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[1][In exercise of the powers conferred by Section 11 of the Forward Contracts (Regulation) Act, 1952 (74 of 1952), and with the previous approval of the Forward Markets Commission, the Multi Commodity Exchange of India Limited makes the following Bye laws, namely:-]

1. PREAMBLE

1.1 These Bye-Laws shall be known as "The Bye-Laws of Multi Commodity Exchange of India Limited, Mumbai" and are for the sake of brevity and convenience, herein referred to as "these Bye-Laws" or "the Bye-Laws of the exchange".

1.2 [2][These Bye-laws shall come into force with effect from such date as the Forward Markets Commission established by the Government of India in accordance with the Forward Contracts (Regulation) Act, 1952 (hereinafter referred to as "the Commission") and Board of Multi Commodity Exchange of India Limited, (hereinafter referred to as "the Exchange") may notify in that behalf.]

1.3 [3][**Other Laws Applicable**

These Bye-Laws shall be in addition to the provisions of the Forward Contracts (Regulation) Act, 1952, the Forward Contracts (Regulation) Rules, 1954, and the Rules made by the Exchange there under. These Bye-laws shall at all times be read subject to the provisions of the Forward Contracts (Regulation) Act, 1952 (hereinafter referred to as "FCRA"), the Forward Contract (Regulation) Rules, 1954, (hereinafter referred to as "FCRR"), as amended from time to time and the Rules, Business Rules/Regulations of the Exchange, directives, orders, guidelines, norms and circulars issued by the Government of India and/or Forward Markets Commission from time to time.

1.4 [4][**Precedence of Forward Contracts (Regulation) Act, 1952 / Forward Contracts (Regulation) Rules, 1954 over Business Rules / Regulations**

In case of difference between the provisions of any Bye laws, Rules and Business Rules/ Regulations of the Exchange and the provisions of the Forward Contracts (Regulation) Act, 1952 or the Forward Contracts (Regulation) Rules, 1954, the provisions of Forward Contracts (Regulation) Act, 1952/Forward Contracts (Regulation) Rules, 1954 shall prevail.]

[1] Inserted as per FMC approval dated 06.08.2010 w.e.f. 25.09.2010 vide Gazette of India notification.

[2] Substituted as per FMC approval dated 06.08.2010 w.e.f. 25.09.2010 vide Gazette of India notification.

[3] Substituted as per FMC approval dated 06.08.2010 w.e.f. 25.09.2010 vide Gazette of India notification.

[4] Substituted as per FMC approval dated 06.08.2010 w.e.f. 25.09.2010 vide Gazette of India notification.

2. DEFINITIONS

2.1 Unless in the context it is explicitly stated otherwise, all words and expressions used herein but not defined herein, shall have the same meanings as specified in the following:

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

2.1.2 Rules, Memorandum and Articles of Association of Multi Commodity Exchange of India Limited.

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

2.3 With regard to the Bye-Laws of the Exchange, if not inconsistent with or repugnant to the subject or context hereof, the following words and expressions shall have the meanings given hereunder:

2.3.1 'Additional margin' means any additional margin deposit that is required from the contracting parties to establish and/or to maintain a position in a contract.

2.3.2 'Approved Office' means the registered office of the exchange member, including such premises or offices from where the member is allowed by the Exchange to trade and/or clear on the automated trading system or any other trading system of the Exchange and/or to carryout back office activities.

2.3.3 'Approved User' is an individual approved by the Exchange in accordance with the Bye-Laws, Rules and Regulations of the Exchange. The term 'user' may be used interchangeably with the term 'approved user'.

2.3.4 "Articles" means the Articles of Association of Multi Commodity Exchange of India Limited and includes any modification or alteration thereof for the time being in force.

2.3.5 "Authorized Person" means and includes any person whether being an individual, (including proprietors), a partnership firm as defined under the Indian Partnership Act, 1932, a Limited Liability Partnership (LLP), as defined under the Limited Liability Partnership Act, 2008, body corporate as defined under the Companies Act, 1956, or a Co-operative Society as defined under the Co-operatives Societies Act, 1912/ Multi State Co-operative Societies Act, 2002/ any other respective State/UT Co-operative Society Act (including federations of such co-operative societies), who is appointed as such by a Member of the recognized Exchange upon the approval of the Exchange, for providing access to the trading platform of the Exchange, as an agent of the Member of the Exchange. 1

2.3.6 'Authorised representative of a member' means a person authorised by a member to represent and act on behalf of that member and registered as such under the Articles of Association, Bye-Laws, Rules and Regulations of the Exchange.

2.3.7 'Automated Trading System of the Exchange' means the computerized system provided by the exchange for trading in contracts permitted by the Exchange, access to which is made available to an exchange member, for use either by himself or by his authorised persons, participants, authorised users and clients, and which makes available, quotations in the contracts

[1] Amended as per FMC approval dated July 01, 2013 as published in Gazette of India, Part IV, dated November 23, 2013

traded on the Exchange, facilitates trading in such contracts and disseminates information regarding trades effected, volumes transacted, other notifications, etc., as may be decided to be placed thereon by the Relevant Authority. The Automated Trading System shall hereafter be referred to as "ATS".

2.3.8 "Basis" variety or grade is the description of a standard variety or grade for a commodity permitted for trading in its futures contract at the exchange as specified in the contract specifications laid down in the Rules and/or Regulations of the Exchange and which is deliverable without any "on" or "off" allowance.

2.3.9 'Bank' means a scheduled commercial bank or a foreign bank licensed to carry on the business of a bank in India by the Reserve Bank of India.

2.3.10 'Board' means the Board of Directors of the 'Multi Commodity Exchange of India Limited' and may be referred to as the Governing Board.

2.3.11 'Books of Accounts, Records and Documents' include books of accounts, records and documents which are required to be maintained under the Forward Contracts (Regulation) Act, 1952 and the Rules framed thereunder, and the Bye-Laws, Rules and Regulations of the Exchange and the Clearing House and includes the records maintained in a computer or in any electronic or other form of the member of the Exchange.

2.3.12 'Branch Office' in relation to an exchange member means any establishment described as a branch, any establishment carrying on either the same or substantially the same activity as that carried on by the head office, except the offices of the clients trading through the exchange member who has trading rights in the exchange.

2.3.13 'Buy Order' means an order to buy a contract permitted for trading on the exchange.

2.3.14 'Buyer' means and includes, unless the context indicates otherwise, the buying client, the buying exchange member acting either as an agent on behalf of the buying client or buying on his own account.

2.3.15 [1]['Bye-laws' mean the Bye-laws of the Exchange made pursuant to the provisions of the Forward Contracts (Regulation) Act, 1952 read with Forward Contracts (Regulation) Rules, 1954, as approved by the Commission.]

[2][2.3.15 (a) 'Business Rules/ Regulations' mean the Business Rules/ Regulations of the Exchange for the time being in force and include Code of ethics /conduct/governance, Circulars, Notices and such other Regulations prescribed by the Board of Directors or Relevant Authority from time to time for the operations of the Exchange and these shall be subject to the provisions of the Forward Contracts (Regulation) Act, 1952, Forward Contract (Regulation) Rules, 1954, directives issued by the Commission and Bye-laws and Rules of the Exchange.]

2.3.16 'Certified warehouse receipt' means a receipt issued under the authority of the Exchange or any agency approved by the exchange as a certified warehouse, evidencing proof of ownership of a stated quantity of commodities of a stated grade and quality by the beneficial owner or the

[1] Substituted as per FMC approval dated 06.08.2010 w.e.f. 25.09.2010 vide Gazette of India notification.

[2] Inserted as per FMC approval dated 06.08.2010 w.e.f. 25.09.2010 vide Gazette of India notification.

holder of the certified warehouse receipt. Certified warehouse receipt may either be in physical form or in dematerialized/ electronic form as may be permitted by law.

2.3.17 'Certified warehouse' means a warehouse approved and designated by the Exchange for making deliveries to and taking deliveries from for fulfilling contractual obligations resulting from transactions in commodity contracts.

2.3.18 'Chairman' means the Chairman of the Board of Directors of Multi Commodity Exchange of India Limited.

2.3.19 'Chief Executive Officer' means the Chief Executive Officer of the Exchange appointed by the Board.

2.3.20 'Circular Trading' means and relates to trading by a client or an exchange member or a group of related exchange members and/or their clients, normally through more than one exchange member and executing trades, with one or more entities of this group entering buy orders and on the other side one or more entities of the same group and/or with other unconnected entities in the market entering sell orders or vice versa with a design to manipulate the price of a contract and/or to create artificial volumes in a contract.

2.3.21 'Clearing Agency' means and includes the Clearing House and/or Clearing Corporation, whose services are availed of by the Exchange, for carrying out clearing, guaranteeing and settlement by delivery or otherwise of transactions effected on the Exchange.

2.3.22 'Clearing Bank' means a bank that is designated or appointed to provide banking and other facilities to the Exchange, the Clearing House of the Exchange and members of the Exchange to facilitate clearing and settlement functions.

2.3.23 'Clearing Delivery in relation to settlement of transactions effected on the Exchange' means clearing and settlement of such transactions by delivery through the Clearing House or Clearing Corporation in the manner prescribed in the Bye-Laws, Rules and Regulations of the Exchange.

2.3.24 'Clearing House' means the division of the Exchange, or an entity designated as such by the Exchange, providing the services of settlement of transactions to the exchange members, and guaranteeing settlement by delivery or otherwise of the obligations to the clearing members, on behalf of the Exchange.

2.3.25 'Clearing member' means a trading cum clearing member or an institutional clearing member of the Exchange who has the right to clear transactions in contracts that are executed in the trading system of the Exchange.

2.3.26 'Client' means a person who has executed an agreement with a member of the Exchange for dealing through such member in contracts permitted on the Exchange.

2.3.27 'Committee' means any committee appointed by the Governing Board empowering it to perform such functions as the Board may determine from time to time, including framing of Rules and Regulations.

2.3.28 'Company' means Multi Commodity Exchange of India Limited and shall also

be referred to as MCX or the Exchange.

2.3.29 'Contract month, Delivery month, Contract period' means that month in which contractual obligations in respect of forward/futures contracts are due for fulfillment by the parties to the contract. Explanation: Contract Months shall be referred as 'contracts' in these Bye-Laws. For example, a futures contract for settlement in the month of May can be referred to as May Contract.

2.3.30 'Contracts' shall mean and include all types of contracts in commodities, price indices, securities mentioned in the Objects clause of the Memorandum of Association of the Company and are specifically approved by the Forward Markets Commission and the Company for trading on the Exchange and include the derivatives of all or any of such contracts permitted for trading on the Exchange.

2.3.31 'Cross Deals' mean and include deals in which the same exchange member is both on buy and sell sides of a trade and where the buy and sell orders have been entered into within such time, as may be specified by the Relevant Authority from time to time, and where the price of both the orders is the same and where the quantity is by and large the same.

2.3.32 'Daily Official List' means the publication in whatever mode, including an electronic mode, issued by or under the authority of the Exchange, which contains details of prices and quantities of the commodity contracts traded on any given day, and any other relevant information.

2.3.33 'Days of tender' mean the days on which relevant delivery documents and certified warehouse receipts are permitted to be presented to the Clearing House of the Exchange.

2.3.34 'Delivery centers' are the centres where the commodities permitted for trading on the Exchange can be delivered by the seller against his outstanding short open position during the delivery period through issue of delivery orders.

2.3.35 'Delivery order' means an order issued by a seller in the prescribed form in favour of the Clearing House offering delivery of goods at one or more permitted delivery centres in fulfillment of his obligation against an expiring contract.

2.3.36 'Delivery order rate' means the rate at which delivery order shall be issued to the Clearing House on the designated tender day or on the contract expiry date.

2.3.37 'Delivery' means the tender and receipt of warehouse receipts/ or any other document of title to goods by issue of delivery order in settlement of a contract.

2.3.38 'Deputy Managing Director' means the Deputy Managing Director appointed by the Board.

2.3.39 'Derivatives Contract' shall mean and include a contract which derives its value from the prices, or index of prices, of underlying commodities, the trading of which is carried out in such manner as provided under these Bye-Laws, Rules and Regulations. Explanation: For the purpose of this definition, derivative includes a contract, whose value is derived from a commodity, commodity price or prices, or an index based on the prices of commodities or commodity contracts as may be specified by the Exchange.

2.3.40 'Delivery Period' means the period during which the commodities are tendered in terms of the contracts in fulfillment of the transactions executed under the Byelaws, Rules and Regulations of the Exchange, or under the orders issued in exercise of the powers vested by any of them, and includes tender days as prescribed by the Exchange for different contract months.

2.3.41 'Directors' mean the Directors of Multi Commodity Exchange of India Limited for the time being.

2.3.42 'Due Date/Contract Expiry Day/Contract Maturity Day' means the maturity date (last day) on which a specific contract in a specific commodity expires and is not available for trading thereafter.

2.3.43 'Due Date Rate' means the settlement price fixed for squaring up (closing out) of all the outstanding contracts in a contract month on the due date, which are not fulfilled by giving or taking delivery.

2.3.44 'Exchange' means Multi Commodity Exchange of India Limited and the premises and/or the system for executing transactions in ready, forward or futures delivery contracts in commodities that are permitted and/or approved by the Forward Markets Commission

2.3.45 'Exchange Member – Client Agreement' means an agreement, which is executed between an Exchange member and his client, in the form and manner prescribed by the Exchange from time to time

2.3.46 'FCRA and FCRR' mean the Forward Contracts (Regulation) Act, 1952 and Forward Contracts (Regulation) Rules, 1954 respectively.

2.3.47 'Financial year' means year commencing from 1st April and ending with 31st March of the following year.

2.3.48 'Financing' or 'Financial Deals' mean and include deals entered into by two exchange members for a client or a group of clients under the same exchange member and/or different exchange members, normally done to secure payment against the first leg of a transaction, which is carried out between the client and the exchange member on principal-to-principal basis.

2.3.49 'Forward contract' means the forward contract as defined in the Forward Contracts (Regulation) Act 1952, namely a contract for the delivery of goods and which is not a ready delivery contract.

2.3.50 Forward Markets Commission' or 'Commission' or 'FMC' shall mean the Forward Markets Commission established by the Government of India in accordance with the Forward Contracts (Regulation) Act, 1952.

2.3.51 'Futures Contract' means a forward contract (that is neither a non-transferable specific delivery contract nor a transferable specific delivery contract as defined in the FCRA), the terms, conditions and specifications regarding the quality of 'basis' and 'tenderable varieties', delivery centers, delivery months, payment with "on" and "off" allowances, as the case may be, for delivering varieties other than the 'basis' variety, unit of trading and quotation, etc. are so standardized in all their details in the Byelaws, Rules and Regulations of the Exchange for specified commodities and price indices that the parties to such a contract have merely to agree on only the quote and quantity to be traded for delivery and settlement in the trading system of the Exchange so as to tender such agreement to buy and sell the underlying commodity or price index enforceable in law, and is in no way void, voidable or illegal under any law in force for the time being.

2.3.52 'Gross open interest' means the sum of the open interest of the market aggregated over all contract months pertaining to all commodities.

2.3.53 'Gross open position for a contract month' or 'Outstanding obligations in a contract' means the sum of either the long positions or the short positions which remain to be settled in that contract for the contract month.

2.3.54 'Hours' refer to hours based on Indian Standard Time (IST).

2.3.55 'Institutional clearing member' shall mean a member of the Exchange who has the right to clear transactions in contracts that are executed on the trading system of the Exchange by trading members. An institutional clearing member shall not have the right to trade on the trading system of the Exchange for themselves or their clients.

