared that claims and obligations arising out of the termination by the Clearing House of the Exchange referred to in Explanation 1 above shall mean claims and obligations arising out of deals closed out in accordance with these Bye laws.

2. Right of Clearing House of the Exchange:

The right of clearing House of the Exchange to recover the dues from its clearing members, arising from the discharge of their clearing and settlement functions, from the collaterals, deposits and the assets of the clearing members, shall have priority over any other liability of or claim against the clearing members.]

⁴³ A new Clause is inserted as Clause 3.1A, in Bye Law 3, Part B, vide clause 19 of Gazette Notification in Part IV of weekly Gazette dated November 11-November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra.

⁴⁴[3.1B DEALS FOR CLEARING AND SETTLEMENT

1. The Exchange shall clear and settle such deals as provided in the Bye Laws and Regulations and save as so provided, no other deals shall be cleared and settled.
2. Without prejudice to the generality of the above, the relevant authority may in its discretion and subject to such conditions as it may deem fit admit any other deals.
3. The clearing and settlement of deals shall be effected by the Clearing Member or any other persons acting through them by adopting and using such arrangements, systems, agencies or procedures as may be prescribed or specified by the relevant authority from time to time. Without prejudice to the generality of the foregoing, the relevant authority may prescribe or specify, for adoption and use by the clearing members, trading members, participants, and other specified constituents, such custodial or other similar services from time to time to facilitate smooth operation of the clearing and settlement arrangement or system.
4. The function of the Clearing House may be performed by the Exchange, Clearing House or any agency identified by the relevant authority for this purpose; The Exchange may consider incorporating an independent entity to handle the clearing and settlement activities of the Exchange. As such all rights and obligations of the Clearing House may be transferred to that entity and the clearing members may be considered to be registered with it and will have to adhere to its bye-laws, rules and regulations as prescribed from time to time.
5. The role of the Clearing House shall be to act as a facilitator for processing of deliveries and payments between clearing members, trading members/participants for trades effected by them on the Exchange.
6. Settlement in each market segment of the Exchange shall be either on netted basis, gross basis, trade for trade basis or any other basis as may be specified by the relevant authority from time to time. Settlement shall be effected by clearing members giving and receiving delivery and /or paying and receiving funds as may be specified by the relevant authority from time to time in the Bye Laws and Regulations.
7. Save as otherwise expressly provided in the Rules, Bye Laws and Regulations, when funds and commodities or documents of title to commodities are, under a prescribed arrangement, routed through the Clearing House, the settlement responsibility shall rest wholly and solely upon the counter parties to the trade and /or the concerned clearing members as the case may be; and the Clearing House shall act as the common agent of the clearing members/ trading members / Constituents for receiving or giving delivery of commodities and for receiving and paying funds, without incurring any liability or obligation as a principal.
8. *Clearing and settlement of deals shall be effected by clearing members by prescribing and using such arrangements, systems, agencies or procedures as may be specified by the relevant authority from time to time. Without prejudice to the generality of the above, the relevant authority may prescribe or specify from time to time such custodial, repository and other services for adoption and use by clearing*

⁴⁴ Amended as per clause 20 (a) and (b) of Gazette Notification in Part IV of weekly Gazette dated November 11-November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra.

members and their constituents to facilitate smooth operation of the clearing and settlement arrangement or system.]

3.2 ADMISSION OF DEALS

1. Clearing and settlement shall be permitted on the Clearing House of the Exchange in deals, which are from time to time admitted on the Exchange by the relevant authority in accordance with the provisions of the Bye Laws and Regulations.
2. The relevant authority may specify contracts or commodities from time to time dealings on which may be admitted in accordance with the provisions of the Bye Laws and Regulations in that regard.

3.3 CONDITIONS AND REQUIREMENTS OF CLEARING AND SETTLEMENT

The relevant authority may grant admission of deals dealt in the Exchange provided all the conditions and requirements specified in the Bye Laws and Regulations and such other conditions and requirements as the relevant authority may prescribe from time to time are complied with.

3.4 REFUSAL OF ADMISSION OF DEALS

The relevant authority may, in its discretion, approve admission of deals or defer, or reject admission of deals for clearing and settlement on the Clearing House of the Exchange, subject to such terms as it deems fit.

3.5 SUSPENSION OF ADMISSION OF DEALS

The relevant authority may suspend at any time the admission of deals including of any contract or commodity or specified exchange or Exchange for such period as it may determine and reinstate such deals subject to such conditions as it may deem fit.

3.6 WITHDRAWAL OF ADMISSION OF DEALS

The relevant authority may where it deems necessary withdraw the admission to dealings of a specified exchange either for breach of or non-compliance with any of the conditions or requirements of admission of dealings or for any other reason whatsoever.

3.7 READMISSION OF DEALS

The relevant authority in its discretion may readmit deals of a specified exchange, which has been previously withdrawn.

3.8 PRIVITY OF CONTRACT

- (a) ⁴⁵[] Except as provided herein, clearing members giving and receiving delivery as provided in the Bye Laws and Regulations shall be deemed, notwithstanding that no direct contract may exist between them, to have made a contract with each other as sellers and buyers. However the rights and liabilities of delivering and receiving member in relation to their immediate contracting party shall not be deemed to be affected thereby except that the selling member (unless he be himself the delivering member) shall be released from all responsibility in regard to the title, ownership, genuineness, regularity and validity of the documents / commodity received by the receiving member and in regard to the loss and damages arising therefrom, which shall be dealt with in accordance with the provisions of Bye Laws and Regulations thereof.
- (b) ⁴⁶[] Clearing members giving and receiving delivery and paying and receiving funds as provided in the Bye Laws and Regulations shall be deemed, notwithstanding that no direct contract exists between them, to have made a contract with the Clearing House as sellers and buyers and between themselves as delivering and receiving members; provided further however that in such event the rights and liabilities of delivering and receiving members with the Clearing House shall not be deemed to be affected thereby.
- (c) ⁴⁷[] Notwithstanding anything contained above, the Clearing House may specify either generally or specifically that the Clearing House shall be counterparty to the deal specified by it and arising out of trades executed / reported on the trading system of the Exchange, admitted for clearing and settlement except the fact that in respect of failure on the part of the seller in tendering delivery, the Clearing House shall be responsible only to settle the difference amount and not to give physical delivery to the buyer. The Clearing House shall undertake to guarantee the financial settlement of all deals arising out of trades in commodities duly executed / reported on the trading system of the Exchange irrespective of default, insolvency or failure on the part of the corresponding member. Provided that the settlement guarantee by the Clearing House extends only:
- i. to its own members, and
 - ii. to those transactions that have been executed, registered and accepted for clearing and settlement by the Clearing House after having been matched by the Exchange, and
 - iii. to those members who are not in default in their financial obligations to the Clearing House or the Exchange

