RULES OF MULTI COMMODITY EXCHANGE OF INDIA LIMITED

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RULES OF MULTI COMMODITY EXCHANGE OF INDIA LIMITED

[In exercise of the powers conferred by Section 6 (3) 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 Rules, namely:-][1]

1. PREAMBLE

a. These Rules shall be known as **'The Rules of Multi Commodity Exchange of India Limited, Mumbai'** and are for the sake of brevity and convenience, herein referred to as „these Rules" or "the Rules of the Exchange".

b. These Rules shall come into force with effect from such date as the Governing Board of Multi Commodity Exchange of India Limited, Mumbai {hereinafter referred to as „the Exchange"} and the Forward Markets Commission {hereinafter referred to as „FMC" or „Commission"} may appoint and notify in that behalf.

c. These Rules shall be in addition to the provisions of the Forward Contracts (Regulation) Act, 1952, the Forward Contracts (Regulation) Rules, 1954 and the Rules and Regulations made thereunder. These Rules shall at all times be read subject to the provisions of the Forward Contracts (Regulation) Act, 1952 {hereinafter referred to as **'FCRA'**}, the Forward Contracts (Regulation) Rules, 1954 {hereinafter referred to as **'FCRR'**} as amended from time to time and the Rules, Regulations, Directives, Orders, Guidelines, Norms and Circulars issued by the Government of India and/or FMC thereunder from time to time.

d. [2][In case of difference between the provisions of any Rules of the Exchange and the provisions of FCRA or FCRR, the provisions of FCRA/FCRR shall prevail.]

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

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

2. DEFINITIONS

a. **'Active member of the Exchange'** means a member of the Exchange, who is not an inactive member of the Exchange.

b. „**Approved User**" means a person employed or engaged by a member of an Exchange in his/their own exclusive arrangement with the permission of the Exchange for trading in the automated trading system or any other trading system approved by the Exchange.

c. „**Articles**" means the Articles of Association of the Company.

d. **'Associate'** in relation to a member of the Exchange, individual, body corporate or firm or any other entity shall include a person:

i. who, directly or indirectly, by himself, or in combination with other persons, exercises control over the Member of the Exchange, whether individual, body corporate or firm or holds substantial share of not less than 15 per cent in the capital of such entities, or in respect of whom the broker, individual or body corporate or firm, directly or indirectly, by itself or in combination with other persons, exercise control; or

ii. whose director or partner is also a director or partner of the broker, body corporate or the firm, as the case may be.

e. **'Authorised Representative'** is a person who represents a Member of the Exchange in respect of his business and is duly approved by the Exchange under these Rules

ee. **"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. [3]

f. **'Base Capital**" means and includes the initial security deposit, additional security deposit, margin money, any other credit amounts, bank guarantee, and other collateral, by whatever name called, specified to be part of the base capital.

g. „**Board of Directors**" means and includes the 'Board of Directors" or the "Council of Management" or "the Governing Board" or the "Board of Multi Commodity Exchange of India Limited" or „Board", by whatever name called, vested with the general powers of management and superintendence and complete jurisdiction over all members of the Exchange and all matters contained in the various provisions under the Articles, Rules, Bye-Laws and Regulations of the Exchange, and over

[3] New clause inserted as per FMC approval dated July 01, 2013 as published in Gazette of India, Part IV, dated November 23, 2013

the commodities or securities or any other instruments and or derivatives thereof, which are traded on the Exchange.

h. **'Business Associate**" means any person employed or engaged by a member of the Exchange for remuneration or sharing of brokerage or otherwise for the purpose of soliciting business and/or carrying out transactions in the market whether called a dealer, an approved user, an authorised representative, an agent, a remisier, or an employee or by any other name.

[ha. **"Business Rules/ Regulations"** means the Business Rules/ Regulations of the Exchange for the time being in force and include Code of ethics/ conduct /governance, Circulars, Notices and such other Regulations prescribed by the Board of Directors or Relevant Authority from time to time for the operations of the Exchange and these shall be subject to the provisions of the Forward Contracts (Regulation) Act, 1952, Forward Contracts (Regulation) Rules, 1954, directives issued by the Commission and Bye laws and Rules of the Exchange.] [4]

i. **["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.]. [5]

j. **'Clearing House'** means the clearing house operating for clearing and settlement of transactions/contracts in any commodity including derivatives of such contracts, security or instrument and is approved by the Company/Exchange.

k. **'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.

l. „**Company**" or **'The Company'** or **'This Company'** or „**MCX**" means **MULTI COMMODITY EXCHANGE OF INDIA LIMITED.**

m. „**Commodity**" means any goods or commodity, as defined by or under the Forward Contracts (Regulation) Act, 1952 (hereinafter referred to as FC (R) Act) including securities or instruments representing any such commodity permitted to be traded on the Exchange.

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n. „**Contract**" means a contract for or relating to the purchase and/or sale of a commodity as prescribed by the Exchange and includes all types of forward, futures and other derivative contracts, as may be permitted by FMC for trading.

o. **'Control**" shall include the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner

p. **'Director'** means the Director for the time being of the Company.

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

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

q. **'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 or SEBI.

r. **'Executor'** or **'Administrator'** in relation to a deceased Member of the Company, means a person who has obtained probate or letter of administration as the case may be, from a Court of competent jurisdiction and shall include holder(s) of succession certificate authorizing the holder(s) thereof to negotiate or transfer the share or shares of the deceased Member of the Company and shall also include the holder of a certificate granted by the Administrator General under Section 31 of the Administrator Generals Act, 1963.

s. „**Family member**" of a member of the Exchange means, the member"s father or mother or spouse or son or sons or unmarried daughter or daughters or daughter-in-law or daughters-in-law or father"s brother or brothers or son"s or sons" son or sons or brother or brothers or unmarried sister or sisters or brother"s or brothers" son or sons.

t. **'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.

u. **'Inactive member of the Exchange'** means a member of the Exchange who has not traded in the Exchange even for a single day in a year.

v. **'In writing' or 'Written"** includes handwriting, typewriting, printing, lithography, fax, downloading through computers, e- mail and/or other modes of representing or reproducing words in visible form.

w. **'Market Maker'** is a class of Member who will be designated as such and be made obligated to provide liquidity in the Exchange in the relevant commodity by giving two way quotes at all times on such terms and conditions as may be prescribed by the Exchange from time to time.

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

y. **"Multiple Trading Membership**" means an individual, or a partnership firm or a company (as defined under the Companies Act) or a body corporate or any other entity having either, directly or indirectly, or is in the process of acquiring, control in another entity which is a member of the Exchange of either the same Exchange and/or of any other Exchange/s and shall include:

i) An individual member of the Exchange being a member of one Exchange, is also a member of another Exchange, or
ii) An individual, being a member of one Exchange is also a designated director/nominee of a company/body corporate,

which is a member of another Exchange, or

iii) An individual, who is a designated director/nominee of a company/body corporate in which there are at least two designated directors/nominees and one of the designated directors/nominees is a member individually of another Exchange, or

iv) An individual, being a member of one commodity/stock Exchange or an individual, who is a designated director/ nominee of a company/body corporate, which is a member of one Exchange, is a designated partner in any partnership firm of another Exchange.

z. "**Non-member Client or Registered non-member**" means a client or non-member client who is registered with the Exchange from time to time under the Bye-Laws.

aa. **Notice** Board refers to the Board displayed at the registered office of the Exchange and also the Bulletin Board, Market News and Information corner displayed on the trading system of the Exchange or the News and circulars, notifications, etc. downloaded/ broadcast at the trading system of the members.

ab**. 'Person'** includes an individual, partnership firm, body corporate, corporation, joint Hindu family, a co-operative society, association of persons, bank, financial institution, public sector organisation, statutory corporation, a government department or non-government entity or such other person as the Board may decide from time to time.

ac. **'Place of Business'** means an office where a member is conducting a bona fide business for dealing in commodities and the address of which is officially intimated to the Exchange.

ad. „**Recognised Exchange**" means an Exchange, which is for the time being recognised by the Central **Government** and/or FMC under the provisions of the FC(R) Act, 1952.

ae. "**Register of Members of the Exchange'** means the register containing the names and other details of the Members of the Exchange registered with the Exchange under various categories.

af. "**Regulations**" or „The **Regulations**" means the Regulations of the Exchange for the time being in force and include Business Rules, code of conduct, 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.

ag. " **Relevant** Authority" means the Board or Managing Director or such authority as may be specified by the Board from time to time as relevant for a specified purpose.

ah. **'Remisier'** means a person, who is engaged by a member of the Exchange primarily to solicit business for the member for trading on the Exchange.

ai. " **Rules**" refer to the Rules relating in general to the constitution and management of an Exchange and include, its memorandum and articles of association. These Rules shall be subject to the provisions of the FC(R) Act, 1952 and Rules thereunder.

aj. „**Securities**" include:

i) Shares, scrips, stocks, bonds, debentures, debenture stock or other marketable securities or instruments of a like nature in or of any incorporated company or other body corporate or otherwise, including futures, options and other derivatives contracts permitted under Law;

ii) Government securities;

iii) Such other instruments as may be declared by the Central Government to be securities;

iv) Rights or interest in securities, derivatives, futures and options and other contracts of such nature; and

v) Any other instruments that may be incorporated under the definition of securities in the Securities Contracts (Regulation) Act, 1956 or FC(R) A, 1952.

ak. [6][.....].

al. "**Trading system"** means the automated trading system (ATS) of the Exchange or any other system provided by the Exchange, which makes available to the members of the Exchange, by whatever method, quotations in Commodities or any other instruments and disseminates information regarding trades effected, volumes, etc. and such other notifications as may be placed thereon by the Exchange.

The definitions not covered herein above will be taken from these Rules or Articles or the Bye-laws of the Exchange for the purpose of interpretation or management of the Exchange and in case of any discrepancy, the interpretation as may be taken by the Board of the Exchange shall be final and binding on all associated with the Exchange directly or indirectly.

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[6] Deleted sub-broker definition as per FMC approval dated 06.08.2010 w.e.f.01.12.2010 vide Gazette of India notification dated 25.09.2010.

3. MANAGEMENT OF THE EXCHANGE

[The Board may organize, maintain, control, manage, regulate and facilitate the operations of the Exchange and commodities transactions by trading members/ clearing members, subject to the provisions of the Forward Contracts (Regulation) Act, 1952 and Rules made thereunder, and any directives issued thereunder or as may be prescribed from time to time. The Board shall, subject to the guidelines/directives of FMC, appoint various Committee(s) /Panel(s), from time to time, for managing the assortment affairs of the Exchange. Collectively the Board and the Committees/panel so formed be called as the Relevant Authority for the purpose of these rules.][7]

a. [The Board may, subject to the guidelines/ directives of the Commission, from time to time constitute/re-constitute Membership Admission Committee, Executive Committee, Trading Committee, Clearing House Committee, Infrastructure and /or System Steering Committee, Arbitration Panel, Vigilance Committee and Other Committees/Panels/Advisory Boards etc., as it may think fit. The composition, role, functions and powers of the Committee /panels shall be determined by the Board as per the directives of the Commission, if any, issued from time to time. The members of the Committee will treat all information pertaining to their area of responsibility in complete secrecy.][8]

b. A member of any Committee who is on the Committee by virtue of being a Member of the Exchange or of the Clearing House shall vacate such office forthwith if he ceases to be a Member of the Exchange and/or member of Clearing House, as the case may be; or upon suspension, expulsion or declaration as defaulter by the Exchange.