2.3.56 'Last day of trading' means the day on which trading ceases for a particular contract month in a specific commodity and after which trading is not permitted.

2.3.57 'Limit Order Book' is a book maintained on the ATS or any other trading system of the Exchange, which stores unmatched limit orders for matching on the day of entry of the order on the ATS.

2.3.58 'Limit Order', in the case of a buy order, means the rate at or below which the order may be matched on the ATS and in the case of a sell order means the rate at or above which the order may be matched on the ATS.

2.3.59 'Long Position' means the net outstanding purchase obligations of a person, whether a member or not, in respect of his transactions in a contract month for a commodity or its price index at any given point of time, whose settlement is yet to be effected

2.3.60 'Managing Director' means the managing director of the Company appointed by the Board in accordance with the provisions of the Articles of Association of the Exchange

2.3.61 'Margin' means a deposit or payment of cash/other specified assets/documents to establish or maintain a position in a contract and includes initial margin, special margin, ordinary margin, delivery period margin, additional margin and variation margin or any other type of margin as may be determined by the Exchange from time to time.

2.3.62 'Market Maker' means an exchange member registered on such terms and conditions, as may be prescribed in these Bye-Laws, Rules and Regulations, for making a market in the specific commodities and/or contracts assigned to such member and on such terms and conditions as may be prescribed by the Exchange from time to time. Explanation: Market maker shall offer at all times during the trading hours of the Exchange, quotations for both buying and selling of contracts in specific commodities as determined by the Exchange for him.

2.3.63 'Market Order' means an order for a specified quantity of a contract to be bought or sold at the best available order/quote prevailing on the trading system(s) of the Exchange at the time of entry of the order on the trading system(s) of the Exchange.

2.3.64 'Market Type' means and refers to the different markets in which trading is allowed on the ATS or any other trading system allowed by the Exchange.

2.3.65 'Mark-to-market' means a process by which all the transactions executed in the exchange for a contract month are priced at the settlement price decided by the Clearing House and on the basis of which receipts and payments are effected by the Clearing House.

2.3.66 'Member of the Exchange' or 'Exchange Member' means a person, a sole proprietary, joint Hindu family, a partnership firm, a company (as defined under the Companies Act), a co-operative society, a body corporate or public sector organization or statutory corporation or a government department or non-government entity or any other entity admitted as such by the Exchange for trading, clearing or settlement of contracts permitted in the Exchange and shall not mean a shareholder of the Company unless expressly stated. Membership of the Exchange in this context shall not mean or require or entitle shareholding in the Company.

2.3.67 'Month' means a month reckoned according to the English calendar.

2.3.68 'Net open interest of the market' means the sum of either the long or short net open positions aggregated over all contract months pertaining to all commodities, without any netting of the positions of one contract month with another contract month.

2.3.69 'Net open position of a person in a commodity for a contract month' means a) the total of long positions that remain to be settled less the total of short positions that remain to be settled if the long positions exceed the short positions and b) the number of short positions that remain to be settled less the number of long positions that remain to be settled if the short positions exceed the long positions.

2.3.70 'Open interest of the market for a specified contract month' means the total volume of transactions in a contract for a contract month, which remain to be settled. Open interest of the market is equal to either the total long positions, which remain to be settled or the total short positions, which remain to be settled in that contract for the specified contract month, the two being always equal.

2.3.71 'Order' means an offer to buy or sell any contract through the ATS or any other trading system permitted by the Exchange for specific commodities.

2.3.72 'Ordinary margin' means the margin deposit that is required from the contracting parties to establish a position in a contract month and may be called as initial margin.

2.3.73 'Participant' means and refers to an entity registered as such in accordance with these Bye-Laws, Rules and Regulations framed from time to time for such purpose and subject to such terms and conditions, as may be prescribed by the Relevant Authority.

2.3.74 'Pay-in', in respect of transactions done on the Exchange, means making available funds to the clearing agency by the exchange members in accordance with the applicable settlement schedule notified by the clearing agency from time to time.

2.3.75 'Pay-in Date' means the date and time prescribed by the Exchange or its clearing agency for each settlement by which date and time, exchange members are required to perform their obligations by way of payment of funds as applicable, to the clearing agency.

2.3.76 'Pay-out', in respect of transactions done on the Exchange means release of

funds by the clearing agency to the exchange members who become entitled to receive them to the extent of and upon their fulfilling their pay-in obligations into the clearing agency, in accordance with the applicable settlement schedule notified by the Exchange or clearing agency from time to time.

2.3.77 'Pay-out Date' means the date and time prescribed by the Exchange or clearing agency for each settlement on which date and time, the clearing agency shall be required to release funds to the respective accounts of the exchange members and/or clients.

2.3.78 'Quote' means a bid price and/or an offer price given by an exchange member for a contract on the ATS or any other trading system allowed by the Exchange.

2.3.79 'Rate' means the price of unit of quote specified in the contract specifications for a contract transacted on the ATS or any other trading system allowed by the Exchange.

2.3.80 'Ready delivery contract' means a contract as defined in the Forward Contracts (Regulation) Act, 1952.

2.3.81 'Registered Non-Member' (RNM) means a client of a member of the Exchange who is registered with the Exchange to transact in contracts in specified commodities permitted by the exchange for such registered non-member through that exchange member.

2.3.82 '**Relative'** means a person who is a relative within the meaning assigned under the Companies Act, in force from time to time.

2.3.83 [1]['**Relevant Authority**' means the Board including its committee thereof and any committee appointed by the Board or such authority as specified by the Board from time to time as relevant for a specified purpose.]

2.3.84 '**Relevant Contracts'** mean Contracts pertaining to the relevant trading segment of the Exchange

2.3.85 **Retention Period**, in relation to an order, means the period, up to which the unmatched quantity of an order is to be retained on the ATS or any other trading system of the Exchange, as a standing limit order in the limit order book.

2.3.86 [2]['**Rules**' means the Rules of the Multi Commodity Exchange of India Limited approved by the Forward Markets Commission under the Forward Contracts (Regulation) Act, 1952.]

2.3.87 '**Secretary'** shall mean a Company Secretary as per the Companies Act.

2.3.88 '**Sell Order'** means an order to sell a contract permitted for trading on the Exchange.

2.3.89 '**Seller'** means and includes, unless the context indicates otherwise, the selling client, and the selling exchange member acting as an agent on behalf of such selling client and denotes the selling exchange member when he is dealing on his own account.

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[1] Substituted as per FMC approval dated 06.08.2010 w.e.f. 25.09.2010 vide Gazette of India notification.

[2] Substituted as per FMC approval dated 06.08.2010 w.e.f. 25.09.2010 vide Gazette of India notification.

2.3.90 '**Settlement Day'** means the day fixed by the Relevant Authority for members of the Exchange to settle their transactions as per instruction of the Exchange.

2.3.91 'Settlement price for a contract and a contract month' means the price of a contract for the purpose of payment of differences (or dues) pertaining to all fresh and outstanding position that remain to be settled. Settlement price shall be determined for the settlement days and shall be based on price quotations of transactions executed in accordance with the Bye-Laws, Rules and Regulations of the Exchange and other information available on the daily official list.

2.3.92 'Short Position' means the net outstanding sell obligations of a person, whether a member or his client, in respect of his transactions in a contract month for a commodity or its price index, at any given point of time, whose settlement has yet to be effected.

2.3.93 'Special margin' means the margin deposit that is required from the contracting parties to hold a position in a contract as specified by the Relevant Authority empowered in this behalf and/or as directed by the Forward Markets Commission.

2.3.94 'Standing Committee' means a committee constituted and empowered by the Board under the Bye-Laws, Rules and Regulations for the management of the business and regulatory affairs of the Exchange. .

2.3.95 'Standing Order' means an unmatched order, which is retained on the ATS or any other trading system of the Exchange in the limit order book.

2.3.96 'Structured Deals' mean and are similar to cross deals except that the exchange members on the buy and sell sides of the trade are different.

2.3.97 Tenderable or Deliverable varieties or grades are varieties or grades other than 'basis' variety or grade which are permitted by the Exchange to be delivered or tendered against a futures contract for a commodity traded on the Exchange with or without the "on" and "off" allowances as may be prescribed from time to time by the Relevant Authority under these Bye-Laws and Rules and Regulations of the Exchange.

2.3.98 'To Input' means to transmit an order to buy or sell a contract from a trader workstation (TWS) of an exchange member and any other information, as may be required, into the ATS.

2.3.99 'To Match' means an order to sell or a part of an order to sell which matches with an order to buy or a part of an order to buy, or vice versa, in terms of price and quantity, either in part or full, and resulting into a trade.

2.3.100 'Touch Line' means the best bid and offer, together with the related quantity for buy and sale, displayed on the TWS.

2.3.101 'Trade' means a transaction for purchase and sale of a contract resulting from the matching of a bid to buy or a part of a bid to buy with an offer to sell or a part of an offer to sell, or vice versa on the ATS or any other trading system permitted by the Exchange.

2.3.102 'Trader Work Station' (hereafter referred to as "TWS") means a computer terminal of an exchange member which is approved by the Exchange and which is installed and connected to the ATS or any other trading system of

the Exchange, for the purpose of trading on the Exchange.

2.3.103 'Trading Member' is a member of the Exchange admitted in accordance with the Bye –Laws, Rules and Regulations, of the Exchange for trading in futures contracts and, or their derivatives for one or more specified commodities or securities on his own account or on account of his clients, but without having clearing and settlement rights.

2.3.104 'Trading Period' means the duration of a contract prescribed by the exchange during which a contract will be available for trading. Explanation: If the May 2003 contract in a commodity is made available for trading from January 15, 2003, the period between January 15, 2003 till the contract expiry date in the month of May shall be the trading period for the May contract.

2.3.105 'Trading system' means such spaces, systems and networks as the Company may from time to time determine and which shall be notified by the Board as reserved for trading in contracts for specific commodities permitted on the exchange, and also includes its trading segments.

2.3.106 'Trading Segment' or 'Segments' mean the different segments or divisions into which the commodities, contracts and centres of trading are admitted to dealings on the Exchange, as classified by the Relevant Authority for admission of members to the exchange and for the purpose of trading on the ATS or any other trading system approved by the Exchange.

2.3.107 'Trading session of a working day' means the hours of that day during which the sale and purchase of contracts are permitted by the Exchange.

2.3.108 'Trading-cum-clearing member' means a person who is admitted by the Exchange as a member of the Exchange conferring a right to trade and clear through the Clearing House of the Exchange as a clearing member and who may be allowed to make deals for himself as well as on behalf of his clients and clear and settle such deals only.

2.3.109 ' **Underlying'** or 'underlying commodity' means the commodity with reference to which ready, forward, futures and other contracts are permitted to be traded by the Exchange from time to time.

2.3.110 'Unit of Trading' means the minimum quantity of a contract that can be purchased or sold, as may be specified by the Exchange, from time to time in the contract specifications for a commodity.

2.3.111 'Unit of Quotation' means the specified quantity of a commodity for which the bid or offer price may be given by an exchange member for a contract month.

2.3.112 'Variation margin' means the difference between the contractual monetary value of a contract and the monetary value of the contract determined at the settlement price.

2.3.113 'Warehouse' means and includes any place of storage, godown, warehouse, tank, silos, store house, where the commodities traded on the Exchange are stored.

2.3.114 'Warehouse Receipt' means a document, whether in physical or electronic form evidencing a commodity being held in the approved warehouse.

2.3.115 'Working day' means a day on which the sale and purchase of contracts is permitted by the Exchange.

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

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3. PRELIMINARY

3.1. [1][Subject to the provisions of these Bye-laws, the Articles of Association and Rules of the Exchange, Relevant Authority shall have powers to frame Business Rules/Regulations from time to time for efficient functioning and operations of the Exchange and to regulate the functioning and activities of the Members of the Exchange, their authorized representatives or persons, approved users, Clearing House or Clearing Corporation, Clearing Banks, and all other persons operating under or through them or dealing with them both inter-se and in relation to the Exchange and, determine trading and delivery specifications for contracts in commodities and price indices and their derivatives permitted for trading on the Exchange, including method of trading, clearing, settlement and other operations related thereto. The Relevant Authority, from time to time, amend, add to, alter, modify, delete or repeal any of the provisions of the Business Rules/Regulations, as may be deemed necessary or appropriate or if so desired or directed by the Forward Markets Commission. Without prejudice to the generality of the Bye-laws of the Exchange, Rules, Business Rules/ Regulations shall provide inter alia for necessary authorization for taking care of operational requirements, which need to be enforced with immediate effect.

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

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

3.1.1 TRADING, CLEARING AND SETTLEMENTS ON THE EXCHANGE Subject to the foregoing Byelaw, the Board or the Committee empowered for the purpose may provide for Rules, Regulations or issue orders for:

3.1.1.1 TRADING ON THE EXCHANGE

a. Determination of trading sessions and proceedings in such trading sessions on the ATS of the Exchange or any other trading system allowed by the Exchange, for specified commodities, price indices or their derivatives permitted by the Exchange.
b. Allotment of TWS to the exchange members and appointment of approved users.
c. Determination of units of quotation and trading and variations in bids and offers and minimum and maximum size of orders.
d. Determination of 'basis' variety and deliverable varieties for different

[1] Substituted as per FMC approval dated 06.08.2010 w.e.f. 25.09.2010 vide Gazette of India notification.

commodities, "on" and "off" allowances for tendering varieties other than the basis, contract (delivery) months, delivery periods, delivery centres, tender days and the other appropriate terms and conditions of contracts to be entered into for different commodities, the forms of contracts, the time, mode and manner of performance of the contracts between members of the exchange inter-se, between clients of the exchange member inter-se, and between members of the Exchange and clients inter-se.

e. Determination of the transaction and clearing fees payable by the members of the Exchange for trading in different commodities and other charges that may be collected by the Exchange from members, registered non- members, participants, approved users, etc.
f. Suspension of trading in one or more contracts permitted for trading in the Exchange.
g. Procedure for settlement of disputes relating to quality, price and delivery
h. Determination of the Due Date Rate and Penalties for non-fulfilment of contracts by giving or receiving deliveries on the due date.
i. Norms, procedures, terms and conditions, incidental to or consequential to transfer and closing out of contracts.
j. Manner of operations and interface with the Clearing House and the clearing banks of the Exchange.

3.1.1.2 TRANSACTIONS IN EXCHANGE SUBJECT TO RISK MANAGEMENT & SURVEILLANCE

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

3.1.1.3 CLEARING AND SETTLEMENT OF TRANSACTIONS

a Procedure for determination of settlement prices.
b. Procedure of marking-to-market, delivery, payment and closing- out of transactions in contracts where trading allowed.
c. Clearing and other settlement forms and returns, delivery and receive orders, statement of accounts and balance sheet, norms and procedures for clearing and settlement of transactions and delivery and payment.
d. Norms and procedures for establishment and functioning of Clearing House for clearing and settlement of trades.
e. Supervision of Clearing House and framing of Rules and Regulations for supervision of clearing and settlement activities of the members of the exchange
f. Norms and procedures for availing of banking services from clearing banks for clearing and settlement of trades
g. Norms and procedures for availing services from warehouses and warehouse keepers for physical delivery of commodities and from quality certification agencies or laboratories for quality specifications of commodities deposited with warehouse keepers and of commodities tendered for delivery against contracts traded in the exchange.
h. Any other matter relating to clearing and settlement of transactions and deliveries thereto, including surveys and sampling for quality

testing.

i. Appointment of surveyors, quality testing laboratories and other appropriate authorities and agencies for settling quality disputes arising out of deliveries.

j. Procedure for dissemination of information and announcements to be broadcasted by the Exchange on the ATS, or its computer system or internet.

k. Issue of guidelines for advertisements, booklets or circulars to be published by the members of the Exchange in connection with their business activities.

l. Appointment of monitoring, surveillance and intelligence agencies for monitoring trading at the Exchange in contracts for different commodities

m. Any other matter, as may be decided by the Governing Board or Relevant Authority from time to time.