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

⁴⁵ Existing para 1 is numbered as '(a)' vide clause 21(a);

⁴⁶ Existing para 2 is numbered as '(b)' vide clause 21(a) and amended the same vide clause 21(b) as under:

The words "In cases where the Clearing House may specify either generally or specifically" appearing in first sentence and the words "except that the Clearing House shall not be responsible in respect of the title, ownership, genuineness, regularity and validity of the documents delivered or received and in regard to the loss and damages arising therefrom, which shall be dealt with in accordance with the provisions of Bye Laws and Regulations thereof" appearing in the second paragraph after the word "thereby" and appearing before the third paragraph shall stand deleted.

⁴⁷ Existing para 3 numbered as '(c)' vide clause 21(a).

Provided however that the nature of guarantee by the Clearing House is strictly financial, that is:

- i. The seller will be assured the payment of the settlement price fixed by the relevant authority on the delivery / expiry date after the Clearing House is satisfied that the delivery has been completed; and
- ii. The buyer will be assured either a delivery order, or upon failure of the seller to give delivery, the monetary value of the short delivery based on the settlement price fixed by the relevant authority as on the delivery / expiry date and the monetary value based on the ready market price on the expected delivery day as may be specified by the Relevant Authority.

(d) ⁴⁸ [In case of buyers default or sellers default, the Exchange shall guarantee financial compensation to make good any monetary loss to non-defaulting party.]

3.9 OPERATIONAL PARAMETER FOR CLEARING

The relevant authority may determine and announce from time to time operational parameters regarding clearing of deals through the Clearing House of the Exchange, which the clearing members shall adhere to.

The operational parameters may, inter alia, include:

- a) Clearing/exposure limits allowed which may include clearing/exposure limits with reference to net worth and capital adequacy norms;
- b) Clearing volumes and limits at which it will be incumbent for clearing members to intimate the exchange,
- c) Fixation of delivery lots for different settlement types;
- d) Other matters which may affect smooth operation of clearing of deals keeping in view larger interest of the public;
- e) Determining types of deals permitted for a clearing member and for a contract or commodity;
- f) Determining functional details of the clearing and settlement system including the system design, user infrastructure and system operation;

3.10 CLEARING HOURS

1. The hours for clearing and settling at the Clearing House shall be during such time as may be decided by the relevant authority from time to time. The relevant authority may, from time to time, specify clearing hours for different types of 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 holidays fixed in accordance with these provisions. It may, for reasons to be recorded, suspend clearing and settlement operations in the Clearing House of the Exchange on days other than or in addition to holidays.

⁴⁸ A new sub clause (d) is inserted after the sub clause (c) in Clause 3.8 of Bye Law 3, Part B, vide clause 21(c) of of Gazette Notification in Part IV of weekly Gazette dated November 11-November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra.

3. ⁴⁹[The provisions under sub clause (1) and (2) of clause 3.10, shall be subject to the approval of SEBI, if any.]

3.11 DELIVERY OF COMMODITIES

1. Delivery of all commodities, documents and papers and payments in respect of all deals shall be in such manner and the relevant authority may prescribe such place (s) as from time to time.
2. The relevant authority shall specify from time to time, the commodities, documents and papers which, when delivered in prescribed manner, shall constitute good delivery. Where circumstances so warrant, the relevant authority may determine, for reasons to be recorded, whether or not a delivery constitutes a good delivery, and such finding shall be binding on the parties concerned. Where the relevant authority determines that a delivery does not constitute a good delivery, the delivering party shall be required to substitute good delivery instead or make such payment ⁵⁰[including the penalty for default and monetary compensation towards the claim of loss, if any], as has been prescribed by the relevant authority within such time period as may be specified failing which appropriate action may be initiated by the relevant authority as provided in the Bye Laws, Rules and regulations from time to time.
3. The relevant authority may prescribe from time to time such norms and procedures which may include delivery with respect to market lot, odd lot, minimum lot, part delivery, delivery period, expiry date, designated tender days, delivery orders, delivery grades, delivery centers, freight adjustment factors, sampling analysis & certification method etc. shall be as prescribed by the relevant authority from time to time.

⁵¹ [Provided further, such norms and procedures shall ensure that delivery period shall be such reasonable amount of time to the sellers to acquire the deliverable commodity and make it available for delivery.]

4. The relevant authority may prescribe from time to time the requirements and procedures for determining disputed deliveries or defective deliveries, and measures, procedures and system of resolving the dispute or defect in deliveries or of consequences of such deliveries or the resolution shall, subject to and in accordance with the Bye Laws, Rules and Regulations.
5. ⁵²[For the purpose of deliveries of commodities under this clause the Exchange shall approve Warehouses in accordance to the norms and procedures as prescribed by Exchange subject to the approval of SEBI from time to time.]

3.12 CLOSING OUT

1. A deal admitted for clearing and settlement may be transferred to another clearing member with his consent on the failure of a clearing member to comply with any of the provisions relating to delivery, payment and settlement of deals or on any failure to fulfil the terms and conditions subject to which the deal has been made, or such other circumstances as the relevant authority may specify from time to time.

⁴⁹ A new sub clause 3 is inserted in clause 3.10 of Part B, vide clause 22 of Gazette Notification in Part IV of weekly Gazette dated November 11-November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra.

⁵⁰ Inserted vide clause 23;

⁵¹ Inserted vide clause 24;

⁵² Inserted vide clause 25, of Gazette Notification in Part IV of weekly Gazette dated November 11-November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra.