   Provided that the Board will have the power to terminate the services of a Committee member at any point of time, if it so desire.

c. The Committees, panels and Advisory Boards shall consist of such number of members as the Board may determine from time to time.

d. The Board may induct Exchange Members and commodity experts on the Committees, panels and Advisory Boards, in such numbers as may be decided by the Board from time to time.

e. All members of the Committee, Panels and Advisory Boards shall hold office from the date of their respective appointments till the first meeting of the Board held after the next Annual General Meeting. Provided that, if new members of the Committees are not appointed at the said meeting of the Board, the existing members shall continue until the successors are validly appointed by the Board.

f. The Committees shall have such responsibilities and powers as may be delegated to it by the Board from time to time which may, inter alia,

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

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

include the responsibilities and powers to be discharged in accordance with the provisions of the Bye-Laws and Rules.

g. [The Business Rules/Regulations made by the Board or the Guidelines and Circulars issued under the said Business Rules /Regulations 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.][9]

[3A. MANAGING DIRECTOR / CHIEF EXECUTIVE

i. The Managing Director of the Exchange shall be the Chief Executive of the Exchange and shall look after day-to-day management and affairs of the Exchange including but not limited to trading, clearing and settlement of trades.

ii. The Managing Director / Chief Executive shall represent the Exchange officially in all public matters.

iii. Without prejudice the generality of above provisions, the Managing Director shall perform such function and shall exercise such powers as may be delegated to him by the Board.

iv. The Managing Director shall function in accordance with the direction of the FMC and Board on matters as the Board may deem fit from time to time.] [10]

4. FUNCTIONS OF THE MEMBERSHIP COMMITTEE:

Major Functions of Membership Committee shall be to recommend admission of new Members of the Exchange as per the Rules and Bye-Laws of the Exchange. The Committee shall also have the power to recommend to the Board for refusing membership to an applicant, if it is satisfied that in the interest of the Exchange it is expedient to do so. In case of rejection, it shall record its recommendation in writing.

The Committee will select the members based on the terms and conditions of membership as may be specified by the Board for different classes of members from time to time.

5. FUNCTIONS OF TRADING COMMITTEE:

The Trading Committee's functions include:

a. Review and recommend Rules for automated trading for proper functioning of the trading system and for the selection of, and trading in, approved commodities;

b. The specification of price limits for each contract month within which any futures contracts in any commodity shall be transacted in the Exchange,

[9] New clause inserted as per FMC approval dated 06.08.2010 w.e.f. 25.09.2010 vide Gazette of India notification dated 25.09.2010.

[10] New Rule 3A inserted as per FMC approval dated 06.08.2010 w.e.f. 25.09.2010 vide Gazette of India notification dated 25.09.2010.

the suspension of trading in one or more contracts when pre-set price limits are breached, and the conditions for the relaxation or tightening of price limits along with the new limits when necessary;

c. The specification of position limits for each contract month within which a futures contract shall be transacted and held by members of the Exchange and clients, the conditions for the relaxation or tightening of position limits along with the new limits when necessary, and the conditions under which exemptions or concessions may be granted to members of the Exchange uniformly or selectively;

d. Review and recommend risk management systems to ensure that trading takes place in a fair and safe manner;

e. Recommend Business Rules for clearing and settlement;

f. Approval of the basis for computation of the settlement price for each clearing day and special settlement rates for settlement of disputes or on days when there is no trading; and

g. Dealing with emergencies and special situations.

The Board may accept the recommendation made by the Trading Committee if such recommendations are within the jurisdiction of the Trading Committee and in accordance with the Bye-Laws, Rules and Regulations.

6. FUNCTIONS OF THE CLEARING HOUSE COMMITTEE:

a. The Clearing House Committee shall recommend the margin structure applicable for each commodity and contracts;

b. To recommend action in the event of a default by members of the Exchange after examining the desirability of transferring any part or all of the open positions cleared and registered by the clearing house and the desirability of closing out any part or all of the open positions cleared and registered by the clearing house.

c. To determine losses, damages and penalties resulting from any defaults including delivery defaults, and

d. To recommend action against defaulting members of the Exchange and the manner of utilisation of the Settlement Guarantee Fund, as per the Rules, Articles and Bye-Laws of the Exchanges.

The Board may normally accept the recommendation made by the Clearing House Committee if such recommendations are within the jurisdiction of the Clearing House Committee and in accordance with the Bye-Laws, Rules and Regulations.

7. FUNCTIONS OF MEMBERS OF THE ARBITRATION PANEL:

To give arbitration award in cases preferred for arbitration, which shall be between different classes of Members of the Exchange *inter-se*, and between Members of the Exchange and their clients in terms of the Rules, Articles and Bye-Laws of the Exchange.

8. FUNCTIONS OF THE VIGILANCE COMMITTEE:

The Vigilance Committee shall be responsible to set out the procedure relating to checks, inspections, enquiries and investigations in order to discover, prevent and monitor, as the case may be, price manipulation, price distortion, trading malpractices and in addition to the same, it shall perform such duties and responsibilities as may be assigned to it by the Board from time to time.

In case the Exchange refers a case to the Vigilance Committee, the Vigilance Committee shall examine the matter and give its finding as soon as practicable to the Board or the relevant authority.

9. EXECUTIVE COMMITTEE

The Exchange shall constitute an Executive Committee from amongst its Senior Executives of the Exchange for the day to day management of the Exchange and for the implementation of the provisions of Articles, Bye-Laws, Rules and Regulations of the Exchange and for such other matters as may be directed by the Board from time to time. The Board may also appoint special invitees on this Committee from time to time and for such period, as it may deem necessary.

10 COMMODITY/IES SPECIFIC ADVISORY BOARD

The Board may appoint Advisory Board for specific Commodity or group of commodities, which shall consist of experts having experience in such specific commodity or group of commodities and Senior Executives of the Exchange. Such experts may be members of the Exchange or independent professionals having expertise in related field.

Such Advisory Board shall be responsible to recommend the contract specification for such commodities as well as the Rules relating to delivery and settlement in such commodities.

11. QUORUM FOR COMMITTEES/PANELS/ADVISORY BOARDS

The quorum for every Committee/Panels/Advisory Boards shall be one-third of the total strength of each Committee or two (2), whichever is higher, except in the case of a sole-member Committee.

12. MEETINGS OF COMMITTEES AND HOW QUESTIONS DETERMINED

a. A Committee may meet and adjourn as it thinks proper.

b. Questions arising at any meeting of a Committee shall be determined by a majority of votes of the members present; in case of an equality of votes of members present, the Chairman of the Committee shall have a second or casting vote in addition to his vote as a member of the Committee.

13. ACTS DONE BY THE BOARD OR COMMITTEES VALID NOTWITHSTANDING DEFECTIVE APPOINTMENT

All acts done by any or a Committee thereof, or by any person acting as a Director or member of a Committee shall notwithstanding that it may be afterwards discovered that there was some defect in the appointment of any one or more of such Directors or of any person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such Director and such person had been appointed and was qualified to be a Director or Committee member as the case may be.

14. BOARD TO FILL VACANCY

The Board shall from time to time fill in any vacancy in the membership of any Committee.

15. RULES FOR PROCEEDINGS OF COMMITTEE

Subject to the Rules and provisions contained in these Rules or any Bye-Laws and Regulations of the Exchange, the proceedings of the Committee shall be regulated by the same Rules as proceedings of the meetings of the Board.

16. RESOLUTION BY CIRCULATION

Save as otherwise expressly provided in the Act, a resolution shall be as valid and effectual as if it had been passed by the Board or a Committee constituted by the Board, as the case may be, duly called and constituted if a draft thereof in writing is circulated with the necessary papers, if any, to all the Directors or to all the Members of the Committee (including absentee Directors/Members), as the case may be, at the usual address whether in or outside India, and has been approved in writing by a majority of such of them as are entitled to vote on the resolution.

17. BOARD'S POWER IN RESPECT OF COMMITTEES

The Board will have absolute power to terminate, dissolve or suspend any Committee / panel appointed by the Board. The Board will have absolute power to amend, modify, change, partially accept or fully override recommendations of the Committee. The role of all the Committees will be recommendatory in nature and their decisions will be advisory in nature so as to enable the Board to take appropriate decision.

18. COMMITTEES POWER TO SEEK ADVICE

A Committee may decide to take opinion from others including members of the Exchange on any matter connected with the Exchange with prior approval of the Exchange. For this purpose, a Committee will have the power to invite Trading cum clearing members and other independent professionals at a Committee meeting as a special invitee for seeking their advice.

4. MEMBERSHIP OF THE EXCHANGE

19. a. The Board may classify the membership of the Exchange in different categories for different commodities, securities or instruments or derivatives thereon permitted to be traded on the Exchange and provide for different rights and privileges for trading, clearing and settlement of contracts in any commodity or group of commodities, securities or instruments or derivatives thereon to the members of different categories. A person desirous of securing the membership of the Exchange may apply for any category of membership, subject to his fulfilling the membership criteria.

b. The membership of the Exchange shall entitle a member of the Exchange to exercise such rights and privileges attached to such membership as he specifically applies for dealing on the Exchange, subject to the Bye-Laws, Rules and Regulations of the Exchange as applicable from time to time.

c. The provisions of the Articles of Association and the Bye-Laws, Rules and Regulations applying to individuals shall apply *mutatis mutandis* to firms, banks, other financial institutions and bodies corporate who are registered as a member of the Exchange.

d. A Member of the Exchange shall not assign, mortgage, pledge, hypothecate, or charge his right of membership or any rights or privileges attached thereto, and any such attempt shall not be effective as against the Exchange. The Board shall expel any Member of the Exchange who acts or attempts to act in violation of the provisions of this Rule.

e. The membership rights of the Exchange are transferable subject to the terms and conditions that may be prescribed by the Exchange in this regard from time to time and also subject to prior approval of the Exchange.

f. There shall be different classes of membership of the Exchange along with associated rights and privileges which shall include Trading-cum-clearing members, Institutional clearing member and other classes as may be defined by the Exchange from time to time. The different types of members of the Exchange for the present are as under:

a) Trading-Cum-Clearing Member

Trading-cum-clearing member means a person who is admitted by the Exchange as the 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.

b) Institutional Clearing Member

Institutional clearing member means a person who is admitted by the Exchange as a Clearing member of the Exchange and the Clearing House of the Exchange and who shall be allowed to only clear and settle trades on account of Trading-cum- clearing members or Trading Members.

c) Institutional Trading-Cum-Clearing Member

Institutional Trading cum Clearing Member means a person who is admitted by the Exchange as a Institutional Trading cum Clearing Member of the Exchange and who shall be allowed to trade on his account and to settle trades done by himself as well as by other Trading cum clearing members or Trading members.

d) Commodity / Complex Specific Trading-cum-Clearing Member
Commodity / Complex Specific Trading Cum Clearing member means a person having been admitted by the Board as such, who shall have trading and clearing rights only in respect of specific commodity or group of commodities, while in respect of other commodities he shall not have any trading or clearing rights.

Provided that such Commodity / Complex specific Trading cum Clearing Members shall be entitled to upgrade themselves into full fledged membership, consequent upon compliance with such conditions, as may be specified by the Board.

e) Trading Member
Trading Member means a person having been admitted by the Board as such, who shall have rights to trade on his own account as well as on account of his clients, but shall have no right to clear and settle such trades himself.