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

a. Norms, procedures, terms and conditions for contribution by members of the Exchange and others to Settlement Guarantee Fund, Client Protection Fund or any other fund that may be established by the Exchange or Clearing House of the exchange or any clearing corporation set up or approved by the Exchange.

b. Administration, utilization, maintenance and investment of the corpus of the Settlement Guarantee Fund, Client Protection Fund or any other fund established by the Exchange or Clearing house or clearing corporation, set up or approved by it.

c. Norms, procedures, terms and conditions for guaranteeing of settlement obligations of the members of the Exchange through the Settlement Guarantee Fund.

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3.1.2 **CONCILIATION AND ARBITRATION** In all claims, differences and disputes, irrespective of whether the Exchange is a party or not, arising out of or in relation to transactions on the Exchange including any agreements and contracts, made subject to these Bye-Laws or the Rules or Regulations of the Exchange or with reference to anything incidental thereto or in pursuance thereof or relating to their validity, construction, interpretation, fulfillment or the rights, obligations and liabilities of the parties thereof and including any question of whether such agreements, contracts and transactions have been entered into or not, the parties shall adopt conciliation proceedings subject to the provisions of these Bye-Laws and the Arbitration and Conciliation Act, 1996. In case the conciliation proceedings do not result in any settlement, the dispute shall be referred to and decided by arbitration, as provided in these Bye-Laws and Rules and Regulations as prescribed by the Board or the committee appointed for the purpose from time to time. For that purpose, the Board or such committee may provide for.

3.1.2.1 Norms, procedures, forms, jurisdiction, terms, conditions and scale of arbitration fees and other charges for reference to arbitration.

3.1.2.2 Appointment of conciliation officers, arbitrators, substitute arbitrators and umpires

3.1.2.3 Procedure for serving notice of hearing and adjournment of hearings and communications to the parties and witnesses.

3.1.2.4 Procedure for appearance, hearing, filing of information and counter claims and taking witnesses and evidence of assessors and experts

3.1.2.5 Procedure for issue of arbitration awards

3.1.2.6 Procedure for implementation of arbitration awards.

3.2 POWER TO PRESCRIBE ENABLING PROVISIONS

The Governing Board or Relevant Authority may, from time to time, issue clarifications or directives, as may be required from time to time, to remove any difficulty or ambiguity in implementing the provisions of any of the Bye-Laws, Rules and Regulations of the Exchange, which shall have the same effect as these Bye-Laws, Rules and Regulations framed thereunder.

3.3 JURISDICTION

These Bye-Laws shall be applicable on all the members and participants of the exchange, authorized persons, approved users, clients and all entities involved in trading, clearing and settlement of transactions, to the extent specified herein. These shall be subject to the jurisdiction of the Courts in Mumbai, where the Exchange is situated, irrespective of the place of business of the members of the Exchange in India or abroad. All transactions entered into or executed through the ATS or any other trading system of the Exchange located at the premises of the Exchange at any place shall be deemed to have taken place in the city of Mumbai only and the place of contracting as between the members of the Exchange shall be at Mumbai, irrespective of the locations of the Trader Workstations of the members connected thereto. All disputes under these Bye-Laws shall be subject to the exclusive jurisdiction of the Courts in Mumbai, irrespective of the location of the place of business of the members of the Exchange and of their clients or the place where the concerned transaction may have taken place. The Bye-Laws, Rules and Regulations of the Exchange shall be governed by and construed in accordance with the laws in force in India. Every exchange member shall expressly provide in the contract notes to be issued by him that only the Courts at Mumbai shall have the exclusive jurisdiction for claims in relation to any dispute arising out of or in connection with or in relation to such contract notes.

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

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

3.5 RECORDS FOR EVIDENCE

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

The records as maintained by the Exchange shall, for the purpose of any dispute or claim between the members of the Exchange inter -se or between any exchange member and his clients or between the members of the Exchange and the Exchange or the approved Clearing Corporation or

Clearing House regarding trading, clearing or settlement of any deal or transaction carried out on the ATS of the Exchange or any other trading system of the Exchange and reported to the Exchange, constitute valid and binding evidence between and among the parties.

3.6 GOVERNINGLANGUAGE

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

3.7 LIMITATION OF LIABILITY:

The Exchange shall not be liable for any activities of its members or of any other person, authorised or unauthorised, acting in the name of any member, and any act of commission or omission by any one of them, either singly or jointly, at any time shall not be in any way construed to be an act of commission or omission by any one of them, as an agent of the Exchange. Save as otherwise specifically provided in these Bye-Laws and in the Rules and Regulations of the Exchange, the Exchange shall not incur or shall not be deemed to have incurred any liability and accordingly, no claim or recourse shall lie against the Exchange, any member of the Governing Board/or committee duly appointed by it or any other authorised person acting for and on behalf of the Exchange, in respect of or in relation to any transactions entered into through the exchange made by its members and any other matters connected therewith or related thereto, which are undertaken for promoting, facilitating, assisting, regulating, or otherwise managing the affairs of the Exchange to achieve its objects as defined in the Memorandum and Articles of Association of the Exchange.

3.8 PROTECTION FOR ACTS DONE IN GOOD FAITH:

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

3.9 SECRECY OR CONFIDENTIALITY

3.9.1 The Exchange shall take necessary steps to preserve and protect the details, particulars, data or information available in the ATS and its computer system. The Exchange shall cause its employees who, in the normal course of discharge of their duties, are likely to have access to details, particulars, data or information relating to any business transactions of the members of the Exchange to maintain complete confidentiality in respect of all such details, particulars, data and information by those employees at all times.

3.9.2 The Exchange may provide or disclose such details, particulars, data or information relating to any business transactions of its members or in respect of any commodity or security admitted to dealings on the Exchange as may be required or directed in writing by any court, tribunal, Central or State Government, FMC or any other competent regulatory or revenue authority empowered under any law or delegated legislation for the time being in force

in that behalf.

3.9.3 No exchange member, approved user, authorised person or any of their employee shall be entitled to visit or inspect any premises of the Exchange, access whereto is restricted, without the prior written permission of the Exchange or to require discovery of any information with respect to any activities of the Exchange or any matter which is or may be in the nature of a trade secret, mystery of trade, secret process or any other matter which may relate to the conduct of the business and which in the opinion of the Governing Board or Relevant Authority may not be expedient in the interest of the Exchange to disclose.

3.10 INDEMNITY

Each member of the Exchange and the Clearing Agency, if not a part of the Exchange, but an independent entity engaged in clearing and settlement of transactions entered into on the Exchange, shall indemnify and keep indemnified the Exchange from and against all harm, loss, damages, injury and penalty suffered or incurred and all costs, charges and expenses incurred in instituting and/or carrying on and/or defending any suits, action, litigation, arbitration, disciplinary action, prosecution or any other legal proceedings suffered or incurred by the Exchange on account of or as a result of any act of commission or omission or default in complying with any of the provisions of the FCRA, and the Rules framed thereunder or these Bye-Laws or the Rules or Regulations of the Exchange or due to any agreement, contract or transaction executed or made in pursuance thereof or on account of negligence or fraud on the part of any member of the Exchange or the Clearing Agency as aforesaid and their employees, servants and agents.

3.11 DISCLAIMER

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

3.12 SEVERABILITY

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

3.13 FORCEMAJEURE

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

3.13.2 Without prejudice and notwithstanding anything contained hereinabove, any failure on the part of the Exchange out of causes beyond its control shall not in any way reduce, alter, limit or affect the liability of a member of the Exchange in respect of any transaction entered into or executed through the ATS or any other trading system of the Exchange by such member.

3.14 Any delay or failure to observe or comply with any requirement, either in full or in part under these Bye-Laws or the Rules and Regulations of the Exchange, may be dealt with by the Exchange as a violation of the Bye- Laws, Rules or Regulations of the Exchange.

3.15 The provisions of these Bye-Laws or the Rules and Regulations of the Exchange as determined from time to time are intended solely for the benefit of the members of the Exchange, their clients and their respective successors or permitted assigns, if any, to facilitate carry out the orders by the members either for themselves and/or on behalf of the clients, whether such orders are placed directly with the members or through any one of other intermediaries and determine rights and liabilities inter-se between the members, other intermediaries and clients and across themselves, in relation to trading, clearing and settlement of transactions as provided in these Bye- Laws, Rules and Regulations framed thereunder and these provisions do not confer any beneficiary right to any other party or person.

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4 CONTRACTS

4.1 The Board or the committee / Advisory Board appointed and empowered for the purpose shall be the authority to finalise contract specification and modification authority in respect of contracts in commodities and other instruments and derivatives thereon, for which the Exchange has obtained permission from the Forward Markets Commission. The Exchange shall before commencement of any contract obtain prior concurrence of the Commission.

4.2 Members of the Exchange shall execute and clear transactions in only such contracts as specified by the Board and approved by the Forward Markets Commission.

4.3 All transactions in contracts permitted on the Exchange shall be made only in the manner approved by the Exchange.

4.4 While entering an order in the system, the member shall specify whether such order is on his own account or it is on account of his client. If the order is for and on behalf of a client, he should specify the respective client identification number.

4.5 Before executing a contract for a client, the member shall sign a written agreement with the client, as per the procedure and in the format, as may be specified by the Exchange.

4.6 All transactions in contracts permitted on the Exchange shall be cleared, registered and settled by the Clearing House and shall be subject to these Bye-Laws, Rules and Regulations framed thereunder by the Exchange. The Clearing House shall clear, register and settle the financial performance of the contracts entered into in the exchange.

4.7 Members of the Exchange shall issue contract note for each of the transaction done by them for their respective clients on the trading system of the Exchange. Such Contract notes shall be issued strictly as the format prescribed by the Exchange. Members shall not issue contract note for any transaction, which has not been executed through the trading system of the Exchange.

4.8 In respect of all contracts executed by the members of the Exchange, it shall be the responsibility of the respective members to pay all applicable statutory fee, stamp duty, service tax, taxes and levies in respect of all deliveries as well as futures contracts directly to the concerned Government Departments.

4.9 All transactions in contracts permitted on the exchange shall be settled through the Clearing House; Clearing Members shall alone be eligible and qualified to obtain directly the clearing, settlement and guaranteeing services of the Clearing House.

4.10 An Institutional Clearing Member of the Exchange shall have an agreement to clear, register and settle transactions in contracts for commodities and contracts permitted for trading in the Exchange, of any Exchange Member who has trading rights in the Exchange. An Institutional Clearing Member of the Exchange shall not clear and settle contracts without a valid agreement with the Members of the Exchange. A copy of the agreement shall be given to the Exchange and to the Clearing House by the Exchange Member for settling transactions in the Exchange.

4.11 Only transactions in contracts for commodities permitted for trading on the Exchange, will be recognised as valid,provided the Clearing Member has paid to the Clearing House adequate security and margin deposits as prescribed. Clearing Members who clear contracts shall pay the prescribed security, margin deposits and variation margins for their respective outstanding transactions to remain valid. Members of the

Exchange and registered non-members whose contracts are cleared by Clearing Members shall pay the prescribed margin deposits and variation margins for their respective outstanding transactions to remain valid.

4.12 Rates and/or prices for the contracts permitted for trading in the exchange shall be quoted in accordance with Rules and Regulations specified for that contract and they shall be for the basis variety of the underlying commodity of that contract and for the base centre/place prescribed in the clauses of specified Bye-Laws, Rules and Regulations of that contract/underlying commodity of that contract.

4.13 The Board shall, upon the recommendation of the Committee / Advisory Board constituted for a commodity or a group of commodities, have the right to determine, specify and modify the basis variety for the contracts in that commodity or group of commodities from time to time.

4.14 The number, and the commencement and expiration cycles of the all contracts in commodities and other contracts shall have the approval of the Board or the committee empowered for the purpose [1][and Forward Markets Commission].

4.15 The Board or the committee empowered for the purpose shall have the right to determine, specify and modify the position limits with respect to the contracts permitted on the exchange. Such position limits could differ for membership categories and/or differ from member to member; and exceptions may be provided by the Board or the Committee. Position limits and exception rules will be specified in the Rules and Regulations specific to each underlying commodity and contract month.

4.16 The Board or the Committee as aforesaid [2][with prior approval of the Commission] shall have the right to determine, specify and modify the price limits with respect to the contracts permitted on the exchange. Such price limits may include floor and ceiling price for a day or for a specific period. Applicability of the price limits will be specified in the Business Rules and Regulations specific to each commodity or contract from time to time.

4.17 [3][The Exchange shall have the right to specify and charge trading fee, clearing fee or any other fee from the member of the Exchange, subject to the directions of the Commission. The Exchange may specify the maximum and minimum fees a clearing member may charge from other members of the Exchange and an exchange member from their clients. However, the Exchange shall not charge the Member any fees and / or differential transaction charges based on commodities or trade timings, without prior approval of the Commission.]

4.18 (a) All outstanding transactions in contracts for commodities shall in general be for delivery at any one or more delivery points and/or warehouses approved, certified and designated by the Board or the Committee empowered for the purpose.

(b) All outstanding contracts not settled by giving or receiving deliveries shall be closed at the Due Date Rate as fixed by the Board or the Committee empowered for the purpose, together with a penalty as prescribed by the Board or such committee for those failing to give or receive delivery [4][inconsonance with the directives issued by the Forward Markets Commission].

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[1] Inserted as per FMC approval dated 06.08.2010 w.e.f. 25.09.2010 vide Gazette of India notification.

[2] Inserted as per FMC approval dated 06.08.2010 w.e.f. 25.09.2010 vide Gazette of India notification.

[3] Substituted as per FMC approval dated 06.08.2010 w.e.f. 25.09.2010 vide Gazette of India notification.

[4] Inserted as per FMC approval dated 06.08.2010 w.e.f. 25.09.2010 vide Gazette of India notification.

4.19 The Board or The Committee/Advisory Board, constituted for a commodity or a group of commodities, shall have the right to determine, specify and modify the terms and manner of delivery of that commodity or group of commodities resulting from outstanding transactions in contracts in that commodity or group of commodities.

4.20 The Board or the Committees appointed for the purpose shall have the right to determine, specify and modify the terms regarding quantity, packing, place of delivery, discounts and premiums in terms of quality and delivery centres, tender period, certification and quotation for bids and offers.

4.21 (a) Members of the Exchange may enter into only such contracts for which the Exchange is approved under the Forward Contracts (Regulation) Act, 1952;

(b) Members shall enter into contracts only on the terms and conditions prescribed under the Bye-Laws, Rules and Regulations of the Exchange and the circulars and notices issued thereunder.

(c) No member shall enter into a contract before trading therein has been commenced/after trading therein has ended in accordance with the Bye-Laws, Rules and Regulations of the Exchange.

4.22 Any member of the Exchange transacting in any contract and basis varieties that are not specified by the Board shall be liable to be dealt with under Bye-Laws relating to disciplinaryaction.