The deal may be transferred to another clearing member by the Clearing House in such manner, within such time frame, and subject to such conditions and procedures as the relevant authority may prescribe from time to time.

2. A deal admitted for clearing and settlement may be closed out on failure of a clearing member to comply with any of the provisions relating to delivery, payment and settlement of deals or on any failure to fulfil the terms and conditions subject to which the deal has been made, or such other circumstances as the relevant authority may specify from time to time. The deal may be closed out by the Clearing House of the Exchange in such manner, within such time frame, and subject to such conditions and procedures as the relevant authority may prescribe from time to time.
3. Without prejudice to the generality of the foregoing, the relevant authority may close out deals, inter alia, by buying in or selling out against a clearing member in the following circumstances,
 - a) in case of the selling clearing members, on failure to complete delivery on the due date; and
 - b) in case of the buying clearing members, on failure to pay the amount due on the due date,
 - c) and any loss, damage or shortfall sustained or suffered as result of such closing out shall be payable by the clearing members who failed to give due delivery or to pay amount due.
4. ⁵³*[The Relevant Authority may suspend or postpone closing -out in respect of any deals and from time to time extend or postpone the period of such suspension or postponement when circumstances appear in its view to make such suspension or postponement desirable in the general interest. The liability of intermediaries in respect of deals in such commodities settled through the Clearing House or Repository Clearing System, as the case may be, shall continue during the period of such suspension or postponement]*
5. *The Relevant Authority may defer closing-out in any particular case if in its opinion a fair market to close-out is not available or if it determines that the default is due to the existence of a special situation but no such deferment shall relieve the Member in default of the obligation to pay for any resulting damages or free the intermediate parties of their liabilities*
6. *The Exchange shall effect closing out against the Member in any of the following manner:*
 - i) *by declaring a closing-out at such prices as may be decided by the Relevant Authority.*
 - ii) *in any other manner as the Relevant Authority may decide from time to time.*
7. *If any Member against whom a deal is closed-out under the provisions of these Regulations fails to make payment of the loss arising out of the closing -out and of the damages, if any, within such time as may be stipulated by the Relevant Authority from time to time, he may be declared a defaulter.]*

3.13 FAILURE TO MEET OBLIGATIONS

In the event a clearing member fails to meet obligations to the Clearing House of the Exchange arising out of clearing and settlement operations of admitted deals the relevant authority may charge such interest, impose such penalties and fines and take such disciplinary action against the clearing member as it may determine from time to time. Any disciplinary action, which the relevant authority takes pursuant to the above, shall not

⁵³ A new sub clause 4, Sub Clause 5, Sub Clause 6 and Sub Clause 7 inserted after Sub Clause 3 of in Bye Law 3.12 of Part B, vide clause 26 of Gazette Notification in Part IV of weekly Gazette dated November 11-November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra.

affect the obligations of the clearing member to the Clearing House of the Exchange or any remedy to which the Clearing House of the Exchange may be entitled under applicable law.

3.14 ⁵⁴*[Notwithstanding anything contained in the Bye Laws, the Exchange shall ensure good delivery.]*

4. DEALINGS BY CLEARING MEMBERS

4.1 JURISDICTION

1. All deals admitted by the Clearing House for clearing and settlement shall be deemed to have been entered into in the city of Mumbai unless provided otherwise expressly by the relevant authority.
2. The relevant authority may, from time to time, specify deals as subject to a particular jurisdiction, having regard to the type or nature of the deal, the exchange on which the deal was struck and other relevant factors.

4.2 RECORD FOR EVIDENCE

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 other manner shall constitute the agreed and authentic record in relation to any deals cleared and settled through the Clearing House of the exchange. For the purposes of any disputes regarding clearing and settlement of deals, the records as maintained by the Exchange shall constitute valid evidence in any dispute or claim between the constituents and the clearing member or between the clearing members inter-se or between the clearing members and the exchange.

4.3 CLEARING MEMBER ONLY PARTIES TO DEALS

The Clearing House of the exchange does not recognise as parties to deals any persons other than its own clearing members, and every clearing member is directly and wholly liable in accordance with whom such clearing member has any deal for due fulfilment of the deal or to the exchange as may be specified by the relevant authority, whether such deal be for account of the clearing member effecting it or for account of a constituent.

4.4 ALL DEALS SUBJECT TO BYE LAWS, RULES AND REGULATIONS

All deals shall be made subject to and in accordance with the Rules, Bye Laws, Rules and Regulations 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.

4.5 INVIOABILITY OF ADMITTED DEALS

⁵⁴ A new Bye Law 3.14 is inserted after Bye Law 3.13 in Bye Law 3 of Part B vide clause 27 of Gazette Notification in Part IV of weekly Gazette dated November 11-November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra.

1. All the dealings in contracts or commodities on the Clearing House of the exchange made subject to and in accordance with the Bye laws, Rules and Regulations shall be in-violable and shall be cleared and settled in accordance with the Bye laws, Rules and Regulations. However, the Clearing House of the exchange may by a notice annul the deal(s) on an application by a Clearing 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 deal.
2. Notwithstanding anything contained in clause (1) above, the Clearing House of the Exchange may, to protect the interest of constituents in contracts or commodities and for proper regulation of the commodities market, suomoto 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 clause (1) and (2) above, shall be final and binding upon the parties to deal(s). In such an event, the Clearing Member shall be entitled to cancel the relevant deal(s) with its constituents

4.6 DEALS BY REPRESENTATIVE CLEARING MEMBERS

A clearing member may authorise another clearing member to act as his representative for a specified period with the prior permission of the relevant authority.

4.7 INDEMNITY

The Clearing House of the exchange shall not be liable for any activity of the clearing member or any person acting in the name of the clearing person whether authorised or unauthorised including deals cleared and settled through the Clearing House of the exchange save and except as and to the extent provided in the Bye Laws, Rules and Regulations

5. MARGINS AND LIMIT

5.1 MARGIN REQUIREMENTS

1. The relevant authority may from time to time prescribe requirements of margins for deals cleared and settled through the Clearing House of the Exchange and the clearing member shall furnish such margin as a condition precedent.
2. Every Clearing Member has a continuing obligation to maintain margins at such levels and during such periods as may be stipulated by the Clearing House of the exchange from time to time.

