

**BSE Limited**  
**(Commodity Derivatives Segment)**  
**Regulations**

**INTRODUCTION**

These Regulations shall be in addition to the provisions of the Securities Contracts (Regulation) Act, 1956, the Securities Contracts (Regulation) Rules, 1957, the Securities and Exchange Board of India Act, 1992 and the Rules and Byelaws of BSE Limited ("Exchange") as may be applicable to the Commodity Derivatives Segment of BSE and its members.

**APPLICABILITY**

These Regulations shall be applicable to the Commodity Derivatives Segment of BSE Limited.

**CHAPTER - I****DEFINITIONS**

- 1.1. Unless in the context it is explicitly stated otherwise, all words and expressions used but not defined herein shall have the same meanings as specified in the following:
- a) The Securities Contracts (Regulation) Act, 1956 and the Securities Contracts (Regulation) Rules, 1957 made thereunder;
  - b) The Securities and Exchange Board of India Act, 1992 and the Regulations made thereunder;
  - c) The Companies Act 1956/2013 and the Rules made thereunder;
  - d) The Depositories Act, 1996;
  - e) The Rules and Bye-laws of BSE Ltd, as applicable;
  - f) The Regulations of Capital Market Segment and Futures and Options Segment of BSE Limited;
  - g) The Rules, Bye-laws and Regulations of Indian Clearing Corporation Ltd, as applicable;
- 1.2. In case a term is defined in more than one statute, then its meaning as defined in that statute, which precedes the others mentioned hereinabove, shall prevail, unless in the context it is explicitly stated otherwise.
- 1.3. Words importing singular number shall include plural number and vice versa. Words importing masculine gender shall include feminine gender number and neuter gender and vice versa.
- 1.4 **Approved Office**
- ‘Approved office’ means the registered office of a Trading Member, including such premises or offices from which the member is allowed to trade by the Exchange.
- 1.5 **Approved Workstation**
- ‘Approved workstation’ refers to such trading workstation of a Trading Member comprising of computer terminal(s) and all associated equipment installed and connected to the Trading System and used by the Trading Member for the purpose of market inquiry, execution of orders/trades and settlement of its trades on the Trading System, and all other actions associated with the trading and settlement on the Trading System.
- 1.6 **Approved User**
- ‘Approved User’ means an individual appointed by a Trading Member in accordance with these Regulations.
- 1.7 **Assignment**

'Assignment' means an allocation of an option contract which is exercised, to a short position in the same option contract, at the same strike price, for fulfilment of the obligation, in accordance with the procedure as may be specified by the Relevant Authority, from time to time.

#### 1.8 **Authorised Person**

'Authorised Person' means an individual, a registered partnership firm, a limited liability partnership, a company or a body corporate as defined under the Companies Act, 1956/Companies Act, 2013 or any other category of person(s) allowed by SEBI, who is appointed as an agent by a Trading Member after obtaining specific prior approval of the Exchange for accessing the Trading System of the Exchange.

#### 1.9 **Basis variety or grade**

'Basis variety or grade' is the description of a standard variety or grade for a commodity permitted for trading in its derivatives contract as prescribed in the contract specifications by the Exchange and which is deliverable without any "on" or "off" allowance.

#### 1.10 **Books of Accounts, Records and Documents**

'Books of Accounts, Records and Documents' will mean and include books of accounts, records and documents which are required to be maintained under the Rules, Bye-laws and Regulations of the Clearing Corporation and includes records maintained in an electronic or in any magnetic form.

#### 1.11 **Branch Office**

'Branch office' in relation to a Trading Member means:

- a) any establishment or place described as a branch by the Trading Member;
- b) any establishment carrying on either the same or substantially the same activity as carried on by the head office; including trading or back office activity;
- c) any place where a trading terminal is provided by the Trading Member to an Authorised Person;
- d) any other place which the Exchange/ may notify.

#### 1.12 **Certified Warehouse**

'Certified Warehouse' means a warehouse, and which includes any place of storage, godown, tank, cold storage, silo, store house, vault or any type of storage facility whether temporary or permanent certified/approved/accredited by the Exchange/Clearing Corporation or any agency authorized by Exchange/Clearing Corporation and designated as such for storage or for making delivery to and taking delivery of commodities for fulfilling the contractual obligations resulting from transactions in commodity derivatives.

**1.13 Certified warehouse receipt/storage receipt/vault receipt (“certified receipts”)**

‘Certified warehouse receipt/storage receipt/vault receipt (certified receipts)’ means a receipt issued by empaneled agency evidencing proof of ownership of a stated quantity of commodities of a stated grade and quality in favour of a beneficial owner or the holder of a certified warehouse receipt. Such receipt may either be in physical form or in a dematerialized/electronic form as may be permitted by law.

**1.14 Clearing Corporation**

‘Clearing Corporation’ means Indian Clearing Corporation Limited (any change in its name and/or re-constitution thereof included).

**1.15 Clearing Member**

‘Clearing Member’ means a Member of the Clearing Corporation and includes all categories of Clearing Members as may be admitted by the Clearing Corporation. In case, a Clearing Member is also a Trading Member of the Exchange, the term Trading Member could be read as a Clearing Member.

**1.16 Common Pool facility**

‘Common Pool Facility’ means the trading facility created by the Exchange at various places, including at the Exchange to make available for use by the Trading Members in the event of failure of trading facilities in their office or otherwise.

**1.17 Commodity Derivative**

‘Commodity Derivative’ means a contract as defined in the Securities Contracts (Regulation) Act, 1956

**1.18 Constituent**

A ‘Constituent’ means a person, on whose instructions and, on whose account, a Trading Member enters into any contract for the purchase or sale of any security or does any act in relation thereto.

**1.19 Contract Specifications**

‘Contract Specifications’ means and includes specifications and terms and conditions prescribed generally or specifically by the Exchange or the Clearing Corporation from time to time for trading, clearing and settlement of securities which may be altered or modified at the discretion of the Exchange or the Clearing Corporation.

**1.20 Days of tender**

‘Days of tender’ means the days on which relevant delivery documents and certified receipts are permitted to be presented to the Clearing Corporation.

**1.21 Deal, Transaction, Dealing and Contract**

For the purpose of these Regulations, the terms “deal”, “transaction”, “dealing” and “Contract”, shall have one and the same meaning, unless the context indicates otherwise.

**1.22 Delivery**

‘Delivery’ means the tender and receipt of securities or certified warehouse receipts or any other documents evidencing the title to the underlying or securities as mentioned by the Clearing Corporation from time to time.

**1.23 Delivery centers**

‘Delivery centers’ are the centers where the commodities permitted for trading on the Exchange can be delivered by the seller against his outstanding position during the delivery period through the issue of delivery orders / by way of delivery.

**1.24 Delivery order rate**

‘Delivery order rate’ means the rate at which the delivery order / delivery shall be allocated on the designated tender day or the date on which the contract expires.

Explanation: On the expiry date the delivery order rate shall be the Due Date Rate (DDR)/Final Settlement Price (FSP)

**1.25 Delivery Period Margin**

‘Delivery Period Margin’ means the margin levied on the long and short positions marked for delivery till the pay-in is completed by the member.

**1.26 Delivery Period**

‘Delivery Period’ means the period during which the underlying or the securities, as the case may be, are tendered in terms of the contracts specifications for fulfillment of the transactions executed under the Rules, Byelaws and Regulations of the Exchange and includes tender days as prescribed by the Exchange or the Clearing Corporation for different contracts.

**1.27 Exercise**

‘Exercise’ means invocation of the right of option, in accordance with and subject to the Rules, Byelaws and Regulations of the Exchange, by the holder of such right, which may include delivery of the underlying.

**1.28 Exercise Style**

‘Exercise Style’ of an option refers to the price at which and/or time as to when the option is exercisable by the holder.

**1.29 Certified/ Approved/ empaneled/ accredited / designated/ appointed assayer**

'Certified/ Approved/ empaneled/ accredited / designated/ appointed assayer' means an entity approved as such by the Exchange or the Clearing Corporation for quality testing and certification of the commodities as per the relevant contract specifications and circulars/notices, issued from time to time.

**1.30 Goods**

'Goods' will have the meaning as defined under the Securities Contracts (Regulation) Act, 1956.

**1.31 Long Position**

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

**1.32 Liquid Assets**

'Liquid Assets' means assets as specified by the Exchange and/ or SEBI from time to time to cover various margins and deposit requirements

**1.33 Members' Open Position**

'Members' Open Position' means the sum of long and short positions of a Member and his Constituents in any or all of the Commodity Derivatives outstanding with the Clearing Corporation.

**1.34 Notification, Notice or Communication**

'Notification, Notice or Communication' will mean an intimation that can be served at the ordinary business address and/or at the ordinary place of residence and/or last known address of the party in any one or more or all of the following ways:

- a) delivering it by post;
- b) sending it by Registered Post;
- c) sending it under Certificate of Posting;
- d) sending it by express delivery post / courier services;
- e) sending it by telegram;
- f) affixing it on the door at the last known business or residential address;
- g) oral communication to the party in the presence of a third person;

- h) advertising it at least once in any prominent daily newspaper;
- i) sending a message through the Trading System;
- j) sending a message through the Clearing System;
- k) an electronic mail or fax or any other electronic network.

**1.35 BSE**

'BSE' means BSE Limited. The terms "BSE", and "the Exchange" are used interchangeably in these Regulations.

**1.36 Open Interest**

'Open Interest' means the total number of Commodity Derivatives of an underlying that have not yet been offset and closed by an opposite Commodity Derivatives transaction; nor fulfilled by delivery of the cash or underlying security or Exercise of the option.

**1.37 Outstanding Obligation**

'Outstanding Obligation' means the obligation which has neither been closed out nor been settled.

**1.38 Premium**

'Premium' is the price which the buyer of the option pays to the seller of the option for the rights conveyed by the Option Contract.

**1.39 Special margin**

'Special margin' means the margin deposit that is required from the contracting parties to hold a position in a commodity derivatives as specified by the Exchange or Clearing Corporation and/or as directed by the SEBI.

**1.40 Settlement price for a contract**

'Settlement price for a contract' means the price at which the contract shall be settled in the manner specified by the Exchange or Clearing Corporation from time to time which may include daily settlement price and FSP.

**1.41 Tender Period Margin/Pre-expiry Margin**

'Tender Period Margin/Pre-expiry Margin' means the margin which may be increased gradually every day beginning from the pre-determined number of days before the expiry of the commodity derivatives contract as applicable.

**1.42 Tenderable or Deliverable varieties or grades**



'Tenderable or Deliverable varieties or grades' are varieties or grades other than 'basis' variety or grade which are permitted by the Exchange or clearing corporation to be delivered or tendered for a commodity derivatives traded on the Exchange with or without the "on" and "off" allowances as may be prescribed from time to time by the Exchange.

**1.43 Underlying**

'Underlying' will mean either the goods, services, commodities, prices, indices of prices, services, activities, rights, interest and events as may be notified by the Central Government in consultation with the SEBI.

**1.43 Warehouse Service Provider (WSP)**

'Warehouse Service Provider' means an agency approved and accredited by the Exchange and/or clearing corporation for storage and preservation of commodities.

**CHAPTER – II****DEALINGS ON THE EXCHANGE****2.1 TRADING SYSTEM**

- 2.1.1 The Exchange shall provide an electronic Trading System in all Commodity Derivatives admitted to dealings on Exchange.
- 2.1.2 Trading on the Exchange shall be allowed only through the Approved Workstation(s).
- 2.1.3 Each Trading Member shall have a unique identification number which shall be provided by the Exchange on an application made by Trading Member, and which shall be used to log on (sign on) to the Electronic Trading System (Trading System).
- 2.1.4 A Trading Member shall have a non-exclusive permission to use the Trading System provided by the Exchange for dealing in Commodity Derivatives in the ordinary course of its business.
- 2.1.5 A Trading Member shall not have any title, right or interest with respect to the Trading System, its facilities, software and the information provided in / through the Trading System.
- 2.1.6 The Trading System:
- a) may be made available to a Trading Member for trading subject to such terms and conditions as the Relevant Authority may determine from time to time, inter alia, on payment of such charges as may be specified from time to time; upon taking up the clearing membership or having arrangements with Clearing Members;
  - b) access shall be withdrawn or restricted by the Relevant Authority for non-compliance with any of the requirements specified by the Exchange or as directed by SEBI.
- 2.1.7 A Trading Member shall use such equipment and software as specified or approved by the Exchange from time to time for the purpose of accessing Trading System.
- 2.1.8 The Exchange shall have the right from time to time to inspect the equipment and software used by a Trading Member for the purpose of accessing Trading System.
- 2.1.9 The cost of equipment and software supplied by the Exchange and installation and maintenance of the equipment shall be borne by the Trading Member.
- 2.1.10 A Trading Member shall not, permit itself or any other person(s) to:
- a) use the software provided by the Exchange for any purpose other than the purpose as approved and specified by the Exchange.