4.23 Members shall maintain a record of all their transactions in all contracts permitted by the Exchange. Members shall have separate records of all their own account transactions and those of registered non-members, including orders from registered non-members for execution of transactions in forward contracts in commodities. Members shall preserve the records of registered non-members' orders for transactions for each registered non-member separately with the time and date of receipt of order, details of executed transactions for each registered non-member and books of accounts relating to the same, for a period of three years for production whenever required by the Board of Directors or any committee of the Exchange and/or by the Forward Markets Commission.

4.24 Transactions for contracts in commodities that are not permitted by the Forward Markets Commission are prohibited. Any member who infringes or attempts to infringe or who assists in any infringement or attempted infringement of this Bye-Law shall be liable to suspension and/or expulsion from membership of the Exchange or any other action that the Exchange may take under its Bye-Laws, Rules and Regulations.

4.25 Indian law shall apply to the contracts entered between the members of the Exchange and jurisdiction shall be the courts in Mumbai.

4.26 The death of any party to a contract made subject to the Bye-Laws, Rules and Regulations of the Exchange shall not discharge the legal representatives of the deceased from fulfilling the obligations under such contracts and shall not in anyway affect the right of any other party to such contract or legal representatives of the deceased to refer any dispute or differences to Arbitration under these Bye-Laws, Rules and Regulations and, in such event, the right to refer any dispute or differences to Arbitration shall be exercised by or against the legal representative of the deceased.

5. TRADING ON THE EXCHANGE

5.1 TRADING DAYS

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

The ATS or any other trading system of the Exchange shall however be available for trading on such holidays as the Governing Board or The Relevant Authority or Managing Director or any designated official may decide, from time to time.

5.2 ALTERATION OR CANCELLATION OF EXCHANGE HOLIDAYS

5.2.1 In exceptional circumstances and for reasons to be recorded in writing, the Managing Director may at any time:

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

5.2.2 In exceptional circumstances and for reasons to be recorded in writing, the Governing Board / Relevant Authority may close the trading in any one or more or all contracts in one or more or all commodities on the ATS or any other trading system of the Exchange for more than one trading day:

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

Provided further that when information regarding closure of the trading as aforesaid on the ATS or any other trading system of the Exchange is so conveyed as to reach FMC in the normal course within twenty-four hours of the closure of such trading, the Governing Board / Relevant Authority may close such trading on the ATS or any other trading system of the Exchange or continuously for any period exceeding three trading days without the approval of FMC, till such time as the decision of FMC is received by the Exchange.

5.3 DIVISIONS

The Exchange may constitute different divisions for each or group of agricultural commodities, metals and other commodities or instruments, as well as for different centres of trading as may be decided by the Governing Board /Relevant Authority and as may be specified in the relevant Rules and Regulations from time to time. The Governing Board may admit such contracts for dealings on the Exchange as are eligible under the Forward Contracts (Regulation) Act, 1952 or Securities Contracts (Regulation) Act, 1956, on the respective trading segments of the Exchange.

5.4 RESTRICTIONS ON TRADING

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

5.5 TRADING SESSIONS

The Governing Board or Relevant Authority or Managing Director may prescribe different trading sessions for different trading segments on the ATS or any other trading system of the Exchange, and may also decide on the timings and operational requirements for the same, as may be provided in the relevant Rules and Regulations of the Exchange from time to time. The Governing Board or Managing Director or Relevant Authority may reduce, extend or otherwise alter the timings of such trading sessions for any particular trading day.

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

5.5.2 [2][The Relevant Authority may, with the approval of Forward Markets Commission, alter, contract, extend or suspend any or all the trading sessions in specific circumstances, for reasons to be recorded in writing. Wherever possible, such changes may be communicated to the members in advance.]

5.6 WHO MAY BE PERMITTED TO TRADE

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

5.7 POOL OF TWS

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

5.8 WHO MAY NOT BE PERMITTED TO TRADE

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

[1] Amended as per FMC approval dated 06.08.2010 w.e.f. 25.09.2010 vide Gazette of India notification.

5.9 PERMISSION TO TRADE THROUGH TWS

No person shall be permitted to trade through the TWS connected to the ATS, unless such person complies with the requirements prescribed in the relevant Rules and Regulations or with such other requirements as the Governing Board or Relevant Authority or Managing Director, may, from time to time, prescribe.

5.10 TRADING WITH GOOD DECORUM

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

5.11 MANAGEMENT OF THE ATS

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

5.12 PRICES

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

5.13 DAILY OFFICIAL LIST

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

5.14 TRADING FACILITY

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

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

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

5.14.4 The permission to use the ATS or any other trading system of the Exchange may be given to an exchange member, subject to compliance with such

[1] Amended as per FMC approval dated 06.08.2010 w.e.f. 25.09.2010 vide Gazette of India notification.

terms and conditions as the Exchange may prescribe from time to time, which may inter alia include, payment of such deposits and/or charges, as may be provided in the relevant Rules and Regulations and circulars and notices issued thereunder from time to time.

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

5.15 REGISTRATION AND DE-REGISTRATION OF APPROVED USERS

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

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

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

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

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

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

5.16 OPERATIONAL PARAMETERS FOR TRADING

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

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

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

c. limits on trading and open positions mark to market losses, exposure,

concentration and on the spread between bid and offer rates.

d. fixation of units of trading and/or minimum and/or maximum quantity of contracts or order which may be offered to be bought or sold or the limits on price fluctuations permitted in a day or period.

e. fixation of tick sizes and levels for providing alerts.

f. determination of the types of trades permitted for an exchange member and for a contract.

g. specifications of different order books, types of orders, order conditions and other details related to orders and trades.

h. Maintenance of recording of transactions executed and the manner of reporting transactions in the prescribed forms to the Exchange and FMC.

i. other matters, which may affect smooth operation of trading in contracts permitted on the exchange.

All the parameters shall be strictly adhered to by the exchange member. The parameters, however, may vary for commodities and for different centres of trading.

5.17 LOSS OF ACCESS TO ATS

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

5.18 CLOSING-OUT – EXCHANGE MEMBER'S RESPONSIBILITY

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

5.19 CONTINGENCY POOL OF TWS

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

Provided that no liability can be attached to the Exchange in case of failure of the system due to non-provision of Contingency Pool, even if it results into loss to the members of the Exchange.

5.20 Without prejudice to anything contained in the provisions above, such failure or malfunctioning of his TWS or loss of access to the ATS or any contingency pool of TWS shall not reduce, alter or affect the liability of an exchange member or the clients in respect of any trades, already executed by or through such exchange member or his authorised representative or approved user.

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

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

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

5.24 An exchange member shall be liable for all the trades executed on the ATS or any other trading system of the Exchange, arising out of orders entered into the system by him. The member shall be solely responsible for all the acts of commission and/or omission of authorised representatives or approved users, employees and other persons deployed by such member, in relation to performance of obligations arising therefrom, connected therewith and incidental to such acts of commission and/or omission.

Provided, if the member satisfies the Exchange that the action and/or the trade took place due to fraud or misrepresentation by any person other than himself, his authorised representative or approved user and/or that the action and/or the trade did not originate from any of his approved TWS and/or from the TWS pools provided by the exchange and used by the member or his authorized representative or approved users to access the ATS, the Governing Board or Chairman, Managing Director or Relevant Authority may issue such directions as it/he considers just and reasonable and the same shall be final and binding on the member. Such directions may include referring the matter to arbitration, and/or annulment of trades so effected, after affording an opportunity of being heard to the member.

5.25 Trades executed on the ATS or any other trading system approved by the Exchange are irrevocable and locked-in and shall be cleared and settled in accordance with the Bye-Laws, Rules and Regulations of the Exchange. The Exchange may however by a notice annul the trades on an application by the exchange member or his clearing member in that behalf, if the Governing Board, Chairman or Managing Director or the Relevant Authority is satisfied, after hearing the other exchange member(s) and clearing member(s) to the trades, that the trades are required to be annulled on account of fraud or wilful misrepresentation or material mistake in the trade.

5.25.1 Notwithstanding anything contained in these Bye-Laws, Rules and Regulations and Circulars and Notices issued thereunder, the Exchange may, to protect the interest of clients and public and for proper regulation of the market, suo moto annul trades at any time, if the Governing Board, Relevant Authority, Chairman or Managing Director is satisfied for reasons to be recorded in writing that such trades are vitiated by fraud, material mistake, misrepresentation or market or price manipulation, or designing artificial or false market, trades with a design to recover monies or dues or

to defraud or misuse the system and the like.

5.25.2 Annulment as provided herein may be for the full quantity or part quantity of the trades.

5.25.3 Any annulment of the trades made pursuant to these Bye-Laws, Rules and Regulations and Circulars and Notices issued thereunder be final and binding upon the members of the Exchange. In such an event, the related contracts issued by the exchange members to their clients shall ipso facto stand cancelled and the clients shall be bound by such annulment without any right of recourse between the clearing members and constituent members and members of the Exchange and their clients, as the case may be.

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

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

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

5.29 **Transaction Where the Exchange to Act as a Legal Counter Party:**

[1][If on an investigation by the Exchange, the Exchange concludes that either all the transactions or part thereof in any contract are found to have been executed on the ATS or any other trading system of the Exchange in a fraudulent manner and/ or are done as financial transactions or structured deals and/or with a design to defraud the Settlement Guarantee Fund, the Relevant Authority of the Exchange shall have absolute authority and discretion to withdraw itself as a legal counter party to any transaction.

Provided further that where the Relevant Authority decides to exercise its discretion to withdraw itself as a legal counter party to the transactions, either in full or in part, and /or either from both sides or single side of the transaction, it shall afford an opportunity of being heard to all the parties affected or likely to be affected by such decision. The decision taken by the Relevant Authority thereafter shall come into force forthwith and shall be final and binding on all the parties concerned, including the clients.]

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

[1] Substituted as per FMC approval dated 06.08.2010 w.e.f. 25.09.2010 vide Gazette of India notification.

6. TRADING SYSTEM

6.1 ACCESS TO TRADING

6.1.1 The Exchange shall provide an automated trading system, or any other trading system, to the exchange members to access and carry on trading in the contracts admitted to dealings on the Exchange.

6.1.2 The Automated Trading System (ATS), as may be provided by the Exchange shall be called " MCX system" or my other name, as may be decided by the Board.

6.1.3 The ATS shall be available for facilitating trading in the contracts for specified commodities permitted for trading on the Exchange and also for trading in such other contracts, which may be allowed by the Exchange for trading from time to time.

6.1.4 The Exchange may provide an architecture and the infrastructure related thereto, to the extent possible, to facilitate the members of the Exchange to establish connectivity with the ATS or any other trading system of the Exchange. The Exchange shall have absolute right to specify the maximum number of TWSs that may be allotted to an exchange member who has trading rights in the exchange and the conditions for such allotment. The Exchange shall also have absolute right to reject any place or places where it observes that the TWS shall not be installed.

6.1.5 The Exchange may prescribe the specifications/descriptions of hardware, software and equipment and the specifications to carry out the required testing thereof in such manner and time as may be specified by the Exchange from time to time, which an exchange member shall be required to strictly adhere to have connectivity with, or use of the ATS or any other trading system of the Exchange, to ensure compatibility and minimize/avoid technical issues arising out of incompatibility of hardware, software and equipment.

6.1.6 An exchange member who has trading rights in the exchange may be authorised to appoint such number of persons as authorised representatives or authorised users, as may be provided in relevant Rules and Regulations of the Exchange that may be in force from time to time.

6.1.7 Any exchange member who has trading rights in the exchange and is desirous of extending his network, be it through VSAT connectivity and/or lease line connectivity and/or through any other means of connectivity, authorized by the Exchange, and/or through the Computer to Computer Link (CTCL) software or any other software approved by the Exchange, which facilitates access to the trading system of the Exchange, shall be required to seek prior approval of the Exchange. Such terminals of an exchange member may be allowed to be installed by the Exchange at the places from where the members of the Exchange or authorized representatives or approved users or clients carry out trading activities. No exchange member shall install either directly or indirectly any terminal through CTCL connectivity, having access to the trading system of the Exchange, without prior approval of the Exchange. In case any exchange member fails to obtain necessary approval from the Exchange for any terminal installed through CTCL connectivity having access to the trading system of the Exchange, the member concerned shall be personally responsible for trading done through such terminals and also render himself liable for

disciplinary action by the Exchange.

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

6.1.8 The Relevant Authority shall have the power to provide for:

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

6.1.9 All the orders for purchase or sale of contracts by an exchange member shall be required to be entered only through the ATS or any other trading system approved by the Exchange.

6.2 SPECIFICATION OF CODES AND OPERATIONAL PARAMETERS

The Relevant Authority may provide for an appropriate mechanism for specification, alteration and rescission of the unique codes for contracts, exchange members, authorised representatives, approved users, participants and clients, and operational parameters, for tick sizes, trading units, order types, order attributes, order matching logic, market view contents, participation norms for trading through the ATS or any other trading system approved and adopted by the Exchange. The Relevant Authority may also provide for any other parameters deemed necessary in the relevant Rules and Regulations of the Exchange that may be in force from time to time.

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

The Exchange may, at its discretion, decide to look after the functions relating to surveillance, investigation and any other market related activities, either by itself or by a separate entity through outsourcing or by a separate and distinct entity established by it, either jointly or in collaboration with any other institution.

The provisions relating to surveillance, market watch system, investigation, any other market related activities and exchange members' database shall be specified in the relevant Rules and Regulations relating to these matters from time to time and Circulars and Notices issued thereunder.

6.4 APPROPRIATION OF THE CLIENTS ORDER

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

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[1] Substituted as per FMC approval dated 06.08.2010 w.e.f. 25.09.2010 vide Gazette of India notification.

7. CLEARING HOUSE OF THE EXCHANGE

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

7.2 All contracts transacted in the Exchange shall be cleared and settled by the Clearing House of the Exchange, and whenever required closed out in accordance with the Bye-Laws or as ordered by the FMC under the F.C.R. Act.

7.3.1 All Trading cum clearing members and institutional clearing members shall be the clearing members of the Exchange;

7.3.2 Trading cum-clearing members, institutional clearing members and such other category of members, who have been given clearing rights, shall alone be eligible and qualified to obtain directly the clearing, settlement closing out and guaranteeing services of the Clearing House of the Exchange; and

7.3.3 All contracts transacted in the Exchange shall be downloaded by the Exchange to the Clearing Members for settlement in the manner specified in the Rules and Regulations and Circulars and Notices issued thereunder.

7.4 In respect of transactions in the Exchange, a trading cum-clearing member shall be entitled to self-clearing or may have an agreement with an institutional clearing member for clearing the executed transactions. A copy of the agreement shall be given to the Exchange.

7.5 In respect of transactions in the Exchange, an institutional clearing member shall not clear and settle or close out contracts without a valid agreement with trading cum-clearing members. A copy of the agreement shall be given to the Exchange. Thereafter, until the termination of the agreement, such trading members shall be the constituent members of the institutional clearing member for the purpose of clearing, settling and closing out of their contracts.

7.6 A trading-cum-clearing member may be a constituent member of not more than one institutional clearing member.

7.7 Clearing members shall forthwith notify the Exchange any addition to or deletion from the list of constituent members.