3. ⁵⁵*[The Exchange shall impose higher margins and/or additional margins in the form of Special/Adhoc or other margins like Extreme Loss Margins, Tender Period Margin, Pre Expiry Margin, Delivery Margin, Concentration Margin and the like as considered appropriate by the exchange subject to directions by SEBI.]*

5.2 FORM OF MARGIN

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

5.3 QUANTUM OF MARGIN

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

5.4 MARGIN TO BE HELD BY THE CLEARING HOUSE

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

5.5 LETTER OF DECLARATION

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

5.6 LIEN ON MARGINS

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

⁵⁵ A new sub clause is inserted as clause 3 after sub clause 2 in clause 5.1 of Bye Law 5 of Part B, vide clause 28 of Gazette Notification in Part IV of weekly Gazette dated November 11-November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra.

5.7 UTILISATION FOR FAILURE TO MEET OBLIGATIONS

In the event a clearing member fails to meet obligations to the Clearing House arising out of clearing and settlement operations of such deals on Clearing House as provided in the Bye Laws, Rules and Regulations, the relevant authority shall be entitled to utilise any amount paid by the said clearing member in the form of margin or any other payment retained by the Clearing House for the purpose of clearing and settlement on the Exchange.

5.8 EVASION OF MARGIN REQUIREMENTS FORBIDDEN

1. A clearing member shall not directly or indirectly enter into any arrangement or adopt any procedure for the purpose of evading or assisting in the evasion of the margin requirements specified under the Bye Laws, Rules and Regulations.

⁵⁶[2. In the event of a member/client failing to honour pay-in/margin obligations, exchanges may employ the below given alternative tools to liquidate the positions and regain a matched book based on the conditions of market liquidity, volatility, size of position to be liquidated etc. Any tool lower in the list prescribed hereunder may be resorted to only in extremely rare occasions when the exchange reasonably expects that it may not be able to restore a matched book by choosing the alternatives above it and also records the reasons for the same in writing:

- a. Alternative 1: Liquidation in normal market in orderly manner (with relaxed price limits, if required);
- b. Alternative 2: Auction of the positions within a specified price band;
- c. Alternative 3: Voluntary tear-up at last mark-to-market price along with compensation (%age of last mark-to-market price equal to twice the daily price limit) and penalty (5%, to be credited to SGF);
- d. Alternative 4: Partial tear-up (pro-rata against members/clients having opposite positions) at last mark-to-market price along with compensation (%age of last mark-to-market price equal to thrice the daily price limit) and penalty (5%, to be credited to SGF).]

5.9 SUSPENSION ON FAILURE TO PAY MARGIN

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

5.10 ⁵⁷[LIMITS

1. The Exchange may at any time in its absolute discretion [or as directed by SEBI,] prescribe limits on exposure / turnover / open positions / open-interest for a trading member / clearing member or in a commodity, either in quantity or value or as a percentage of capital adequacy / networth / base capital or a

⁵⁶ Sub-clause 2 is inserted vide clause 29 of Gazette Notification in Part IV of weekly Gazette dated November 11-November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra.

⁵⁷ Existing paragraphs in clause 5.10 is renumbers as 1, 2 and 3 respectively and inserted with words in italics and bracketed vide clause 30 of Gazette Notification in Part IV of weekly Gazette dated November 11-November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra.

combination of any of the above or such other method as the relevant authority may decide from time to time for all or any of the trading / clearing members / commodities.

2. The Exchange may at any time impose, increase, reduce or remove any limits pursuant to the above clause *[either on its own or as directed by SEBI]*.
3. If a trading / clearing member exceeds any limit imposed by the Exchange, the relevant authority *[or the SEBI]* may take such action as it may deem fit and specified from time to time including close out of open positions on the member or withdrawal of trading and/or clearing facility.]

5.11 CLEARING FEES

The relevant authority may prescribe from time to time fees, charges and recoveries to be levied on the clearing members in respect of clearing and settlement of deals.

6. RIGHTS AND LIABILITIES OF CLEARING MEMBERS AND CONSTITUENTS

6.1 MARGIN FROM CONSTITUENTS

A clearing member shall demand from his constituent the margin he has to provide under the Rules, Bye Laws, Rules and Regulations in respect of the business done by him for such constituent. Margins applicable on client positions have to be compulsorily collected from the clients and reported to the Exchange by the members. A clearing member shall also demand and collect such prescribed margin in cash, securities, fixed deposit receipts, liquid assets or such other forms from his constituent before undertaking to clear their obligations and to stipulate that the constituent shall pay a margin or furnish additional margin as may be specified by the Clearing House of the exchange from time to time. The constituent shall when from time to time called upon to do so forthwith pay margins and furnish additional margins as required under the Rules, Bye Laws and Regulations in respect of his obligations and as agreed upon by him with the clearing member concerned.

6.2 CONSTITUENT IN DEFAULT

1. A clearing member shall not transact business directly or indirectly for a trading member or a constituent who to his knowledge is in default to another clearing member unless such trading member or constituent shall have made a satisfactory arrangement with the clearing member who is his creditor.
2. On the application of a creditor clearing member who refers or has referred to arbitration his claim against the defaulting constituent as provided in the Rules, Bye Laws, Rules and Regulations, the relevant authority shall issue orders against any clearing members restraining them from paying or delivering to the defaulting constituent any monies or securities 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 deals to the Bye Laws, Rules and Regulations, which moneys, commodities and securities shall be deposited with the exchange. The moneys and securities 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 clearing member and the defaulting constituent mutually agree otherwise.

6.3 CLOSING-OUT OF CONSTITUENT'S ACCOUNT

Unless otherwise specified by the relevant authority from time to time, when closing-out the account of a trading member or a constituent a clearing member may assume or take over such deals to his own account as a principal at prices which are fair and justified by the condition of the market or he may close-out in the open market and any expense incurred or any loss arising therefrom shall be borne by the constituent.