- b) use the software provided by the Exchange on any equipment other than the workstations approved by the Exchange.
  - c) copy, alter, modify or make available to any other person, the software provided by the Exchange.
  - d) use the software in any manner other than the manner as specified by the Exchange.
  - e) attempt directly or indirectly to decompile, dis-assemble or reverse engineer the same.
- 2.1.11 A Trading Member shall adopt such security procedures pertaining to connection to the Trading System as may be specified by the Exchange from time to time.
- 2.1.12 A Trading Member shall not, by himself or through any other person on his behalf either publish, supply, show or make available to any other person, other than SEBI and other statutory authorities, or reprocess, retransmit, store or use (i) the facilities of the Trading System or (ii) the information provided or generated by or on the Trading System, except with the explicit approval of the Exchange, and in the ordinary course of business to complete the transactions on the Exchange.
- 2.1.13 The Exchange shall provide its services on a best effort basis. However, the Exchange shall not be liable for failure of the Trading System or for any loss, damage, or other costs arising in any way out of:
- a) Telecom network or system failures, including failure of ancillary or associated support systems provided by the Exchange or support agencies, or fluctuation of power, or other environmental conditions or destruction of any data;
  - b) Accident, transportation, neglect, misuse, errors, frauds of the Trading Member or his agents or any third party;
  - c) Any fault in any attachments or associated equipment (either supplied by the Exchange or approved by the Exchange) which forms or does not form part of the trading workstation installation;
  - d) Act of God, natural calamity, fire, flood, war, act of violence, or any other similar occurrence;
  - e) Any incidental, special or consequential damages;
  - f) Any malfunction of software or hardware used by the Exchange or by any other person for dealing on the Exchange.
- 2.1.14 Any failure of the Trading System, software or connectivity shall not reduce, alter or affect the liability of the Trading Member in respect of any trade to which it is a party.

- 2.1.15 The Exchange may also permit the Trading Members to use a common pool facility, as per the norms specified by it, in case of failure of a trading terminal of the Trading Member or in any other circumstances as the Exchange may deem expedient to do so.
- 2.1.16 a) A Trading Member shall not deal with other Trading Members of the Exchange either for proprietary trading or for trading on behalf of Constituents, except with the prior permission of the Exchange.
- b) The Exchange while giving permission under clause (a) shall consider the reasons stated by the Trading Member and after carrying out required due diligence, allow such Trading Member to deal with only one other Member of the Exchange.
- c) A Trading Member of the Exchange can deal with only one Member of another stock exchange for proprietary trading after intimating the name of such Member to the Exchange.

## 2.2 TRADING MEMBERS, APPROVED USERS AND AUTHORISED PERSONS

- 2.2.1 Subject to the regulatory framework prescribed by SEBI or the Exchange, Trading Member(s) may appoint, Authorised Person(s) as their agents for accessing the trading system of the Exchange subject to prior approval and payment of such fees as may be specified by the Relevant Authority from time to time.
- 2.2.2 The Trading Member(s) and their Authorised Person may appoint, Approved Users to operate their Trading Workstation(s).
- 2.2.3 No individual shall be appointed as Authorised Person unless he:
- a) is a citizen of India;
  - b) is not less than 18 years of age;
  - c) has passed at least 10th standard or equivalent examination from a Board or an institution recognized by the Government;
  - d) has not been convicted of any offence involving fraud or dishonesty;
  - e) has good reputation and character;
- 2.2.4 No partnership firm, limited liability partnership, company or a body corporate as defined under the Companies Act 1956/Companies Act, 2013 shall be eligible to be appointed as an Authorised Person, unless:-
- a) all the partners of the firm or of the limited liability partnership and all the directors of the company, comply with all the eligibility criteria listed out in clauses (a) to (e) of regulation 2.2.3 above.
  - b) the provisions of the partnership deed of the firm or of the limited liability partnership or the objects of the company shall enable the firm/limited

liability partnership or the company, as the case may be, to undertake securities business.

- 2.2.5 Every Authorised Person shall have the necessary infrastructure, like adequate office space, equipment and manpower to effectively discharge the activities on behalf of the Trading Member. The Trading Member shall certify that the Authorised Person complies with these Regulations while forwarding his application to the Exchange.
- 2.2.6 The Exchange may prescribe such other additional conditions with regard to the appointment of an Authorised Person as it may deem fit from time to time and the Trading Members shall be bound to comply with the same.
- 2.2.7 Authorised Person(s) shall comply with the Rules, Bye-laws, Regulations and circulars of the Exchange. The Trading Member shall ensure that every Authorised Person appointed by him complies with the Rules, Bye-laws, Regulations and Circulars of the Exchange and with the requirements laid down by SEBI/ the Exchange, on an ongoing basis.
- 2.2.8 The Authorised Person shall not receive nor pay any money and/or underlying in his own name or account. All receipts and payments of underlying and funds shall be in the name or account of the Trading Member to whom he is affiliated.
- 2.2.9 The Authorised Person may receive his remuneration, whether by way of fees, charges, commission, salary, etc., for his services, only from the Trading Member and he shall not charge any amount to the Constituents of such Trading Member.
- 2.2.10 A person shall not be appointed as an Authorised Person by more than one Trading Member on the same Exchange.
- 2.2.11 A partner or a director of an Authorised Person shall not be appointed as an Authorised Person on the same stock exchange.
- 2.2.12 A Trading Member and his Authorised Person shall enter into a written agreement(s) in the form(s) approved or specified by the Exchange from time to time.
- 2.2.13 Approval given to an Authorised Person may be withdrawn by the Exchange:
- a) on being satisfied that the continuation of such Authorised Person is detrimental to the interest of investors or securities market; or
  - b) on being satisfied that the Authorised Person has, subsequent to the approval granted by the Exchange, become ineligible to continue as such under the criteria laid down under these Regulations; or
  - c) on receipt of a request to that effect from the Trading Member or the Authorised Person, subject however to compliance with the requirements prescribed by the Exchange from time to time; or

- d) Without prejudice to the above, the Exchange may be entitled to take disciplinary action against the Authorised Person under the provisions of the Rules and Bye-Laws of the Exchange and shall also be entitled to refer/report the matter to SEBI for appropriate action.
- 2.2.14 Notwithstanding anything contained in Regulations 2.2.13 an Authorised Person shall cease to act as an Authorised Person, ipso facto, on
- a) The Trading Member with whom he is affiliated has ceased to be a Trading Member or;
- b) on the expiry/ cessation of his contract of employment with such Trading Member.
- 2.2.15 Any dispute between a Constituent and an Authorised Person shall be treated as a dispute between the Constituent and the Trading Member and the Constituent shall be entitled to take out the proceedings against the Trading Member with whom such Authorised Person was attached/associated.
- 2.2.16 Whenever an Approved User of a Trading Member ceases to act either as an Approved User or in any other capacity with such Trading Member then such Trading Member shall inform the Exchange, within 24 hours, the name and other particulars of such Approved User.
- 2.2.17 The Exchange may notify different types of Approved Users for different workstations. The access that the Approved User shall have to the Trading System will depend on the category in which such Approved User falls and depending thereon such Approved User will either be entitled to only place his inquiry on the terminal, or to place the order entry and trade or to so such others matters on the Trading System as may be specified by the Exchange.
- 2.2.18 A Trading Member/ Approved User shall not access the Trading System using a different User Id other than the one allotted to him.
- 2.2.19 An Approved User shall not access or attempt to or aid in accessing the Trading System using the Trading Member's code from a location other than the Trading Member's location, unless he has the express prior approval of the Trading Member for whom he is acting as an Approved User.

### **2.3 TRADING DAYS**

- 2.3.1 The Exchange may operate on all days as specified by the Exchange from time to time.
- 2.3.2 The Exchange may close the market on days other than or in addition to scheduled holidays or open the market on days originally declared to be holidays under 2.3.1 and the decision of the Exchange in this matter shall be final and binding.
- 2.3.3 A trading day may ordinarily be divided into such periods during which such transactions may be carried out, as may be specified by the Exchange from time to

time.

## **2.4 TRADING HOURS**

- 2.4.1 The Exchange shall announce the regular trading hours for every financial year in advance, segment wise.
- 2.4.2 The Exchange may extend, advance or reduce the trading hours by notifying the Trading Members as and when it deems fit and necessary in this regard or as may be directed by the Relevant Authority from time to time in this regard.

## **2.5 TRADING CYCLE**

The trading cycle for each Commodity Derivatives will have a period during which the Commodity Derivatives will be available for trading as notified by the Exchange from time to time.

## **2.6 CONTRACT EXPIRATION**

- 2.6.1 The Commodity Derivatives will be available for trading during such period and shall expire on a pre-determined date and time as notified by the Exchange in advance.
- 2.6.2 The contract expiration period shall not exceed twelve months or such other period as may be specified by SEBI or the Exchange from time to time.
- 2.6.3 The Exchange may advance/prepone the expiry date of a running contract, in case the market is closed in the notified center on the expiry day/date of the contract, due to festivals, strikes, erratic weather conditions, etc. The delivery period may also be advanced/preponed for any contract having a staggered delivery.

## **2.7 TRADING PARAMETERS**

- 2.7.1 The Exchange shall from time to time specify various trading parameters relating to the Trading System.
- 2.7.2 The Exchange shall, from time to time specify one or more order books that shall be maintained on the Trading System and shall specify such conditions on the order that shall make it eligible to be placed in those books.
- 2.7.3 The Exchange shall specify the number of days after which Good Till Cancelled orders shall be cancelled by the Trading System.
- 2.7.4 The Exchange shall specify from time to time the lot size in which orders can be placed for any or all Commodity Derivatives traded on the Exchange.
- 2.7.5 The Exchange shall specify from time to time price steps in which orders shall be entered on the Trading System of the Exchange.

- 2.7.6 The Exchange shall lay down position limits in respect of each Commodity Derivatives and method for clubbing the open positions from time to time.
- 2.7.7 The Exchange shall specify the price fluctuations for each Commodity Derivatives.
- 2.7.8 The Exchange may specify the procedure for delivery of the underlying, where the contract provides for such delivery.
- 2.7.9 The Exchange may specify the mode of determining the base price for the Commodity Derivatives from time to time, which may include the following methodology:
- a) **Base Price for Futures Contracts:**
- At the time of entering into a contract available for trading on the system, the Exchange will decide its base price, which will be a notional price based on the spot market price of that commodity on the previous day and a notional carrying cost or a reference price available in any other exchange or by adopting such method as it may deem fit, in the manner specified by SEBI.
- b) **Base Price for Option Contracts:**
- At the time of entering into an option contract available for trading on the system, the Exchange will decide its base price, which shall be as per the method adopted by the Exchange in the manner specified by SEBI, if any. On all other days, it shall be the Daily Settlement Price of the contract.
- 2.7.10 The daily price limit for agricultural and non-agricultural commodity derivatives shall be determined as specified by SEBI/the Exchange from time to time.
- 2.7.11 **Fixation of Final Settlement Price (FSP) for Commodity Derivatives**
- The final settlement price for futures and options Commodity Derivatives shall be determined in accordance with methodology prescribed by SEBI/the Exchange from time to time.

## 2.8 MARKET TYPES / TRADE TYPES / TRANSACTION TYPES

- 2.8.1 The Exchange shall permit and notify different kinds of trades in Commodity Derivatives.
- 2.8.2 The Exchange shall specify from time to time different market types and trade types, dealing in which will be permitted to the Trading Members in Commodity Derivatives.
- 2.8.3 All trades executed on the Exchange shall be cleared and settled in accordance with the applicable Rules, Bye-laws and Regulations of the Clearing Corporation and the Exchange.
- 2.8.4 The Exchange shall allow from time to time different transaction types.



**2.9 FAILURE OF TRADING MEMBERS' TERMINAL**

In the event of failure of Trading Members' workstation and / or the loss of access to the Trading System, the Relevant Authority of the Exchange may, at its discretion, undertake on behalf of the Trading Member to carry out the necessary functions and trades which the Trading Member is otherwise eligible to carry out, on receipt of request from such Trading Member, subject to and on such terms and conditions which the Relevant Authority may deem necessary to be imposed on such Trading Member. The Relevant Authority shall entertain such request only if such request is made in writing by the Trading Member in such manner as may be specified by the Exchange. The Trading Member shall be accountable for the functions undertaken and trades executed by the Relevant Authority on the Exchange on his/its behalf and shall indemnify the Relevant Authority and/or the Exchange against any losses or costs arising out of the execution of such functions and/or trades.

**CHAPTER - III****DEALINGS IN COMMODITY DERIVATIVES****3.1 DEALINGS IN COMMODITY DERIVATIVES**

- 3.1.1 Dealings in Commodity Derivatives for such categories of Trading Members, in such market types and trade types and during such trading hours, shall be as the Exchange may specify from time to time.

The Exchange may launch trading in commodity futures contracts at its discretion after obtaining the approval from SEBI and the trading in commodity futures contracts shall be subject to Rules, Byelaws and Regulations of the Exchange. The Exchange may start trading in commodity options contracts at its discretion after meeting such conditions as may be stipulated by SEBI from time to time and after taking prior approval from SEBI. The underlying in case of commodity options contracts shall be the corresponding commodity futures contracts, which are traded on the Exchange's platform.