7.7.1 A clearing member may at its discretion discontinue clearing or settling services after closing out of outstanding contracts of any constituent member with whom the clearing member has an agreement to provide clearing and settlement services. The clearing member shall communicate the reasons for discontinuing the services in writing to the constituent member and also to the Exchange;

7.7.2 The discontinuation of such services shall become effective as soon as the clearing member notifies the Exchange and obtains the approval of the Exchange and after the outstanding contracts are settled. Pursuant to the above, the Clearing House may, after examining the reasons for the discontinuation and upon the receipt of a written application from the member, facilitate the provision of clearing and settlement services to the

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

7.8 7.8.1 [1][In respect of contracts for specified commodities, as may be determined by the Exchange from time to time, and traded and cleared by the Exchange in the manner specified in these Bye-Laws, the Exchange shall be deemed to guarantee the net outstanding financial obligations to clearing members.]

7.8.2 [2][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.

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.]

[3][7.8.2 (a) If any party to such contract defaults in respect of his financial obligations or fails to deliver goods on maturity of the contract, the defaulting Member shall be liable for appropriate disciplinary action by the Relevant Authority and his contract will be closed

[1] Amended as per FMC approval dated 06.08.2010 w.e.f. 25.09.2010 vide Gazette of India notification.

[2] Substituted as per FMC approval dated 06.08.2010 w.e.f. 25.09.2010 vide Gazette of India notification.

[3] Inserted as per FMC approval dated 06.08.2010 w.e.f. 25.09.2010 vide Gazette of India notification.

out by the Relevant Authority in accordance with the Bye-Laws, Rules and Business Rules/Regulations or notices, or orders issued there under. The Exchange shall then be entitled to recover dues of any defaulting Member from his security deposit and other funds, if any lying with the Exchange, as also from his debtor Members and appropriate amount so recovered for distribution amongst his creditor members on pro rata basis.]

7.8.3 The Exchange shall not be deemed to guarantee the financial obligations of a defaulting clearing member to other members, who are doing clearing and settlement through him.

7.8.4 The Exchange shall not be deemed to guarantee the financial obligations of any member of the Exchange to his/its clients; and

7.8.5 The Exchange shall not be deemed to guarantee the delivery, the title, genuineness, quality or validity of any goods or any documents passing through the Clearing House of the Exchange.

7.9 The following provisions shall apply in respect of contracts that are transacted in the Exchange and then cleared, settled and closed out by the Clearing House of the Exchange in the manner specified by the Clearing House:

7.9.1 Every member of the Exchange shall be fully responsible for all his commitments to the Exchange, his clearing member and clients irrespective of whether one or more clients with whom he has dealings have defaulted. Default of any one or more clients shall not affect the rights of the clearing member. Default of any one or more clients shall not affect the rights of other clients with whom the Exchange member has dealings but who are not in default;

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7.9.2 The Exchange shall be responsible for its commitments to each clearing member whether the remaining clearing members with whom it has dealings have defaulted except under circumstances where improper trades not covered under the Settlement Guarantee Fund (SGF) are the cause for default. Default of any one or more clearing members shall not affect the rights of the remaining clearing members who are not in default. The Bye-Laws, Rules and Regulations shall be applied by the Relevant Authority in the determination of and in the fulfilling of such responsibility of the Exchange;

7.9.3 The Exchange shall not be responsible for the commitments of a defaulting clearing member to his/its constituent members, with whom the clearing member has an agreement as per these Bye-Laws;

7.9.4 No clearing member shall fail to effect clearance, settlement or payment of margin in the manner specified by the Clearing House or fail to pay damages to the Clearing House of the Exchange or fail to effect delivery merely on the ground of default of others including his constituent members of the Exchange and clients; and

7.9.5 No registered non-member client or constituent member shall fail to effect clearance, settlement or payment of margin in the manner specified by the Clearing House or fail to pay damages to his respective clearing member with whom he has an agreement as per these Bye-Laws or fail to effect delivery merely on the ground of default of others including his clients

7.10 The Clearing House of the Exchange shall, in the manner specified by the Relevant Committee or the relevant authority, have the responsibility of receiving and maintaining margin payments, monitoring open positions and margins, and transmission of documents, payments and certified warehouse receipts amongst the trading-cum-clearing members and institutional clearing members of the Exchange.

7.11 In consultation with the Board, one or more scheduled commercial bank(s) shall be designated by the Relevant Authority as the designated clearing bank(s) of the Exchange for providing and facilitating the collection of funds, transfer of funds, sharing of information and other value added services pursuant to these Bye-Laws, Rules and Regulations.

7.12 The Exchange and the designated clearing bank(s) shall have an agreement for the services to be rendered by the clearing bank(s) and to be availed by the Exchange.



8. MARGINS

8.1 In respect of contracts that are transacted in the Exchange, buyers and sellers shall post such amount as initial margin, including special margin, as may be specified by the Relevant Authority from time to time.

8.2 The following margin provisions, subject to margin requirements determined by applying any methodology specified or recommended by the Board or the Relevant Authority, shall apply in respect of contracts that are transacted in the Exchange and then cleared and settled by the Clearing House of the Exchange:

8.2.1 Every clearing member shall pay the appropriate margin amount with the Clearing House of the Exchange against the aggregate open positions cleared by the clearing member (i) for the clearing member's own-account where applicable and (ii) for other members of the Exchange with whom the clearing member has an agreement and; (iii) clients, where applicable.

8.2.2 Every member of the Exchange executing transactions on behalf of clients shall collect from the clients the margins specified from time to time, against their open positions within such time as may be prescribed by the Relevant Authority;

8.2.3 The margin to be paid shall be calculated, based on the methodology specified under the Business Rules and Regulations and Circulars and Notices issued thereunder for all commodities and contracts from time to time, which may be on gross position basis, net position basis, client level basis or in other manner, as may be decided by the Exchange.

8.3 Margin accounts of all exchange members shall be marked to market daily by the Clearing House of the Exchange and the exchange members shall be required to pay the same as may be prescribed by the Clearing House of the Exchange.

8.4 Members of the Exchange shall deposit initial margin in cash or may furnish Fixed deposit or bank guarantees or such other instruments as may be specified by the Exchange from time to time to fulfil the initial margin requirement in respect of open positions. Variation margin shall be paid only in cash or cheque, or by electronically debiting the account of the member of the exchange with the designated Clearing bank of the Exchange.

8.5 Failure to pay variation margin may lead to the exchange members being deactivated/suspended and declared as defaulters by the Exchange. The Relevant Authority may also take such other measures including disciplinary actions, against the defaulting members, as it may deem fit.

8.6 8.6.1 No clearing member shall directly or indirectly enter into any arrangement or adopt any procedure for the purpose of evading or assisting in the evasion of the margin requirements prescribed under the Bye-Laws, Rules and Regulations or any orders issued thereunder;

8.6.2 Margin deposits received by clearing members from their constituent members and clients in any form shall be accounted for and maintained separately in segregated accounts and shall be used solely for the benefit of the respective constituent member's and client's positions;

8.6.3 The Exchange may specify the type/quantum of margin and the applicability

of the same from time to time. Such margin may vary from commodity to commodity and for different contract months.

8.6.4 Margin accounts of constituent members shall be marked to market daily by clearing members and further margin should be collected when necessary to maintain the appropriate margin;

8.6.5 An Exchange member may close out an open position of a client when the call for further margin or any other payment due is not complied with by the client;

8.6.6 A clearing member may close out an open position of a constituent member when the call for further margin or any other payment due is not complied with by the constituent member;

8.6.7 The Relevant Authority may close out the cleared open positions of a clearing member when the call for further margin or any other payment due is not complied with by the clearing member;

8.6.8 Members of the Exchange shall post and accept margin deposits only in such form as may be permitted by the Relevant Authority;

8.6.9 The margin account of constituent members shall be utilised by clearing members only for settling the dues to the clearing member upon marking-to-market or for fulfilling the obligations resulting from their open positions; and

8.6.10 Exchange members shall furnish their clients in writing such reports and at such intervals as may be specified by the Relevant Authority.

8.7 Every clearing member shall collect from constituent members, with whom he has an agreement to provide clearing and settlement services as per these Bye-Laws, all such margins as specified by the Relevant Authority on the transactions executed by constituent members for clearing and settlement.

8.8 Members of the Exchange shall maintain such banking arrangements with the designated clearing bank(s) as specified by the Relevant Authority so as to permit the transfer of funds and to maintain margins in a segregated manner.

8.9 Each member shall deposit initial, variation, or any additional margin or deposits with the Clearing House, or the designated clearing bank(s), as directed by the Relevant Authority, within the prescribed time and in the prescribed manner.

8.10 The Exchange shall prescribe such additional or special margins as may be considered necessary during the Delivery Period and the emergencies.

9. CLEARING AND SETTLEMENT

9.1 The Clearing House of the Exchange shall function in respect of trading in contracts permitted on the exchange so as to provide clearing and settlement services for the transactions.

9.2 In order to facilitate smooth clearing and settlement, all members of the Exchange participating in futures trading shall be required to open such number of bank accounts with designated Clearing Banks as may be advised by the Exchange. All such members shall be required to strictly follow instructions of the Exchange in respect of operation of such bank accounts, minimum balance, segregation of clients' fund and own fund, etc. as may be required by the Exchange. They shall also submit an irrevocable mandate in writing enabling the Exchange to debit and credit their account electronically. They shall be required to keep the accounts adequately funded, so as to enable the Exchange to recover its dues by debiting their respective bank accounts.

9.3 Each clearing member shall submit or cause to be submitted all trades executed by constituent members or clients with whom he has an agreement to provide clearing and settlement services for their transactions and assist the Clearing House in the form and manner that is specified and prescribed by the Clearing House Committee to enable the Clearing House to provide clearing facility to the clearing members.

9.4 The Clearing House shall process all transactions submitted to the Clearing House and shall accept for substitution of the Exchange only the net liability of the Clearing member to the Clearing House.

9.5 An order to buy or sell will become a matched transaction only when it is matched in the Trading system and the Clearing House does not find the order to be invalid on any other consideration and after verifying that the following are in agreement and/or in order:

1. Contract month,
2. Underlying commodity, price indices, security
3. Quantity,
4. Transaction quote,

9.6 [1][Once a contract is matched and marked to market by the Clearing House, the Exchange shall be substituted as counter party for all net financial liabilities of the clearing members in specified commodities.]

9.7 All outstanding transactions shall be binding upon the original contracting parties, that is, the members of the Exchange, and the clearing members who have cleared the transactions until liquidated by offset or issue of delivery notice or delivery order or payment for delivery, as the case may be.

9.8 [2][9.8.1 An offset shall only be in respect of the own-account positions of clients or of the own-account of the members of the Exchange in the same commodity and same contract month;]

[3][9.8.2 When a constituent member of the Exchange buys and sells the same contract or any of its derivates for the same contract month, the purchases

[1] Substituted as per FMC approval dated 06.08.2010 w.e.f. 25.09.2010 vide Gazette of India notification.
[2] Amended as per FMC approval dated 06.08.2010 w.e.f. 25.09.2010 vide Gazette of India notification.
[3] Amended as per FMC approval dated 06.08.2010 w.e.f. 25.09.2010 vide Gazette of India notification.

and the sales shall not be automatically offset against one another by the clearing member if it is for different clients of the constituent member; and]

9.8.3 Bye-Law 9.6.2 shall not apply to own-account transactions of clients and constituent members. Such own-account transactions in the same basis grade and same contract month shall be automatically offset.

9.9 9.9.1 Each trading day shall be a settlement day, unless it is declared otherwise by the Relevant Authority at its discretion;

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

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

9.10 [1][9.10.1 There shall be a daily settlement of each contract month and for each underlying commodity.]

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

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

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

[1] Amended as per FMC approval dated 06.08.2010 w.e.f. 25.09.2010 vide Gazette of India notification.

10. DELIVERY

10.1 For the fulfillment of outstanding contracts maturing at the end of the contract month, commodity shall be tendered by Delivery Orders through the respective Clearing Members to the Clearing House.

10.2 The Exchange may prescribe tender days and delivery period for each contract month in a commodity during which sellers who wish to tender delivery may issue Delivery Orders through their respective Clearing Members to the Clearing House. Tender days and Delivery period shall end on or before the last day of trading of the relevant contract month.

10.3 The Clearing House shall allocate the delivery orders received by it amongst one or more buyers having outstanding long open positions in a manner as considered appropriate by the Relevant Authority.

10.4 The Relevant Authority may specify in advance before commencement of a contract various grades of a commodity that may be tendered and the discounts and premiums for such grades.

10.5 All contracts outstanding at the end of the last trading day of the contract month of the maturing contract shall be closed-out by the Relevant Authority at the due date rate as fixed by the Relevant Authority.

Relevant Authority may prescribe penalty on sellers with outstanding positions who fail to issue delivery orders and the Exchange may financially compensate the buyers who hold outstanding positions, but who intended to lift delivery and could not receive Delivery Orders against such positions due to failure on the part of the seller.

The buyer who fails to accept the delivery orders shall be required to pay the difference between the settlement price and the due date rate and in addition to the same, they shall be required to pay such penalty, as may be decided by the Exchange. The seller, who has tendered delivery document, shall be compensated out of penalty recovered from the buyer, while the delivery will be returned to the seller.

Failure to pay the dues and penalties relating to such closing out within the stipulated period shall cause the member to be declared as defaulter, and render him liable for disciplinaryaction.

10.6. Every Delivery Order shall be tendered for the units of delivery specified for the commodity, or multiples thereof and the same shall be issued at the Delivery Order Rate fixed by the Relevant Authority on the day of tender. A seller who issues Delivery Order shall receive from or pay to the Clearing House through the respective Clearing Member the difference between the contract rate or the last settlement rate, as the case may be, and the Delivery Order Rate. A buyer who is assigned a Delivery Order shall receive from or pay to the Clearing House through the respective Clearing Member the difference between the immediately preceding trading day's settlement price and the Delivery Order Rate in addition to the amount payable for the value of delivery.

Registered non-members shall receive and pay, as the case may be, through their respective members of the Exchange. Delivery order once submitted shall not be withdrawn or cancelled or changed, unless so agreed by the Exchange.

10.7 A seller issuing the delivery order shall receive from the Clearing House the full price of the commodity delivered as per the delivery order rate, subject to additions or deductions on account of such premium or discounts as the case may be, prescribed

under these Bye-Laws for delivering grades for varieties other than the basis variety or grade and also on account of quantity adjustment and freight adjustment notified in advance.

10.8 A buyer shall pay to the Clearing House the value of delivery allocated on his account by the Exchange within such time as may be specified, of getting intimation to such effect from the Exchange. After getting full price of delivery from the buyer as per delivery order allocated to him, the Exchange will endorse the delivery order to him. Thereafter, till completion of the delivery process, the money will be retained by the Clearing House and will be passed on to the seller only on completion of the delivery process to the satisfaction of the Exchange. The Clearing House will pass on the proceeds to the seller after making adjustments relating to quality, quantity and freight factors, as the case may be. The balance amount, if any, remaining after such adjustments, will be passed on to or recovered from the buyer. Clearing House.

10.9 An Exchange Member desiring to tender goods against an open short position in the maturing contract shall send Delivery Orders to the Clearing House through his Clearing Member upto such time on the tender days, as may be decided by the Relevant authority.. The Delivery Order Forms duly signed by the sellers or sellers representative, holding short open positions shall give the following particulars, in addition to the particulars in the prescribed form for Delivery Order:

1 The quality and quantity of goods to be delivered.
2 Delivery Order Rate (to be filled in by the Clearing House).
3 Name of the seller issuing the Delivery Order.
4 Period of delivery.
5 The address or addresses of the warehouse(s) or any storage place where the goods are kept and the quantity thereof at each warehouse.
6 The name and address of the seller's representative who should be contacted by the buyer for taking delivery.