6.4 CLOSING-OUT BY CONSTITUENT ON FAILURE TO PERFORM A DEAL

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

6.5 NO LIEN ON CONSTITUENT'S COMMODITIES

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

6.6 COMPLAINT BY CONSTITUENT

When a complaint has been lodged by a constituent with the relevant authority that any clearing member has failed to perform 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 in accordance with the provisions of the Rules of the Exchange.

6.7 RELATIONSHIP BETWEEN CLEARING MEMBER AND CONSTITUENT

Without prejudice to any other law for the time being in force and subject to the Bye Laws, Rules and Regulations, the mutual rights and obligations inter se between the clearing members and their constituents shall be such as may be specified by the relevant authority from time to time.

7. DEFAULT - CLEARING MEMBER

7.1 DECLARATION OF DEFAULT

1. A clearing member may be declared a defaulter by direction/circular/notification of the relevant authority if:

- a) He is trading member of any exchange and the said exchange declares him as a defaulter; or
- b) He is a clearing member of any clearing house / clearing corporation and the said clearing corporation declares him to be a defaulter; or
- c) He is unable to fulfil his clearing, settlement or obligations; or
- d) He admits or discloses his inability to fulfil or discharge his duties, obligations and liabilities; or

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

⁵⁸[2. When a clearing member of any segment is declared a defaulter in terms of 7.1 above, the Stock Exchange/Clearing Corporation 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) of the defaulter member

For the purpose of this sub clause 7.3, the term 'associate' shall include a person:

- 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.]

7.2 CLEARING MEMBER'S DUTY TO INFORM

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

7.3 COMPROMISE FORBIDDEN

⁵⁸ Inserted sub clause 2 and 3 after sub clause 1 of Bye-laws 7.1 vide clause 31 of Gazette Notification in Part IV of weekly Gazette dated November 11-November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra.

A clearing member shall not accept from any clearing member anything less than a full and bona fide money payment in settlement of a debt arising out of a deal cleared through the Clearing House of the Exchange.

7.4 NOTICE OF DECLARATION OF DEFAULT

On a clearing member being declared a defaulter a notice shall be forthwith issued to all the clearing members of the Clearing House.

7.5 DEFAULTER'S BOOK AND DOCUMENTS

When a clearing member has been declared a defaulter, the relevant authority shall take charge of all his books of accounts, documents, papers and vouchers to ascertain the state of his affairs and the defaulter shall hand over such books, documents, papers and vouchers to the relevant authority.

7.6 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 the complete list of his debtors and creditors and the sum owing by and to each.

7.7 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 relevant authority at its meetings held in connection with his default.

7.8 INQUIRY

The relevant authority may conduct a strict inquiry into the accounts and dealings of the defaulter in the market and shall report anything improper, un-businesslike or unbecoming a clearing member in connection therewith which may come to its knowledge to the relevant authority appointed by Board for taking disciplinary actions.

7.9 VESTING OF DEFAULTER'S 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 recognised Exchanges.

7.10 PAYMENT TO DEFAULT MANAGEMENT COMMITTEE

1. All monies, commodities, securities and other assets due, payable or deliverable to the defaulter must be paid or delivered to the Relevant Authority within such time of the declaration of default as the Relevant Authority may direct. A clearing member violating this provision may be declared a defaulter.
2. A clearing member who shall have received a difference on account or shall have received any consideration in any deal prior to the date fixed for settling such account or deal shall, in the event of the clearing member from whom 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 clearing member who shall have paid or given such difference or consideration to any other clearing member prior to such settlement day shall again pay or give the same to the Relevant Authority for the benefit and on account of the creditor member in the event of the default of such other member.
3. A clearing member who receives from another clearing member during any clearing a claim note or credit note representing a sum other than 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 clearing member be declared a defaulter within such number of days as specified 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 the Rules, Bye Laws, Rules and Regulations.

7.11 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 Clearing House in such names as the Relevant Authority may from time to time deem appropriate and shall distribute the same as soon as possible pro rata but without interest among creditor members whose claims are admitted in accordance with the Bye Laws, Rules and Regulations.

7.12 CLOSING –OUT

1. Clearing members having open deals with the defaulter shall close out such deals after declaration of default. Such closing out shall be in such manner as may be specified by the relevant authority from time to time. Subject to the regulations in this regard specified 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.
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 clearing members of the defaulter.

7.13 CLAIMS AGAINST DEFAULTER

Within such time of the declaration of default as the relevant authority may direct every clearing member carrying on business on the exchange shall, as it may be required to do, either compare with the relevant authority his accounts with the defaulter duly adjusted and made up as provided in the Rules, Bye-Laws 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.

7.14 DELAY IN COMPARISON OR SUBMISSION OF ACCOUNTS

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

7.15 PENALTY FOR FAILURE TO COMPARE OR SUBMIT ACCOUNTS

The relevant authority may take such action as it may deem fit including levying of fine and suspension, on any clearing member who fails to compare his accounts or submit a statement of its account with the defaulter or a certificate that he has no such account within the specified time.

7.16 MISLEADING STATEMENT

The relevant authority may take such action as it may deem fit including levying of fine and suspension, if it is satisfied that any comparison statement or certificate relating to a defaulter sent by such clearing member was false or misleading.

7.17 ACCOUNTS OF RELEVANT AUTHORITY

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

7.18 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 / Clearing House of the Exchange.
- b) 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, Bye-laws 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.
- c) Dues to the Approved Banks, Warehouses and claims of any other persons as approved by the Relevant Authority: After making payments under Clause (b) 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

- d) Surplus: Surplus, if any, to the defaulter clearing member.

7.19 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 commodities, dealings in which are not permitted or which are not made subject to and in accordance with Bye Laws, Rules and Regulations or in which the claimant has either not paid himself or colluded with the defaulter in evasion of margin payable on bargains in any contract or commodity;
- b) Which arises out of a contract in respect of which comparison of accounts has not been made in the manner specified in the Bye Laws, Rules and Regulations or when there has been no comparison if a contract note in respect of such deals has not been rendered as provided in the Bye Laws, Rules and Regulations;
- c) Which arises from any arrangement for settlement of claims in lieu of bonafide 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 specified by the relevant authority.

