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CHAPTER -1 INTRODUCTION AND APPLICABLITY

1.1 Introduction

In terms of the Bye-laws and Rules of Multi Commodity Exchange Clearing Corporation Ltd (hereinafter referred to as "MCXCCL" or the "Clearing Corporation"), the following Regulations are issued which shall be known as 'Regulations of Multi Commodity Exchange Clearing Corporation Limited' or 'MCXCCL Regulations'. These Regulations shall be subject to the provisions of the Securities Contracts (Regulation) Act, 1956 (SCRA) and the Rules and Regulations made thereunder, the Securities and Exchange Board of India Act, 1992 (SEBI Act) and the Rules and Regulations made thereunder, and the Bye-Laws and Rules of MCXCCL. In order to ensure equal, fair and transparent access, these Regulations shall uniformly apply to Concerned Exchange(s) and participants while rendering clearing and settlement services in settlement of trades.

1.2 Applicability

These Regulations shall be applicable to and binding on the Clearing Members of Clearing Corporation and their Constituents/ Clients, Clearing Banks, Repository, Repository Participants, Warehouse Service Providers and all other Participants rendering services or operating on or through the Clearing Corporation in respect of their rights and obligations relating to Clearing and Settlement of deals/ trades on the trading platforms of the Concerned Exchange (s) through the Clearing and Settlement mechanisms and systems of Clearing Corporation. All the aforesaid entities shall be subject to jurisdiction of the Courts of Mumbai irrespective of their place of business in India or elsewhere.

CHAPTER -2

DEFINITIONS

Unless in the context it is explicitly stated otherwise, all words and expressions used herein but not defined, and defined in the following, shall have the meanings respectively assigned to them therein:

- Securities Contracts (Regulation) Act, 1956, Rules and Regulations thereunder
- Securities and Exchange Board of India Act, 1992, Rules and Regulations thereunder
- The Companies Act, 1956 or the Companies Act, 2013
- Rules and Bye Laws of the MCXCCL
- Rules, Bye Laws and Regulations of the Concerned Exchange

In case a term is defined in more than one Act, then its meaning as defined in that Act or statute which precedes in the above order shall prevail, unless in the context it is explicitly stated otherwise.

2.1 **"Accredited Warehouse"** means MCXCCL Approved/ accredited / designated Warehouse and which includes any place of storage, godown, warehouse, tank, cold storage, silo, store house, vault or any type of storage facility whether temporary or permanent approved by the Clearing Corporation or any agency authorized by it and designated as such for storage or for making deliveries to and taking delivery of commodities for fulfilling contractual obligations resulting from transactions in commodity contracts.

2.2 **"Approved/empaneled/ accredited / designated/ appointed assayer"** means agency approved as such by the Clearing Corporation or the Relevant Authority for quality testing and certification of the commodities as per relevant contract specification and circulars issued from time to time.

2.3 "**Books of Accounts, Records and Documents**" include books of accounts, records and documents which are required to be maintained under these Regulation and includes records maintained in a computer or in any magnetic form.

Relevant Authority shall, from time to time, issue Regulations or directives, orders, frame appropriate Code of Conduct and procedures for the smooth and effective conduct of the Clearing and Settlement of Deals/Trades that are required to be Settled by the Clearing Corporation so as to maintain the integrity of the Markets.

2.4 "Buying Clearing Member" means a Clearing Member handling the Clearing and Settlement functions of a Client or a Constituent who or whose client has purchased Securities on the Concerned Exchange pursuant to which it is obligated to honour the purchase obligation by following all the prescribed procedures.

2.5 "Certified Warehouse Receipts" or "Warehouse receipts or storage receipts or "vault receipts " means a document issued by an accredited warehouse in the manner and form stipulated by the Clearing Corporation or relevant authority from time to time and shall be deemed to be a proof as to the availability of the deliverable commodities for apportionment as per the delivery orders released by the Clearing Corporation and shall include warehouse receipts in electronic form as may be prescribed by Relevant Authority.