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10.10 Delivery Orders shall be passed on to the Clearing House through the Clearing Members and vice versa. The Members of the Exchange themselves or their agents shall be entitled to receive or give Delivery Order, Registered non-members shall give or receive Delivery Orders through Members of the Exchange who have executed their transactions.

10.11 At the time of issuing the Delivery Order, the seller of such contract must satisfy his Clearing Member that he owns and holds in his possession or his agent's possession adequate stocks of the required quantity and quality of the commodity in which he has open position to make delivery in the specified manner to cover the commitments included in the Delivery Order.

10.12 A seller member is entitled to offer delivery only at the delivery centers specified by the Exchange in advance for the respective commodity. Delivery can be tendered at such specified centers strictly as per the delivery procedure specified by the Exchange. Before tendering delivery, the seller is also required to obtain a certificate from a surveyor empanelled by the Exchange and such certificate shall be accompanied with the delivery order being tendered by him to the Clearing House. The surveyor's certificate shall clearly specify the quality of the goods tendered and shall also confirm that such quality is tenderable as per the contract specification of the Exchange. In case of non compliance of any of these conditions, the delivery order is rejected ab initio.

10.13 Assignment of Delivery Orders among the Clearing Members having outstanding long position shall be binding on them, irrespective of the fact that there was no direct contract between the buyer and seller.

The Clearing Members shall, in turn assign the full quantity of goods covered by the

Delivery Orders to their Clients holding outstanding long positions. The member clients may in turn, assign the delivery order to their registered non-member clients, if any holding outstanding long open positions and such member–clients or constituents shall not reject such assignment on any ground whatsoever including the fact that there was no direct contract with the seller. Clearing Members and Member/Clients shall submit to the Exchange a written statement of assignment of goods covered by the Delivery Orders.

10.14 Members of the Exchange and the clients / constituents dealing through them shall strictly abide by the delivery procedure, methods of sampling, survey, transportation, storage, packing, weighing and final settlement procedures, as may be specified by the Relevant Authority from time to time. Any violation of such method will be dealt with by the Relevant Authority in the manner, as may be specified from time to time.

10.15 A seller of commodity shall deliver the quantity as per his net sale position in the expiring contract during the period specified in the Rules and Regulations of the Exchange and notices and orders issued thereunder from time to time for the specified commodity, which should confirm to the quality specified by the Exchange in the contract specification. In case of any failure to do so, such net sale position shall be closed out as per the Due date rate and the seller shall be required to pay the difference, as determined by the Clearing House and penalty in addition thereto.

10.16 A buyer shall be required to lift delivery from the specified warehouse within the period prescribed by the Relevant Authority, as per the delivery order assigned to him. In case of his failure to do so, he shall be required to pay the warehouse charges, insurance charges and other expenses relating to storage for the incremental period and also a penalty in addition thereto.

10.17 The Exchange may appoint a panel of surveyors or agencies including laboratories, for the purpose of quality and weighment /quantity certification of commodities tendered through delivery orders.

10.18 [1][In respect of contracts for commodities the failure to give delivery of goods by the seller under the Delivery Order issued by him or the failure to take delivery of goods by the buyer under the Delivery Order assigned to him shall render such seller or buyer a defaulter and the Clearing House shall forthwith square off all his outstanding positions in contracts for all commodities traded by him. The amount due from such defaulting seller or buyer, including the total financial loss, if any, in respect of all his outstanding contracts squared off by the Clearing House shall be recovered from his Clearing Member out of the defaulters security deposits, margins, receivables in the contract for all commodities, etc. standing to his credit. If after such adjustments, there is a shortfall, the said Clearing Member shall also be declared as a defaulter and shall be liable for such disciplinary action as the Board or the Relevant Authority may decide in the matter. The shortfall if any, on account of such defaulting clearing member shall be distributed among all other Clearing Members who have to receive payment from the Clearing House on pro rata basis according to the amounts payable to each of them.]

10.19 The Relevant Authority shall decide the inward and outward payment days in respect of contracts, which are fulfilled by issue of delivery orders by the sellers.

10.20 The Relevant Authority shall have the power to extend the period of delivery or provide for a longer period of delivery in the Delivery Orders itself if in its opinion, such an extension of time has become necessary due to force majeure or labour strike or for any other reason as the Relevant Authority deems fit, the reasons for which shall be recorded and the Relevant Authority shall advise the Clearing House of such exercise of power.

11. REPORTS

11.1 In respect of all trades done by the members of the Exchange, the Exchange will electronically forward reports to the respective members, including settlement obligations relating thereto. All such reports and obligations shall be binding on the members of the Exchange.

11.2 The Members of the Exchange shall provide the Exchange with such reports that the Exchange or The Relevant Authority may seek from the members from time to time. Details of such reports will be provided in the Rules and Regulations of the Exchange and through Circulars and Notices issued from time to time.

11.3 The Members of the Exchange shall provide such reports, as FMC or the Relevant Authority may prescribe .

11.4 A clearing member shall notify the Exchange of any incident, which may endanger the clearing member's financial strength or interfere with the clearing member's ability to conduct its business in the best interests of the Exchange.

11.5 All Members of the Exchange as well as other market intermediaries shall be required to maintain such Books of Accounts, Registers, Statements and other Records, in physical form or electronically, as may be specified by the Relevant Authority. All such documents and records shall be kept in good order and preserved at least for such period, as may be specified by the Relevant Authority. All such documents and records shall be made available to the Exchange by the member for inspection, whenever required.

11.6 Each member of the Exchange shall submit itself to audit and investigation and furnish all books, records, files and such other information as required upon the direction of the Relevant Authority. The audit and investigation shall be restricted to the affairs of the Exchange member as a provider of trading, clearing and settlement services to their client as also in respect of his trading, either directly or through another Clearing member.

11.7 In case of any dispute or difference of opinion originating from or pertaining to orders or trades due to a mismatch between the member's report and the Exchange's report, the report as per records of the Exchange shall be final, conclusive and binding on the members.

[1] Amended as per FMC approval dated 06.08.2010 w.e.f. 25.09.2010 vide Gazette of India notification.

12. SETTLEMENT GUARANTEE FUND

12.1 The Exchange to maintain Settlement Guarantee Fund

12.1.1 The Exchange shall maintain Settlement Guarantee Fund(s), either separately or jointly, in respect of different commodity futures and derivative segments of the Exchange for such purposes, as may be prescribed by the Relevant Authority from time to time.

12.1.2 The Relevant Authority [1][with prior approval of the Commission] may prescribe from time to time the norms, procedures, terms and conditions governing each Settlement Guarantee Fund which may, inter-alia, specify the amount of deposit or contribution to be made by each member to the relevant Settlement Guarantee Fund, the terms, manner and mode of deposit or contributions, conditions of repayment of deposit or withdrawal of contribution from the Settlement Guarantee Fund, coverage and exclusion of SGF, charges for utilisation, penalties and disciplinary actions for non-performance thereof.

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

12.2 Contribution to and Deposits With Settlement Guarantee Fund

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

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

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

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

12.2.5 The amount deposited by any clearing member towards the security deposit shall be refundable, subject to such terms and conditions as may be specified by the Relevant Authority from time to time. Any amount deposited or paid by the clearing member may be refunded provided

[1] Inserted as per FMC approval dated 06.08.2010 w.e.f. 25.09.2010 vide Gazette of India notification.

further that such amount is in surplus and there is no actual / crystallized or contingent liability or a claim from any client or clearing bank to be discharged by the clearing member.

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

12.4 Replacement of Deposit: By giving a suitable notice to the Exchange and subject to such conditions, as may be specified by the Relevant Authority from time to time, a member may withdraw fixed deposit receipts or bank guarantees given to the Exchange, representing the member's contribution or deposit towards the Settlement Guarantee Fund, provided that the member has, simultaneously with such withdrawal, deposited cash, fixed deposit receipts, or bank guarantees with the Clearing House or the Exchange or made contribution through such other mode, as may be approved by the Clearing House or the Exchange from time to time, to meet his required contribution or deposit, except as provided in these Bye-Laws.

12.5 Investment of Settlement Guarantee Fund: Funds in the Settlement Guarantee Fund may be invested in such approved securities and/or other avenues of investments, as may be provided for by the Board in the relevant Rules and Regulations in force from time to time.

12.6 Administration and Utilization of Settlement Guarantee Fund

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

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

12.6.2 [1][……]

[1] Deleted as per FMC approval dated 06.08.2010 w.e.f. 25.09.2010 vide Gazette of India notification.

12.7 Utilization for Failure to Meet Obligations: Whenever a member fails to meet his settlement obligations to the Exchange arising out of his clearing and settlement operations in respect of his transactions, as may be provided in these Bye-Laws, Rules and Regulations of the Exchange, the Relevant Authority may utilise the Settlement Guarantee Fund and other moneys lying to the credit of the said member to the extent necessary to fulfil his obligations under such terms and conditions, as the Relevant Authority may specify from time to time.

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

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

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

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

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

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

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

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

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

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

12.8.10 the fines, penalties, penal charges, interest on delayed payments, interest

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

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

12.9 12.9.1 The amount of contribution and/or deposit made towards security deposit by all categories of clearing members to the Settlement Guarantee Fund in proportion to the total contribution and/or deposit made by each clearing member,

Note: The Relevant Authority may, at its discretion, alter the order of utilization of the Settlement Guarantee Fund from time to time.

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

12.10 Obligation to Bring in Additional Contribution or Deposit

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

12.10.2 Where any clearing member, who is required to contribute or deposit, as specified in Bye-Law 12.10.1, fails to do so, the Relevant Authority may charge such rate of interest on the shortfall, as it may determine from time to time and also take suitable disciplinary action, including imposition of fines and penalties against the clearing member. Any disciplinary action which the Relevant Authority may take pursuant to the above provisions or the clearing member ceasing to be an exchange member, for whatever reasons, shall not affect the obligations of the clearing member to the Clearing House or the Exchange or any remedy to which the Exchange or Clearing House may be entitled to under these Bye-Laws, Rules and Regulations of the Exchange and the applicable laws.

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

12.12 Repayment to the Clearing Member on His Cessation

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

a. the member ceases to be an exchange member on account of any reason whatsoever,

b. all pending transactions at the time the member ceases to be an exchange member, which may result in a charge to the Settlement Guarantee Fund, have been closed and settled,

c. all obligations to the Exchange for which the member was responsible while he was an exchange member have been satisfied, or at the discretion of the Relevant Authority, have been deducted by the Exchange from the member's actual deposit; provided, the member has presented to the Exchange such indemnities or guarantees as the Relevant Authority may deem necessary or another clearing member has been substituted owning liability for all the transactions and obligations of the clearing member, who had ceased to be a member.

d. a suitable amount, as may be determined by the Relevant Authority at its discretion, has been set aside for taking care of any loss/liability/obligation arising out of his past transactions and

e. a suitable amount, as may be determined by the Relevant Authority at its discretion, has been set aside by the Exchange. towards such other obligations, as may be perceived by the Exchange to exist or be perceived by the Exchange to arise in future.

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

12.12.3 Any obligation of a member to the Exchange, remaining unsatisfied at the time he ceases to be a clearing member, shall not be affected by his cessation of exchange membership, and the Exchange shall have a remedy as provided in Bye-Law 12.10.2.

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

12.14 **Limitation of Liability:** The liability of the Exchange resulting from the deemed contracts of members with the Exchange and to losses in connection therefrom shall be limited to the extent of contributions made to the Settlement Guarantee Fund. The Settlement Guarantee Fund of the Exchange shall not be available for obligations of a non-clearing member, obligations of a member to a non-clearing member, obligations of a member to another member of the Exchange towards transactions to which the Exchange is not a counter party or where the Exchange withdraws as a counter party on account of fraud or fraudulent transactions as provided in the

relevant Bye-La\NS and Regulations from time to time or obligations to a client by an exchange member, and to losses arising there from or in connection therewith or incidental thereto.

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[1] 12A INVESTOR (CLIENT) PROTECTION FUND

12A.1 The Exchange shall establish and maintain an Investor (Client) Protection Fund (Fund) to be held in trust by Multi Commodity Exchange Investor (Client) Protection Fund Trust (Trust).

12A.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 Forward Markets Commission (FMC) and or the Exchange from time to time out of the interest earned on investments of the Fund.

12A.3 **Composition of Fund:**

The fund shall consist of:

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

(b) [2][All penalties levied and collected by the Exchange except the settlement related penalties which includes delivery default penalties, will be part of the Investor Protection Fund after deducting the cost of administration. The cost of administration shall not exceed 10 (Ten) percent interest, dividend or other income earned arising from investments of the Fund;]

(c) accretion arising from investments of the Fund;

(d) any other money or property forming part of the Fund.

(e) 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.

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12A.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

12A.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.

12A.6 **Contributions to the Fund by the Exchange:**

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

(a) a sum equivalent to 1% of the turnover fee charged from the members of the Exchange or Rs.25,00,000/- (Rupees Twenty five Lacs only) whichever is lower in a financial year;

(b)[1][All penalties levied and collected by the Exchange except the settlement related penalties which includes delivery default penalties, will be part of the Investor Protection Fund after deducting the cost of administration. The cost of

[1] Inserted vide Exchange Circular No. MCX/Legal/363/2012 dated 23/10/2012.

[2] Amended vide Exchange Circular Ref. No. MCX/IPF/068/2015 dated March 4, 2015.

[1] Amended vide Exchange Circular Ref. No. MCX/IPF/068/2015 dated March 4, 2015.

administration shall not exceed 10(Ten) percent.]

(c) The Board of Directors of the Exchange may also augment the Investor (Client) Protection Fund from such sources as it may deem fit.

12A.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.

12A.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 Rs. 2,00,000/- (Rupees two Lakh).

(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 FMC 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 paid in respect of claims against each Defaulter member shall not exceed Rs.25,00,000/- (Rupees Twenty Five Lakhs only) or any other amount as may be determined by the Exchange, from time to time, with the prior approval of the Forward Markets Commission.

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, FMC may review the amount of compensation available against a single claim of a client whenever they deem fit.

12A.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 know as Sub-broker) or Franchisee or any other market intermediary of any name or nomenclature shall be eligible for compensation out of the Fund.

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12A.10 **Eligible Claims under the Fund:**

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

(a) the claims received against the defaulter member during the specified period of ninety days (as notified by the Exchange), shall be eligible for being considered for compensation from the Fund.

(b) If any eligible claims arises within three years from the date of expiry of the specified period, such claims will be processed at the discretion of the Trust

(c) the claim arises directly in respect of transaction/s executed on the Exchange between the investor/Client and the member (who has since been declared a defaulter) in accordance with the Rules, Bye-laws and Business Rules of the Exchange.

(d) the trade in the Commodity Futures Contract/s have already been settled by the Exchange but the obligation in respect of the said Contracts has not been completed by the defaulter member to the concerned investor/Client, and

(e) the claim fulfills such other requirements as the Exchange may specify from time to time.

12A.11 **Ineligible claims for compensation**: The Board of Directors of the Exchange or Defaulters' Committee /Disciplinary Action Committee of the Exchange or Trustees of the Trust shall not be obliged to consider the claims if such claims are arising out of or are in respect of:

(a) a contract in commodities, 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.

12A.12 **Procedure to be specified:**

The Exchange/ Trustees shall be entitled to specify the procedures, subject to the guidelines/ directions issued by the FMC 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.

12A.13 **Scrutiny of the Claims by Defaulters' Committee /Disciplinary Action Committee:**

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

12A.14 **Determination of the nature of claims and payment** :

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

12A.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.

12A.16 **Appeal:**

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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.