The Exchange may provide one or more contracts in commodity derivatives for continuous trading in the manner prescribed by SEBI.

- 3.1.2 The Contract Specifications for Commodity Derivatives will be notified by the Exchange in advance to the market participants on the website of the Exchange or through any other mode. Such Contract Specifications shall be binding on all members, clients and constituents trading in Commodity Derivatives on the Exchange.

The Contract Specifications in respect of each underlying commodity in which the trading will be commenced, will be notified in advance to the market participants on the website of the Exchange specifying full details of the type of the commodity, its quality, delivery procedure and other trading and settlement parameters relating to tick size, unit of trading, unit of delivery, delivery centers, minimum and maximum order size and the basis in terms of quality etc.

The Exchange may, after informing the market participants and the regulator in advance, modify the futures Contract Specifications relating to ticker symbol, basis, maximum order size, trading unit, delivery unit, quotation base value, tick size, Delivery Centers, additional delivery centers, premium/discount, quality parameters and its relevant aspects such as quantity variation and tolerance limit etc., along with reasons for the modifications. Any such change in the futures Contract Specifications will be final and binding on all the market participants, including the clients and concerned members of the Exchange and the Clearing Corporation.

- 3.1.3 The Exchange may from time to time introduce new contracts at such strike prices ('in the money', 'at the money or near the money' and 'out of the money') for Put/Call options respectively, as it may deem fit.

- 3.1.4 The Exchange may from time to time introduce one or more new contract(s) at new strike prices for both Call and Put options respectively as and when the prices of the underlying changes beyond pre-defined parameters prescribed by it.
- 3.1.5 The Exchange may provide calendar spread facility for futures contracts in such manner and on such terms as the Exchange may decide from time to time.
- 3.1.6 The Exchange may from time to time prescribe the criteria for underlying with reference to which the Option Contracts shall be permitted to be traded on Exchange.
- 3.1.7 The Relevant Authority may from time to time prescribe the exercise style of an option.
- 3.1.8 The Relevant Authority may at any time introduce additional series of option contracts with different exercise prices based on changes in the value of the underlying or such other factors and circumstances, including investor interest, market conditions, etc. as may be decided from time to time.
- 3.1.9 The Exchange may at its discretion, suspend trading in any Commodity Derivatives on various grounds including the following,
- a) for protection of the interests of the investors;
  - b) for the purpose of maintaining a fair and orderly market.
- 3.1.10 If the Relevant Authority is of the opinion that a particular underlying no longer meets its requirements for options trading or is not eligible for trading or if the Relevant Authority decides to discontinue trading in a particular options series for such reason(s) as it may deem fit, it may stop introducing new options on that underlying and may in such circumstances impose restrictions on transactions that open new positions in options series that have been previously introduced.
- 3.1.11 The Relevant Authority may limit the total number of puts or calls on the same underlying that a Trading Member or a constituent may exercise during such time period as may be prescribed by the Relevant Authority from time to time. The Relevant Authority may also limit the maximum number of options on the same side of the market (i.e., calls held plus puts written or puts held plus calls written) with respect to a single underlying that may be carried in the account of the Trading Member or a constituent.
- 3.1.12 The Exchange may also revoke suspension of trading in Commodity Derivatives at any time. If trading has been suspended or halted in particular or all Commodity Derivatives, the Exchange may determine in its absolute discretion when trading in the respective Commodity Derivatives may be resumed.
- 3.1.13 Trading Members may trade on the Trading System in Commodity Derivatives, either on behalf of their Constituents or on their own account unless otherwise

specified by the Relevant Authority and trading shall be subject to such conditions as the Exchange may specify from time to time.

Explanation: For the purpose of this Regulation, for transactions entered into on behalf of the director or an employee of the Trading Member or for transactions in which the director or employee has beneficial interest, such director or employee shall be considered as a Constituent of the Trading Member and margins shall be collected from each such individual separately.

- 3.1.14 The Exchange may, at any time restrict conditionally or unconditionally a Trading Member from dealing in a specified Commodity Derivatives.
- 3.1.15 The Trading Member shall be liable for all orders placed and trades executed through his trading terminals. The Trading Member shall be responsible for all acts of omission and commission of his Authorised Person(s) and/or his employees, including liabilities arising there from and all the acts of omission and commission of the Authorised Person or the employees shall be deemed to be those of the Trading Member.
- 3.1.16 If any trading terminal is provided by the Trading Member to his Authorised Person, the place where such trading terminal is located shall be treated as a branch office of the Trading Member.
- 3.1.17 The Trading Member shall notify changes, if any, in the Authorised Person to all registered Constituents of the relevant branch office at least thirty days before the change.
- 3.1.18 The Trading Member shall conduct periodic inspection of branches assigned to Authorised Persons including with reference to records of the operations carried out by them.
- 3.1.19 The Constituents shall be registered with the Trading Member only. The transfer of funds and underlying of the Constituents shall be directly between the Trading Member and the Constituent and all documents like contract notes and statement of funds and underlying would be issued to Constituents by the Trading Member alone. The Authorised Person may provide administrative assistance in the procurement of documents and settlement, but shall not issue any document to the Constituent in his own name. No fund/underlying of the Constituents shall be transferred to the name and / or account of Authorised Person.
- 3.1.20 On noticing irregularities, if any, in the operations of Authorised Person, the Trading Member shall seek withdrawal of the approval granted to him by the Exchange in relation to such Authorised Person, withhold all moneys due to an Authorised Person till the resolution of investor problems, alert investors in the location where the Authorised Person operates, file a complaint with the police and take all measures required to protect the interest of investors and market.
- 3.1.21 Any proposed change relating to the Authorised Person including change of status or constitution as laid down in Regulation 2(ab) of the Securities and Exchange Board of India (Stock Brokers and Sub-brokers) Regulations, 1992 shall be

notified to the Exchange at least 30 days in advance in the format prescribed by the Exchange and also immediately after effecting such changes

Provided that, in case of any change in the legal form of the Authorized Person, the Trading Member shall ensure that the existing approval for appointment of the Authorized Person is withdrawn by the Exchange and a fresh approval is granted by the Exchange for his appointment in the new legal form. The Member shall make the requisite application to the Stock Exchange simultaneously with the intimation made under the above clause.

3.1.22 Without prejudice to other relevant regulations, a Trading Member shall be responsible for all the actions, including trades originating through or with the use of all following variable Trading Member Id and User Id. However, if the Trading Member satisfies the Exchange that the action(s) and/or trade(s) took place due to fraud or misrepresentation by any other person other than his Authorised Person(s)/ employees and that the action(s) and/or trades did not originate from any of his Approved Workstations, the Exchange may issue such directions as it considers just and reasonable. The directions may include referring the matter to arbitration and/or annulment of trade(s) so effected.

3.1.23 When a Trading Member enters an order on behalf of a Constituent, it shall enter the Unique Client Code in respect of such Constituent in such format and with effect from such date as may be notified by the Exchange. Every Trading Member shall be responsible to furnish particulars of Unique Client Codes of each of his Constituents to the Exchange in such form, manner, at such intervals and within such time as may be specified by the Exchange from time to time.

3.1.24 **FORCE-MAJEURE:**

In the following events, neither the Exchange, nor the Relevant Authority or any of the officers of the Exchange will be liable to any party or market participant, including the client or member, involved with commodity derivative contracts for any loss/damages suffered by them or any of them due to actions or inactions of the Relevant Authority.

- a) In case import of specified commodities (which are substantially dependent upon import from outside India) under Open General License (OGL) is banned/canalised during the trading session and the official announcement is made about the same, then the outstanding contracts will be settled on the basis of preceding day's closing price. If however the official announcement regarding banning/canalising of imported specified commodities is made after the closing of trading then the outstanding contracts will be settled on the basis of the current day's closing price. Any fluctuations/change in import duty structure will be sellers' account.
- b) In case of any natural calamity like flood, earthquake, strikes etc., which has a substantial bearing on the market of that commodity such that the availability of the commodity in the country is expected to reduce, making the delivery of the commodity virtually impossible, then the Relevant Authority will have the

power to settle the contract before maturity, as per the official closing price, subject to Regulator's approval.

- c) Any other event such as strike, lock out, disputes, lack of coordination or cooperation between various participants dealing with commodities markets, which hinders or makes it impossible for prices of commodities to be delivered/disseminated to/on the Exchange for deals to be settled at the prices at which they should have been settled under its Rules, Regulations and Bye-laws, then the Relevant Authority will settle such deals in those commodities at such rates in accordance with the decision taken by the Relevant Authority in the best interest of the deals and the commodity market in general. The Relevant Authority will also take the prior approval of the SEBI whenever necessary before taking any decision in this behalf.
- d) In case of trading system related problems, while the Exchange will attempt to rectify the problem at the earliest, it will not be responsible for the consequential losses, if any.

### 3.2 POSITION LIMIT

The Exchange may at any time in its absolute discretion prescribe maximum long and/or short open positions for all or any of the Trading Members and their Constituents including quantity and/or value for any or all Commodity Derivatives .

### 3.3 ACTION BY THE RELEVANT AUTHORITY

Upon a Trading Member/any constituent of a Trading Member failing to comply with any provisions of the Rules, Bye-laws and Regulations of the Exchange/ Clearing Corporation, and/or of the requirements of the Exchange/ Clearing Corporation, including the requirements pertaining to the position limits as imposed by the Relevant Authority from time to time, the Relevant authority may at its discretion, either on its own or on the advice from the Clearing Corporation, without notice to the Trading Member close out his open positions to the extent possible or take any such other measure or action, including withdrawal of his trading facility, as may be deemed fit from time to time.

In the event of a member/ client failing to honour pay-in/margin obligations prescribed by the Exchange from time to time the Exchange may also adopt such procedure as may be specified by SEBI/the Exchange from time to time.

### 3.4 TRADE OPERATIONS

- 3.4.1 Trading Members shall ensure that appropriate confirmed order instructions are obtained from the Constituents before placement of an order on the Trading System and shall keep relevant records or documents of the same and of the completion or otherwise of these orders.
- 3.4.2 The Trading Member shall make available to his Constituents the Trading System generated order number and copies of the order/trade confirmation slip/modification slip, wherever applicable.

- 3.4.3 The Trading Member shall disclose to the Exchange at the time of order entry that the order is on his own account or on behalf of his Constituents and also specify orders for buy or sell as open or close orders.
- 3.4.4 The procedures and conditions for amendment or cancellation of orders would be subject to such conditions and as specified by the Exchange from time to time.
- 3.4.5 The Trading Members shall be solely responsible for the accuracy of orders entered into the Trading System, including orders entered on behalf of his Constituents.
- 3.4.6 Trades generated on the Trading System are irrevocable and 'locked in'. The Exchange may specify from time to time the markets in which trade cancellation can be effected.
- 3.4.7 a) Without prejudice to the decision taken with regards to annulment of trades(s), the Relevant Authority shall also be entitled to take such other suitable disciplinary action(s) against the Trading Members under the Rules, Bye-Laws and Regulations of the Exchange.
- b) The procedure to be followed for annulment of trades(s) shall be such as specified by the Exchange from time to time and every Trading Member shall comply with the same including payment of prescribed fees.
- 3.4.8 The Trading Member shall make available to his Constituents the Trading System generated trade number and copies of the trade cancellation slip, wherever applicable.

### 3.5 ORDER MANAGEMENT

#### 3.5.1 ORDER TYPE

The Exchange shall stipulate from time to time, the kinds of orders that a Trading Member can place in the Trading System, which may include Normal order, Special Term order, etc. as also the order attributes that he could place thereon.

#### 3.5.2 ORDER ATTRIBUTES

- a) The Exchange shall from time to time allow various order attributes in respect of various types of orders, subject to such restrictions as may be specified in the trading parameters.
- b) The Exchange shall specify the order types and order attributes permitted for different market types.

#### 3.5.3 MODIFICATION AND CANCELLATION OF ORDERS

- a) A Trading Member shall be permitted to modify or cancel his orders, provided a trade has not already taken place in respect of that order.
- b) The order can be modified by effecting changes in the order input parameters in the manner and on such conditions as specified by the Exchange.

- c) The modified order shall lose or retain its time priority as per the trading parameter set by the Exchange.

#### 3.5.4 ORDER VALIDATION

Orders entered into the Trading System by the Trading Members shall be subject to various validation requirements as specified by the Exchange from position limits, time to time, including trading parameters, turnover limits, exposure limits and/or other restrictions placed on traded Commodity Derivatives. Orders that do not meet the validation checks shall not be accepted by the Trading System.

#### 3.5.5 MATCHING RULES

- a) The Exchange shall specify from time to time the kinds of order books that shall be maintained on the Trading System, the order matching algorithms and the matching rules and parameters that shall be followed therein.
- b) The Exchange may modify or change the matching algorithms relevant to any market or order books any time where it is necessary to do so.
- c) Where the Exchange feels that it is in the interests of the market to do so, it may at any time make unavailable any particular order books or forms of matching, in the case of a particular Commodity Derivatives or Trading Member or to the market as a whole.
- d) Without prejudice to the generality of the above, the order matching rules would include the following:
  - (i) Orders in the normal market shall be matched on price-time priority basis.
  - (ii) The best buy order shall match with the best sell order. For trading on price, the best buy order would be the one with the highest price and the best sell order would be the one with the lowest price.