All such trading members must be affiliated with any one of the Institutional Clearing Members or Institutional Trading cum clearing members having clearing rights on the Exchange.

g. Any person, as may be approved by the Board, fulfilling the following criteria will be eligible to become a Member of the Exchange:

i. Compliance with the capital adequacy norms as may be prescribed by the Board for membership of the Exchange, from time to time; and

ii. Compliance with the registration and other provisions as may be prescribed by the Board from time to time.

iii. Payment of such fee, charges, deposits and other monies, as may be specified by the Exchange.

h. The Board is empowered to prescribe such Rules, requirements and/or criteria for admission as a Member of the Exchange and to alter any such Rules including those specified above.

i. Every Member of the Exchange shall comply with and be bound by the Articles of Association of the Company and by the Bye-Laws, Rules and Regulations of the Exchange that may be made in accordance therewith, from time to time, and shall accept as final any decision made by the Board or by the Company in General Meeting or by the Committee approved by the Exchange.

j. Prospective Members of the Exchange or their authorised representatives shall, during the admission process, if required by the Board, appear personally before the Board or any Committee thereof, for an interview and/or test as may be prescribed.

k. Membership of the Exchange shall be transferable to any eligible person, body corporate, company, partnership firm, bank, financial institution or such other person, as may be approved by the Board or any Committee thereof. The membership can be surrendered either by resignation from the Membership of the Exchange or transfer of the membership by nomination. In case of resignation, the member of the Exchange shall be entitled to receive back his deposit, if any, after the Exchange and the Clearing House have recovered all outstanding dues from the member who has tendered his resignation, subject to such lock in period as may be specified by the Board. The admission fee paid by the member of the Exchange shall be non-refundable.

l. [Member of the Exchange may be allowed to up-grade its class/ type of membership to another viz., TCM to ITCM or TM to TCM, etc., subject to the eligibility terms and conditions and paying the differential admission fees, deposits, etc., as applicable for the said up-graded class / type of Membership.

m. Member of the Exchange may be allowed to down-grade its class/ type of membership to another viz., from ITCM to TCM or from TCM to TM, etc., subject to the said Member agreeing to forego his excess Admission Fees (if any) paid to the Exchange.][1]

Conditions Precedent for Eligibility

20. (i) No person shall be eligible to be qualified as a member, if such person is less than 21 years of age;

(ii) A person, who is not a citizen of India, is eligible to be admitted as a member of the Exchange, if he complies with Laws and Rules applicable to such a person in the country where he is a citizen, besides Laws, Bye-Laws, Rules and Regulations applicable to such a person in India.

General Conditions

21. No person shall be eligible to be qualified as a member of the Exchange, if such person

(i) does not have a minimum net worth as the Governing Board may from time to time determine and consider acceptable;

(ii) has been declared/rendered incompetent to enter into contract under any law in force in India

(iii) has been adjudged bankrupt or a receiving order in bankruptcy has been made against him or he has been proved to be insolvent even though he has obtained his final discharge;

(iv) has been convicted of an offence involving moral turpitude;

(v) has compounded with his creditors unless he has paid 100 paise in a Rupee;

[1] Inserted vide Exchange Circular Ref. No. MCX/MEM/323/2015 dated November 17, 2015 as per SEBI approval vide letter Ref. No. CDMRD/DEA/7/2015 dated October 30, 2015 as published in Gazette of India, Part IV, dated November 14, 2015 – November20, 2015 and Maharashtra State Gazette dated November 12, 2015 –November 18, 2015.

(vi) has been found to be of unsound mind, by a court of competent jurisdiction;

(vii) has applied to be adjudicated as an insolvent and the application is pending;

(viii) has been punished for contravention of any of the provisions of the FC(R) Act or any Rules or Regulations made thereunder or any other applicable Act or any Rules or Regulations made thereunder and a period of two years or any longer period, as may have been specified by FMC in its order, has not elapsed from the date of order of such punishment, and in case such person is sentenced to imprisonment by a competent Court of Law, a period of five years has not elapsed from the date of expiry of sentence;

(ix) [has been declared as a defaulter by any other Commodity Exchange unless a period of five years has elapsed from the date of expiry of such default.][11]

- Such other conditions as may be specified by the Board or the Committee thereon from time to time.

Membership application

22. Every person desirous of becoming a Member of the Exchange shall apply to the Exchange for admission as a Member of the Exchange, in the prescribed form which shall be provided by the Exchange at such fee that the Exchange may decide from time to time in the relevant Regulations and the membership shall be subject to compliance of all the Bye-Laws, Rules, and Regulations of the Exchange specified by the Exchange from time to time.

Admission and admission fee

23. The Board or a Committee appointed and empowered by the Board for the purpose may admit an applicant as a Member of the Exchange provided that he satisfies the conditions set out in these Articles, the Bye-Laws, Rules and Regulations made thereunder. The Board or the Committee as aforesaid may interview and/or test the applicant before admitting him as a Member of the Exchange. In case of rejection of the application for admission to the membership of the Exchange, the reason for such rejection shall be recorded in writing.

Provided that if the membership has been refused by the Committee appointed for the purpose, the applicant shall have the right to appeal to the Board against the decision of the said Committee.

The decision of the Board shall be final and binding on the applicant.

The applicant shall meet the net worth requirement, capital adequacy norms, fees, deposits, etc., as decided by the Board from time to time in the relevant Business Rules.

a. Subject to the approval and decision of the Board or a Committee appointed and empowered by the Board for the purpose, every person applying for the membership of the Exchange shall pay, along with the membership application, non-refundable admission fee or any other fee/deposit as may be specified by the Board, from time to time. Where, however, a retiring Member of the Exchange or the legal heir(s) of a deceased Member of the Exchange nominate(s) a person eligible for admission as a member of the Exchange under these Rules, to succeed the established business of the retiring or deceased Member of the Exchange who is his father, uncle, brother or son or any other person in the opinion of the Board or a Committee is a close relative, such nominee shall be admitted as a Member of the Exchange provided he is found otherwise qualified, eligible and fit for the membership of the Exchange by the Board or a Committee under these Rules.

b. A Member of the Exchange on admission shall not be entitled to exercise any of the rights or privileges of membership until he shall have paid in full the non-refundable admission fee and any other fee or deposit as may be decided by the Board, and the annual subscription for the year of

[11] New clause inserted as per FMC approval dated December 17, 2013 w.e.f. notification in the Gazette of India dated April 12, 2014

admission for the specific category of membership to which he has sought the admission. Where such member fails to make such payment within such number of days of receipt of the intimation of his admission, as may be decided by the Exchange from time to time, his admission shall be deemed to have been cancelled *ab initio* and he shall be deemed never to have been admitted as a member of the Exchange and the amount remitted to the Exchange shall be forfeited.

Admission Under Misrepresentation

24. The Governing Board may expel a Member of the Exchange, if in its opinion to be recorded in writing, such Member has in or at the time of his application for admission to membership of the Exchange or during the course of the inquiry made by the Governing Board preceding his admission –

i made any wilful misrepresentation; or

ii suppressed/concealed any material information required of him as to his financial position, including financial liabilities, character and antecedents.

iii has directly or indirectly given false particulars or information or made a false declaration.

Procedure subsequent to admission

25. a. **Intimation Letter for Election/Selection**: When a new Member of the Exchange is elected/selected, intimation of his election/selection may be sent to him by the Exchange.

b. **Certificate of Admission to Membership of the Exchange.** On due payment of requisite fees, subscription, deposits including the initial security deposit and such other amounts and requirement as may be prescribed in the Bye-Laws, Rules and Regulations of the Exchange and by the Board from time to time and on compliance with all the requirements necessary before commencement of trading and/or clearing & settlement activity, a Certificate of Membership, under the common Seal of the Exchange and signed in such manner as the Board may decide from time to time, may be issued to the newly admitted member.

If any such Certificate be lost, destroyed, defaced or worn out, the Board or the Committee appointed and empowered for the purpose may issue a new Certificate provided, however, that such Certificate shall not be granted except upon the return of the worn out or defaced Certificate to the Exchange or upon proof of destruction or loss of the original Certificate and on such indemnity and at such fee as the Board or the relevant authority may require before the issue of any such Duplicate Certificate.

c. **Certificate of Membership of the Exchange** may be issued to the new member in the form prescribed in these Rules or in such other form as the Governing Board may, from time to time, prescribe together with the intimation of the date from which he shall enjoy the rights and privileges and be subject to all the duties, liabilities and obligations of a Member of the Exchange.

d. **Publication of Notice**: When a member of the Exchange is admitted and a Certificate of Membership as provided above is issued to the

member of the Exchange, notice of such admission shall be published on the notice board of the Exchange or notified by way of broadcast to the members of the Exchange through the automated trading system or any other system of the Exchange.

Register of Members:

26. a The Exchange shall maintain a register and index of Members of the Exchange. In the register of Members of the Exchange, the style, constitution and such other information as may be considered appropriate by the relevant authority may be collected and recorded for the use of the Exchange. In case of any change in these records, the members shall be liable to intimate the Exchange and take permission prior to carrying out such changes. Further all other details of the Members of the Exchange may be stored on the system in electronic form apart from the hard copies of the details as provided by the Members of the Exchange along with the application form, which shall be stored appropriately.

b. Every Member of the Exchange shall promptly notify the Exchange in writing about any change in the information provided by the Member of the Exchange at the time of admission or at a later stage to the Exchange. The Exchange shall indicate the changes in respect of which the Member of the Exchange should take prior approval from the Exchange. In case the Member fails to do so, then the Exchange shall charge penalty and/or take further disciplinary action as may be required.

Subscription

27. a. Every Member of the Exchange shall pay the subscription, fee, deposit or any other charges as may be fixed by the Board, from time to time.

b. If any Member of the Exchange fails or neglects to pay subscription, fee, deposit or any other levies as required by the Board for a continuous period of six (6) months, the Board may declare such Member of the Exchange as a defaulter within the meaning of these Rules.

c. Provided that such defaulting Member of the Exchange shall be at liberty to apply for re-admission as a member of the Exchange by complying with the provisions of these Rules as applicable to re-admission of defaulters.

Security Deposit

28. a. **Provision as to security deposit:** The Exchange may prescribe payment of initial security deposit from a Member payable at the time of his admission. A new member of the Exchange shall, not later than such number of days as may be specified by the Exchange, from the date of intimation in writing by the Exchange conveying its decision on admission, provide security deposit of a sum and in such mode(s) as may be decided by the Governing Board from time to time and shall maintain such base minimum capital with the Exchange at all times.

The Exchange may also decide to bifurcate such security deposit into refundable and non refundable security deposits and may allow trading and exposure limit only on such part of the security deposit, as it may deem fit.

b. **Provision for Additional deposit:** The member of the Exchange shall be entitled to provide additional deposits in order to get higher limits to trade and settle. Base Minimum Capital

c. **Form of Base Minimum Capital:** The base minimum capital to be paid by a member of the Exchange shall be payable in such form, as specified by the Exchange subject to such terms and conditions as the Exchange may from time to time stipulate.

d. **First Charge/Paramount Lien on Base Minimum Capital initial or Additional deposit:** The base minimum capital initial and additional security deposit provided by a member of the Exchange or designated partner or representative member of the Exchange shall be subject to a first charge and paramount lien on any sum due to the Exchange or to the Clearing House by him or by the partnership of which he is a designated partner or by the company/body corporate in which he is a designated director/nominee or holds a place of profit or has holding in share capital as one of the promoters. Such base minimum capital and additional base capital shall also be subject to further charge and paramount lien for the purpose of fulfilment of his engagements, obligations and liabilities or of the partnership of which he is a designated partner or of the company/body corporate in which he is a designated director/nominee or holds a place of profit or holds share capital as one of the promoters, arising out of or incidental to any transactions made subject to the Rules, Bye-Laws and Regulations of the Exchange or anything done in pursuance thereof.

e. **Return of Base Minimum Capital or additional base capital to Members of the Exchange or Designated Partners:** On the termination of his membership of the Exchange, the base minimum capital and the additional base capital not applied under the Rules, Bye-Laws and Regulations of the Exchange shall, at the cost of the member of the Exchange or designated partner, be repaid subject to such terms and conditions as may be decided by the Governing Board from time to time and transfer either to him or as directed by him or, in the absence of such direction to his legal heirs/legal representatives after recovering all the dues of the Exchange and the Clearing House.