2.6 "Client" or "Constituent" means a person, on whose instructions and on whose account the Clearing Member clears and settles deals. For this purpose, the term client shall include all registered constituents of Trading Members of Concerned Exchange.

Explanation 1: The terms 'Constituent' and 'Client' are interchangeably used in the ByeLaws, Rules & Regulations and shall have the same meaning as assigned herein.

Explanation 2: Where the context requires, the term 'Constituent' in relation to trades shall also include a Trading Member where such trades including proprietary trades, done on the Concerned Exchange, are cleared and settled on his behalf by the Clearing Member.

2.7 "Electronic Delivery Clearing System" shall mean an electronic system which provides facilities for record keeping of holding of Securities/underlying, deposited at/stored in/delivered at the Accredited Warehouses and records of transfers and such transactions and related details thereof.

2.8 "Electronic Negotiable Warehouse Receipts (eNWR)" shall mean an electronic warehouse receipt issued to the Client in the Repository Account under which the goods represented therein are deliverable to the depositor or order, the endorsement of which has the effect of transfer of goods represented thereby and the endorsee for which takes a good title.

2.9 "Depositor" shall mean any person/entity who deposits Commodities into the Accredited Warehouse for the purpose of delivery on the Clearing Corporation.

2.10 "Notification", "Notice" or "Instructions"

These terms refer to any communication or intimation issued by the Clearing Corporation to the Clearing Members in general or to any other entity to whom these Regulations apply or those communications or instructions that are/can be served on any of the Clearing Members or such entities to whom these Regulations apply at/to their last known ordinary business address and/or ordinary place of residence 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) affixing it on the door at the last known business or residential address

f) oral communication to the party in the presence of a third person

g) advertising it at least once in any prominent daily newspaper

h) sending a message through the Trading System of the Concerned Exchange

i) sending a message through the Clearing System

j) an electronic mail or fax or any other electronic network

2.11 "Participant" means and refers to an entity accredited or permitted by the Clearing Corporation through an arrangement or agreement to participate in one or more of the processes of the Clearing and Settlement mechanism towards facilitating the completing of the said processes in accordance with these Regulations, Bye-Laws and the Rules framed from time to time for such purpose and subject to such terms and conditions, as may be prescribed by the Relevant Authority.

2.12 "Repository" shall mean an entity that has received a certificate of registration from the Warehousing Development and Regulatory Authority for creation and management of Electronic Negotiable Warehouse Receipts (eNWR).

2.13 "Repository Participant" shall mean an entity appointed as such by the Repository for performing services as may be required by the Repository on such terms and conditions as may be deemed fit by the Repository.

2.14 "Repository Account" shall mean the account of the Client opened with the Repository directly or through a Repository Participant, for the purposes of holding and dealing with the eNWR issued against the commodities deposited in the accredited warehouses.

2.15 "Services" shall mean the services provided by all such service providers appointed by the Clearing Corporation and include warehousing/ storage facilities, assaying services and other incidental services as may be rendered by Warehouse Service Provider (WSP) to the Depositors of Commodities/Participants/Beneficiary holders etc.

2.16 "Selling Clearing Member" means a Clearing Member handling the Clearing and Settlement functions of a Client or a Constituent who or whose client has sold a Securities on the Concerned Exchange pursuant to which it is obligated to honour the sale obligation by following all the prescribed procedures.

2.17 "Warehouse Service Provider (WSP)" means an agency empanelled and accredited by the Clearing Corporation for storage and preservation of any Underlying.

CHAPTER -3

CLEARING AND SETTLEMENT FACILITATION AND CLEARING SEGMENTS

3.1 Regulations covering Clearing and Settlement functions

The Relevant Authority shall, from time to time, prescribe the process for the functioning and operations of the Clearing Corporation and to regulate the functioning and operations of the Clearing Corporation for the settlement of Deals/Trades including cash settled or delivery based derivative Deals/ Trades. These prescriptions shall also cover the matters relating to the Clearing Segments that the Clearing Corporation shall facilitate in respect of each of the Concerned Exchanges.