### 3.6 CONTRACT NOTE

- 3.6.1 Every Trading Member shall issue a contract note to his Constituents for trades executed in such format as may be prescribed by the Exchange from time to time with all relevant details as required therein to be filled in, and issued in such manner and within such time as specified by the Exchange.
- 3.6.2 A contract note shall be signed by a Trading Member or his authorized signatory.
- 3.6.3 A Contract note shall be time stamped with the time of receipt of order and the time of execution of order.
- 3.6.4. The contract notes shall be numbered with unique running serial numbers commencing from one which shall be reset only at the beginning of every financial



year (viz. April to March). In case separate series are maintained by different dealing offices of the Trading Member, then the dealing office's name or code shall be prefixed to the serial number.

- 3.6.5 Notwithstanding anything contained in Regulation 3.6, a contract note may also be issued by a Trading Member in electronic form, in such format as may be prescribed by the Exchange from time to time, duly authenticated by means of a digital signature as specified in the Information Technology Act, 2000 and the Rules made thereunder and subject to any further conditions that be specified by the Exchange/SEBI.

### 3.7 **BROKERAGE**

- 3.7.1 All the orders entered on the Trading System shall be at prices exclusive of brokerage.
- 3.7.2 The Trading Members shall be entitled to charge brokerage at rates not exceed in such scale as the Exchange may specify from time to time.
- 3.7.3 The Trading Members shall charge brokerage for Option Contracts on the premium amount at which the option contract was bought or sold and not on the strike price of the Option Contract. The manner of charging brokerage shall be in accordance with the directions/specifications of the Exchange.
- 3.7.4 A Trading Member shall charge brokerage separately and this shall be indicated separately from the price, in the contract note.

### 3.8 **DEPOSIT REQUIREMENTS**

- 3.8.1 A Trading Member shall make available to the Exchange such form of deposit and within such time as may be notified by the Relevant Authority from time to time.
- 3.8.2 The Exchange shall specify from time to time such categories of securities that would be eligible to be kept as a deposit towards the Trading Member's requirements/exposure, the method of valuation of such securities and the quantum of securities that would be required to be kept as deposit.
- 3.8.3 The Trading Member shall be required to deposit, such deposits either in the form of cash, deposit receipts, certified warehouse receipts, guarantee of banks approved by the Relevant Authority or securities approved by it or such other mode as may be approved and subject to such terms and conditions as the Relevant Authority may impose from time to time.
- 3.8.4 The procedure for refund of deposit will be such as notified by the Exchange from time to time.

### 3.9 **MARGIN REQUIREMENTS**

- 3.9.1 Subject to the provisions as contained in the Bye-laws of the Exchange and such other regulations as may be in force, every Trading Member shall, in respect of trades in which he is a party, deposit a margin with the Exchange, in the manner and to the extent specified by the Exchange.

3.9.2 The Exchange shall specify from time to time the Commodity Derivatives, settlement periods and trade types for which margin would be attracted.

3.9.3 The Exchange shall levy initial margin and other margins on Commodity Derivatives of such amounts and in such manner as may be specified from time to time by the Relevant Authority.

**3.9.4 Tender period Margin/Pre-expiry Margin:**

‘Tender period Margin/Pre-expiry Margin’ means the margin which may be increased gradually every day beginning from certain predetermined number of days till the expiry of the contract, as applicable. The quantum of tender period margin shall be decided by the Exchange from time to time based on the risk characteristics of a particular commodity.

**3.9.5 Special Margin:**

Special Margins are levied by the Exchange in case of unidirectional price movement or based on Exchange’s evaluation in specific situations. The Exchange may levy special margins over and above the initial margin, the extreme loss margins and other margins. Special margins may be levied generally on either long open positions or on short open positions and shall be collected in any form of collateral or in cash only as may be directed by the Exchange.

**3.9.6 Concentration Margin**

The Exchange shall impose adequate concentration margins (only on concentrated positions) to cover the risk of longer period required for liquidation of concentrated positions in any commodity. The threshold value for imposing concentration margin may be determined taking into account factors including open interest, concentration and estimated time to liquidation based on prevailing liquidity and possible reduction in liquidity in times of market stress etc. The quantum of concentration margins imposed may vary based on the level of concentration.

**3.9.7 Sensitivity Report and Devolvement Margins for Option contracts:**

The Member shall be liable to pay devolvement margins in addition to all other applicable margins in the manner specified by the Exchange upon the Exchange sharing the sensitivity report with the concerned member.

**3.9.8 Delivery Period Margin:**

‘Delivery period margin’ means a margin levied by the Exchange or Clearing Corporation on the long and short positions marked for delivery till the pay-in is completed by the member. Once delivery period margin is levied, all other applicable margins may be released. The delivery margin is levied during the period specified in the Contract Specifications and the circulars issued by the Exchange from time to time.

When a seller submits delivery documents along with surveyor’s certificate, his

position is treated as settled and his delivery period margin to such extent is reduced.

When a buyer pays money for the delivery allocated to him, his delivery period margin is reduced on such quantity for which he has paid the amount. If delivery does not happen with respect to certain open position and is finally settled by way of difference as per the Due Date Rate, the delivery period margin is released only after final settlement of difference arising out of such closing out as per the Due Date Rate.

In case of any failure in fulfilment of obligations on the part of a member, the Exchange or Clearing Corporation is entitled to forfeit or utilize the margin or deposits lying with the Exchange for meeting such obligations and in such a case, the total margin deposit of that member shall stand reduced to such extent.

- 3.9.9 The margin shall be deposited with the Exchange within such time as may be notified by the Exchange from time to time.
- 3.9.10 The Exchange shall specify from time to time such categories of securities that would be eligible for a margin deposit as also the method of valuation and the quantum of securities that would be required to be so deposited as margin amount.
- 3.9.11 The procedure for refund/adjustment of margins shall be such as may be notified by the Exchange from time to time.
- 3.9.12 The Exchange shall from time to time, impose upon any particular Trading Member or category of Trading Member any special or other margin requirement.
- 3.9.13 The following securities shall not be accepted for the purpose of security deposit/margin requirement:
- a) Securities not as per the approved list;
  - b) Partly paid up securities;
  - c) Securities subject to any lock in period, buy back scheme, any charge or lien, encumbrance of any kind or whose title is questioned before a Court or any regulatory body or such other limitations.

3.9.14 (i) **Warehouse receipt:**

Additional deposits or margin or collateral in the form of Warehouse receipt (WR) of approved commodity from the Exchange designated warehouse / vault along with valid quality certificate:

- a) A Member may be entitled to tender Certified Receipts towards its/his deposit/margin requirements as per the procedure prescribed by the Exchange.
- b) The Exchange shall carry out the valuation of the approved underlying pledged with the Exchange after applying the haircut and as per the specifications provided by the Exchange from time to time.

- c) Members can deposit warehouse receipt (WR) of approved commodity from the designated warehouses/vaults approved/appointed by the Exchange in this regard with the Exchange. These WR(s) shall be pledged in favour of BSE Limited (the Exchange).
- d) The WR shall be subject to a minimum margin / hair cut as specified by the Exchange from time to time. The Exchange will do the valuation of the said WR(s) thus pledged, after applying the haircut specified.
- e) Exchange may issue / revise the list of approved commodity and the margin /haircut requirements from time to time.
- f) The WR(s) will be accepted from a member with upper limits or such amount as may be decided by the Exchange from time to time.
- g) In case of discontinuation of a commodity from the list of approved commodity, the members should replace the WR(s) of such commodity within a period of 2 (two) working days or within such time as may be specified by the Exchange after which the valuation of such WR(s) will be reduced from the additional security deposit.
- h) The underlying, whose quality certificate is expiring, will be required to be revalidated. The member will be intimated of such expiring quality certificate at least 2 weeks in advance. The member in turn will initiate the process to get such underlying revalidated. During this revalidation process the valuation of the WR of the said commodity will be reduced for considering the additional security deposit.
- i) In case the member fails to initiate the revalidation process and if, only 5 days are left out for the quality certificate to expire, the valuation of the WR of such commodity will be reduced from additional security deposit and the member will be intimated of the same.
- j) As mentioned above, if after reduction of the valuation, the security deposits available with the Exchange are less than the margins utilized, then the member will be required to bring in more security deposit on immediate basis. If the member fails to do so, the open positions of the member on the Exchange will be squared off by the Exchange in the way and manner it deems fit. Any loss incurred in the process of such square off will be on account of the member and that the member will have to bear the same in totality.
- k) Members may withdraw or replace the pledged WR(s) from time to time in accordance with conditions specified by the Exchange.

(ii) **Warehouse Receipt (WR) not acceptable**

The following warehouse receipts shall not be accepted for the purpose of security deposit:

- a) WR(s) where a lien is not marked in the favour of the Exchange;
- b) WR(s) of the commodity that are not in the list of approved commodity;
- c) WR(s) of the commodity whose quality certificate is not from the Exchange approved quality assayer;
- d) WR(s) of the commodity whose quality certificate is not valid or has expired or if the expiry date is within 15 days from the date of deposit;
- e) WR(s) that are not of the designated warehouse/vault;
- f) WR(s) subject to any charge or lien, encumbrance of any kind or whose title is questioned before a court or any regulatory body or having such other limitations/restrictions.

Any other types of WRs which the Relevant Authority deems inappropriate as margin, in its sole and absolute discretion

### 3.10 MARGIN FROM THE CONSTITUENTS

- a) The Trading Member must demand from his/its Constituents the Margin Deposits which the Trading Member has to provide in respect of the business done by the Member for such Constituents. The Trading Member shall buy and/or sell Commodity Derivatives on behalf of the Constituents only on the receipt of margin as the Relevant Authority may decide from time to time, unless the Constituents already have equivalent credit with the Trading Member. The Trading Member may collect higher margins from his constituents, as he deems fit.

The Trading Member shall demand from his Constituents the amounts arising in respect of daily settlements in accordance with the Exchange's Regulations for business done by the Member on behalf of such Constituents or such higher amounts, as the Trading Member deems fit. The Trading Member may, if he so desires, for administrative convenience, maintain the daily settlement margin balance up to a pre-agreed balance level to avoid collecting and paying the daily settlement amount.

The Trading Member may keep the un-utilised margin deposits of its Constituents in bank deposits and pay interest accrued thereon to its Constituents or utilise the same as per the instructions of such Constituents.

- b) Pledging of Securities as Margin by Clients: The clients shall be necessarily required to be the beneficial owners of pledged securities offered as permissible collaterals. In cases, where the client is not the beneficial owner of the pledged securities offered as collaterals, such securities shall not be utilized for meeting the obligations of the client without obtaining a written consent for the same from the holder/owner of those pledged securities, to the satisfaction of the Exchange. The onus of proving that the consent of the holder of the securities was obtained shall be squarely on the member concerned.

c) **CONSTITUENT(S) IN DEFAULT**

In case of non-payment of daily settlement by the Constituents within the next trading day, the Trading Member shall be at liberty to close out transactions by selling or buying the Commodity Derivatives, as the case may be, unless the Constituent already has an equivalent credit with the Trading Member. In which case, the Trading Member shall be entitled to adjust/appropriate the credit (of money, securities or the underlying) against non-fulfillment of settlement obligations. The loss incurred in this regard, if any, shall be met from the margin money of the Constituent.

In case of open purchase positions undertaken on behalf of Constituents, the Trading Members shall be at liberty to close out transactions by selling Commodity Derivatives, in case the Constituents fail to meet the obligations in respect of the open positions within the next trading day of execution of the contract or within the next trading day of the contract note having been delivered, whichever is earlier, unless the Constituent already has an equivalent credit with the Trading Member. The loss incurred in this regard, if any, shall be met from the margin money of the Constituent.

In case of open sale positions undertaken on behalf of the Constituents, the Trading Member shall be at liberty to close out transactions by effecting purchases of Commodity Derivatives if the Constituents fail to meet the obligations in respect of the open positions within the next trading day of the transaction having been executed on the Exchange for the concerned settlement period. Loss on the transaction, if any, shall be deducted from the margin money of the Constituents.

3.11 **OBLIGATION OF THE CONSTITUENT REGARDING DELIVERY:**

- a) The constituent shall deliver the underlying pursuant to the Commodities Derivatives in the manner prescribed by the Exchange, failing which the constituent shall be deemed to in default of his/its obligations under the Rules, Bye-laws and the Regulations of the Exchange.
- b) For the purpose of effecting delivery, the constituent shall execute/provide all the requisite documents, including those specified by the Exchange from time to time.

3.12 **POWER OF RELEVANT AUTHORITY TO PRESCRIBE MODE, MANNER, METHOD OR FORM FOR CERTAIN ASPECTS**

The Relevant Authority may from time to time prescribe -

- a) the mode, method or manner in which the premium shall be collected by a Trading Member from a Constituent;
- b) the mode, method or manner in which the margins shall be collected by the Trading Member from the Constituent;
- c) the manner or form in which and the time within which the Constituent shall give exercise notice to the Trading Member;

- d) the manner or form in which and the time within which the Trading Member shall assign exercise notice to its Constituent's account; and
- e) the mode, method of exercise, for different Option Contracts.