7.20 ASSIGNMENT OF CLAIMS ON DEFAULTERS' ESTATE

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

7.21 PROCEEDINGS IN THE NAME OF DEFAULTER

The relevant authority shall be entitled to but not bound to take any proceedings in a court of law either in its own name or in the name of the defaulter as it may be advised for recovering any assets of the defaulter.

7.22 PAYMENT OF RELEVANT AUTHORITY

If any clearing member takes any proceedings in a court of law against a defaulter whether during the period of its default or subsequent to its re-admission to enforce any claim against the defaulter's estate arising out of any admitted deals in the market made subject to and in accordance with the Bye Laws, Rules and Regulations 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 for the benefit and on account of the creditor members having claims against such defaulter.

8. SETTLEMENT FUND

8.1 CLEARING HOUSE TO MAINTAIN SETTLEMENT FUND

1. The Clearing House shall maintain⁵⁹*[a minimum contribution of Rs. 10 (Ten) crores or such sum as may be specified by SEBI from time to time.]*
2. The relevant authority may prescribe from time to time the norms, procedures, terms and conditions governing each Settlement Fund which may inter-alia specify the amount of deposit or contribution to be made by each clearing member to the relevant fund, the terms, manner and mode of deposit or contributions, conditions of repayment of deposit or withdrawal of contribution from the fund, charges for utilisation, penalties and disciplinary actions for non-performance thereof.

8.2 CONTRIBUTION TOWARDS SETTLEMENT FUND

1. Each clearing member shall be required to contribute to and provide a deposit as may be determined from time to time by the relevant authority to the relevant Settlement Fund which shall be held by the Clearing House to be applied as provided in these Bye Laws, Rules and Regulations.
2. The relevant authority may specify the amount of contribution or deposit to be made by each clearing member and/or category of members, which may include inter alia the minimum amount to be provided by each clearing member.
3. The relevant authority may also specify such additions contribution or deposit that shall have to be provided towards the Settlement Fund from time to time to form part of the Settlement Fund.

8.3 FORM OF CONTRIBUTION/DEPOSIT

The relevant authority shall prescribe from time to time the form of contribution or deposit to the Settlement Fund. The relevant authority in its discretion, may permit a clearing member to contribute or provide the deposit either in the form of cash, securities, bank guarantee or by such other method and subject to such terms and conditions as may be specified from time to time.

8.4 REPLACEMENT OF DEPOSIT

By giving a suitable notice to the Clearing House and subject to such conditions as may be specified by the relevant authority from time to time, a clearing member may withdraw qualifying securities from pledge, or may cause the Clearing House to revoke an acceptable letter of credit or bank guarantee, which secured the clearing member's contribution or deposit towards the Settlement Fund, provided that the clearing member has, effective simultaneously with such withdrawal or revocation, deposited cash with, or pledged qualifying securities to the Clearing House or through such other mode as may be approved the Clearing House from time to time to satisfy his required contribution or deposit.

8.5 ADMINISTRATION AND UTILISATION OF THE SETTLEMENT FUND

⁵⁹ Existing clause 1 of bye-laws 8.1 is amended vide clause 31 of Gazette Notification in Part IV of weekly Gazette dated November 11- November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra.

1. The Settlement Fund shall be utilised for such purposes as may be provided in the Bye Laws, Rules and Regulations and subject to such conditions as the relevant authority may prescribe from time to time which shall include:
 - a) To defray the expenses of creation, maintenance and repayment of the Settlement Guarantee Fund;
 - b) Investment in such approved securities and other avenues subject to such terms and conditions as may be decided by the relevant authority from time to time;
 - c) The application of Settlement Fund to meet shortfalls and deficiencies arising out of the clearing and settlement of such deals as provided in the Bye Laws, Rules and Regulations.
 - d) The application of the Settlement Fund to satisfy any loss or liability of the Clearing House arising out of clearing and settlement operations of such deals as provided in these Bye Laws, Rules and Regulations.
 - e) Repayment of the balance after meeting all obligations under these Bye Laws, Rules and Regulations to the clearing member when he ceases to be a member pursuant to the provisions regarding the repayment of deposit;
 - f) Any other purpose as may be specified by the relevant authority from time to time.
2. Save as otherwise expressly provided in these Bye Laws, Rules and Regulations, the Settlement Fund shall not be utilised for any other purpose.
3. The Clearing House shall have full power and authority to pledge, re-pledge, hypothecate, transfer, create a security interest in, or assign any or all of the (i) Settlement fund cash, (ii) securities or other instruments in which Settlement fund cash is invested and (iii) qualifying securities pledged by a clearing member or letters of credit or any other instrument issued on behalf of a clearing member in favour of the Clearing House towards deposit to the Settlement Fund.

8.6 UTILISATION FOR FAILURE TO MEET OBLIGATIONS

In the event a clearing member failing to meet obligations to the Clearing House arising out of clearing and settlement operations of such deals as provided in these Bye Laws, Rules and Regulations, the relevant authority may utilise the Settlement Fund and other monies to the extent necessary to fulfil the obligation under such terms and conditions as the relevant authority may specify from time to time.

8.7 UTILISATION IN CASE OF DEFAULT

1. ⁶⁰*[In the event a clearing member is declared a defaulter and the clearing member fails to meet the clearing and settlement obligations to the Clearing House arising out of clearing and settlement operations of such*

⁶⁰ Clause 8.7 of Bye Law 8, Part B substituted vide clause 33 of Gazette Notification in Part IV of weekly Gazette dated November 11- November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra.