However, the Exchange shall return back only such amount as may have been collected as a deposit in the form of Base Minimum Capital refundable or additional deposit for providing trading and clearing limits, subject to settlement of all pending dues and also settlement of all outstanding contracts. Such deposits or contributions, which are collected as non – refundable deposits, shall not be refunded.

f. Suspension on Failure to Maintain Base Minimum Capital: When a member of the Exchange or designated partner or representative member fails to provide base minimum capital as and when specified by the Exchange, the Managing Director or such relevant authority shall order deactivation of the trader work station/s suspending his business forthwith. A broadcast message of such deactivation shall immediately be released for information of other members of the Exchange and such deactivation shall continue until further capital is provided by the defaulting member of the Exchange to meet with the requirement of base minimum capital.

g. Letter of Declaration: A member of the Exchange or designated partner or representative member providing base minimum capital under the provisions of the Rules of the Exchange shall sign a letter of

declaration and/or other specified documents in the form prescribed in these Rules or in the Regulations.

h. Nomination Form for Return of Base Minimum Capital and other Credit Amounts lying with the Exchange: A member of the Exchange may lodge with the Exchange, nomination in the form prescribed for receiving the repayment/return of the base minimum capital and other credit amounts/collateral lying with the Exchange

Lien of deposits/funds

29.	a.	The security deposit, margin, contribution to settlement guarantee fund and/or any other fund of a Member of the Exchange arising under these Rules, Bye-Laws, and Regulations shall be charged with the due repayment of all debts and obligations of such Member of the Exchange to the Exchange/Company, to other Members of the Exchange; to the Clearing House of the Exchange and to any person arising out of contracts entered into and/or transacted under the Articles of Association, the Bye-Laws, Rules and Regulations of the Exchange. All such debts and obligations to the Exchange shall rank in priority to all other claims; the debts to other Members of the Exchange shall rank *pari passu* and be entitled to have a charge on the residue thereof, if any, subject to such first charge; after payment thereof, the residue, if any, shall be charged with all dues to any person under any award made in any arbitration proceeding held under the provisions of the Articles, Bye-Laws, Rules and Regulations; and, after the above said appropriations, the residue thereof, if any, shall vest unconditionally with the Exchange.
	b.	On the termination of his membership of the Exchange or on death or liquidation of the Member of the Exchange, all deposits, if any, not applied under the Bye-Laws, Rules and Regulations of the Exchange, shall at the cost of the Member of the Exchange be repaid either to him/it or as directed or in the absence of such direction to the nominees or legal representatives

PARTNERSHIPS

30. **Firms as Members of the Exchange**

a. A partnership firm shall be eligible for admission as a member of the Exchange provided it fulfils the following:

i The firm is duly registered with the Registrar of Firms;

ii The deed of partnership is approved by the Exchange;

iii The deed of partnership contains a provision to the effect that the business of the firm shall at all times be carried out so as to comply with the Bye-Laws, Rules and Regulations of the Exchange, for the time being in force;

iv The partners of the firm are acceptable to the Exchange; and

v The deed of partnership permits individual partners of the firm from carrying on business of commodities trading and/or clearing in their individual capacity or as partners in other firms;

[vi The Firm is not declared as a defaulter by any other Commodity Exchange or a period of five years has elapsed from the date of declaring it as a defaulter.][12]

b. The firm has undertaken to fulfil the following:

i The Exchange shall be informed of any change in the partnership deed or of partners within one (1) month of such change and if any such change is unacceptable to the Exchange, the firm shall upon receipt of such written communication desist from such action and if the firm fails to comply, the Exchange shall have the right to suspend the rights and privileges of such Member of the Exchange, for a period as may be decided by the Board, or expel such Member of the Exchange;

ii The deed of partnership will include such provisions as the Exchange may from time to time require;

iii The firm and its partners have undertaken unconditionally to fulfil any condition or requirement which the Exchange may insist upon for admission and continuance as a Member of the Exchange, from time to time; and

iv No new partner shall be admitted without the prior approval of the Exchange.

c. No change in the name of an existing partnership shall be effected without prior intimation to the Board and its approval; and if it is so approved, it shall be posted on the notice board of the Exchange.

d. None of the partners shall assign or in any way encumber his interest in the firm.

e. No person shall at the same time be a partner in more than one partnership firm carrying on the business of commodities trading and/or clearing.

f. Notice of every change of partners, upon approval, shall be posted on the notice board of the Exchange.

g. Upon dissolution of the firm, firm shall cease to be a Member of the Exchange.

h. The erstwhile partners of a dissolved firm, other than those who are members of the Exchange in their personal capacity, shall have absolutely no right, privilege, entitlement or concession of a Member of the Exchange, or any claim against the Company or the Exchange in connection with his partnership business, by virtue of having been a partner in the erstwhile partnership firm.

i. Any partnership that violates any of the provisions herein above, after being afforded an opportunity of being heard, shall be liable to be suspended by the Board for such period as may be decided by the Board and/or expelled from the membership of the Exchange.

[12] New clause inserted as per FMC approval dated December 17, 2013 w.e.f. notification in the Gazette of India dated April 12, 2014

Partnerships by Members of the Exchange

31. a. A Member of the Exchange desirous of carrying on business in partnership or admitting any person or persons as new partner or partners shall take approval of the Board or any other relevant authority in advance giving the names and particulars of the partners and the name of the partnership firm in the form, if any, prescribed. The existing Membership of the desirous Member of the Exchange shall then be transferred to the Partnership firm on admission of such firm as a Member of the Exchange. All regulatory compliances shall thereafter be in the name of the firm.

b Every such application shall be accompanied by such information and a copy of the draft deed of partnership, initially in connection therewith as may be required by the Board or any other relevant authority. Thereupon, after giving permission, the Board or any other relevant authority shall record the partnership. When the partnership is entered into, a signed copy of the deed of partnership, shall be delivered to the Exchange for the purpose of record within one month of its execution.

c No change in the name of an existing partnership shall be effected without prior intimation to the Board or any other relevant authority and its approval.

d None of the partners shall assign, or in any way encumber, his interest in the firm.

e No Member of the Exchange shall at the same time be a partner in more than one such partnership firm.

f Notice of the formation of partnership, the names of partners and every change therein shall be posted on the notice Board or any other relevant authority of the Exchange.

g When the firm so constituted is dissolved, the firm shall cease to be a Member of the Exchange and thereupon only the original Members of the Exchange holding membership in their individual capacity, and who was / were partner(s) thereof may carry on business in own individual names, but subject to the payment of the admission fee or deposit, if any, that shall be payable by him in accordance with the Bye-Laws, Rules and Regulations in that behalf.

h The Members of the Exchange which are partnership firms must communicate to the Exchange in writing under the signatures of all the partners or surviving partners any change in such partnership either by dissolution, retirement, death or reconstitution or otherwise.

i A partner of a firm who is not a Member of the Exchange shall have absolutely no right, privilege, entitlement or concession of a Member of the Exchange, or any claim against the Company or the Exchange in connection with his partnership business, by virtue of he/she being a partner in the partnership with a member of the Exchange. Provided that he shall be jointly and severally responsible for all dues, claims or demands pending, if any, against the partnership firm.

j Any notice to the Exchange intimating dissolution of a partnership shall contain a statement as to which partner of the Member of the Exchange undertakes the responsibility of settling all outstanding liabilities, but that shall not deem to absolve the other partner or partners of his or their responsibility from such liabilities.

k The Member of the Exchange, who is the partner of any partnership firm, which is a Member of the Exchange, shall be primarily liable and responsible for all dues, claims or demands against the partnership by the Company or the Exchange and also the liabilities of the partnership to the Exchange and its Members of the Exchange. Provided that the other partners shall also be jointly and severally responsible for all dues, claims or demands pending, if any, against the partnership firm.

l Any Member of the Exchange entering into partnership with any person who is not a Member of the Exchange without the previous approval of the Board or any other relevant authority, shall, on proof thereof, before the Board or any other relevant authority and upon a resolution of the Board or any other relevant authority to that effect, be liable to be expelled from the membership of the Exchange. Any partnership and/or Member of the Exchange who is a partner of such partnership that violates any of the provisions herein above, after being afforded an opportunity of being heard, shall be liable to be suspended by the Board or any other relevant authority for such period as may be decided by the Board or any other relevant authority and/or expelled from the membership of the Exchange.

REGISTER OF PARTNERSHIPS

32. a The Exchange shall maintain a register of partnerships. In the register of partnerships, there shall be entered the names of partnerships recognized by the Exchange in accordance with these presents and the partners thereof together with their respective addresses, the date of recognition and any changes in the partnerships and names together with the relevant dates.

b So long as the name of the firm is included in the register of partnerships, the individual partners thereof shall not carry on the business of clearing, registering and settling any transaction or contract in their individual names.

CORPORATE MEMBERSHIP

Bodies corporate as Members of the Exchange

33. a. N company / body corporate shall be eligible for admission as a Member of the Exchange unless:

j The memorandum and articles of association of the company are approved by the Exchange

k The objects for which the company is established shall include carrying on business in commodities and/or to clear and settle transactions/contracts in commodities

[iii Company/body Corporate has not been declared as a defaulter by any other Commodity Exchange or a period of five years has elapsed from the date of declaring it as a defaulter.][13]

[13] New clause inserted as per FMC approval dated December 17, 2013 w.e.f. notification in the Gazette of India dated April 12, 2014

b. The company has undertaken to fulfil the following:

i. The Exchange shall be informed of any appointment or re-appointment of directors within two (2) months of such appointment or re-appointment and if any such director is unacceptable to the Exchange, the company shall upon receipt of such written communication remove/exclude such director within three (3) months and if the company fails to comply, the Exchange shall have the right to suspend the rights and privileges of such Member of the Exchange, for a period as may be decided by the Board of the Exchange, or expel such Member of the Exchange;

ii. The list of shareholders along with the shareholding pattern of the company will be furnished to the Exchange, if so desired by the Exchange;

iii. The Articles of Association of the company will incorporate such provisions as the Exchange may from time to time require;

iv. The company has undertaken unconditionally to fulfil any condition or requirement, which the Exchange may insist upon for admission as a member of the Exchange;

v. The business of the company shall at all times be so managed as to comply with the Bye-Laws, Rules and Regulations of the Exchange as may be applicable from time to time;

vi. A director of a company that is a Member of the Exchange shall not carry on business in commodities trading and clearing, either, as a proprietor, partner of a firm or director of any other company which is a Member of the Exchange, except with the previous approval of the Exchange;

vii. If there is any change in the shareholding pattern of the company, which is not acceptable to the Board of the Exchange, the Board may take such action as it may think appropriate.

In respect of other forms of organisation, the Exchange may decide the eligibility requirement, terms and conditions of the membership of the Exchange.

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34. Board to approve business names

The Members of the Exchange desirous of carrying on their business under a particular business or firm or trade name or style shall intimate such name to the Exchange in writing. The Board may refuse to allow a Member of the Exchange to carry on business under a name which it considers misleading, if such name varies from the name of the body corporate or firm, and in such cases the Member of the Exchange shall be at liberty to choose any other name with the approval of the Board.

35. Trade names register to be kept

Where any Member of the Exchange has obtained the permission or approval or ratification of the Board to carry on business under a business or trade or

firm name, the particulars thereof shall be entered in the register of business names, which shall be open for inspection by Members of the Exchange.

36. a. Appointment of authorised representatives

Any Member of the Exchange shall be entitled to be represented in respect of his or its business by an authorized representative.

A Member of the Exchange desirous of appointing authorized representative(s) shall apply for the permission of the Board in such form as the Board may from time to time prescribe. The Board shall frame, from time to time, Rules and Regulations for the appointment, operations and cessation of authorized representatives.

b **Appointment of Remisiers**

A person, who is engaged by a member of the Exchange primarily to solicit commission business in commodities, securities or any other instrument, shall be called a remisier.