### 3.13 COLLECTION OF TAXES & FEES

Every Trading Member shall remit to the Exchange the taxes and fees payable to SEBI in respect of taxable transactions entered into by him on the Exchange either on his behalf or on behalf of his Constituents in accordance with the procedures prescribed by the Relevant Authority from time to time for the calculation and collection of such tax. Any Trading Member who fails to make the payment in accordance with the procedures prescribed by the Relevant Authority from time to time would be liable for such consequences of non-payment including but not limited to withdrawal of trading facility of a Trading Member, appropriation by the Exchange from the monies of the Trading Member lying with the Exchange for payment of such taxes, withholding of payouts payable to such Trading Member, etc. as may be prescribed from time to time.

### 3.14 COLLECTION, VERIFICATION AND UPLOADING OF PAN

The Trading Members shall -

- a) collect copies of Permanent Account Number (PAN) cards issued to their existing as well as new Constituents by the Income-tax Department and maintain the same in their record after verifying with the original;
- b) cross check the aforesaid details collected from their Constituents with the details on the website of the Income tax Department; and
- c) upload the details of PAN so collected to the Exchanges as part of Unique Client Code.

Provided that nothing contained in this Regulation 3.13 shall apply in case the Constituent's details are taken by the Trading Member from the database of a KYC Registration Agency registered with SEBI under the SEBI {KYC (Know Your Client) Registration Agency} Regulations, 2011.

### 3.15 HEDGE POLICY

- a) The Exchange will formulate a Hedge Policy taking into consideration the requirements prescribed by SEBI.
- b) The request for additional open position shall be considered only on receipt of all the documents, complete in all respects. The Exchange reserves the right to reject any application or to stipulate any additional conditions or ask for additional documentation before and / or after sanctioning hedge limit.
- c) Trading Members shall:

- i. Not put through any trade by a Hedger violating the limit or any of the terms or conditions on which hedge limits are sanctioned.
  - ii. Monitor the Hedger's position continuously to ensure that it does not exceed the sanctioned limit.
  - iii. Ensure that the Hedger has not kept open the additional hedge limit (granted) in the near month contract.
  - iv. Immediately inform the Exchange of any violation of limit or terms and conditions by a Hedger.
- d) An exporter/ importer availing hedging limit on open position on account of his unfulfilled export/ import commitment should, in the event of he not being able to ship the underlying during the contract period, either for reason of non-availability of freight or for any other reason, forthwith liquidate his equivalent open position exceeding the limit prescribed specifying the reasons therefor to the Exchange. Failure to do so would render him ineligible for availing hedging limit on open position in respect of his export/ import contracts thereafter.
- e) If any member / non-member (client hedger) is found availing hedging limit in any manner without having stock of physical underlying / export commitment or submits false document, or availing hedging limit on the same stock at two different Exchanges, he shall be liable for disciplinary action, including debarment and penalties. The members, while seeking limit on behalf of their clients, shall exercise due diligence on their part during the period of hedge.
- f) Hedge limits would be valid till underlying exposure in physical market, such as stocks held, domestic/import/export commitments and anticipated sales/purchases are open. Positions established in the hedge code should be liquidated in an orderly manner in accordance with sound commercial practices. The initiation and unwinding of hedge positions should correspond to the underlying position in the physical markets.
- g) As the hedge positions are typically larger than the normal client level limits, the member may, in addition to the margins prescribed by the Exchange, also collect additional margins based on the assessment of the risk profile of the client.
- h) The approved hedge limit will be valid from the date of sanction for a period as specified in the sanction letter. In case a member / non- member (hedger) intends to avail the hedge limits beyond the specified date, he will have to approach the Exchange stating the reasons thereof, for extension, at least a month before expiry of the relevant contract, failing which the hedge limit granted for that specified contract will lapse upon its expiry. In such a case, the member concerned shall square off the open position acquired on or before the date of expiry. The Exchange may at its discretion, however, direct the parties concerned to liquidate the approved open positions arising out of the hedge limits before expiry without assigning reasons thereto. All the members and their clients are advised to follow the guidelines while availing the hedge limits



- i) The Exchange reserves the right to amend / modify the terms and conditions for sanctioning additional open position at any time without any notice and the member / non- member client (hedger) shall accordingly be bound by them.

### 3.16 Spot Price Polling Mechanism

- a. The Exchange may adopt spot price polling mechanism for the purpose of arriving at a spot price in accordance with guidelines and directions provided by SEBI.
- b. The Exchange shall have a documented policy for the spot price polling mechanism.
- c. The Exchange shall display the spot price polling mechanism adopted for every contract on its website.
- d. The Exchange shall assign a code such X1, X2, X3...etc. for polling participants of a particular contract and reveal their location and price (s) for the day.
- e. This information shall be updated on Exchange's website every day for every contract traded on the Exchange platform.
- f. The Exchange shall endeavour in increasing the sample size used for fixing the daily spot prices during the last 15 days of the contract.
- g. The Exchange shall be reviewing its spot price polling participants at least one a month to identify participants habitually polling unrealistic prices.
- h. These Participants may be put under watch and subsequently removed from the panel if such instances reoccur despite appropriate communications.
- i. The Exchange shall provide a separate feedback window for receiving complaints.
- j. The Exchange shall address such complaints in a time-bound manner. Further the Exchange shall keep the audit trail of all such complaints received and the steps taken for redressal.

### 3.17 Regaining matched Book:

In the event a member/client fails to honour its pay-in / margin obligations, the Exchange may, in accordance with the circulars/directions issued by SEBI from time to time, employ such alternative tools to liquidate the positions and regain a matched book based on the conditions of market liquidity, volatility, size of position to be liquidated etc., in such circumstances which necessitates it, in the sole and absolute decision of the Exchange.

**CHAPTER - IV****CONDUCT OF BUSINESS BY TRADING MEMBERS****4.1 OFFICE RELATED PROCEDURE**

- 4.1.1 No office of a Trading Member shall be used for trading without prior approval of the Exchange.
- 4.1.2 Each office, department or division responsible for trading on the Exchange, shall be under the supervision and control of the Trading Member establishing it and of the personnel to whom such authority and responsibility is delegated in this regard.
- 4.1.3 Every Trading Member shall ensure that all employees and persons acting in his behalf on the Trading System shall subscribe at all times to high standards of professional expertise and integrity.
- 4.1.4 Each Trading Member shall at all times maintain such infrastructure, staff, communication facilities and records so as to be able to service his Constituents satisfactorily and as per the requirements enumerated in the Bye-Laws, Rules and Regulations of the Exchange or Securities Laws.
- 4.1.5 Where the Exchange feels it necessary, in the public interest to do so, it may at its own instance or on receiving a complaint from another Trading Member or Constituent, seek explanation from the Trading Member regarding the level of service or professional conduct of the Trading Member or any of his staff where such service or conduct has been found unsatisfactory or contrary to principles enumerated in the Exchange's Rules, Bye-laws and Regulations, or notifications, directions or circulars issued thereunder.

**4.2 SUPERVISION****4.2.1 PROCEDURES TO BE FOLLOWED**

- a) Each Trading Member shall establish, maintain, and enforce procedures to supervise its business and to supervise the activities of its employees that are reasonably designed to achieve compliance with the BSE's Rules, Bye-laws and Regulations and any notifications, directions, etc. issued thereunder as well as other relevant statutory Acts. Such procedures to supervise its business and to supervise the activities of its employees shall be in compliance with the manual of supervisory procedure, if any, provided by the Exchange.
- b) The Trading Member shall maintain an internal record of the names of all persons who are designated as supervisory personnel and the dates for which such designation is or was effective. Such record shall be preserved by the Trading Member for a period of not less than three years.
- c) Every Trading Member shall specifically authorise in writing, a person or persons who may be authorised to transact on behalf of the Trading Member

and to do such acts which Trading Member may wish to delegate to such person, and make available a copy of such power of attorney to the Exchange before such person transacts any business on the Exchange.

- d) A Trading Member shall maintain such records and make available for inspection by any person authorised in this behalf by the Exchange, the information related to such Trading Member's financial condition as specified by the Exchange for this purpose.
- e) The Trading Member shall pay such fees, charges, liabilities and other sum as the Exchange may notify from time to time, in such time and manner as required by the Exchange.
- f) The Trading Member must inform the Stock Exchange of any change in the status and the constitution, operation and activities of the Trading Member.

#### 4.2.2 INTERNAL INSPECTIONS

Each Trading Member shall endeavor to conduct a review, of the business in which it engages annually, which shall be reasonably designed to assist in detecting and preventing violations of and achieving compliance with Securities and Exchange Board of India Act, 1992 and Regulations framed thereunder, the Securities Contracts (Regulation) Act, 1956 and Rules framed thereunder and the Rules, Bye-laws and Regulations and Circulars of the Exchange and SEBI.

#### 4.2.3 INTERNAL AUDIT

Each Trading Member shall conduct a complete internal audit at such periodicity, by such professionals and having such scope as may be prescribed by the Exchange/SEBI from time to time.

Each Trading Member shall also ensure compliance with that requirement of the system/algorithmic audit or such other audit as may be prescribed by the SEBI/Exchange from time to time.

#### 4.2.4 WRITTEN APPROVAL

Each Trading Member shall establish procedures for the review and endorsement by an appropriate senior officer in writing, on an internal record, of all transactions and all correspondence of its employees pertaining to the solicitation or execution of any transaction.

#### 4.2.5 QUALIFICATIONS INVESTIGATED

Each Trading Member shall have the responsibility and duty to ascertain the good character, business repute, qualifications, and experience of any person prior to making such certification in the application for registration of such person, with the Exchange as Approved User.

### 4.3 RELATION WITH CONSTITUENTS

- 4.3.1 Trading Members shall comply with regulatory requirements relating to client registration in Commodity Derivatives as prescribed by SEBI and the Exchange from time to time.
- 4.3.1 When establishing a relationship with a new Constituent, the Trading Members must take reasonable steps to assess the background, genuineness, beneficial identity, financial soundness of such person, and his investment objectives by obtaining from the new Constituent such Constituent's account opening documents as may be prescribed by the Exchange from time to time. The Trading Member shall also obtain from all Constituents other than an individual Constituent an approved copy of the board resolution permitting trading on the Exchange.
- 4.3.2 Without prejudice to the generality of regulation 4.3.1, the Trading Member shall perform such other specific verification of the Constituent as may be required by SEBI and/or the Exchange or in terms of any law for the time being in force.
- 4.3.3 A Trading Member shall, before registering a Constituent, furnish him with account opening forms which shall be in such format, shall be accompanied by such documents, including segregation into mandatory and non-mandatory documents and shall further meet such other requirements, as may be specified by SEBI and/or the Exchange.
- 4.3.4 Notwithstanding anything contained in Regulations 4.3.1 to 4.3.3, a Trading Member may use the proposed Constituent's Know Your Client (KYC) information which is available with a KYC Registration Agency registered by SEBI under the Securities and Exchange Board of India {KYC (Know Your Client) Registration Agency} Regulations, 2011, subject to such conditions and restrictions as may be specified by SEBI or the Exchange from time to time.
- 4.3.5 The Trading Members shall provide information relating to Constituents' dealings and balances of funds, including margins in such manner and at such periodicity as may be specified by SEBI and/or the Exchange.
- 4.3.6 The Trading Members who maintain their own websites, shall display the set of standard documents required in connection with Constituent registration and shall allow secured online access to their Constituents to such trading and settlement related information pertaining to them in such manner as may be specified by SEBI and/or the Exchange. In case, a Member is offering online trading facility to its Constituents, the same shall be in accordance with directives/circulars issued by SEBI/the Exchange from time to time.
- 4.3.7 A Trading Member shall evolve policies and procedures for such matters pertaining to dealings with the Constituent and treatment of the Constituent, as may be specified by SEBI and/or the Exchange and shall disclose the same to the Constituent or display the same in such manner as may be specified. Based on information provided by the Constituent, the Trading Member shall establish groups/ association amongst clients to identify multiple accounts/ common account/ group of clients. Trading members are also required to profile their clients and categorize the clients under one of the category, namely, Commercial participant (value chain participant/ exporter/

importer, hedger, etc.) or Non-commercial participant (financial participant/ trader/ arbitrageur, etc.