3.2 Functions of Clearing Corporation

The Clearing Corporation shall be responsible for clearing and settlement of all trades executed on the Concerned Exchanges and submitted to the Clearing Corporation for settlement, margin deposits, collateral and risk management functions.

3.3 Concerned Exchange

The Clearing Corporation may from time to time enter into arrangements or agreements with one or more Stock Exchanges (referred as Concerned Exchanges) to Clear and Settle Deals/ Trades in Securities/Underlying entered into by and between their respective Trading Members on their trading systems, such Deals/ Trades in Securities/Underlying then being duly admitted to the Clearing Segment of the Clearing Corporation, subject to such terms and conditions as may be prescribed by the Relevant Authority from time to time.

3.4 Clearing Segments and Clearing Sub-Segments

The Relevant Authority shall:

(a) admit to the Clearing Corporation, on the basis of a representation or request made by any of the Concerned Exchanges, Securities/Underlying or products that are traded on the trading systems of such Concerned Exchanges, to the Clearing Segment of the Clearing Corporation, on such terms and conditions that the Relevant Authority may specify in respect of each Clearing Segment/ SubSegment;

(b) decide Concerned Exchange wise, on the Segment/ Sub-Segment or product categorization for different types of Securities/Underlying.

3.5 **Categories of Clearing Members**

The categories of membership of the Clearing Corporation, based on the functional aspects of a particular type of Member, are:

i. **Trading-cum-Clearing Member / Self Clearing Member (TCM/ SCM)**

This type of Membership class relates to a Member of the Clearing Corporation which is also a Trading Member of the Concerned Exchange for a particular Market Segment correlating to the corresponding Clearing Segment/ Sub-Segment of the Clearing Corporation where the said Clearing Member can deal/trade on the Concerned Exchange for itself and/or on behalf of its Clients. This category of Member shall not be allowed to Clear and Settle the Deals/ Trades of any other Trading Member of the Concerned Exchange. This category of Member may however, decide to affiliate itself with either an Institutional Trading Cum Clearing Member (ITCM) or a Professional Clearing Member (PCM) or such other category of Member of the Clearing Corporation as defined from time to time for Clearing and Settling its trades on the Concerned Exchange.

ii. **Institutional Trading Cum Clearing Member (ITCM) / Trading Member & Clearing Member**

This type of Membership class is allowed to Corporates, Limited Liability Partnership (LLP) and Institutions. This type of Membership class relates to a Member of the Clearing Corporation who is also a Trading Member of the Concerned Exchange and can Deal/Trade on the Concerned Exchange and clear & settle such trades transacted for itself and/or for its Clients/ Custodial Participants and shall also be entitled to clear & settle Deals/Trades for other Trading Members/ Trading-cum-Clearing Member of the Concerned Exchange/ Clearing Corporation respectively. Such Members may also choose to affiliate themselves with other Institutional Trading Cum Clearing Members/ Professional Clearing Members for clearing and settling their trades, if they so desire, provided that such Clearing Member has not accepted the mandate to act as an Institutional Trading Cum Clearing Member to any other Trading member of the Concerned Exchange.

iii. **Professional Clearing Member (PCM) / Clearing Member**

This type of Membership class is allowed to Corporates, Banks, LLP and Institutions who shall not be a Trading Member of the Concerned Exchange and who shall only undertake to clear & settle Deals/Trades transacted by one or more Trading Members of the Concerned Exchange, Custodial Participants, Trading-cum-Clearing Members/ Institutional Trading Cum Clearing Members of the Clearing Corporation, in respect of Securities/Underlying that are admitted to the Clearing Segment.

CHAPTER -4

MEMBERSHIP OF THE CLEARING CORPORATION

Admission to the membership of the Clearing Corporation shall be in accordance with Rule 7.3 of Clearing Corporation and such other conditions as may be specified by the Clearing Corporation from time to time.