A Member of the Exchange desirous of appointing remisier(s) shall apply for the permission of the Board in such form as the Board may from time to time prescribe. The Board shall frame, from time to time, Rules and Regulations for the appointment, operations and cessation of remisiers.

c. **Appointment of Approved Users**

A member of the Exchange carrying on business on the Exchange shall be entitled to appoint persons who are in his own exclusive employment or are his [authorised persons][14] as approved users with the permission of the Exchange for operating the trader work stations connected with the automated trading system of the Exchange and entering orders in such system/segment on behalf of such member/trading member.

A Member of the Exchange desirous of appointing approved users shall apply for the permission of the Board in such form as the Board may from time to time prescribe. The Board shall frame, from time to time, Rules and Regulations for the appointment, operations and cessation of approved users.

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[d. **Authorized Person**

1. Appointment of Authorized Person.

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

1.2 The approval as well as the appointment shall be specific for each such Authorized Person.

2. Procedure for appointment

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

2.2 On receipt of the application for approval of the appointment of an

[14] Replaced the word „sub-brokers" with „authorised persons" as per FMC approval dated 06.08.2010 w.e.f. 01.12.2010 vide Gazette of India notification dated 25.09.2010.

Authorized Person from its Member, the Exchange may:

a) accord approval on satisfying that the person is eligible for appointment as Authorized Person, or
b) refuse approval on satisfying that the person is not eligible for appointment as Authorized Person.

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

3. Eligibility Criteria

3.1Individuals

An individual is eligible to be appointed as "Authorized Person" if he:

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

3.2 A partnership firm, LLP or a body corporate

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

a) If all the partners or directors, as the case may be, comply with the requirements contained in clause 3.1 above.

b) The object clause of the partnership deed or of the Memorandum of Association contains a clause permitting the person to deal in commodities derivatives contracts.

3.3 A co-operative society shall be eligible to be appointed as an "Authorized Person";

a. if all the Members/ Directors by whatever name called, of the Managing Committee/Governing Body comply with the requirements contained in eligibility clause 3.1 above. However, in respect of clause at 3.1.(f) above, the Exchange may at its own discretion relax the criteria of educational qualifications.
b. if the object clause of the Memorandum of association of the co-operative society contains a clause permitting the co-operative society to deal in commodity derivatives contracts.

3.4 Infrastructure

The Authorized Person must have necessary infrastructure, viz., adequate office space, equipment, manpower and such other

infrastructural facilities, which the Exchange may prescribe from time to time, to effectively discharge the activities on behalf of the Member.

4. Conditions of Appointment

4.1 On being appointed as an "Authorized Person" of a Member of the Exchange, such person or entity shall not, during continuation of being an Authorized Person of such Member, qualify for becoming Authorized Person of any other Member of the Exchange.

4.2 No director of a Member (if Member is a company under the Companies Act) or a partner of the Member (if Member is a partnership firm or a LLP) or a Member/Director of the Managing Committee/Governing Body of a Member (if the Member is a co-operative society) shall be eligible to become an "Authorized Person" of any other Member of the Exchange in which its company, partnership firm, LLP or co-operative society as the case may be, is a Member.

4.3 The Authorized Person shall not receive or pay any money or deal in deliveries of commodities in its own name or account. All receipts and payments of money and dealings in commodities shall be in the name or account of the concerned Member of the Exchange of whom he is appointed as the Authorized Person.

4.4 The Authorized Person shall receive his remuneration- fees, charges, commission, salary, etc. for his services only from the Member of which it is an "Authorized Person" and he shall not charge any amount under whatever head from the clients of the Member of the Exchange.

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

4.6 The Member and the "Authorized Person" shall enter into written agreement(s) in the form(s) specified by the Exchange. The agreement shall, *inter alia,* cover scope of the activities, responsibilities, confidentiality of information, conditions for appointment as "Authorized Persons" as prescribed in these regulations, particulars of remuneration (whether by way of salary, commission, allowance or otherwise), termination clause, etc.

4.7 The permission granted by the Exchange for any Authorized Person is only to facilitate the Members to trade on the Exchange platform through persons authorized by them and such permission shall not be construed in any manner whatsoever to waive, reduce or affect the liability and responsibility of the Member in such matter.

5. Withdrawal of Approval

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

5.1 on receipt of a request to that effect from the Member or the Authorized Person concerned, subject to compliance with the requirements that may be prescribed by the Exchange;

5.2 on being satisfied that the continuation of the Authorized Person is detrimental to the interests of investors or the commodities market.

5.3 on becoming ineligible under clause 3 of these regulations at a subsequent date.

5.4 upon the directions of the Commission.

6. Obligations of the members of the Exchange

6.1 The Member shall enter into an agreement prescribed by the Exchange with each of such Authorized persons after receipt of communication of acceptance of such Authorized Persons by the Exchange.

6.2 The Member shall permit the Authorized Person to admit or introduce clients and accept orders from the clients on their behalf only after execution of the Agreement as stated at clause 6.1 above.

6.3 The Member shall be responsible for all acts of omission and commission of his Authorized Person and/or their employees, including liabilities arising therefrom.

6.4 If any trading terminal is provided by the Member to an "Authorized Person" the place where such trading terminal is located shall be treated as branch office of the Member.

6.5 The Member shall display at each such branch office, additional information such as, particulars of Authorized Person in charge of that branch, terms and conditions of his appointment, time lines for dealing through Authorized Person, etc. as may be specified by the Exchange.

6.6 The Member shall notify changes, if any, in the Authorized Person to all registered Clients of that branch at least 15 days before the change.

6.7 The Member shall conduct periodic inspection of the branches assigned to Authorized Persons and records of the operations carried out by them, as prescribed by the Exchange.

6.8 It shall be the responsibility of the Member to audit the records of its Authorized Person to ensure that they comply with the Rules, Bye- Laws and Regulations of the Exchange.

6.9 The client dealing through an Authorized Person shall be registered with the Member only. The funds, monies, commodities or warehouse receipts, as the case may be, of the clients shall be settled directly between the Member and client. No fund or commodities of the clients shall be transferred/deposited/credited into any account of an Authorized Person.

6.10 All documents like contract notes, statement of funds and commodities etc. would be issued by the Member to the client. Authorized Person may provide administrative assistance in procurement of documents and settlement, but shall not issue any documents to client in its own name.

6.11 On noticing irregularities, if any, in the operations of an Authorized Person, the Member shall forthwith seek withdrawal of approval, withhold all monies due to Authorized Person till resolution of client grievances, alert clients in the location where Authorized Person operates, file a complaint with the police, and take all measures as may be required to protect the interest of its clients and the market.

6.12 Members shall ensure that no orders are executed at the Authorized Person's end before all documents as prescribed by the Exchange or the Commission, as the case may be, including Member and Constituents Agreement, Client Registration Form and Risk Disclosure Document are obtained from each such client.

6.13 Uploading of details pertaining to the Unique Client Code shall be the responsibility of the Member and the Authorized Person cannot create or allot Unique Client Code to any client.

6.14 All documents as mentioned in 6.12 and 6.13 above should be available with the Member for audit and inspection as and when required by the Exchange or the Commission.

7. Obligations of the Exchange

7.1 The Exchange shall maintain a database of all the Authorized Persons, which shall include the following:

a) PAN number of Authorized Person and in case of partnership or body corporate, PAN number of all the partners or directors as the case may be along with photographs, PAN number of all the Members/Directors by whatever name called of the Managing Committee/Governing Body of a co-operative society along with photographs.

b) Details of the Member with whom the Authorized Person is registered.

c) Locations of the branch assigned to the Authorized Person.

d) Number of terminals and their details given to each Authorized person.

e) Withdrawal of approval of an Authorized Person.

f) Change in the status or constitution of Authorized Person.

g) Disciplinary action taken by the Exchange against any Member for violations of the Forward Contracts (Regulation) Act, 1952, Byelaws, Rules, Regulations of the Exchange or directions of the Commission, as the case may be, by the Authorized Person.

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

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

7.3 Any dispute between a client and an Authorized Person shall be treated as a dispute between client and the Member and the same shall be redressed by the Exchange accordingly.

7.4 In case of withdrawal of approval of an Authorized Person due to disciplinary action or upon the regulatory directive, the Exchange shall issue a press release and disseminate the names of such Authorized Persons on its website citing the reason for withdrawal or cancellation of approval.][15]

NUMBER OF TRADE WORK STATIONS

37. The Governing Board shall determine from time to time the number of Trader Work Stations that may be provided to a member of the Exchange and the number of approved users a member of the Exchange shall be entitled to employ.

CONSTITUTED ATTORNEY

38. Power to appoint attorney as good as Authorised Representatives

a. A Member of the Exchange may give a power of attorney to any person to carry on or supervise his business in the Exchange or to clear and sign contracts, reports and statements on his behalf

[15] New clause inserted as per FMC dated July 01, 2013 as published in Gazette of India, Part IV, dated November 23, 2013

in respect of transactions in the Exchange; provided the person so appointed is at least twenty-one years of age, is in all other respects eligible for election as a Member of the Exchange and his appointment is previously approved by the Board.

b. Any power of attorney granted by the Member of the Exchange or any change thereof may be intimated by the Exchange by posting a notice of the fact on the notice board of the Exchange.

c. A register of constituted attorneys shall be maintained by the Exchange in which shall be entered the names of the constituted attorneys and the names of the appointing Members of the Exchange and any changes thereof, together with the dates on which the authority is granted and/or rescinded, which shall be open for inspection by the Members of the Exchange.

d. Nothing contained in these presents shall absolve the Member of the Exchange granting the power of attorney from responsibility for the acts or omissions of his attorney.

e. No person shall be entitled to admission to the offices of the Exchange or offices of the Exchange by reason only that he holds a power of attorney from a Member of the Exchange.

[f. No Member or constituted attorney /authorized representative or remiser shall manage portfolio for any passive client. The Member shall keep record of each order placed by the client in the form of written or electronic document or the voice recording instrument. Such record shall be preserved and maintained at least for two years and in disputed cases, till six months from the final disposal of dispute, at a place notified by the Member of the Exchange.][16]

TERMINATION OF MEMBERSHIP

39. **Loss of membership**

a. [Any Member of the Exchange shall cease to be a Member of the Exchange on the happening of any one or more of the following instances:

(i) By death;
(ii) By Dissolution
(iii) By expulsion in accordance with the Bye-Laws, Rules and Regulations and also the provisions herein contained;
(iv) By being declared as a defaulter in accordance with these presents, the Bye-Laws, Rules and Regulations or any other commodity Exchange;
(v) he is adjudged bankrupt or a receiving order in bankruptcy is made against him or he is proved to be insolvent;
(vi) he is convicted of an act involving moral turpitude;
(vii) By resignation;
(viii) He is declared as lunatic;

[16] New clause inserted as per FMC approval dated 06.08.2010 w.e.f. 25.09.2010 vide Gazette of India notification dated 25.09.2010.

(ix) Being a company/body corporate, it ceases to maintain or have the characteristics of eligibility under the provisions of the Rules and Articles of the Exchange or is wound up.

(x) He is declared as bankrupt/insolvent.

Notwithstanding anything contained in any other provisions of the Articles, Bye-Laws, Rules and Regulations of the Exchange, the expulsion of Members of the Exchange from the membership of the Exchange, whether bodies corporate, partnerships, individuals or such other persons as are admitted as Member of the Exchange, shall be final and conclusive.][17]

Nomination, Transmission, Surrender and Declaration of Defaulter

40. In case an individual, who is a member of the Exchange in his own name or is the sole proprietor of the membership of the Exchange dies, his legal representatives or the authorised representatives or approved users, if any, on behalf of such deceased shall not continue to carry on any business in the name of membership of the deceased except for the purpose of winding up of the outstanding business of the deceased.