Prior to its substitution, Bye Law 8.7 read as under :

"In the event a clearing member is declared a defaulter and the clearing member fails to meet the clearing and settlement obligations to the Clearing House arising out of clearing and settlement operations of such deals as provided in these Bye Laws, Rules and Regulations, the relevant authority may utilise the Settlement Fund and other monies to the extent necessary to eliminate the obligation in the following order:

- a) *any amount that may be paid in the form of margin or any other payment of the defaulting member retained by the Clearing House for the purpose of the clearing and settlement; if this amount is not sufficient to settle the obligation,*
- b) *any contribution or deposit made by or bank guarantee arranged by the defaulting member to the Settlement fund, whether in the form of cash or securities or bank guarantee; if this amount is not sufficient to settle the obligation,*
- c) *the amount of security deposit, if any, made by the defaulting member to the specified Exchange to the extent not appropriated by the Specified Exchange towards the obligations of the defaulting member to it; if this amount is not sufficient to settle the obligation,*
- d) *the proceeds, if any, recovered from auctioning or transferring the membership of the defaulting member in the Specified Exchange, subject to deduction of the expenses relating or incidental to the auction, if this amount is not sufficient to settle the obligation,*

deals as provided in these Bye Laws, Rules and Regulations, the relevant authority shall utilise the Settlement Fund and other monies to the extent necessary to eliminate the obligation in the following order:

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

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

8.8 OBLIGATION TO BRING IN ADDITIONAL CONTRIBUTION OR DEPOSIT

1. If a pro-rata charge is made as mentioned in the above provision against a clearing member's actual contribution or deposit, and as a consequence the clearing member's remaining contribution and deposit towards the Settlement Fund is less than his required contribution and deposit, the clearing member shall contribute or deposit in the Settlement Fund, within such time as the relevant authority shall require the deficient amount.
2. If the clearing member shall fail to do so, the relevant authority may charge such interest, impose penalties and fines and take such disciplinary action against the clearing member as it may determine from time to time. Any disciplinary action which the relevant authority takes pursuant to the above provisions or involuntary cessation of membership by the clearing member shall not affect the obligations of the clearing member to the Clearing House or any remedy to which the Clearing House may be entitled under applicable law.

8.9 ALLOCATION OF THE CONTRIBUTION OR DEPOSIT

The allocation of each clearing member's contribution and deposit towards Settlement Fund to meet the losses or liabilities of the Clearing House incidental to the operation of that clearing member may be decided by the Clearing House at its discretion.

8.10 CESSATION OF THE CLEARING MEMBER

1. A clearing member shall be entitled to the repayment of deposit made by him to the Settlement Fund after :

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- e) *the profits available for appropriation in the respective year in which the default took place, if this amount is not sufficient to settle the obligation,*
 - f) *the retained earnings of the Clearing House including any reserves created for this purpose to the extent available, if this amount is not sufficient to settle the obligation,*
 - g) *the amount of contribution and deposit made by all categories of clearing members to the Settlement Fund in proportion to the total contribution and deposit made by each clearing member,*
 - h) *If the above amount is not sufficient, the balance obligation remaining after application of the above funds shall be assessed against the clearing members in the same proportion as their total contribution and deposit and clearing members shall be required to contribute or deposit in the Settlement Fund, within such time as the relevant authority shall require, the deficient amount."*

- a) the clearing member ceases to be a member, and
 - b) all pending deals at the time the clearing member ceases to be a clearing member which could result in a charge to the Settlement Fund have been closed and settled, and
 - c) all obligations to the Clearing House for which the clearing member was responsible while he was a member have been satisfied or, at the discretion of the relevant authority, have been deducted by the Clearing House from the clearing member's actual deposit; provided, however, that the clearing member has presented to the Clearing House such indemnities or guarantees as the relevant authority deems satisfactory or another clearing member has been substituted on all deals and obligations of the clearing member, and
 - d) a suitable amount as may be determined by the relevant authority at its discretion has been set aside for taking care of any loss arising from any document defects that may be reported in the future, and
 - e) a suitable amount as may be determined by the relevant authority at its discretion towards such other obligations as may be perceived by the Clearing House to exist or may be perceived to arise in future.
2. The relevant authority may specify rules for the repayment of deposit including the manner, amount and period within which it will be paid but at no point of time will the repayment exceed the actual deposit available to the credit of the clearing member after deducting the necessary charges from the same.
 3. Any obligation of a clearing member to the Clearing House unsatisfied at the time he ceases to be a clearing member shall not be affected by such cessation of membership.

8.11 RECOVERY OF LOSS AND RE-DISTRIBUTION

If a loss charged pro rata is afterward recovered by the Clearing House, in whole or in part, through insurance or otherwise, the net amount of the recovery shall be credited to the persons against whom the loss was charged in proportion to the amounts actually charged against them.

8.12 LIMITATION OF LIABILITY

The liability of the Clearing House resulting from the deemed contracts of clearing members with the Clearing House and to losses in connection therefrom be limited to the extent of contributions available to the Settlement Fund. The Clearing House of the Exchange shall not be liable for obligations of the non clearing member, obligations of the clearing member to another clearing member of the Clearing House towards deals to which the Clearing House is not a party or obligations to a constituent by a clearing member and losses in connection therefrom.

9. INVESTOR (CLIENT) PROTECTION FUND (FUND)

- 9.1 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).

9.2 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.

9.3 Composition of Fund:

The fund shall consist of,

- (a) such contributions from the Exchange as decided/directed by the SEBI, from time to time;

⁶¹*[(b) all penalties levied/ collected by the Exchange, except settlement related penalties (including penalties for delivery default), after deducting cost of administration subject to the limit as may be prescribed by SEBI and transferred to the Fund, from time to time;]*

- (c) interest, dividend or other income earned arising from investments of the Fund;
- (d) accretion arising from investments of the Fund;
- (e) any other money or property forming part of the Fund.
- (f) any contribution from the member of the Exchange, as may be stipulated by the Exchange from time to time.

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

The Exchange shall ensure that the funds are well segregated from that of the Exchange and that the Fund is immune from any liability of the Exchange.

9.4 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.

9.5 Accounts and Audit of the Fund:

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

9.6 Contributions to the Fund by the Exchange:

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

⁶¹ Existing Sub clause (b) of Clause 9.3 of Bye Law 9, Part B is deleted and substituted vide clause 34 of Gazette Notification in Part IV of weekly Gazette dated November 11-November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra. Prior to its substitution clause 9.3(b) read as under:

“(b) all penalties, except settlement related penalties levied/ collected by the Exchange and transferred to the Fund, from time to time;”

- (a) a sum equivalent to 1% of the turnover fee charged from the members of the Exchange or Rs.25,00,000/- (Rupees Twenty five Lacs only) whichever is lower in a financial year;
- (b) a sum of all penalties ⁶²*[except settlement related penalties,]* as and when levied and collected, after deducting the cost of the administration, not exceeding 10 per cent in total 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.