4.1. **Application Procedure for seeking a new Membership**

4.1.1 An Applicant seeking Membership of the Clearing Corporation shall submit an application to the Clearing Corporation in the specified format. The Applicant is also required to furnish documents and all relevant information as may be specified by the Clearing Corporation/ SEBI from time to time.

4.1.2 For conditions precedent for eligibility, the Applicant is required to comply with the requirements stipulated in Rules of the Clearing Corporation, Securities Contracts (Regulation) Rules, 1957 (SCRR) and SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992.

4.1.3 Individual / sole proprietor / managing partner /designated partner / designated director of the applicant entity is required to pass 12th standard or equivalent examination from an institution recognized by the Government.

4.1.4 The Applicant shall be subject to an interview before the Membership Selection Committee or such other Authority, if so desired, as may be delegated by Membership Selection Committee of the Clearing Corporation on a date that may be determined by the Relevant Authority. The said Committee has a right to accept or reject the application after recorded reasons thereof.

4.1.5 In case the application is rejected for any reason whatsoever, the fee(s) paid, if any, shall be refunded by the Clearing Corporation (without any interest) to the Applicant except the processing fee, if applicable.

4.1.6 Every Member of the Clearing Corporation is required to be continuously registered with SEBI as an intermediary and shall comply with the terms, conditions, Rules, Bye-Laws and the Regulations of the Clearing Corporation and the circulars/notifications issued thereunder.

4.1.7 The Clearing Corporation shall have absolute discretion to modify and / or cancel any of the terms and conditions related to membership specified by it at the time of granting the Membership.

4.1.8 Every Clearing Member shall make payment of fees/ charges as may be specified by the Relevant Authority and /or SEBI from time to time.

4.1.9 The Clearing Corporation shall also be entitled to collect, on behalf of the Concerned Exchange or SEBI or other entities participating along with it in the process of effecting the Clearing and Settlement functions, the following contributions / charges from its Members in respect of the obligations of each of the Constituents or Affiliated Trading Members relating to their respective Membership on the Concerned Exchange and/ or towards Trades/ Deals carried out on the trading platform of the Concerned Exchange:

(a) contribution to the relevant Market Segments' Investor Protection Fund established and maintained by the Concerned Exchange;

(b) transaction charges in respect of the Trades/Deals made on the trading platform of Concerned Exchange by its Trading Members;

(c) fines and penalties, levied by Concerned Exchange wherever applicable;

(d) connectivity charges as levied by Concerned Exchange wherever applicable;

(e) dues under an arbitration award delivered under the arbitration mechanism of Concerned Exchange ;

(f) fees payable to SEBI by Trading Members of Concerned Exchange ;

(g) taxes and statutory levies including Commodities Transaction Taxes or as may be applicable;

(h) State/ Central Government levies, if any;

(i) Any other sums, apart from the above, as may be payable under the Byelaws, Rules and Regulations of Concerned Exchange;

(j) Any other amounts as may be mutually agreed between the Concerned Exchange and the Clearing Corporation from time to time.

4.1.10 All such collections shall be effected together with the settlement obligations of a Clearing Member or otherwise and all such collections shall be transmitted by Clearing Corporation to Concerned Exchanges to the extent collected from its Members.

4.1.11 Each Clearing Member should ensure that it shall:

(a) obtain appropriate insurance cover/ policy every year as may be specified by the Clearing Corporation;

(b) appoint a Compliance Officer, a Principal Officer with FIU-IND and a Designated Director with FIU-IND. Any change has to be intimated to the Clearing Corporation;

(c) abide by the circulars and notifications issued by SEBI and the Clearing Corporation from time to time;

(d) have necessary infrastructure, viz., adequate office space, equipment, manpower and such other infrastructural facilities, which the Clearing Corporation may have specified from time to time, to effectively discharge the activities.

4.1.12 A Clearing Member shall be entitled to undertake Clearing and Settlement functions /business, Concerned Exchange-wise, in terms of the provisions of the Bye-Laws, Rules and these Regulations and as the Relevant Authority permits him to be involved in.

