MANAGING DIRECTOR AND CEO OF THE EXCHANGE

MULTI COMMODITY EXCHANGE OF INDIA LIMITED (MUMBAI)

Ref. No. MCX/DEFAULT/56/2022

IN THE MATTER OF M/s BEZEL COMMODITIES

A. BACKGROUND AND FACTS

I. Status of dues and funds:

1. M/s Bezel Commodities (hereinafter referred to as 'Bezel') is a Trading Member (Member Id: 29580 and SEBI Registration No. INZ000023214) of Multi Commodity Exchange of India Limited (hereinafter referred to as the Exchange/MCX). The proprietor of Bezel is Mr. Gurbachan Singh Bhatia.

2. The Exchange had levied a penalty for financial year 2017-18 of Rs.3,36,500/- (plus applicable GST) for the non-compliances / violations observed, which was informed to Bezel vide letter dated October 01, 2021 and email dated October 02, 2021.

3. The Exchange had recovered a partial penalty of Rs.2,45,912/- (including GST) from its Clearing Member-Globe Commodities Limited and Rs.1,20,330/- (including GST) was recovered from the Base Capital available with the Exchange. Accordingly, balance penalty of Rs.30,828/- (including GST) was to be recovered from the Member.

4. The Exchange has Rs.10,00,000/- available deposit towards Base Minimum Capital (BMC). This can only be utilized for client grievances.

5. As per Forward Market Commission (FMC) (the erstwhile regulator for Commodity Exchanges), letter no. 6/12/2012-MKT-I dated March 08, 2013 on 'Requirement of Base Minimum Capital for Member of National Commodity Exchanges'. The relevant extract of the same is as under:

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EXCHANGE SQUARE, SUREN ROAD, ANDHERI (EAST), MUMBAI 400 093, INDIA. TEL: +91-22-6731 8888, FAX: +91-22-6649 4151, www.mcxindia.com
CIN: L51909MH2002PLC135594, info@mcxindia.com

"These funds would be kept in a separate account by the Exchange and would be used only towards settlement of claims of the clients, payment of arbitration fee by the Member if any, and dues payable by the Member on account of pending arbitration cases/arbitration awards and would not be used by the exchange for meeting any of its other dues".

6. Post FMC and SEBI merger, SEBI vide Circular no. CIR/CDMRD/DRMP/01/2015 dated October 01, 2015 on 'Comprehensive Risk Management Framework for National Commodity Derivatives Exchanges' continued the above mentioned norms.

7. The Exchange had informed Bezel to pay the outstanding dues of Rs.30,828/ vide letter dated October 28, 2021 and subsequently, Bezel had paid the balance outstanding dues of Rs.30,828/- on November 11, 2021 and requested to provide status of request for surrender of its Membership.

II. Issuance of Show Cause Notice (SCN) to Bezel:

1. Since, its associate, Bezel Stock Brokers Private Limited, was declared as defaulter and expelled from membership by NSE with effect from March 24, 2021 and BSE with effect from March 25, 2021, the same renders Bezel liable for expulsion or suspension or to be declared as a defaulter under Rule 44 (d) of the Rules of the Exchange. The relevant portion of the said Rule is reproduced as under for reference.

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

a....

b....

c....

d. Notwithstanding anything contained in the Bye-Laws and Rules of the Exchange, if an Exchange Member is an Associate of any Member(s) who is declared a defaulter by any recognized Stock Exchange, such Exchange Member shall render itself liable for expulsion or suspension or to be declared a defaulter by the Relevant Authority...."

2. Accordingly, the Exchange issued a Show Cause Notice (SCN), vide letter dated December 08, 2021 to Bezel to explain as to why disciplinary action should not be

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initiated under 44 (d) with all attendant consequences and directed Bezel to submit its reply on or before, December 17, 2021.

3. SCN was sent to the registered and correspondence office address of Bezel, which was delivered to them. SCN was also sent on the designated email id of Bezel. The same was also delivered to them.

4. In response to the SCN, Bezel vide its letter dated December 16, 2021, inter alia, informed that Bezel Commodities and Bezel Stock Brokers are different entities and they do not have any dues pending towards the Exchange and clients. Further, they requested to take necessary action for surrender of its Membership.

III. Status of personal hearing before the Managing Director and CEO held on February 09, 2022.

1. Following the principles of natural justice, the Exchange, vide personal hearing notice dated February 01, 2022 provided an opportunity to Bezel for personal hearing before the Managing Director and CEO of the Exchange on February 09, 2022 and requested to present the matter through Video Conference ('VC'). The said notice was sent to the registered and correspondence address of Bezel which was delivered to them.

2. The proprietor of Bezel, Mr. Gurbachan Singh Bhatia, and Compliance Officer, Mr. Harihar Tripathy, attended the personal hearing before Managing Director and CEO of the Exchange and made, inter alia, the following submissions:

   a. Mr. Tripathy had confirmed that Mr. Gurbachan Singh Bhatia is a Director in the entity declared defaulter and expelled by NSE.
   b. He informed that they have already cleared all the Exchange dues and applied for surrender of the Exchange Membership.
   c. He requested the Exchange to not declare them as a defaulter as they have already cleared all the dues towards the Exchange.

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B. CONCLUSION:

1. I have observed that there are no outstanding dues to be recovered from Bezel and there are no grounds to declare Bezel as defaulter on account of Exchange dues. However, declaration as defaulter and expulsion from membership of Bezel Stock Brokers Private Limited, an associate of Bezel, by NSE and BSE has rendered Bezel liable for declaring as defaulter under Rule 44(d) of the Rules of the Exchange which reads as under:

   "44 General grounds for suspension/expulsion

   a....

   b....

   c....

   d. Notwithstanding anything contained in the Bye-Laws and Rules of the Exchange, if an Exchange Member is an Associate of any Member(s) who is declared a defaulter by any recognized Stock Exchange, such Exchange Member shall render itself liable for expulsion or suspension or to be declared a defaulter by the Relevant Authority...."

2. Therefore, after deliberating the matter at length carefully and considering material information placed before me and giving regard to the facts, circumstance of the case and considering the response of Bezel, I hereby declare, M/s Bezel Commodities, a defaulter w.e.f. February 09, 2022, for its associate having it declared as defaulter in terms of Rule 44(d) of the Rules of the Exchange.

3. The Vice President ISD & IPF of the Exchange is hereby directed to follow the consequential process of defaulter and provide a copy of this Order to Bezel.

Date: February 18, 2022
Place: Mumbai

P.S. Reddy
Managing Director & CEO

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