9.7 Contributions to the Fund By the Members:

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

9.8 Threshold limit for claim:

- (a) the Exchange shall be free to fix the suitable compensation limits, in consultation with the Trust. However, the maximum amount of compensation available against a single claim of an investor/Client arising out of default by a member of the Exchange shall be as prescribed by the Exchange subject to directives of SEBI, if any.
 - (b) the compensation payable shall not be more than actual amount payable to an investor/client subject to a maximum limit as decided by the Exchange or SEBI from time to time. The amount will be reduced by any amount or other benefits received or receivable by the investor / client from any source in reduction of the loss and by any amount payable by such investor / client to the defaulter member.
 - (c) the compensation payable in respect of claims against each Defaulter member shall be as prescribed by the Exchange provided however, such amount shall not exceed the maximum amount prescribed by SEBI.
- The Exchange shall disseminate the said compensation limit or any change thereof to the public through Press Release and also Circulars issued by the Exchange through its website. However, SEBI may review the amount of compensation available against a single claim of a client or against each defaulter member whenever they deem fit.
- (d) The Exchange, in consultation with the IPF Trust, shall review and progressively increase the amount of compensation available against a single claim of an investor, at least every three years.

9.9 Persons eligible for compensation from the Fund:

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

9.10 Eligible Claims under the Fund:

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

⁶² The words in italics and bracketed are Inserted vide clause 35 of Gazette Notification in Part IV of weekly Gazette dated November 11- November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra.

- (a) the Fund shall be utilized to compensate eligible/legitimate claims of an investor /Client arising out of transaction 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 IGRC.
 - 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.

9.11 Ineligible claims for compensation:

The Board of Directors of the Exchange or Defaulters' 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/Business Rules of the Exchange or in which the claimant has either not paid himself or colluded with the defaulter member in evasion of margin (including initial, VAR, tender period margin, delivery period margin, Special / Additional margins, etc., as applicable from time to time) payable on transactions or contracts in any commodity; or
- (b) any outstanding balance or any outstanding difference in previous transactions which has not been claimed at the proper time and in the manner prescribed in Bye-laws, Rules and Regulations/Business Rules of the Exchange and/or which arises from arrangement for settlement of claims in lieu of bona fide money payment in full or part on the day when such claims become due; or
- (c) a loan with or without security; or
- (d) a portfolio management services; or
- (e) collusive or sham transactions.
- (f) Claims received against a member shall not be considered eligible for compensation from IPF where;
 - a. the surplus fund of the defaulter member is returned to the defaulter member and;

- b. the claim has not been filed within the specified period.
- c. The claim has been filed after 3 years from the date of expiry of the specified period.

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

9.12 Procedure to be specified:

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

9.13 Scrutiny of the Claims by Defaulters Committee:

The Exchange shall process the claims in accordance with the procedure as may be laid down by the Defaulters Committee. In the event of an award being passed in favour of the Client and upon crystallizing the liabilities and if the assets of the defaulter member are insufficient to meet the approved claims, the Defaulters Committee shall forward the claims along with the recommendations to the Trust.

9.14 Determination of the nature of claims and payment :

The Trustees shall have an absolute discretion as regards the mode and method of assessing the nature of the claims including their genuineness and shall likewise at their discretion accept, reject, or partially grant or allow claims and make payment thereof subject to the limits therein mentioned, as they may deem fit and proper. The Trustees shall admit only such of the claims which are admitted by the Defaulters' Committee or 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 adopt the arbitration mechanism at the Exchange for determining the legitimacy of the claims received from the claimants. The Trustees may also seek the advice of the Defaulters' Committee before sanctioning and releasing the payments to be made to the claimants.

9.15 Decision of the Trustees shall be Final:

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

9.16 Appeal:

If any claim not entertained by the Defaulters' Committee or rejected by the Trustees, the claimant may prefer an appeal before the Board of Directors of the Exchange or any Sub-committee of the Board of Directors of the Exchange, constituted in this behalf.

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

The Board of Directors of the Exchange or such Sub-committee of the Board of Directors of the Exchange, shall be entitled to call upon the 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.

9.17 Charge on Defaulter's Assets:

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

9.18 Proceedings by the Board of Directors of the Exchange:

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

9.19 Claim Not To Affect Legal Proceedings:

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

9.20 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.

9.21 ⁶³ [Utilization of the Interest income:

⁶³ The words in italics and bracketed are inserted vide clause 36 of Gazette Notification in Part IV of weekly Gazette dated November 11- November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra.

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.]

9.22 Repayment by Payee Disentitled to Receive:

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

9.23 Cost /Expenses of the Administration of the Fund:

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

- b. the sitting fees, conveyance and other expenses, etc., of the Trustees
- c. remuneration/wages of the employees of the Trust,
- d. fees of auditors, Chartered Accountants, Legal Advisors, Lawyers
- e. all rates, taxes, Cess, assessments, dues and duties, if any payable in respect of any Trust Property, income , collection, investment, contributions, and services,
- f. 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.
- g. 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
- h. 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.

9.24 Loss to Fund Investments:

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

9.25 Secretariat:

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

9.26 Indemnity:

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

9.27 Correspondence:

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

9.28 Liability of the Fund:

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

9.29 Unutilised Fund in case of Winding UP:

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

9.30 Discretionary Nature of Fund:

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

9.31 Bar on Assignment:

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

9.32 Claim on the direction of any other authority on the Fund:

Claim on the direction of any other authority on the Fund may be routed through the ⁶⁴
[SEBI].

9.33 Liability of Member Unaffected by Cessation or Suspension of Membership:

⁶⁴ In Clause 9.32 of Bye Law 9, Part B, the word "Securities Laws" deleted and substituted with the word "SEBI.", vide clause 37 of Gazette Notification in Part IV of weekly Gazette dated November 11-November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra.

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.

9.34 Action for Failure to Pay to Fund:

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

9.35 Powers of the Trust to recall any amount:

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

9.36 Arbitration:

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

10. 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.