4.1.13 A member will undertake business as mentioned in Rules, Bye-Laws and Regulations of Clearing Corporation and/ or in Securities Contracts (Regulation) Rules, 1957, SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992 or Circulars issued/ amended by Concerned Exchange / SEBI from time to time.

4.1.14 A Member on admission shall not be entitled to exercise any of the rights or privileges of membership until he shall have paid in full the non-refundable admission fee and any other fee or deposit as may be decided by the Relevant Authority for the specific category of membership to which he has sought the admission. Where such member fails to make such payment within such number of days of receipt of the intimation of his admission, as may be decided by the Clearing Corporation from time to time, his admission shall be deemed to have been cancelled ab initio and the amount remitted, if any, to the Clearing Corporation shall be forfeited unless approved by the relevant authority.

4.2. **Fee and Deposit Structure:**

4.2.1 The Fees and Deposits (as applicable) and other fees / charges, applicable to the applicant / members shall be as specified by the Clearing Corporation / SEBI from time to time.

4.2.2 **Admission fee**

The admission fee paid by an Applicant Clearing Member is non-refundable.

4.2.3 **Initial Margin / Initial Security Deposit**

A Clearing Member is required to remit a minimum of 50% of the Initial Margin in the form of Demand Draft / Cheque/ NEFT / RTGS or any other mode as may be specified by the Relevant Authority from time to time and the balance 50% can be in the form of bank guarantee or fixed deposit or both, obtained from or deposited with any of the approved banks.

4.2.4 **Minimum Liquid Net-worth (LNW)**

A Clearing Member is required to comply with the requirement of Minimum Liquid Net worth as may be specified from time to time by the Clearing Corporation/SEBI. This liquid net worth will be blocked from the margin deposits of the Members.

4.2.5 **Cash Deposits from certain categories of Clearing Members**

All ITCM and PCM are required to provide prescribed levels of cash deposits to the Clearing Corporation (by way of Demand draft, cheque, NEFT, debit instruction or any other mode as may be specified from time to time) in respect of each Trading Member of the Concerned Exchange who are affiliated to the Clearing Member concerned for clearing their Deals/ Trade.

4.2.6 **Annual subscription**

The Clearing Corporation shall specify the amount to be paid by the Clearing Members towards Annual Subscription. A Clearing Member is required to pay annual subscription in advance or latest by April 30 of every financial year.

Where a member fails to pay the Annual Subscription on or before due dates specified, the Clearing Corporation may at its discretion debit the settlement account of the respective Clearing Members after the close of business hours of the respective due dates. In case of inadequacy/insufficiency of funds in the settlement accounts, the balance amount may be recovered from the member

deposits failing which interest @18% per annum on the balance payable till the time such default continues shall be charged.

4.3. **Change in Member Profile/ Record:**

The Clearing Corporation shall issue criteria and guidelines for the following changes in Member profile/record and Members will be required to obtain prior approval, wherever applicable, from Clearing Corporation / SEBI before effecting such changes:

(a) Dominant Shareholders
(b) Designated Director /Designated Partner / Managing Partner/ Partner / Director
(c) Designated Email ID
(d) Conversion of Membership/ in Status / Constitution
(e) Name (f) Category or Type of Membership, etc.

The guidelines issued by the Concerned Exchange / Clearing Corporation / SEBI from time to time shall be applicable.

4.4 **Submission of Annual Returns/Audited Accounts/Financial Strength details/Half Yearly Networth Certificate and Computation of Net worth**

The Members are required to submit Annual Returns/Audited Accounts/Financial Strength details/ Half Yearly Networth Certificate and Computation of Net worth to the Concerned Exchange/Clearing Corporation within the timelines specified by the Concerned Exchange/Clearing Corporation strictly in the format specified from time to time.

Actions for Non-compliance shall be as specified by the Concerned Exchange / Clearing Corporation/SEBI from time to time.