After the death of an individual who is the member of the Exchange in his own name or is the sole proprietor of the membership of the Exchange, his heirs, or his legal representatives may request the Board to transmit the membership of the deceased to his heir who is otherwise eligible for the membership of the Exchange and the Board may in their absolute discretion transmit the membership in the name such heir.

No fresh admission fee shall be charged from the person in whose name the membership is transmitted under this Article.

A member shall also be entitled to surrender his membership. In case of such surrender, the membership so surrendered shall lapse and vest with the Exchange. Such surrender of membership shall be valid, only after approval thereof by the Board of the Exchange and also subject to compliance with such procedure, terms and conditions, as may be laid down by the Exchange. The application for surrender of membership, once filed, is irrevocable and irreversible. After approval by the Board, the erstwhile member shall be entitled to get his refundable security deposit, subject to settlement of all pending dues and claims, if any and also subject to minimum lock in period specified by the Exchange.

Nomination

Every Member of the Exchange shall be entitled to nominate another person as his successor to the membership of the Exchange subject to the conditions and restrictions set forth hereinafter or in the Regulations of the Exchange. Where, however, the legal heir(s) of a deceased Member of the Exchange nominate(s) a person eligible for admission as a member of the Exchange under these presents to succeed the established business of the deceased Member of the Exchange, who is his father, uncle, brother or son or such other person who in the opinion of the Board, is a close relative, such nominee shall be admitted as a Member of the Exchange provided he is otherwise qualified and eligible for membership of the Exchange under these presents.

a. **Forms of Nomination**

[17] Amended as per FMC approval dated December 17, 2013 w.e.f. notification in the Gazette of India dated April 12, 2014

b. i **Form for Member of the Exchange nominating during his lifetime**: A member of the Exchange may lodge with the Exchange nomination in the form prescribed by the Exchange tendering his resignation from membership of the Exchange. This nomination in favour of a person other than a family member shall be valid if lodged with the Exchange during the lifetime of the member of the Exchange and shall automatically get revoked, if the member of the Exchange expires before this nomination form is lodged with the Exchange.

c. i **Form of Nomination in Favour of a Family Member**: A member of the Exchange may lodge with the Exchange nomination in the prescribed form, tendering his resignation from membership. This nomination lodged by a member of the Exchange during his lifetime in favour of a family member shall be valid until substituted by a fresh nomination.

ii **Form for Legal Heirs/Legal Representatives**: Legal heirs/legal representatives shall be required to lodge with the Exchange nomination in the prescribed form, exercising right of nomination vested in them in respect of the deceased member of the Exchange.

d. The Membership of the Exchange shall be transferable on payment of such fee as the Exchange may prescribe from time to time provided that such transfer shall be effected only from the date of the approval by the Board. The Board shall have the power to refuse transfer of membership if in the interest of the Exchange, it is expedient to do so.

e. The Board shall also be competent to decide other terms and conditions relating to transfer of membership from time to time.

f. **Notice of Nomination**
A notice of the proposed nomination shall be posted on the notice board or notified by way of broadcast through the automated trading system of the Exchange. Within 15 calendar days of the posting/notifying, as the case may be, of such notice, any person or any member of the Exchange may file claims against the member of the Exchange in respect of whom the nomination has been made and/or the persons in whose favour the nomination has been made and any claim not so filed, within the said period, shall be rendered liable for summary rejection and may not be considered by the Governing Board.

g. **Dues and Claims**
The Governing Board shall not approve a nomination unless the nominating Member of the Exchange, and in the case of a deceased member, his legal heirs/legal representatives or the person/s in whose favour the nomination has been made, shall have paid and satisfied in full:

h. i **Dues of the Exchange**: Such subscriptions, debts, fines, fees, charges and other monies due to the Exchange and/or the Clearing House payable by the nominating member of the Exchange or by the legal heirs/legal representatives on behalf of the deceased member of the Exchange;

ii **Liabilities Relating to Contracts**: Such debts, liabilities, obligations and claims arising out of any contract made by the nominating or deceased member of the Exchange, subject to the Rules, Bye-Laws and Regulations of the Exchange, as shall have

been admitted by the Governing Board or the Membership Committee and all amounts due or payable by the nominating or deceased member of the Exchange to the Settlement/Trade Guarantee Fund or any other fund of the Exchange.

i. **Fresh Nomination**

If a nominee is not eligible under the Rules or Regulations of the Exchange or if a nominee be rejected by the Governing Board, a fresh nomination or nominations may be submitted to the Exchange, until a nominee is admitted as a member of the Exchange.

j. **Interview**

A candidate for admission shall appear personally before any meeting of the Membership Selection Committee/Governing Board for an interview.

Rules for nomination

i The nomination may be made by a member of the Exchange whether before or after his resignation and shall be in such form or forms as the Board may, from time to time, prescribe.

ii The legal representatives of a deceased Member of the Exchange or his heirs, with the sanction of the Board, may nominate any person eligible under these presents for admission to membership of the Exchange as a candidate for admission in the place of the deceased Member of the Exchange.

iii A Member of the Exchange who has resigned from membership of the Exchange shall be entitled to exercise the power of nomination hereby conferred only if he had been a member of the Exchange for a period of not less than three (3) years prior to the date of his resignation. Provided further that the requirement as to membership of the Exchange for three (3) years shall not apply to succession by nomination on death of a member of the Exchange.

iv A Member of the Exchange who intends to resign may also exercise the aforesaid power of nomination, provided that in his letter of nomination, the nominating Member of the Exchange shall also tender his resignation as Member of the Exchange to take effect immediately upon the admission of the nominee as a member of the Exchange.

v. If any person so nominated is found ineligible for admission as a Member of the Exchange under the provisions of these presents or if the Board rejects the application of the nominee for membership of the Exchange, the nominating Member of the Exchange or nominating legal representatives of a deceased Member of the Exchange shall be entitled to make fresh nomination or nominations until his nominee has been admitted as a Member of the Exchange and thereafter he shall not be entitled to make any such nomination.

vi Where a member of the Exchange makes a nomination before resigning and has tendered his resignation thereafter, and if the application of the nominee for membership of the Exchange is rejected by the Board, the resignation of the nominating Member of the Exchange shall not take effect until his nominee has been admitted as a Member of the Exchange.

vii The person so nominated by a Member of the Exchange or by his

legal representatives shall send in his application for membership of the Exchange in accordance with these presents and the application shall be dealt with on its merits and no nominee shall be entitled to be admitted by reason only of his having been nominated unless he is duly qualified in accordance with these presents.

A person applying for membership of the Exchange with a nomination as aforesaid shall be bound to pay such fee as prescribed in the Bye-Laws, Rules and Regulations of the Exchange. Provided that, the Board may decline to consider the nomination made by a Member of the Exchange or legal representative of a deceased Member of the Exchange unless all amounts due by the Member of the Exchange or the deceased Member of the Exchange to the Exchange arising out of the contracts cleared and/or transacted by the nominating Member of the Exchange or deceased Member of the Exchange under these presents shall have been paid and satisfied in full; and if not so paid in full within such period as may be notified by the Board, the Board shall be entitled to reject such nomination.

ix. The Board shall recognize the executor or administrator of the estate of the deceased Member of the Exchange as the person entitled to nominate in accordance with these presents; provided that where there is no executor or administrator of the estate of the Member of the Exchange, the Board may recognize the claim of any person to be the heir of the deceased Member of the Exchange for the purpose of making the nomination as aforesaid on such evidence and subject to such conditions as to indemnity and security as the Board may consider necessary.

METAL & ENERGY Trade with Trust

DEFAULT

41. a. **Declaration of Defaulter**

A member of the Exchange shall be declared by the relevant authority a defaulter, where the monies, commodities, securities and bank guarantees deposited with the Exchange are not adequate to discharge the member"s obligations and liabilities.

A member of the Exchange shall also be declared a defaulter by direction of the Governing Board, or a Committee, or the Managing Director, on the happening of any one or more of the following instances –

i If he is unable to fulfil his engagements or obligations; or

ii If there is inadequate balance in his designated bank account and as a consequence an instruction issued by the Exchange for debiting his account towards recovery of pay in dues, margin dues or any other dues fails;

iii If he admits or discloses his inability to fulfil or discharge his engagements, obligations or liabilities; or

iv If he fails or is unable to pay within the specified time the damages and the money difference due on a closing out effected against him under the Bye-Laws/Regulations of the of the Exchange; or

v If he fails to pay any sum due to the Clearing House or to deliver to the Clearing House any commodity or instrument on the due date; or

vi If he fails to pay/reimburse to the Settlement Guarantee Fund of the Exchange in respect of the amount used from it for the purpose of fulfilling settlement obligations on his behalf; or

b. i If he fails to pay or deliver such money and / or such commodities and / or instruments arising out of an award given by the Arbitrator under the Arbitration proceedings provided in the Bye-Laws of the Exchange; or

ii If he fails to pay or deliver such money and/or such commodities and / or instruments arising out of a transaction executed on the Exchange, provided such obligation is not disputed by the member/trading member; or

iii If he fails to pay or deliver to the Exchange or Relevant Authority all monies, delivery commitments and other assets due to a member of the Exchange who has been declared a defaulter within such time as directed by the Managing Director.

iv If any Member of the Exchange fails or neglects to pay subscription, security deposit or any other levies as required by the Board for a continuous period of six (6) months.

v [If he has been declared as a defaulter by any other Commodity Exchange.

vi If he has been adjudicated as an insolvent or a winding up order has been passed against such member then such member shall be ipso facto declared as a defaulter although he may not be at the same time a defaulter on the Exchange.][18]

c. i. **Declaration of Deemed Defaulter**
In case of death of a member, if the legal heirs/legal representatives of a deceased member of the Exchange or any other person on his behalf do not or are unable to pay and satisfy his dues, debts, liabilities, obligations and claim as provided in the Rules, Bye-Laws and Regulations of the Exchange, such deceased member shall be declared a deemed defaulter by direction of the Governing Board, or a Committee, or the Managing Director.

ii. In case a member does not clear his liability on the Exchange and such liability is more than his available security deposits, margin and other assets available with the Exchange, then the Exchange may declare a person deemed defaulter until the member clears his liabilities. However the Exchange will have the right to declare such deemed defaulter as defaulter any time, as it may decide.

d. Compromise Forbidden
A member of the Exchange guilty of accepting from any member of the
Exchange anything less than a full and bonafide money payment in settlement of a debt arising out of a transaction in [commodities][19] shall be suspended for such period as the Governing Board my determine.

[18] New clause inserted as per FMC approval dated April 12, 2014 w.e.f. notification in the Gazette of India dated April 12, 2014
[19] Amended as per FMC approval dated December 17, 2013 w.e.f. notification in the Gazette of India dated April 12, 2014

e. Post Declaration of Defaulter Process

i. On a member of the Exchange being declared a defaulter, a notice to that effect shall be posted forthwith on the notice board of the Exchange.

ii. [Exchange shall also immediately inform all other Commodity Exchanges about the declaration of default of its member. Further, if the membership is in the name of a corporate, name of the promoters, dominant shareholders shall also be informed.][20]

[e.a. Manner of filing/inviting claims from investors:

i. In accordance with Bye-Laws, Rules Business Rules, the Exchange shall publish a notice inviting the legitimate claimants to file claims against the defaulter member within a specified period of time called as the "specified period"

ii. The specified period shall be, minimum of ninety days.

iii. The Exchange shall publish the notice in all the editions of at least one English national daily with wide circulation and in at least one regional language daily with wide circulation at the place(s) where the concerned Exchange Member/s are situated.

iv. The notice calling for claims shall also be displayed on the website of the Exchange for the entire specified period.

v. The notice shall contain the specified period, the maximum compensation limit for a single claim of an investor and all other relevant information.][21]

f. Defaulter's Books and Documents: When a member of the Exchange has been declared a default, the defaulter shall hand over all his books, documents, papers, assets, cheque books and other documents, as may be specified by the Exchange, to the Relevant Authority.

g. List of Debtors and Creditors: The defaulter shall file with the Relevant Authority, within such time of the declaration of his default as the Governing Board or the Managing Director may direct, a written statement containing a complete list of his debtors and creditors and the sum owing by and to each of them.

h. Defaulter to Give Information: The defaulter shall submit to the Exchange or Relevant Authority such statement of accounts, information and particulars of his affairs as the Relevant Authority may from time to time require and if the Relevant Authority so desires, he shall appear before the Relevant Authority at its meeting in connection with his default.

i. **Assets to vest in the Relevant Authority:**

Ipso facto on declaration of a defaulter/deemed defaulter automatically as provided hereinabove, all monies, commodities, securities, bank guarantees lying with the Exchange in respect of a defaulter shall vest with the relevant authority for the benefit and on account of the creditors, who may have a tenable claim and the relevant authority shall deal with such monies, securities or bank guarantees and claims, as provided in the relevant Rules herein and specifically as provided in these Rule.