- 4.3.8 A Trading Member shall make his Constituent aware of trading segment to which the Trading Member is admitted, particulars of SEBI registration number, employee primarily responsible for the Constituent's affairs, the precise nature of the Trading Member's liability for business to be conducted, the risk associated with business in securities trading, including any limitations on that liability and the capacity in which the Trading Member acts and the Constituent's liability thereon by issuing to the Constituent a copy of the model Risk Disclosure Document which shall be in such format as may be prescribed by the Exchange from time to time. The Trading Member shall furnish a copy of the Risk Disclosure Document to all his Constituents.
- 4.3.9 A Trading Member shall provide to his Constituents at no extra costs, extracts of relevant provisions governing the rights and obligations of Constituents, relevant manuals, notifications and circulars of the Exchange/SEBI, or of any regulatory authority any additions or amendments thereto etc. to the extent it governs the relationship between the Trading Member and constituents.
- 4.3.10 The Trading Member shall also bring to the notice of his Constituents, any indictments, penalties, etc. imposed on him by the Exchange or any other regulatory authority.
- 4.3.11. A Trading Member may obtain a Power of Attorney from his Constituent only in strict compliance with the directions, guidelines or Circulars of SEBI and/or the Exchange, issued from time to time.
- 4.3.12 a) A Trading Member shall make adequate disclosures of relevant material information in his dealings with his Constituents.
- b) No Trading Member or person associated with the Trading Member shall guarantee a Constituent against a loss in any transactions effected by the Trading Member for such Constituent.

#### 4.4 **DISCLOSURE OF INVESTOR COMPLAINTS, ARBITRATION DETAILS AND DISCIPLINARY ACTION**

Unless otherwise directed by SEBI or other competent authority, court or tribunal, the Exchange may disclose the details of the complaints lodged by Constituents/investors against Trading Members on its website or any other website designated for the purpose, including the details pertaining to arbitration and penal action taken by the Exchange against the Trading Members, in such format and update such information at such periodicity as may be specified by SEBI.

#### 4.5 **GUIDELINES GOVERNING RELATIONSHIP BETWEEN TRADING MEMBER AND CONSTITUENT**

- 4.5.1 A Trading Member shall not recommend to a Constituent sale or purchase of any Commodity Derivatives traded on the Trading System, unless he has reasonable grounds to believe that such recommendation is suitable for the Constituent on the basis of the facts, if any, disclosed by the Constituent, whether in writing or orally, regarding the objectives, Constituent's holdings of Commodity Derivatives, financial soundness and investment strategy.

- 4.5.2 The Trading Member shall make adequate disclosures to his Constituents of the relevant material information in his dealing with them, including the current price of trade and trade or order quantities on the Trading System, as also any allocation policy inter se Constituents, any relevant announcement from the Exchange relating to margin, trading restrictions as to price, quantity or where the Trading Member is a counter party to any trade executed on the Trading System with the Constituent.
- 4.5.3 Where the Trading Member manages a discretionary account for or on behalf of the Constituent, he should abide by the Securities and Exchange Board of India (Portfolio Managers) Rules and Regulations, 1993/ /circulars/directives issued by SEBI from time to time in this regard.
- 4.5.4 The Trading Member shall not furnish any false or misleading information or advice with a view to induce the Constituent to do business in particular Commodity Derivatives and which shall enable the Trading Member to earn a gain thereby.
- 4.5.5 The Trading Member shall explain the Trading System and the order matching process to the Constituent before accepting any orders from him.
- 4.5.6 The Trading Members shall inform their Constituents whether they do client based trading or Pro-account trading. The Trading Members shall disclose the aforesaid information to:
- a) Their Constituents upfront at the time of registering them;
  - b) Their Constituents before carrying out any Pro-account trading, in case they do not do Pro-account trading at the time of registering them, but choose to do so at a later date.
- 4.5.7 Where a Constituent requires an order to be placed or any of his orders to be modified after the order has entered the system but has not been traded, the Trading Member may, if it so desires, obtain order placement / modification details in writing from the Constituent. The Trading Member shall accordingly provide the Constituent with the relevant order confirmation / modification details in writing or copy thereof, forthwith, if so required by the Constituent.
- 4.5.8 Where the Constituent requires any of his orders to be cancelled after the order has been entered in the Trading System but has not been executed, the Trading Member may, if it so desires, obtain the order cancellation details from the Constituent. The Trading Member shall accordingly provide the Constituent with the relevant order cancellation details in writing, forthwith, if so required by the Constituent.
- 4.5.9 The Trading Member may, if it so desires, obtain in writing, the delivery and payment requirements in any instructions of an order that it receives from the Constituents. Where the Trading Member receives a request for order modification or order cancellation from the Constituents, the Trading Member shall bring to the notice of their Constituents that if the order results in a trade in the meantime, the requests for modification or cancellation cannot be executed.

- 4.5.10 The Trading Member shall not accumulate or withhold the Constituent's order/unexecuted balances for Commodity Derivatives. The Trading Member shall place forthwith all orders as per the instruction of the constituents.
- 4.5.11 The Trading Member shall act promptly in accordance with the instructions provided by the Constituent unless he has discretion as to the timing relating to entering and/or execution of the order, in which case he must exercise his judgment as to the most appropriate time for entering that order in the Trading System in the interest of the Constituent.
- 4.5.12 The Trading Member shall provide Constituent with a copy of the trade confirmation slip as generated on the trading system together with a contract note, forthwith on execution of the trade.
- 4.5.13 Where a Trading Member is required to pay margin money on transactions executed on behalf of the Constituent, he shall collect the same from the Constituent in such form and manner as may be specified by the Exchange.
- 4.5.14 Where a Constituent requires an executed trade to be cancelled, the Trading Member shall obtain a written request for trade cancellation from the Constituent. In all instances of trade cancellation requests, the Trading Member shall explain to the Constituent that the right to approve or reject such trade cancellation requests rests with the Exchange.
- 4.5.15 A Trading Member may maintain a running account, if specifically so authorised by the Constituent, subject to such conditions as may be specified by SEBI and/or the Exchange from time to time.
- 4.5.16 The Trading Member shall make pay out of funds or underlying, as the case may be, to the Constituent within one (1) working day of receipt of the payout from the Exchange in the manner specified by the Exchange.

Explanation: Pay-out of underlying means tendering certified warehouse receipts along with the specified documents in relation to the underlying by the Trading Member to the Constituent thereby transferring the right/title in the underlying in favour of the constituent.

- 4.5.17 The Trading Member shall comply with the following, wherever applicable, in his/its dealings with his/its Constituents, namely:
- a) A Trading Member shall not make or receive payment in cash to/from the Constituents, towards the payment of Mark to market settlement for Commodity Derivatives.
  - b) The Trading Member shall make or receive all payments to/from the Constituents only by account payee crossed cheques/ Demand Drafts or by way of direct credit into the respective bank account through the Electronic Fund Transfer Facility or any other mode allowed by the Reserve Bank of India.
  - c) The Trading Member shall ensure that giving / taking delivery of underlying

should be done in favour of of the Constituents only except in such circumstances as may be specified by the Exchange.

4.5.18. Where a Power of Attorney is executed by the Constituent in favour of the Trading Member, authorising the Trading Member to operate Constituent's bank and demat accounts, such Power of Attorney shall be subject to such terms and conditions as may be prescribed by the Exchange from time to time.

#### 4.6 **CODE OF CONDUCT FOR TRADING MEMBERS**

##### 4.6.1 **ADHERENCE TO SEBI CODE OF CONDUCT**

A Trading Member shall at all times subscribe to the Code of Conduct as specified by the Securities and Exchange Board of India (Stock Brokers and Sub- Brokers) Regulations, 1992.

##### 4.6.2 **GENERAL PRINCIPLES**

- a) A Trading Member shall make adequate disclosures of relevant material information in his dealings with his Constituents.
- b) No Trading Member or person associated with the Trading Member shall guarantee a client against a loss in any transaction effected by the Trading Member for such client.
- c) Professionalism: A Trading Member in the conduct of his business, shall observe high standards of commercial honour of just and equitable principles of trade.
- d) Adherence to Trading Practices: The Trading Members shall adhere to the Rules, Bye-laws and Regulations of the Exchange and shall comply with such operational parameters, rulings, notices, guidelines and instructions of the Relevant Authority as may be issued from time to time.
- e) Honesty and Fairness: In conducting his business activities, a Trading Member shall act honestly and fairly, in the best interests of his Constituents.
- f) Capabilities: A Trading Member shall have and employ the resources and procedures which are needed for the proper performance of his business activities.

##### 4.6.3 **TRADING PRINCIPLES**

- a) The Trading Members shall ensure that the fiduciary and other obligations imposed on them and their staff by the various statutory Acts, rules and regulations are complied with.
- b) A Trading Member shall ensure -
  - (i) That any employee who commits the Trading Member to a



transaction has the necessary authority to do so.

- (ii) that his employees are adequately trained in operating in the relevant market segment in which they deal, are aware of their own, and their organization's responsibilities as well as the relevant statutory Acts governing the Trading Member, the Rules, Bye-laws and Regulations of the Exchange including any additions or amendments thereof.
- c) A Trading Member shall be responsible for all the actions, including for the trades originating through or with the use of all following variables, member Id and User Id, at that point of time. However, if the member satisfies the Exchange that the action(s) and/or trade(s) took place due to fraud or misrepresentation by any other person other than his Authorised Person(s) and/or that the action(s) and/or trades did not originate from any of his Approved Workstations, the Exchange may issue such directions as it considers just and reasonable. The directions may include referring the matter to arbitration/ Relevant Authority and /or annulment of trade(s) so effected.
- d) When entering into transactions on behalf of their Constituents, the Trading Members shall ensure that they abide by the Code of Conduct and regulations as enumerated in these Regulations.
- e) No Trading Member or person associated with a Trading Member shall make improper use of Constituent's securities /positions /underlying or funds.
- f) No Trading Member shall publish and circulate or cause to be published or circulated, any notice, circular, advertisement, newspaper article, investment service or communication of any kind which purports to report any transaction as a purchase or sale of any Commodity Derivatives unless such Trading Member can establish if called for, that such transaction was a bona-fide purchase or sale of such contract; or which purports to quote the purchase/sale price for any Commodity Derivatives unless such Trading Member can establish if called for that such quotation represents a bona-fide order of such Commodity Derivatives.
- g) When entering into or arranging transactions, the Trading Member must ensure at all times that great care is taken not to misrepresent in any way, the nature of the transaction.
- h) No Trading Member shall exercise any discretionary power in relation to a Constituent's account unless such Constituent has given prior written authorisation to the Trading Member, as evidenced in writing by the Trading Member.
- i) A Trading Member shall not act as a principal or enter into any agreement or arrangement with a Constituent or Constituent's agents, employees or any other person connected to the Constituent, employee or agency, granting any special or unusual rates with an intent to give special or unusual advantage to such Constituent for the purpose of securing his business.

- j) The Trading Member shall not disclose the name and identity of a Constituent to any person except to the Exchange as and when required by it.
- k) The facility of placing orders on 'Pro-account' through trading terminals shall be availed by the Trading Members only at one location of the Trading Members as informed to the Exchange. Any trading terminal located at a place other than the above location shall have a facility to place orders only for and on behalf of a Constituent by entering client code details as required/specified by the Exchange/ SEBI. In case any Trading Member requires the facility of using 'Pro-account' through trading terminals from more than one location, such Trading Member shall request the Exchange stating the reason for using the 'Pro-account' at multiple locations and the Exchange may, on a case to case basis after due diligence, consider extending the facility of allowing use of 'Pro-account' from more than one location.
- l) **MISLEADING FIRM NAME**
- The Relevant Authority shall be entitled to refuse to allow a Trading Member firm from carrying on the business under its name, if the name of such firm is misleading in any respect.

#### 4.6.4 GENERAL GUIDELINES

A Trading Member shall comply with the following while conducting a business on the Exchange.

- a) **SHIELDING OR ASSISTING:**
- No Trading Member shall shield or assist or omit to report to the Exchange regarding any Trading Member whom he has known to have committed a breach or evasion of any Rules, Bye-Laws or Regulations or circular or notification of the Exchange, order, notice or direction thereunder of the Exchange or its Board of Director/ committee/managing director/officer.
- b) **SUSPENDED COMMODITY DERIVATIVES**
- Except with the permission of the Exchange, business shall not be transacted by the Trading Member in Commodity Derivatives which have been suspended from official quotation.
- c) **MISLEADING TRANSACTIONS**
- A Trading Member shall not -
- (i) make bids and/or offers for Commodity Derivatives with an intention of creating a false or misleading market for, or the price of any Commodity Derivatives or;
  - (ii) Make a transaction or give an order for the purchase or sale of Commodity Derivatives, the execution of which would involve no

change of beneficial interest, unless the Trading Member had no knowledge that the transaction would not involve a change in the beneficial interest of Commodity Derivatives. Provided, however, the aforesaid requirement shall not apply in case of intra-day trades.

#### 4.7 **FRAUDULENT AND UNFAIR TRADING PRACTICES**

4.7.1 No Trading Member shall buy, sell or deal in Commodity Derivatives in a fraudulent manner or indulge in any unfair trade practice including market manipulation.

4.7.2 Without prejudice to the generality of the provisions contained in the above clause, no Trading Member shall indulge in market manipulation, namely:

- a) effect, take part in or enter into either directly or indirectly transactions Commodity Derivatives , which are likely to have the effect of artificially raising or depressing or stabilising the price of securities / Commodity Derivatives ;
- b) indulge in any act, which is calculated to create a false or misleading information in relation to trading in Commodity Derivatives market or, results in reflection of prices of Commodity Derivatives based on transactions, which are not genuine trade transactions ; or
- ( ) pay, offer or agree to pay or offer, directly or indirectly, to any person to purchase or sell any Derivative Contract not intended to effect transfer of beneficial interest but with the sole object to maintain, inflate, depress, or cause fluctuations in the market price of the underlying.