12A.17 **Charge on Defaulter's Assets**:

Upon payment of any money (to the investor/client) 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.

12A.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

12A.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.

12A.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.

12A.21 **Utilization of the Interest by the Board of Directors of the Exchange**:

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

12A.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 payment was received by the payee and ending on the date on which such amount is repaid by the payee.

12A.23 **Cost /Expenses of the Administration of the Fund:**

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

a. the sitting fees, conveyance and other expenses, etc., of the Trustees
b. remuneration/wages of the employees of the Trust,
c. fees of auditors, Chartered Accountants, Legal Advisors, Lawyers,
d. all rates, taxes, Cess, assessments, dues and duties, if any payable in respect of any Trust Property, income, collection, investment, contributions, and services,
e. premium for the insurance of the building or any other insurable property movable or immovable for the time being forming part of the Trust Property.
f. Cost and expenses incurred for
    i. inviting claim for compensation from the investors
    ii. settlement of claims, advertisements, training, preparation and distribution of books and periodicals on commodity derivative market
g. all other costs, charges and expenses incidental to the management and administration of the Trust Property in accordance with the object and purposes hereof which may be incidental thereto,

shall be paid out of the Fund.

12A.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.

12A.25 **Secretariat:**

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

12A.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.

12A.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.

12A.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.

12A.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 FMC. In such an event, the funds will be maintained in a separate account and FMC 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 FMC, from time to time.

12A.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.

12A.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.

12A.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 FMC.

12A.33 **Liability of Member Unaffected by Cessation or Suspension of Membership:**

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

12A.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.

12A.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.

12A.36 **Arbitration:**

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

13. CLEARING LIMITS

13.1 The Relevant Authority may specify the limits of open positions applicable to the clearing members of the exchange based on the deposits made by them towards margin or deposit or contributions made by the members to the settlement guarantee fund or any other fund established by the Exchange.

13.2 The aggregate monetary value of all the net open positions in respect of all contract months that each clearing member may clear and settle shall be related to the sum of the clearing member's contributions to the settlement guarantee fund of the Exchange or any other fund specified by the Exchange.

13.3 The Exchange may specify different clearing limits for different commodities.

13.4 Clearing members, to enhance their clearing limits, may make additional deposits to the settlement guarantee fund or to the fund specified by the Exchange.

13.5 The net open position and the monetary value thereof in respect of each contract month shall be computed by the Exchange and then aggregated to determine the aggregate monetary value of all the net open positions.

13.6 When the clearing limit of a clearing member reaches the upper limit, the Exchange shall notify the clearing member. After receipt of notification the clearing member shall not present or cause to present any further transactions that would increase the aggregate monetary value of net open positions until he has paid additional monies to enhance his/ its limit.

13.7 The Relevant Authority may close-out the positions of clearing members who has failed to comply with the notification issued under Bye-Law 13.6.

13.8 The aggregate monetary value of contracts shall be determined on the basis of (i) the net open positions in each of the contract months for each underlying commodity for which transactions have been cleared by the clearing member and (ii) the respective settlement prices.

14. CODE OF CONDUCT

14.1 Every member of the Exchange shall be bound to promote to the best of his ability the objects and interests of the Exchange and to protect and safeguard the interests of his clients trading on the Exchange. The following shall constitute examples of good business practices. A member shall be liable to expulsion, suspension and/ or to payment of a fine for any violation of good business practices:

14.1.1 Members of the Exchange shall furnish a Risk Disclosure statement or any such statement, as may be prescribed by the Exchange, to all the clients willing to trade through them. This statement shall contain all the risks relating to futures contracts. Members of the Exchange shall insist that all such clients must read this statement before participating in a futures contract.

14.1.2 Members of the Exchange shall not accept any order from any client unless the Risk Disclosure statement is read and acknowledged in writing by such client;

14.1.3 Every member shall access Byelaws, Rules and Regulations and notices, circulars, orders and instructions issued by the Exchange from time to time and shall also provide all relevant information to his clients, before executing any order on behalf of such client.

14.1.4 Members of the Exchange shall not encourage, abet nor allow their clients to evade margin, security deposits, etc. in respect of trading on the Exchange and other financial and non financial compliance;

14.1.5 A member shall furnish to his clients all information pertinent to contracts, contract months, commencement months and deliveries, etc. as notified by the Exchange.

14.1.6 Members shall explain the role of the Clearing House of the Exchange and the scope and benefits of the same to his clients.

14.2 Every member of the Exchange shall abide by the resolutions of the Company or of the Board and shall abide by all the Bye-Laws, Rules and Regulations of the Exchange as well as notices, circulars, orders and instructions issued by the Exchange from time to time . Any member shall be liable to expulsion, suspension and/or to payment of a fine for any of the following acts or omissions:

14.2.1 Refusal to abide by awards: For neglecting or refusing to submit to, abide by and carry out any award or decision or order of any arbitrators or, surveyors or any Committee or the Board or Relevant Authority, made in conformity with Articles of Association of the Company or these Bye-Laws, Rules and Regulations.

14.2.2 Unbecoming conduct: For acting in any manner detrimental to the interest of the Exchange or unbecoming of a member.

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

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

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

14.2.6 Indifference and willful negligence: For not complying with any notice or request made to him by or on behalf of the Managing Director, any Committee or the Board or the Relevant Authority requiring him to attend any meeting of the Board or of any Committee or to produce any books, documents, correspondence or other papers in his possession, power or control, or for refusing or neglecting to answer any question put to him by the Managing Director, any Committee or the Board or the Relevant Authority, as the case may be, relevant to any business at any such meeting.

14.2.7 Failure to pay any dues: For failure to pay any amount due under these Bye-Laws and Regulations and order and instructions issued thereunder by the Exchange, and/or arbitration or any other fees when due or for non-payment of any fine imposed on him pursuant to these Bye-Laws or for failure to pay any other amount due by him under these Bye-Laws or under any order of the Chief Executive, any Committee or the Board or The Relevant Authority within ten days after the same shall become payable.

14.2.8 Action detrimental to the Exchange: For any misconduct, in the sense of sub-sections referred to above inclusive as below, in his dealing with or relations to the Exchange.

- Willful or intentional non –fulfillment of contractual or fraudulent or flagrant breach of contract.
- Frivolous repudiation of contract.
- Refuse to refer any question in dispute to arbitration, survey or an appellate Committee or Umpire.
- Communicating secretly or indirectly with any arbitrator, surveyor, umpire or member of appellate Committee to which the dispute has been referred to under these Bye- Laws, Rules and Regulations.
- For any conduct, act or omission knowingly carried out to subvert the objects and purposes of the company and the Exchange, as provided in the Memorandum and Articles of Association of the company, or which is subversive of these Bye-Laws, Rules and Regulations of the Exchange, or which defeats the agreements entered into by the company or the Exchange with other organisations, agencies or entities for promoting the interests and activities of the Company and the Exchange.
- For any conduct, act, omission or negligence which renders the member liable to be declared a 'defaulter' by the Board, the Relevant authority or the Clearing House under any of the provisions of these Bye- Laws, Rules and Regulations of the Exchange and/ or orders, circulars, notices and instructions issued by the Exchange.
- Disclosure of one client's open position to other clients or members

14.3 Whenever the Managing Director or any of the designated officials or any of the

Committees shall consider either by reason of complaint made to him or them in writing by one or more members of the Exchange or by reason of any knowledge or information that there is sufficient reason for inquiring as to whether there has been any act or omission on the part of a member of the Exchange rendering him liable to expulsion, suspension and/or payment of a fine, the Relevant Authority may give notice in writing to such member or to any other member requiring him to appear before any Committee or the Board within such time as stated in the notice.

14.4 The Relevant Authority shall hear the member with regard to whom it is proposed to recommend any resolution for expulsion, suspension and or imposition of a fine under these Bye-Laws, and hear the evidence or statements of himself or any witnesses present on his behalf at any such meeting. The Relevant Authority may also require the member to produce for inspection any books, documents, correspondence or papers in his possession or under his control or that of his firm or company.

14.5 14.5.1 Whenever the Relevant Authority is of the opinion that a member of the Exchange has become liable to expulsion, the Board may by resolution passed by majority of their members present and voting expel such member permanently from all rights of membership, except the right to go for arbitration in respect of matters prior to such expulsion. Such resolution shall be final and binding. The Board or any other authority shall not be called upon to give any explanation or reason thereof; and

14.5.2 Whenever the Board or the Relevant Authority shall be of opinion that a member has become liable to suspension and/or payment of a fine, the Board may by a resolution passed by a majority of their members present and voting at such meeting, may suspend him for any term not exceeding six calendar months from all rights of membership except the right to go to arbitration for matters in dispute prior to such suspension. Any such resolution of the Board shall be final and binding and the Board shall not be called upon to give any explanation or reason thereof. In addition to suspension or in lieu thereof or otherwise as recommended by the Relevant Authority, the Board may at its discretion fine such member upto Rs.1 lakhs only. Failure to pay such fine within the stipulated period shall render a member liable to suspension, if he has not been suspended already, or expulsion, if he has been only suspended.

14.6 Before passing any resolution under Bye-Law 14.5.1 or 14.5.2, the Exchange shall give the member concerned a notice in writing stating that the Board proposes to consider the passing of a resolution for the expulsion, suspension and/or fining of such member and requiring him to attend a meeting of the Board called for the purpose at which the said member may produce whatever evidence or statements he wishes to present in his defence.

14.7 A suspended member shall during the period of suspension be deprived of and excluded from all the rights and privileges of membership, except in respect of transactions outstanding at the time of suspension which he shall be bound to fulfil and in regard to which he shall be subjected to all the obligations and have all the rights thereof and of these Bye-Laws including the obligation and right to go to arbitration. The suspended member shall also be liable to pay all fines, calls, subscriptions, and other moneys due or to become due from him during his suspension in the same manner as if he had not been suspended.

14.8 A member expelled by the Board shall forfeit all the rights and privileges of membership including those conferred on him by these Bye-Laws, Rules and Regulations and he shall as from the date of the resolution cease to be a member, but he shall continue to be liable for and fulfil his obligations to the Exchange or to any other member at the date of his expulsion and for these purposes shall have the right and be under obligation to go to arbitration under these Bye-Laws.

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

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15. ARBITRATION

15.1 Definitions

1 `Arbitrator' means an arbitrator selected from the panel of arbitrators.
2 'Arbitral Tribunal' means one ore more arbitrators constituting a tribunal to adjudicate a reference to arbitration.
3 'Act' means Arbitration and Conciliation Act, 1996 and any amendments thereto in force.
4 'Applicant' means a person who makes a reference to arbitration by filing an application as prescribed by the Exchange.
5 'Conciliator' means either sole conciliator or a bench of three conciliators as agreed between the parties.
6 'Panel of Arbitrators' means a body of arbitrators, constituted by the Relevant Authority from time to time.
7 'Panel of Conciliator' means a body of conciliator, constituted by the Relevant Authority from time to time under these Bye-Laws.
8 Reference means reference to arbitration under these Byelaws.
9 'Respondent' means a person against whom the applicant makes a reference to arbitration whether or not there exists a transaction or is a claim against such person.

15.2 **Arbitration Subject to the Arbitration and Conciliation Act:** The Bye-Laws and Regulations relating to arbitration shall be consistent with the provisions of the Arbitration and Conciliation Act. The provisions not included in these Bye-Laws but included in the Arbitration and Conciliation Act shall be applicable as if they were included in these Bye-Laws.

15.3 [1][The Board or the Relevant Authority shall constitute every year a panel of not less than ten arbitrators, at least 50 % of whom shall be drawn from futures trading professionals conversant with the trading at a commodity exchange and its Bye-Laws, Rules and Regulations, or having expertise in such areas like law or commodity economics, finance, commodity services and appraisal, commodity physical trade, etc. The Board or Relevant Authority may appoint surveyor/s of the Exchange, as an Arbitrator, who shall adjudicate any dispute relating to quality as and when so required.]

15.4 **Reference to Arbitration:** All claims, differences or disputes between the members inter se or between a member and a constituent member or between a member and a registered non-member client or arising out of or in relation to trades, contracts and transactions executed on the Exchange and made subject to the Bye-Laws, Rules and Regulations of the Exchange or with reference to anything incidental thereto or in pursuance thereof or relating to their validity, construction, interpretation or fulfillment and/or the rights, obligations and liabilities of the parties thereto and including any question of whether such trades, contracts and transactions have been entered into or not shall be submitted to arbitration in accordance with the provisions of these Byelaws and Regulations that may be in force from time to time.

Provided these Bye-Laws shall not in any way affect the jurisdiction of the Exchange on the clearing member through whom such a member has dealt with or traded in regard thereto and such clearing member shall continue to remain responsible, accountable and liable to the Exchange in this behalf.

[1] Amended vide Circular MCX/Legal/213/2012 dated June 6, 2012

[1][15.4A **Reference to arbitration by Relevant Authority**:

1. The Relevant Authority may, with the prior approval of the Forward Markets Commission:

   i) Refer any claim, difference or dispute or set of claims, differences or disputes referred to in Bye-Laws 15.4, between any Member and its clients or set of clients to the arbitration; and/or

   ii) Direct that the claims, differences or disputes or sets of claims, differences or disputes as referred to in Bye Law 15.4A (i), shall be heard, conducted in combined arbitration proceedings; and/or

   iii) Appoint without consent of the member or clients, when references are being received from five or more than five clients, any person(s) to act as sole or panel of arbitrators from the empanelled arbitrators, as may be deemed appropriate by the Relevant Authority; and/or

   iv) Prescribe one or more places as seat of arbitration for hearing the parties, witnesses, inspection of documents and all or any processes or proceedings incidental to such arbitration; and/or

   v) Prescribe special procedure to be applicable to the hearing and conducting arbitration proceedings under this Bye-law.

2. Subject to special procedure, if any, prescribed by the Relevant Authority under Bye Law 15.4A(1)(v), all the provisions of the Rules, Bye-Laws and Business Rules of the Exchange shall apply *mutatis mutandis* to all arbitration proceedings under Bye Law 15.4A.

3. The provisions of the Bye-Law 15.4A shall be applicable even if the claim, difference or disputes or sets of claims, differences of disputes pertain to or arose during the period prior to date of this Bye-law coming into force.]

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

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

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

[1] Inserted vide Circular MCX/Legal/213/2012 dated June 6, 2012

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

15.9 **Members of the Exchange Liable for Transactions Executed on Trading System of Exchange:** The provisions of these Bye-Laws shall become applicable to all claims, difference, disputes between the parties mentioned therein for all trades, contracts and transactions made subject to the Bye-Laws, Rules and Regulations of the Exchange and circulars, orders, directions, or rulings, issued by the Exchange provided such trades, contracts and transactions had been entered into between the parties mentioned therein up to and including the date on which the member was either declared a defaulter or expelled or has surrendered his exchange membership.

15.10 **Reference of the Claims, Differences or Disputes:** Save as otherwise specified by the Board or Managing Director or Relevant Authority, if the value of the claim, difference or dispute is more than such value, as may be specified in the relevant Rules and Regulations of the Exchange on the date of application, then such claim, difference or disputes shall be referred to an arbitral tribunal comprising of odd number of arbitrators who are more than one, as may be decided by the Regulatory Authority from time to time and if the value of claims, difference or dispute is up to the value referred to above, then the same shall be referred to an arbitral tribunal comprising a sole arbitrator. Provided that no claim, difference or dispute which is less than the minimum claim amount specified by the relevant Rules and Regulations of the Exchange on the date of the application, shall be allowed to be submitted to arbitration by the Exchange and such claim may be decided administratively by the Managing Director or Relevant Authority from time to time.