[20] New clause inserted as per FMC approval dated April 12, 2014 w.e.f. notification in the Gazette of India dated April 12, 2014

[21] New clause inserted as per FMC approval dated April 12, 2014 w.e.f. notification in the Gazette of India dated April 12, 2014

j. **Consequences of Declaration of Defaulter:**

i **Cessation of Membership** of the Exchange **at Once:** A member of the Exchange who is declared a defaulter/deemed defaulter shall at once cease to be a Member of the Exchange and as such ceases to enjoy any of the rights and privileges of membership of the Exchange but the rights of his creditors, arising out of or incidental to the transactions, against him shall remain unimpaired as provided herein.

ii **Lapse of Right of Membership** of the Exchange: The right of member of the Exchange shall lapse or forfeit to and vest in the Exchange if so facto upon such member of the Exchange being declared a defaulter/deemed defaulter.

iii **Prohibition to Re-admission**: No person who was a member of the Exchange and declared a defaulter or expelled by the Exchange shall be readmitted to the membership of the Exchange for a minimum period of five years from the date, he is declared a defaulter/expelled by the Governing Board of the Exchange.

No person who was a member of the Exchange or any other Exchange and who has been declared a defaulter or expelled by the other Exchange shall be admitted as a member of the Exchange.

iv Right to membership of the Exchange shall lapse and vest in the Exchange immediately after he is declared as a defaulter. On the declaration as defaulter he shall at once cease to be a Member of the Exchange and as such cease to enjoy any of the rights and privileges of membership of the Exchange but the rights of the Exchange and his creditor Members of the Exchange against him shall remain unimpaired.

v **T**he right of nomination of the interest in the Exchange held by a Member of the Exchange who has been declared a defaulter shall vest with the Exchange and shall be exercised by the Exchange as detailed in these presents.

vi Auction of rights of the Member of the Exchange declared as defaulter.

k. **Auction of Rights of Membership of the Exchange of Defaulter**

i. The Exchange shall sell the interests and the membership in the Exchange of the defaulting Member of the Exchange within a reasonable period through auction or such other process as fixed by the Board and nominate to membership of the Exchange in the place of the defaulting Member of the Exchange any person who offers the highest bid, provided such successful bidder is otherwise eligible to become a member of the Exchange as per these presents.

ii A notice, of the auction/disposal detailing the terms and conditions shall be put up on the notice board of the Exchange at least fourteen (14) clear days before the day fixed for the auction/disposal.

iii The admission fee payable by the successful bidder shall be used to clear the outstanding dues of the defaulter in accordance with these presents.

iv The net amount realized by the Exchange in the auction pursuant to these presents shall be charged with the due repayment of all debts and obligations of such defaulting Member of the Exchange to the Exchange/Company, to other Members of the Exchange, and to any

person arising out of contracts entered into and/or transacted under these presents, the Bye-Laws, Rules and Regulations of the Exchange. All such debts and obligations to the Exchange shall rank in priority to all other claims; the debts to other Members of the Exchange shall rank *pari passu* and be entitled to have a charge on the residue thereof, if any, subject to such first charge; after payment thereof, the residue, if any, shall be charged with all dues to any person under any award made in any arbitration proceeding held under the provisions of these presents, Bye-Laws, Rules and Regulations; and, after the above said appropriations, the residue thereof, if any, shall vest unconditionally with the Exchange.

v In the case of default by a partnership firm, the individual Memberships of the Exchange, if any, of the partners of the defaulting firm shall also lapse and the provisions of defaulters shall apply to the interest of all the Members of the Exchange who are partners of the defaulting firm.

l. **Re-admission of Defaulters**

i. The Board may, upon an application by the defaulter for re-admission, re-admit a defaulter to the membership of the Exchange, at any time before any action pursuant to these presents is initiated/effected by the Board, subject to the provisions contained in the Articles, Bye-Laws, Rules and Regulations.

ii The Board shall cause a notice of every such application to be posted on the notice board of the Exchange for at least fourteen (14) days prior to such re-admission.

iii Any person intending to object to the re-admission of the defaulter shall communicate the grounds of his objection to the Board within fourteen (14) days from the date of posting of the notice of the application. The Board shall not make public the grounds of objection, which shall be confidential.

iv Upon an application for re-admission by a defaulter, the Board or Relevant Authority shall investigate his conduct and accounts and no further proceedings shall be taken by the Board with regard to his re-admission until the report of the Relevant Authority shall have been submitted together with a statement as to the defaulter"s estate signed by himself.

v The Board may re-admit only such defaulter who in its opinion:

1. Has defaulted owing to the default of principals whom he might have reasonably expected to be good for their commitments;

2. Has not been guilty of bad faith or breach of the Bye-Laws, Rules and Regulations of the Exchange;

3. Has kept his business within a reasonable proportion of his means or resources; and

4. Has been irreproachable in his general conduct.

vi A defaulter shall not be eligible for re-admission unless he had made out of his own resources, a bona fide money payment of the amount

of loss, dues and other arrears in the manner and to the extent, as may be prescribed by the Board and to its satisfaction.

vii Any defaulter so re-admitted shall not be required to pay the admission fee as prescribed in these presents provided the Board has not nominated any other person in exercise of its rights to nominate a successor to the defaulting Member of the Exchange. But if such nomination has been made and the nominee admitted to the membership of the Exchange, then the defaulter shall be re-admitted only on meeting all the admission criteria and payment of a fresh admission fee as may be prescribed in these presents.

viii **Surrender of Names of Clients and Books - a Condition of Eligibility**

A defaulter shall not be eligible for re-admission if he fails to give the names of any clients indebted to him or if he fails to deliver to the Exchange / Relevant Authority soon as he is so required to do, his original books and accounts and all other papers, vouchers, documents and records and any information, explanations and statements he is called upon to submit.

ix. **Full Payment - a Condition of Eligibility**

A defaulter shall not be eligible for re-admission unless, within such time as may be specified by the Governing Board, he has made full payment of all amounts payable by him to the Exchange, to the Clearing House/Clearing Corporation or to the Settlement/Guarantee Fund and also of all amounts payable by him to all other creditors (whether they be members of the Exchange of the Exchange or not) arising out of, or in connection with and/or incidental to the contracts made subject to the Rules, Bye-Laws and Regulations of the Exchange for which the decision of the Exchange or Relevant Authority shall be final and binding; provided that where a claim of a creditor other than the Exchange, the Clearing House or the Settlement/Guarantee Fund is the subject matter of an arbitration proceeding under the Rules, Bye-Laws and Regulations of the Exchange which is pending, the Governing Board may, in its discretion, consider the defaulter to be eligible for re-admission if he deposits with the Exchange a sum equal to the amount of such disputed claim. The sum so deposited shall be paid to the claimant to the extent of which the arbitration award is in favour of the claimant and the balance shall be refunded to the defaulter.

x **Defaulter When not to be Re-admitted**

A defaulter shall not be readmitted if his default has been contributed to by reckless dealings on his own account or if his conduct has been marked by indiscretion and by the absence of reasonable caution.

42. **Apportionment of Consideration Realised/Other Realisation of Receivables**

The consideration received against disposal of the right of membership right vesting in the Exchange shall be merged with the security deposit and any other securities/monies lying to the credit of the member of the Exchange prior to declaration of a defaulter/deemed defaulter, together with any realisation that may have been made by the Relevant Authority, and shall be applied to the following purposes and in the following order of priority:

a. **Dues of the Exchange**:
First - payment of subscriptions, debts, fines, fees, charges and other moneys including interest on such dues to the Exchange.

b. **Dues of the Exchange/Clearing House**:
Second - payment of dues, pay in liabilities, fines, charges and other moneys due to the Clearing House and Settlement Guarantee Fund including interest on such dudes by the member prior to or in respect of his declaration as a defaulter/deemed defaulter and also liabilities arising out of his declaration as a defaulter / deemed defaulter like loss arising out of closing out of outstanding contracts.

c. Liabilities Relating to Contracts:
Third - payment of such debts, liabilities, obligations and claims arising out of any contract made by such member with other members of the
Exchange, prior to declaration of defaulter/deemed defaulter only in respect of transactions done on the Exchange, subject to the Rules, Bye- Laws and Regulations of the Exchange, as shall have been admitted by the Relevant Authority. If the amount available be insufficient to pay and
satisfy all such debts, liabilities, obligations and claims in full, they shall be paid and satisfied pro rata.

Provided that under this class only such claims of the members will be entertained which pertain to contracts made as per Bye-Laws and Rules of the Exchange. All contracts pertaining to loan or financing or personal adjustment/accommodation nature or any such transactions will be rejected altogether.

d. Balance:

Fourth – claims pertaining to the clients of the defaulter member, provided they pertain to valid legal transactions entered into at the Exchange. . If the amount available be insufficient to pay and satisfy all such debts, liabilities, obligations and claims in full, they shall be paid and satisfied pro rata.

Fifth – payment of the dues, if any, pertaining to the Government – Central and State, Income Tax, Stamps, Custom or other statutory authorities

Sixth - payment of the dues, if any, to meet with any claims, which are found to be genuine and admitted by the Exchange/Relevant Authority, not strictly arising on account of a transaction on the Exchange but incidental to such transaction,..

Seventh – The balance amount, if any, remaining after satisfying all the above claims in full, will be appropriated and transferred to the Settlement Guarantee Fund

[However, in the event of a specific request received from other Commodity Exchange(s) of the shortfall in the settlement of the claims in the respective Commodity Exchange(s), the balance surplus amount remaining after satisfying all the above claims in full, may be utilized for settlement of the claims at other commodity Exchange(s) on a prorate basis in consultation with Forward Markets

Commission.]22

[*e.*] Liability of Member of the Exchange for the acts and omissions of his authorized representative etc.