4.7.3 No Trading Member shall make a statement, or disseminate information which is misleading in a material particular, which is likely to induce the sale of Commodity Derivatives by other persons or is likely to have the effect of maintaining or stabilising the market price of Commodity Derivatives if, when he makes or disseminates the information -

- a) he does not care whether the statement or information is true or false;
- b) he knows or ought to reasonably know that the statement or information is false or misleading in material particulars.

4.7.4 No Trading Member shall

- a) engage in any act or, practice in the course of his business, which would operate as a fraud or deceit upon any person in connection with the purchase or sale of any Commodity Derivatives ; or
- b) buy, sell or deal in Commodity Derivatives on his/its own behalf or on behalf of its directors or on behalf of any person associated with him/it, pending the execution of the order of his Constituent for the same Commodity Derivatives; or

- c) delay the transfer of underlying in the name of the transferee; or
- d) indulge in falsification of his books and accounts; or
- e) when acting as an agent execute a transaction with a Constituent at a price other than the price at which it was executed on the Exchange or other than the price at which it was off-set against the transaction of another Constituent; or
- f) either take the opposite position to an order of a Constituent or shall execute opposite orders which he is holding in respect of two Constituents except in the manner laid down by the Exchange.

#### 4.8 IN CASE OF PARTERSHIP FIRM OR LLP

No partner in any partnership firm shall assign or in any way encumber his interest in such firm without prior approval of the Exchange.

No Trading Member shall admit a new partner to an existing partnership or make any change in the name of an existing partnership without the prior approval of the Exchange.

The Trading Members must communicate to the Exchange in writing under the signatures of all the partners or surviving partners who are Trading Members of the Exchange any change in such partnership either by dissolution or retirement or death of any partner or partners.

#### 4.9 IN CASE OF CORPORATE MEMBER

- a) The Articles of Association of a Trading Member which is a company shall contain such provisions as the Relevant Authority may from time to time require. A list of shareholders of the company shall be furnished to the Exchange. The shareholders for the time being shall be persons acceptable to the Relevant Authority;
- b) The name, Memorandum and Articles of Association, capital and shareholding pattern of such company shall not be altered without the prior consent of the Relevant Authority;
- c) A person shall not be appointed as a director of such company unless the Relevant Authority conveys its approval to such appointment;
- d) In the case of a company formed either under the Companies Act, 1956 or under the Companies Act, 2013, the company shall declare its dominant shareholders at the time of seeking admission to the membership of the Exchange and shall appoint at least one of the dominant shareholders as one of its Designated Directors.

If, however, it is not feasible for a company to appoint one of its dominant shareholders as a Designated Director, then the company shall appoint at least two Designated Directors, who should possess:

- (i) educational qualification of not less than graduation; and

- (ii) minimum of two years' experience in capital markets.
- (iii) should not be a designated director of another Trading Member of the Exchange.

Provided further that the Relevant Authority has the power to waive the above requirements for a company (including a company promoted by Non-Resident Indians) on such conditions as it finds fit subject to the provisions of Securities Laws. The Relevant Authority has the power to define the concept of Dominant Shareholder.

**CHAPTER – V****ARBITRATION AND APPELLATE ARBITRATION**

The provisions of Arbitration and Conciliation between Trading Members and Constituents as provided in the Regulations of Capital Market Segment of the Exchange shall mutatis mutandis apply to the Commodity Derivatives Segment of the Exchange.

**CHAPTER - VI****RECORDS, ANNUAL ACCOUNTS & AUDIT****6.1 RECORDS**

- 6.1.1 Every Trading Member shall comply with all relevant securities laws, including the Securities Contracts (Regulation) Act, 1956 and Rules framed thereunder, the Securities Exchange Board of India Act, 1992 and Regulations and guidelines framed thereunder, and the requirements of and under any notifications, directives and guidelines issued by the Central Government, any statutory body or local authority or any other authority acting under the authority or direction of the Central Government relating to maintenance of accounts and records by the Trading Members.
- 6.1.2 In additions to the requirements as per regulation 6.1.1 above, every Trading Member of the Exchange shall comply with the following requirements and such other requirements as the Exchange may from time to time notify on this behalf relating to books of accounts, records and documents in respect of his membership and trading on the Exchange.
- 6.1.3 Where a member holds membership of any other recognized stock exchange(s), such a Trading Member shall maintain separate books of accounts, records and documents for trades executed on each recognised stock exchange.
- 6.1.4 Every Trading Member of the Exchange shall maintain the following records either electronically or physically relating to its business for a period of five years:-
- a) Statements of funds and underlying obligations received from the Clearing Corporation.
  - b) Records in respect of dividend/ interest received on securities of Constituents, monies borrowed and loaned including monies received.
  - c) Records in respect of brokerage collected separately from Constituents.
  - d) Register of transaction (or other records of original entry) containing an itemized daily record of all purchases and sales of securities, showing for each such transaction effected, the grade, quantity, type and value of underlying, rates both gross and net of brokerage and the names of the Constituents.
  - e) Register or Ledger Account of commodity derivatives, client wise, commodity derivatives wise and security wise, giving, inter alia, the following details viz., date of receipt of underlying, quantity received, the party from whom the underlying were received, the purpose of receipt, date of delivery of the underlying, quantity delivered, the party to whom the underlying were delivered and the purpose of delivery, and a separate register or ledger in respect of its own underlying.
- 6.1.5 Every Trading Member of the Exchange may for the purpose of better internal control

and management, if it so desires, also maintain the following record relating to its business either electronically or physically.

- a) Order confirmation slips, Order modification slips as obtained from the Trading System of the Exchange.
- b) Trade confirmation slips as obtained from the Trading System of the Exchange.
- c) Record of all statements received from the settling agencies and record of all correspondence with them.
- d) Order Book reflecting the following:
  - (i) Identity of the person receiving the order;
  - (ii) The date and time of the order received;
  - (iii) Name of the person placing the order;
  - (iv) Name of the Constituent, description and value of underlying to be bought and sold on behalf of such Constituent;
  - (v) Terms and conditions of the order stating particularly price/rate limit or price/rate related instructions and time limit on the order (if any).
  - (vi) The Trading System order number as per the Trading System of the Exchange or member order number, as the case may be.
  - (vii) any modification or cancellation of the order, including cases when it is cancelled by the Trading System or cancelled due to maturity of an instrument.
  - (viii) If any order is executed, the price/rate at which it was executed and to the extent feasible, the time of execution or cancellation and trade number as per the Trading System of the Exchange.
  - (ix) the reference number of the contract issued in case of executed orders.
  - (x) Designation of the orders entered pursuant to the exercise of discretionary power.
  - (xi) Entries of orders serially numbered.
- e) Reports produced from the Trading System like Order log and Trades Done Today.
- f) Order book in respect of member's own orders.
- g) Every Trading Member shall preserve the following reports produced from the



Trading System for a period of five years:

- (i) Orders Cancelled
  - (ii) New Orders
  - (iii) Trades done
- h) Records in respect of brokerage collected separately from Constituents.
- i) A Register of transaction (or other records of original entry) executed by Trading Members on behalf of Constituents containing an itemised daily record of all purchases and sales of commodity derivatives, showing for each such transaction effected, contract specifications, value of contracts, rates both gross and net of brokerage and name of Constituents.
- j) Register of transactions for trades executed by the Trading Member on his /its own behalf containing such particulars as may be specified by the Exchange.
- k) Every Trading Member shall keep such records and books of accounts, as may be necessary, to distinguish Constituent's contracts from its own contracts. These should be maintained on Own (also known as Pro wherein trades are carried out in the own account of the member) & Constituent basis. This is necessary to determine the amounts of brokerage and margins to be recovered from the Constituents. The records for Constituent's contracts shall inter-alia, provide for the following:
- (i) Collaterals held in custody by the Trading Member as security deposit/ margin, etc. Proper authorisation from the Constituent, providing for the circumstances and the extent to which these collaterals shall be used by the Trading Members shall be obtained by the Trading Member;
  - (ii) Fully paid for Constituent's securities registered in the name of the Trading Member, if any, towards margin requirements, etc.
  - (iii) Charges collected from Constituents.
- l) Margin book for Constituents and for Trading Members' own account trades containing the particulars relating to the amount of margins deposited by each Constituent and the amount of margin released to each Constituent.
- 6.1.6 The Trading Members shall maintain and preserve for a period of not less than five years a mapping of Unique Client Code used at the time of order entry in the Trading System with the unique client IDs along with Constituent name, address and other particulars given in the Know Your Client form.
- 6.1.7 The Trading Member shall display at each branch office, additional information such as the particulars of Authorised Person in charge of that branch, time lines for dealing through Authorised Person, etc., as may be specified by the Exchange/SEBI.

- 6.1.8 a) Every Trading Member shall keep such books of accounts, as will be necessary, to show and distinguish, in connection with his business as a Trading Member:
- (i) The monies received from or on account of and monies paid to or on account of each of his Constituents and,
  - (ii) The moneys received and paid on Trading Member's own account.
- b) It shall be compulsory for all Trading Members to keep the money of the Constituents and their own money in separate accounts. No payment for a transaction in which the Trading Member is taking a position as a principal will be allowed to be made from the Constituent's account.
- c) The transfer from Constituent's account to Trading Member's account shall be allowed only under circumstances enumerated below:
- (i) Obligation to pay money into "Constituents' account":  
  
Every Trading Member who holds or receives money on account of a Constituent shall forthwith pay such money to current or deposit account at a bank to be kept in the name of the Trading Member in the title of which the word "Constituent" shall appear (hereinafter referred to as "Constituent's Account"). The Trading Member may keep one consolidated account for all the Constituents or accounts in the name of each Constituent, as he thinks fit; provided that when a Trading Member receives a cheque, draft or in any other mode permitted by the Reserve Bank of India representing in part money belonging to the Constituent and in part money due to the Trading Member, he shall pay the whole of such cheque or draft into the Constituent's account and effect a subsequent transfer as laid down below in para (iii)(b).
  - (ii) Money to be paid into "Constituent's Account" No money shall be paid into the Constituent's Account other than :-
    - a) money held or received on account of the Constituent;
    - b) such moneys belonging to the Trading Member as may be necessary for the purpose of opening or maintaining the account;
    - c) money for replacement of any sum which may by mistake or accident have been drawn from the account;
    - d) a cheque or draft received by the Trading Member representing in part money belonging to the Constituent and in part money due to the Trading Member.
  - (iii) Money to be withdrawn from "Constituent's Account": No money

shall be drawn from the Constituent's Account other than:-

- a) money properly required for payment to or on behalf of the Constituent for or towards payment of a debt due to the Trading Member from the Constituent or money drawn on Constituent's authority, or money in respect of which there is a liability of the Constituent to the Trading Member, provided that money so drawn shall not in any case exceed the total of the money so held for the time being for each such Constituent;
- b) Such money belonging to the Trading Member as may have been paid into the Constituent's account under para (ii) (b) and (ii) (d) above;
- c) money which may by mistake or accident have been paid into such account.

(iv) Right to lien, set-off etc., not affected:

Nothing stated in this paragraph shall deprive a Trading Member of any recourse or right, whether by way of lien, set-off, counter-claim charge(s) or otherwise against moneys standing to the credit of Constituent's Account.

- d) Every Trading Member shall send to each of his Constituents a complete 'Statement of Accounts' for both funds and underlying at such periodicity as may be specified by SEBI or the Exchange. The statement shall also state that the Constituent shall report to the Trading Member's errors, if any, in the statement within the period specified by SEBI or the Exchange.
- e) The Trading Member shall keep a separate ledger account for each Constituent in respect of the transactions on the Exchange and shall not mingle such account with the account of the Constituent in respect of transactions on any other stock exchange or any other transaction which the Trading Member may enter into with such Constituent.
- f)
  - (i) The Trading Members shall keep the warehouse receipts and/or the underlying of Constituents in a separate account distinct from the account maintained for its/his own holdings. No delivery towards the transactions of the Trading Members shall be allowed to be made from the account meant for Constituents. For this purpose, every Trading Member is required to open a account in the name of the Trading Constituent exclusively for the warehouse receipts/underlying of the Constituents (hereinafter to be referred to as "Constituent's account"). A Trading Member may keep one consolidated Constituents' account for all its Constituents or different accounts for each of its Constituents as he/it may deem fit.
  - (ii) The warehouse receipts/underlying to be delivered into Constituent's account: No underlying shall be delivered into Constituent's beneficiary

account, other than

- a) the securities held or received on account of Constituents pursuant to dealing in securities or towards margin or security deposit.
- b) the securities for replacement of those which may by mistake or accident or otherwise have been drawn from the account.