Provided further that claims pertaining to only such matters can be filed for arbitration, as may be specified by the Relevant Authority.

Provided further that the claim must pertain to transactions executed on the trading system of the Exchange or settlement thereof.

Further provided that no reference can be filed against the Exchange, its officers, Board of Directors or any office bearer in respect of anything done or not done.

15.11 **Limitation Period for Reference to Arbitration:** All claims, differences or disputes referred to in the Bye-Laws above shall be submitted to arbitration within [1][three years] from the last transaction or delivery or payment effected between the member and his client or between two members of the Exchange, provided where the claim / complaint is not settled / resolved through the process of conciliation by the Exchange within three months of the receipt of the claim / complaint, the Exchange shall in such cases advise the concerned client to refer the case to arbitration. The time taken in dispute resolution and/or conciliation proceedings, if any, initiated and conducted in accordance with the provisions of the Arbitration and Conciliation Act and these Bye-Laws and the time taken by the Managing Director or Relevant Authority to administratively resolve the claims, differences or disputes shall be excluded for the purpose of determining the limitation period of [2][three years] under the Bye-Laws, Rules and Regulations of the Exchange. Any claim made or any

[1] Amended vide Circular MCX/Legal/137/2012 dated April 9, 2012

[2] Amended vide Circular MCX/Legal/137/2012 dated April 9, 2012

difference / dispute raised by any complainant / aggrieved person, after expiry of the time limit specified herein, shall become time-barred for the purpose of availing of the remedy under the Bye-Laws, Rules and Regulations of the Exchange and may not, however, be invalid for seeking remedy under appropriate civil laws.

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

15.13 **Procedure for Appointment of Arbitrators:** The procedure for appointment of a sole arbitrator or arbitration tribunal, in each case, by the applicant and the respondent, or the Exchange shall be as may be provided by the Relevant Authority from time to time in the Rules and Regulations of the Exchange.

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

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

15.16 **Order or Ruling of Previous Arbitrator:** An order or ruling of the arbitrator made prior to the termination of his mandate shall not be invalid solely because his mandate has been terminated;

15.17 **Disclosure by Person to be Appointed as Arbitrators:** Every person, who is approached in connection with his possible appointment as an arbitrator, shall disclose to the Managing Director or 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 Managing Director or Relevant Authority, are likely to give rise to justifiable doubts as to his independence and impartiality, then he shall not be appointed as an arbitrator in respect of such case.

15.18 **Termination of Mandate of the Arbitrator:** The mandate of the arbitrator shall terminate if;

15.18.1 the arbitrator withdraws from office for any reason; or

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

15.18.3 the mandate of the arbitrator is terminated by the Managing Director or

Relevant Authority upon receipt of written request for the termination of the mandate of the arbitrator from both the parties to arbitration; or

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

15.18.5 the arbitral proceedings are terminated as provided for herein.

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

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

15.21 **Fees and Charges:** The fees for arbitration and the charges for submitting to and for regulating the proceedings of the reference prescribed in the relevant Rules and Regulations of the Exchange shall be payable in advance and when there is a failure, neglect or refusal on the part of a party or parties to pay accordingly, the other party shall be responsible for making such payment in advance without prejudice, however, to its right, if any, to recover the same from such party or parties failing, neglecting or refusing to pay. It shall be a condition precedent to the hearing of any reference that the prescribed fees and charges shall have been paid in advance to the Exchange by the party or parties to the reference. Provided that the fees and charges shall not be collected from a client, who may lodge a claim against an exchange member, who has been declared a defaulter or expelled from the exchange membership if there is adequate asset vested in the Clearing House Committee or other Committee.

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15.22 **Appearance by Counsel, Attorney or Advocate not permitted:** In arbitral proceedings, the parties to the dispute shall not be permitted to appear by counsel, attorney or advocate.

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

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

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

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

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

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

15.28 **Ex Parte Decision and Summary Disposal:** If the party against whom the reference is filed be not present at the appointed time and place, the arbitral tribunal may hear and decide the reference ex parte, and if the party filing the reference be not present, the arbitral tribunal may dismiss the reference summarily.

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

15.30 **Settlement**

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

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

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

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

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

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

15.33.2 The award shall state its date and the place of arbitration and the award

shall be deemed to have been made at that place.

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

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

15.36 **Intimation of Award:** After the award is made, a signed copy of the award shall be delivered to each party.

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

15.38 **Correction in and Clarification on Award**

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

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

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

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

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

15.38.4 A party, with notice to the other party, may request the arbitral tribunal within such number of days from the date of receipt of the award as may be specified in the relevant Rules and Regulations of the Exchange in

force, from time to time, to make an additional award as to the claims presented in the arbitral proceedings, but omitted from the arbitral award.

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

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

15.40 **Right to Appeal**

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

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

15.41 **Setting Aside of Award and Fresh Reference**

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

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

15.42 **Costs**

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

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

Explanation: For the purpose of Bye-Law 15.42.1, “Costs” means

reasonable cost relating to the fees and expenses of the arbitrators and witnesses, or legal fees and expenses, any administration fees of the Exchange or institution supervising the arbitration, and any other expenses incurred in connection with the arbitral proceedings and the arbitral award.

15.43 **Notices and Communication**

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

15.43.1 by delivering it by hand;
15.43.2 by sending it by registered post;
15.43.3 by sending it under certificate of posting;
15.43.4 by sending it by express delivery post;
15.43.5 by sending it by electronic mail;
15.43.6 by sending it by telegram;
15.43.7 by affixing it on the door at the last known business or residential address;
15.43.8 by oral communication to the party in the presence of a third person;
15.43.9 by advertising it at least once in any daily newspaper published at the place where the parties are located; or
15.43.10 if no address is known, by a notice posted on the notice board of the Exchange or displayed on the automated trading system of the Exchange.

15.44 **Service by Hand Delivery When Complete**

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

15.45 **Service by Post or Telegram When Complete**

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

15.46 **Service by Advertisement or by Notice on Notice Board When Complete**

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

15.47 **Refusal to Accept Delivery Does Not Affect Service**

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

15.48 **Indemnity**

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

proceeding for the enforcement of the award against the other party or parties to the reference.

15.48.1 **Parties When Not Discharged:** If any difficulty arises in giving effect to the provisions of these Bye-Laws, Rules and Regulations of the Exchange in the conduct of arbitration, the provisions of the Arbitration and Conciliation Act shall prevail over the provisions of these Bye-Laws, Rules and Regulations.

15.49 **Secretarial Duties**

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

15.49.1 maintain a register of reference,

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

15.49.3 receive all applications for arbitration, reference and communication addressed by the parties before or during the course of arbitration or otherwise in relation thereto,

15.49.4 receive payment of all costs, charges, fees and other expenses,

15.49.5 give notices of hearing and all other notices to be given to the parties before or during the course of the arbitration or otherwise in relation thereto,

15.49.6 communicate to parties all orders and directions of the arbitral tribunal,

15.49.7 receive and record all documents and papers relating to the reference and keep in custody all such documents and papers, stamp duties except those the parties are allowed to retain, for such period as may be prescribed by the Relevant Authority from time to time,

15.49.8 publish the award on behalf of the arbitral tribunal,

15.49.9 enter the award and any changes therein in the register of reference,

15.49.10 generally do all such things and take all such steps as may be necessary to assist the arbitral tribunal in the discharge of its functions,

15.49.11 maintain a register of appeals and make necessary entries therein and generally to do all such things and take all such steps as may be necessary to implement the award of the arbitral tribunal, as may be specified by the Exchange or any court of competent jurisdiction or a regulatory authority having jurisdiction on such matters from time to time.

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

15.51 **Reference to Dispute Resolution Committee or Officer or Conciliation**

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

15.51.1 determination of a question whether the delivery made by the seller confirms to the quality specification prescribed by the Exchange

15.51.2 Applicability and/or interpretation of any Rules, Bye-Laws, Regulations, resolutions, orders, notices, directions, decisions or ruling, whatever name called, for determining any matter referred to above in this Bye-Law, and

15.51.3 such other matters as may be specified by the Relevant Authority for the purposes of this Bye-Law.

15.52 **Reference to Conciliation**

15.52.1 Panel of Conciliators

a. The Relevant Authority may constitute a panel of conciliators consisting of not less than ten persons, not more than forty percent of whom shall be drawn from people possessing expertise in the areas related to the commodities market and other relevant fields like industry, commerce, economics, finance, accounts, law, etc.

b. Provided that the Relevant Authority shall have the power to increase the number of conciliators on panel from time to time, keeping in view the number of cases pending for conciliation.

15.53 **Representation and Assistance**

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

15.54 **Number and Appointment of Conciliators**

15.54.1 There shall be single conciliator with mutual agreement between the parties, unless the parties have agreed that there shall be three conciliators.

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

15.55 **Submission of Statements to Conciliator**

15.55.1 The Conciliator may, upon his appointment, require each party to submit to him a brief statement in writing describing the general nature of the dispute, the points at issues and the amount, if any, of the claim. Each party shall send a copy of such statement to the other party.

15.55.2 At any stage of the conciliation proceedings, the conciliator may require a party to submit to him such additional information, as he/they may deem appropriate.

15.56 **Disclosure of Information**

When the conciliator receives some information concerning the dispute from a party, he shall disclose the substance of that information to the other party so that the other party may have the opportunity to present any explanation as he may consider appropriate;

Provided that when a party gives any information to the conciliator on a specific condition that it shall be kept confidential, the conciliator shall not disclose such information to the other party.

15.57 **Communication Between Conciliator and Parties**

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

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

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

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

15.59 **Suggestions by Parties for Settlement of Disputes**
Each party may, on his own initiative or at the invitation of the conciliator, submit to the Conciliator, suggestions for the settlement of the dispute.

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

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

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

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

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

15.61 **Role of Conciliator in Other Proceedings**

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

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

15.62 Deposits

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

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

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

15.63 **Completion of Conciliation Proceedings**

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

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

15.64 **Settlement Agreement**

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

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

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

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

15.65 **Status and Effect of Settlement Agreement**

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

15.66 **Costs**

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

Explanation: Costs mean reasonable costs relating to:

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

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

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

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

15.67 **Termination of Conciliation Proceedings**

15.67.1 The conciliation proceedings shall be terminated –

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

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

15.69 **Confidentiality**

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

16. EMERGENCIES AND POWERS TO HANDLE EMERGENCIES

16.1 [1][Whenever the Relevant Authority considers that there is an emergency, corner or crisis in the nature of manipulation, squeeze, bear raid or wherever it appears to such a Committee and/or to the Relevant Authority that the contracts are transacted for the purpose of inducing a false or artificial appearance of activity or upsetting the price equilibrium or that the business is being conducted in a manner prejudicial to the interest of the trade or the interest and welfare of the Exchange, the Clearing House may effect special clearance of outstanding contracts that have been registered or impose additional /special margins or take such other measures that the Committee concerned or the Relevant Authority may decide.]

16.2 16.2.1 The Relevant Authority shall have power at any time and from time to time to call upon all or any member to submit detailed statement giving information relating to contracts entered into by a member in such form and in such manner as may be prescribed;

16.2.2 In particular and without prejudice to the generality of the foregoing power, such information may relate to the following matters:

a. Transactions entered into by a member with another member on his own-account and transactions entered into by a member on behalf of others;
b. Open positions of a member and of others on whose behalf the member has entered into transactions;
c. stocks of commodities held by a member or his clients;
d. export and import commitments, and export and import orders on hand in respect of a member and /or his clients; and
e. Forward physical purchases and / or sale of a member and / or his clients.

16.2.3 The Managing Director or Relevant Authority shall have power for the purpose of verifying or checking any statement submitted by a member of the Exchange under these Bye-Laws, to call for the production of the books of any member and/or call for explanation from any member. A member failing or neglecting to submit any such statement or to produce any such books to give any such explanation shall be liable to be dealt with under chapter 14 of these Bye-Laws.

16.3. 16.3.1 Where the Forward Markets Commission considers it expedient to do so, it may call for periodical statements relating to contracts entered into by the members in such form or manner as may be prescribed.

16.4 If, in the opinion of a Committee constituted for a commodity or a group of commodities, or the Relevant Authority , an emergency has arisen or exists, or it is expedient in the general interest of the trade so to do, The Relevant Authority may prohibit all transactions in forward, futures and other contracts in one or more underlying commodities and one or more contract months at a rate or rates above a maximum and/or below a minimum as may be specified; or all transactions in forward contracts in one or more underlying commodities, and one or more contract months for a specified period or until further notice as may be specified.

16.5 If the Relevant Authority and/or the Forward Markets Commission is of the opinion that continuation of transactions in any forward and futures contracts in any contract month is detrimental to the interest of the trade or to the public interest or to the larger interest of the economy of India then notwithstanding anything to the contrary

[1] Amended as per FMC approval dated 06.08.2010 w.e.f. 25.09.2010 vide Gazette of India notification.

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

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17. CONFIDENTIALITY OF INFORMATION

17.1. 17.1.1 No employee of the Company or Exchange shall:

a. Engage directly or indirectly in trading of contracts that are transacted in the Exchange and cleared and settled by the Clearing House of the Exchange; or

b. Directly or indirectly make disclosure of any confidential, financial, or other information that may come into his possession as a result of his functions as an employee of the Company or the Exchange.

17.1.2 Employees who violate the above restriction shall be subject to immediate dismissal by the Board upon the recommendation of the Managing Director or The Relevant Authority.

17.2. No employee of the Company or the Exchange shall maintain directly or indirectly any employment with any member of the Exchange or any person, firm, or corporation which is engaged in activities related to trading in contracts of the Exchange, whether such employment involves or does not involve any compensation, whether periodic or otherwise. Employees who violate this Rule shall be subject to immediate dismissal by the Board upon the recommendation of the Relevant Authority.

17.3. Members of the Exchange including clearing members who cause or attempt to cause employees of the Exchange or the Company to violate or who participate with employees in violating the above rules shall be guilty of improper conduct and shall be liable to immediate suspension/ expulsion from the Exchange and the withdrawal of membership privileges.

17.4. No Director of the Board or any member of any Committee constituted by the Board committee shall directly or indirectly make unauthorised disclosure or improper use of any information that may come into his possession as a result of his official position or former official position in the Exchange, which if generally known might reasonably be expected to affect materially the price of contracts traded in the Exchange. Failure to comply with this Bye-Law shall be considered to be a major violation and shall be dealt with by the Board in the manner as it considers appropriate.

17.5 No Director of the Board or any member of a Committee or Standing Committee constituted by the Board shall directly or indirectly make unauthorised disclosure or improper use of any information that may come into his possession as a result of his official position or former official position in the Exchange, to derive direct or indirect advantage for himself or any other person. Failure to comply with this Bye-Law shall be considered to be a major violation and shall be dealt with by the Board in the manner it considers appropriate.

17.6 No employee of the Exchange or the designated clearing bank(s) shall (i) directly or indirectly make unauthorised disclosure of any information that may come into his possession as a result of the function of the bank as the clearing bank, (ii) engage directly or indirectly in trading of contracts that are traded in the Exchange and (iii) directly or indirectly maintain employment with any member of the Exchange or any person, firm, or corporation which is engaged in activities related to contracts traded in the Exchange, whether such employment involves or does not involve any compensation whether periodic or otherwise. The designated clearing bank(s) would be responsible for the activities of all its/their employees and any violation by its employees shall be subject to such action, as the Board may deem fit.