A Member of the Exchange shall be fully responsible for the acts and omissions of his partnership firm and of his partners, attorneys, authorized representatives, [*authorised person*][23] approved users, remisiers and employees, by whatever name called. If any such act or omission be held by the Board to be done by any such representative, which if done or omitted to be done by the Member of the Exchange would subject him to any of the penalties as provided in these presents, Bye-Laws, Rules and Regulations of the Exchange, then such Member of the Exchange shall be liable thereof to the same penalty to the same extent as if such act or omission had been done or omitted to be done by him personally.[24]

[42A. **Proceedings in name of or against the Defaulter**

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

a. initiate any proceedings in a court of law either in the name of the Exchange or in the name of the defaulter against any person for the purpose of recovering any amounts due to the defaulter,

b. initiate any proceedings in a court of law either in the name of the Exchange or in the name of creditors (who have become creditors of the defaulter as a result of transactions executed subject to and in accordance with Bye-laws, Rules and Business Rules of the Exchange) of the defaulter against the defaulter for the purpose of recovering any amounts due from the defaulter. The defaulter as well as the creditors of the defaulter shall be deemed to have appointed the Exchange as their constituted attorney for the purpose of taking such proceedings.][25]

43. **Power of the Board to define the grounds of suspension/expulsion**

a. The Board or relevant authority may, subject to the provisions of the FC(R)A and the Rules framed thereunder from time to time, make Bye-Laws, Rules and Regulations for defining the conduct or acts or omissions which renders a Member of the Exchange, liable to expulsion, suspension, fine or withdrawal or suspension of rights and privileges of membership of the Exchange and other consequences.

b. If any Member of the Exchange is guilty of such conduct or act or omission that under the aforesaid Bye-Laws, Rules and Regulations made in that behalf render him liable to suspension, expulsion or other consequences, the Board or the relevant authority shall suspend, expel or impose other consequences as the Board or the relevant authority may deem fit.

[22] New clause inserted as per FMC approval dated December 17, 2013 w.e.f. notification in the Gazette of India dated April 12, 2014

[23] Replaced the word „sub-broker" with „authorised person" as per FMC approval dated 06.08.2010 w.e.f. 01.12.2010 vide Gazette of India notification dated 25.09.2010

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

[25] New clause inserted as per FMC approval dated December 17, 2013 w.e.f. notification in the Gazette of India dated April 12, 2014

c. In exercising the said powers, the Board or the relevant authority shall observe and follow the procedure respectively set out in that behalf in the aforesaid Bye-Laws, Rules and Regulations.

44. **General grounds for suspension/expulsion**

a. The Board may expel or suspend or fine and/or censure and/or warn and/or withdraw any of the membership rights of a Member of the Exchange if he be guilty of contravention, non compliance, disobedience, disregard or evasion of any of the presents herein, Bye-Laws, Rules and Regulations of the Exchange or of any of the resolutions, orders, notices, directions or decisions or rulings of the Exchange or the Board or any Committee or officer of the Exchange authorized in that behalf, or of any conduct, proceeding or method of business which the Board of Directors in accordance with these presents, Bye-Laws, Rules and Regulations in force from time to time deems dishonorable, disgraceful or unbecoming of a Member of the Exchange or inconsistent with just and equitable principles of trade or detrimental to the interest, good name or welfare of the Exchange or prejudicial or subversive to its objects and purposes.

b The Board may expel or suspend and/or fine and/or censure and/or warn a Member of the Exchange, authorized representative, agent, or employee for any conduct, act or omission, which if done or omitted to be done by the Member of the Exchange, would subject him to the same penalties.

Provided that the Board, when it has found a Member of the Exchange guilty of such conduct or acts as would entitle the Board to expel him may, at its discretion, instead of expelling, suspend him from all or any of the rights and privileges of membership of the Exchange for such period as the Board may deem fit or until the Member of the Exchange has carried out or performed any lawful condition imposed by the Board in that behalf.

45. **Opportunity of being heard, mandatory**

No resolution of the Board expelling or suspending a Member of the Exchange shall be passed or voted upon until and unless the Member of the Exchange has been given an opportunity to explain the charges against him. Such Member of the Exchange may appear at such meeting or state his case in writing addressed to the Exchange.

46. **Expulsion of a Member of the Exchange**

In addition to the grounds mentioned elsewhere in these presents, the Board may expel any Member of the Exchange from the membership of the Exchange in the following cases:

a. Where a Member of the Exchange fails or has failed to carry out any award made in arbitration proceedings held by the Exchange, or held under provisions of these presents, or under the Bye-Laws, Rules and Regulations framed under any power conferred under these presents, within twenty-one (21) days of the communication of the award or such further period as the Board may extend on the written application of the party;

b. Where a Member of the Exchange has refused to submit a dispute to arbitration, which by the provisions of these presents, is required to be submitted to arbitration and institutes any suit or legal proceeding in contravention of the provisions of these presents.

47. Forfeited or Lapsed Right of Membership

A right of membership of a Member of the Exchange shall lapse or shall be liable to be forfeited or vest in the Exchange ipso facto upon such member being declared a defaulter/deemed defaulter or expelled under the Rules, Bye-Laws or Regulations of the Exchange for the time being in force, and it shall belong absolutely to the Exchange free of all rights, claims or interest of such member of the Exchange or any person or authority claiming through or against such member/trading member, and the Governing Board shall be entitled to deal with or dispose off such right of membership, as it may think fit.

Explanation: In case where a member of the Exchange had obligations, engagements or dues outstanding and such member of the Exchange expires before his fulfillment to the Exchange/Clearing House /Settlement Guarantee Fund, such member of the Exchange shall be declared a deemed defaulter by the Governing Board, if the legal heirs or legal representatives of the deceased member of the Exchange fail to fulfil such obligations, engagements or dues as per the stipulated and pre-notified schedule. As a result, the same consequences shall follow as in case of declaration of a defaulter.

48. Expelled Member of the Exchange not to be re-admitted

A member of the Exchange, who has been expelled by the Governing Board or the relevant authority, shall not be re-admitted under any circumstances unless expelled for non-compliance of continued requirements for membership of the Exchange.

49. Attachment order against any Member of the Exchange by Court etc. and the consequences

Where any security deposit and/or other payments made by any Member of the Exchange with the Exchange under this Article or any Rule, Bye-law or Regulation, has been attached by an order of any Court or on behalf of any Income Tax authority, Revenue, Office, or by any authority or officer of the Government under any law, for the time in force and if the Member of the Exchange whose deposit and/or other payments has been so attached or encumbered fails to have such attachment cancelled or removed within three (3) days of a notice by the Exchange, notifying him of the service on the Exchange of such order of attachment and calling upon the Member of the Exchange to have the said attachment removed or cancelled, the Board or the relevant authority shall suspend the said Member of the Exchange provided that any Member of the Exchange whose deposit as aforesaid has been attached in the manner aforesaid pays into the hands of the Exchange within the such period as may be specified by the relevant authority a sum equal to the amount so attached, the Board or the relevant authority shall not exercise its powers to suspend him under this clause so long as the said additional deposit so made is free of any attachment. The provisions of this clause shall apply to any attachment against the said additional deposit made in the like manner as to the original payment and/or security deposit.

50. Members of the Exchange required to make personal appearance

A Member of the Exchange shall appear and testify before and cause his partners, authorized representatives, and employees to appear and testify before the Board of Directors or the Managing Director or before a Committee or officer of the Exchange authorized in that behalf and shall produce and cause to be produced before the Board of Directors, or the Managing Director or before a Committee or officer of the Exchange authorized in that behalf

such books correspondence, documents, papers and records or any part thereof which may be in his or their possession and which may be deemed relevant or material to any matter under inquiry or investigation or which the Board of Directors or the relevant authority in its absolute discretion deems necessary in the interest of just and equitable principles of trade or in public interest and welfare of the Exchange and the Members of the Exchange.

51. **Appointment of legal counsel to defend proceedings not allowed**
Members of the Exchange shall not have the right to be represented by professional counsel or advocate or attorney or other authorized representative in any investigation, proceeding or hearing before the Board or any Committee.

52. **Failure to pay fine attracts suspension/expulsion**
If a Member of the Exchange fails to pay any fine or penalty imposed upon him within fourteen (14) days after notice in writing has been served upon him by the Exchange, he may be suspended by the Board or the relevant authority until he makes payment, and if within a further period of thirty (30) days he fails to make such payment, he may be expelled by the Board.

53. **Board's discretion in lieu of suspension/expulsion**

a. The Board or the relevant authority in its absolute discretion may in any case suspend a Member of the Exchange in lieu of the expulsion warranted or may withdraw one or any of the membership rights or impose a fine in lieu of suspension or expulsion warranted and may direct that the guilty Member of the Exchange be censured or warned or may reduce or remit any such penalty on such terms and conditions as it deems fair and equitable.

b. The Board or the relevant authority may of its own motion or on appeal by the Member of the Exchange concerned reconsider and may rescind, revoke or modify its resolution withdrawing all or any of the membership rights or fining, censuring or warning any Member of the Exchange. In a like manner the Board or the relevant authority may rescind, revoke or modify its resolution suspending any Member of the Exchange.

Provided that where any expulsion, suspension or other penalty as aforesaid is imposed in accordance with the directions of the Commission, Government or other authority issued in exercise of any powers conferred on them by the Act or the Rules framed thereunder, then the Board or the relevant authority shall not exercise the power to rescind or revoke or modify the same, except with the previous sanction of the authorities concerned.

54. **Effect of suspension of Member of the Exchange**
The suspension of a Member of the Exchange shall have the following consequences:

a. The suspended Member of the Exchange shall, during the term of his suspension, be deprived of and excluded from all the rights and privileges of membership of the Exchange but he may be proceeded against by the Board or the relevant authority for any offence committed by him either before or after his suspension and the Board shall not be debarred from taking cognisance of and adjudicating on or dealing with any claim made against him under these presents, Bye-Laws, Rules and Regulations;

b. The suspension shall not affect the rights of the Exchange and/or other Members of the Exchange who are creditors of the suspended Member of the Exchange;

c. The suspension shall create a vacancy in any office or position held by the suspended Member of the Exchange;

d. The suspended Member of the Exchange shall be bound to fulfil contracts outstanding at the time of his suspension; and

e. The suspended Member of the Exchange shall not, during the term of his suspension, clear and register any contracts at the Exchange, provided that he may with the permission of the Board close out through other Members of the Exchange the transactions outstanding at the time of his suspension.

55. **Effect of expulsion of a Member of the Exchange**

The expulsion of a Member of the Exchange shall have the following consequences:

a. The expelled Member of the Exchange shall forfeit to the Exchange his rights of membership of the Exchange and all his rights and privileges as a Member of the Exchange including any right to the use of or any claim upon or any interest in any property or funds with the Exchange including guarantee fund; but any liability of any such Member of the Exchange to the Exchange shall continue and remain unaffected by his expulsion;

b. The right of nomination shall vest in the Exchange/Board and shall not be exercised by the expelled Member of the Exchange;

c. The expulsion shall create a vacancy in any office or position held by the expelled Member of the Exchange;

d. The expulsion shall not affect the rights of the Exchange and Members of the Exchange who are creditors of the expelled Member of the Exchange; and

e. The expelled Member of the Exchange shall be bound to fulfil transactions outstanding at the time of his expulsion and he may with the permission of the Board or the relevant authority close such outstanding transactions with or through another Member of the Exchange.

[f. Consequences of declaration of defaulter to follow:

The provisions of Rules, Bye-Laws and Business Rules/ Regulations pertaining to default, shall become applicable to the member expelled from the Exchange as if such Member has been declared a defaulter.][26]

56. **Board to notify suspension, expulsion and default of a Member of the Exchange**

Notice shall be given to the Member of the Exchange concerned and to the members of the Exchange in general, by a notice on the notice boards of the Exchange or on the trading system, Exchange of the expulsion or suspension

[26] New clause inserted as per FMC approval dated December 17, 2013 w.e.f. notification in the Gazette of India dated April 12, 2014

of or of the suspension of business by a Member of the Exchange or of any other penalty imposed upon him or his partners, attorneys, agents, authorized representatives or other employees. The Board or the relevant authority may in its absolute discretion and in such manner as it thinks fit notify or cause to be notified to the members of the Exchange and Members of the Exchange or to the public that any person who is named in such notification has been expelled, suspended, penalised, or declared a defaulter or has suspended his business or ceased to be a Member of the Exchange. No action or other proceedings shall in any circumstances be maintainable by such person against the Exchange or the Board or the relevant authority or any member of the Board or any officer or employee of the Exchange for the publication or circulation of such notification.

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