(iii) Securities to be withdrawn from the Constituent's beneficiary account:

No security shall be drawn from the Constituent's beneficiary account other than:-

- a) when they are properly required, for delivery to or on behalf of Constituents, for or towards meeting the Constituents' margin or pay-in obligations;
- b) which are drawn under Constituents' authority in respect of which there is a liability of Constituents to the Trading Member;
- c) securities, which by mistake or accident have been deposited into the Constituent's beneficiary account;

Provided further that the securities so drawn shall not in any case exceed the securities so held for the time being for the respective Constituent.

- 6.1.9 Every Trading Member shall maintain permanently copies of agreements/Know Your Client forms, executed with each of its Constituent in accordance with the requirements laid down by SEBI/ the Exchange.
- 6.1.10 Every Trading Member shall maintain permanently copies of agreements and documents executed with each of the settling agencies or banks.
- 6.1.11 Every Trading Member shall maintain records of all relevant particulars of persons who are approved as "Approved Users"/"Authorized Persons" by the Exchange.
- 6.1.12 Every Trading Member shall maintain originals of all communications received and copies of all communications sent by such Trading Member (including interoffice memo and communications) relating to its business.
- 6.1.13 Every Trading Member shall maintain all guarantees of accounts and all powers of attorney and other evidence of the granting of any discretionary authority in respect of any account and copies of resolutions empowering an agent to act on behalf of a Trading Member.
- 6.1.14 Every Trading Member shall maintain all written agreements and documents (or copies thereof) entered into by that Trading Member relating to its business, including agreements with respect to any account.
- 6.1.15 Every Trading Member shall preserve for such period as prescribed under any law

from time to time but not less than five years after the closing of any Constituent's account any records which relate to the terms and conditions with respect to the opening and maintenance of such account, date of entering into agreement with the Constituent, the date of modification thereof, the date of termination and of the representatives of the Constituent, who acted on behalf of such Constituent, in each case.

- 6.1.16 Every Trading Member shall intimate to the Exchange the place where these records are kept and are available for audit/inspection.
- 6.1.17 The above requirements relating to the maintenance of records shall apply not only to records of the Trading Member's principal office but also to its branch office and to any nominee company owned or controlled by the Trading Member, for the purpose of conducting the business of the Trading Member.
- 6.1.18 Each Trading Member shall keep and preserve a record of all written complaints of its Constituents showing the reference number, date, Constituent's name, particulars of the complaints, action taken by the Trading Member and if the matter is referred to arbitration then the particulars thereof.
- 6.1.19 Every Trading Member shall maintain details of securities which are the property of a Trading Member showing with whom they are deposited, and if held by anyone other than by the Trading Member, whether they have been lodged as collateral security for loans or advances.
- 6.1.20 The Trading Member shall maintain records of the collaterals so as to ensure a proper audit trail in relation to the use of Constituent's collaterals and such other records relating to his business as may be prescribed by the Exchange from time to time.
- 6.1.21 Notwithstanding anything contained hereinabove, where copies of any documents with a Trading Member are taken by the CBI, any Police Department or any other law enforcement agency during the course of any investigation, the relevant original documents shall be preserved by the Trading Member in the physical and electronic form till the final completion/dismissal of concerned investigation/enquiry.

## 6.2 ANNUAL ACCOUNTS AND AUDIT

- a) Each Trading Member shall prepare annual accounts for each financial year ending on 31st March, or such other date as may be required by the Exchange or as provided in any law.
- b) The Assets and Liabilities of the Trading Member's business shall be brought into the financial statements of the Trading Member and shall be classified and described therein in such manner that the balance sheet gives a true and fair view of the state of affairs of such business as at the date to which it is made up.
- c) Each Trading Member shall furnish to the Exchange its audited financial statements (together with reports and annexures) not later than six months after the end of the Trading Member's financial year, (or such period as may be decided by the Relevant Authority), provided that when the Exchange is satisfied that circumstances warrant

an extension of time necessary to furnish such statements, it may grant an extension of such time as it may deem fit.

- d) Each Trading Member shall get the complete internal audit done on a half yearly basis by an independent qualified Chartered Accountant, Company Secretary or Cost and Management Accountant, who is in practice or by any other person prescribed by SEBI or the Exchange as qualified to do so and who does not have any conflict of interest and shall submit the report of such audit within such time and in such format as may be prescribed by the Exchange and/or SEBI from time to time.
- e) A Trading Member shall maintain such minimum net worth as may be specified by SEBI or the Exchange at all points in time.

**CHAPTER - VII****INSPECTION****7.1 INSPECTION AUTHORITY**

7.1.1 Where it appears to the Exchange that it is expedient so to do, it may appoint one or more persons as inspecting authority to undertake inspection of books of accounts, other records and documents of the Trading Members, Authorised Persons, Sub brokers, branch office etc. for any of the purposes specified in Regulation. 7.1.2.

- a) The inspecting authority appointed by the Exchange under Regulation 7.1.1 may be either its own officials or outside professionals.
- b) Whenever the Exchange appoints outside professionals as an inspecting authority, it shall notify the Trading Member the names and addresses of the professionals or firms so appointed as an inspecting authority.
- c) When outside professionals are appointed as inspecting authority in respect of a Trading Member and such professionals are already related in any other capacity with the Trading Member then such Trading Member shall forthwith inform the Exchange of his/its relationship with the inspecting authority.
- d) The outside professional inspecting authority shall not, without the prior written consent of the Exchange act for the Trading Member in any other capacity after being appointed to inspect the state of affairs of such Trading Member.

7.1.2 The purposes referred to in regulation 7.1.1 shall be as follows, namely:-

- a) to ensure that the specified records, books of accounts and other books are being maintained in the manner required;
- b) to ensure that the provisions of the SEBI Act, 1992 and the Rules and Regulations made thereunder are being complied with;
- c) to ensure that the provisions of the Securities Contracts (Regulation) Act, 1956 and the Securities Contracts (Regulation) Rules are being complied with;
- d) to ensure that various provisions of the Bye-laws, Rules and Regulations of the Exchange and any directions, circulars or instructions issued thereunder are being complied with;
- e) to ensure efficacy of the investor grievance redressal mechanism and verify discharge of various obligations towards clients;
- f) to investigate into the complaints received from investors, other Trading Members of the Exchange or any other person on any matter having a bearing on the activities of the Trading Member;

- g) to investigate suo-moto, for any reason where circumstances so warrant, inspection into the affairs of the Trading Member;
- h) to examine whether any notices, circulars, instructions or orders issued by the Exchange from time to time relating to trading and other activities of Trading Members are being complied with;
- i) to comply with any of the directives issued in this behalf by any regulating authority including Government of India;
- j) to verify whether Authorized User/Authorized Person(s) of the Trading Member comply with the requirements specified by SEBI and/or the Exchange.

## 7.2 NOTICE

7.2.1 Before undertaking any inspection under regulation 7.1.1, the Exchange shall give a reasonable notice to the Trading Member.

7.2.2 Notwithstanding anything contained in regulation 7.2.1, the Exchange shall be empowered to direct that the inspection of the affairs of the Trading Member be taken up without such notice in such facts and circumstances as it may deem fit.

## 7.3 OBLIGATIONS OF A TRADING MEMBER ON INSPECTION

7.3.1 It shall be the duty of every director, officer, employee and associate of the Trading Member, who is being inspected, to produce to the inspecting authority such books, records and other documents in his custody or control or arrange to produce such books, records and other documents which are in any other person's custody or control and furnish such statements and information within such time as the said inspection authority may require.

7.3.2 The Trading Member shall allow the inspecting authority to have reasonable access to the premises occupied by him or by any other person on his behalf and also extend reasonable facilities for examining any books, records, documents and computerised data in his possession or any other person and also provide copies of documents or other materials which in the opinion of the inspecting authority are relevant. Such copies or materials may be retained by the inspecting authority. Copies so retained shall be the property of the Exchange.

7.3.3 The inspecting authority, in the course of inspection, shall be entitled to examine or record statements of any Trading Member, director, officer and employee of the Trading Member or of any associate of such Trading Member.

7.3.4 It shall be the duty of every director, officer and employee of the Trading Member or where an associate is examined, such associate, to provide all assistance to the inspecting authority.

7.3.5 The inspecting authority shall be entitled to examine the records relating to the



Trading Member's financial affairs held with its bankers or any other agency which the inspecting authority may find relevant.

- 7.3.6 The inspecting authority shall have access to the accounts and other records relating to the Trading Member or such access as authorised by the Exchange to the accounts and other records relating to any associate of the Trading Member as are within the power of the Trading Member to provide.

#### 7.4 SUBMISSION OF REPORT

- 7.4.1 a) On completion of the inspection, the Exchange shall communicate the findings of the inspecting authority to the Trading Member to give him an opportunity of being heard before any action is taken by the Exchange.
- b) Without prejudice to the powers vested with the Exchange to take action(s) under the Rules, Bye-laws and Regulations of the Exchange the Exchange may call upon the Trading Member to take such measures as the Exchange may deem fit on receipt of the explanation, if any, from the Trading Member.
- c) Notwithstanding anything contained in sub regulation 7.4.1(a), where the Exchange is of the opinion that no such hearing should be provided in certain circumstances, it may take action forthwith without giving the Trading Member any opportunity of being heard.

#### 7.5 COLLECTION AND DISSEMINATION OF INFORMATION

- 7.5.1 The Exchange may call upon the Trading Members to furnish such information and / or explanation with regard to any constituent, dealings, settlement, account and/or other related matters.
- 7.5.2 The Exchange shall maintain the information, particulars and/or details of the Constituents in confidence and shall not disclose the same to any person /entity. The Exchange shall also not disclose any information that it has received from the Constituent's Registration Form, provided however that the Exchange shall disclose such particulars, details, information, if the Exchange is required to do so under any law, pursuant to any order or direction of any court or tribunal, or by any competent authority.
- 7.5.3 Notwithstanding anything contained in any of the Regulations, the Exchange may, at its discretion, disseminate to other stock exchanges or regulatory authorities or to the general public, any information including information relating to any trades, dealings, settlement of dealings, accounting, disciplinary action initiated/taken against Trading Members and/or other matters relevant for enforcement or regulatory purposes.

**CHAPTER - VIII****WAREHOUSE SERVICE PROVIDER**

The norms to be followed for empanelment, administration, non-compliance, management of Warehouse Service Providers (WSPs) shall be such as may be prescribed by SEBI and/or the Clearing Corporation from time to time.

**CHAPTER - IX****DISCLAIMER**

Without prejudice to the Rules and Bye-Laws of the Exchange, none of:-

- a) the Exchange;
- b) its directors, officers or employees; or
- c) any relevant party that the Exchange may contract with for the supply of the index or information in relation thereto or the computation or determination of any settlement price, (each of the foregoing, a "Relevant Party") assumes any obligation or liability in connection with any index or any index based or commodity derivatives traded or to be traded on the Exchange or in connection or with reference thereto or in relation to any information linked to such index, or in connection with the computation or determination of any settlement price.

Accordingly, none of the Relevant Parties shall be in any way responsible for any losses, expenses or damages (in all cases, direct or indirect) arising in connection with the trading of any contract linked or referable to the said index or the settlement of any contract on the basis of such settlement price. None of the Relevant Parties guarantee or warrant in any manner the accuracy or completeness of any such index or settlement price or the computation or compilation thereof or any information or data included in or referable to it.

None of the Relevant Parties make any warranty or give any guarantee or undertaking, express or implied, as to the accuracy or completeness of, or the results to be obtained by any person or entity from the use of, any such index or settlement price or their compilation or computation or any information or data included in or referable to it in connection with any trading or settlement of any contracts or for any other use. None of the Relevant Parties make any express or implied warranty of merchantability or fitness for any particular purpose with respect to any such index, settlement price or any information or data included in or referable to any such index or settlement price. No claim shall lie against any Relevant Party for any inaccuracies, omissions, mistakes, errors, delays, interruptions, suspensions, changes or failures (including but not limited to those resulting from negligence) of or by or on the part of a Relevant Party in the compilation and computation of any index or settlement price or for any economic or other losses which may be directly or indirectly sustained as a result thereof by any third party entering into or dealing with futures or options contracts based on any index or otherwise.

The process and basis of compilation and computation of an index or settlement price may at any time be changed or altered by the Exchange without notice and the Exchange may at any time require that trading in and settlement of such futures or options contracts based on any index as the Exchange may designate be conducted by reference to an alternative index or settlement price to be calculated.

No claims, actions or legal proceedings may be brought by any third party against the Exchange, any director, officer or employee thereof or any Relevant Party in connection with or arising out of matters referred to in this disclaimer. Any third party who engages in contracts in Commodity Derivatives shall be deemed to have full knowledge of this disclaimer.

All Trading Members shall note the foregoing and ensure that they carry on business as a Member of the Exchange and enter into Commodity Derivatives only on the foregoing basis. All Trading Members will also ensure that they will not transact for or with any person unless such person has been notified of the foregoing provisions and has satisfied himself or itself that the same is acceptable to and is accepted by such person. Provided that the failure of a Trading Member to so ensure shall not in any manner confer any rights on such person or otherwise prejudice the rights and protection conferred under the foregoing provisions.

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