4.5 **Code of Advertisement and Schemes/Leagues/Competitions launched by registered Members**

A Member desirous of issuing an advertisement shall adhere to the Advertisement Code specified by the Concerned Exchange / Clearing Corporation / SEBI from time to time. Further, with respect to Schemes/Leagues/Competitions launched by registered Members, Members shall ensure strict compliance with the requirements/

guideline specified by Concerned Exchange / Clearing Corporation / SEBI from time to time.

4.6 **Transfer of Membership**

All types of memberships, once granted by the Clearing Corporation, are transferable inter class subject to compliance of prescribed procedure and payment of fees / deposits as specified from time to time.

The guidelines issued by the Concerned Exchange / Clearing Corporation / SEBI from time to time shall be applicable.

4.7 **Transmission / Nomination of Membership**

4.7.1 Transmission of Membership relates to the change in the Membership of the Clearing Corporation, as may be approved by Clearing Corporation, owing to the death or a decision of a Clearing Member whose status is that of an individual or a Proprietorship concern and the Membership is sought to be transmitted to the legal heirs or successors or linear descendants of such individual/ proprietor.

4.7.2 An individual having membership with his own name / with trade name (as a proprietary concern) may make a nomination of its Clearing Membership rights of Clearing Corporation in terms of these Regulations.

4.7.3 The guidelines issued by the Concerned Exchange / Clearing Corporation / SEBI from time to time shall be applicable.

4.8 **Surrender of Membership**

4.8.1 A Member desirous of surrendering its Membership shall comply with relevant requirements, make an application for surrender of membership to the Clearing Corporation along with necessary documents, the description and format as may be specified by Clearing Corporation from time to time. The application for surrender of membership, once filed, is irrevocable and irreversible unless allowed by the Relevant Authority authorized upon being satisfied with the reasons for such revocation.

4.8.2 Upon receipt of unequivocal request for surrender, the Clearing Corporation would not levy any charge such as annual fees, etc. to the Member from such date of receipt of surrender. However, Members would be required to settle any outstanding bills raised by the Clearing Corporation and / or any service provider for the services rendered during their Membership with the Clearing Corporation. Any other dues, penalties, fines, etc. which may arise after receipt of surrender request and which has not been crystallized would be applicable and payable by the Member.

4.8.3 Upon receipt of the application, the membership will get deactivated.

4.8.4 Clearing Corporation may prescribe any additional conditions for surrender of membership.

4.8.5 Refund of Deposits is as follows:

(a) after satisfactory redressal of all Complaints / Arbitration (if any) against the Member and after completion of all formalities and when the application is considered as eligible for surrender by the Clearing Corporation, the application will be forwarded to SEBI for its approval.

(b) Upon receipt of approval from SEBI and / or Concerned Exchange(s), the Clearing Corporation may refund the excess deposit(s) of the Member and other monies lying with the Clearing Corporation subject to fulfillment of all dues/compliances under Bye-Laws, Rules and Regulation of the Clearing Corporation, Concerned Exchange, SEBI and circulars issued thereunder. However, the said deposit(s) may be retained, if there are any unfulfilled obligations including arbitration claims, complaints, other grievances/claims, disciplinary action, etc., against the Member which comes to notice of the Clearing Corporation / Concerned Exchange, before the date of release of deposit(s).

(c) The guidelines issued by Clearing Corporation/ SEBI from time to time shall be applicable.

4.8.6 The Member however shall be required to replace/renew the maturing noncash component of the deposit suitably till the release of the same by the Clearing Corporation.

4.12. **Loss of membership**

Any Member of the Clearing Corporation shall cease to be a Member of the Clearing Corporation on the happening of any one or more of the following instances: (a) By death

(b) By Dissolution in case of partnership firm or LLP

(c) By expulsion in accordance with the Bye laws, Rules and Regulations and also the provisions herein contained;

(d) By being declared as a defaulter in accordance with these presents, the ByeLaws, Rules and Regulations or any other Commodity Exchange/ Clearing Corporation;

(e) he is adjudged bankrupt or a receiving order in bankruptcy is made against him or he is proved to be insolvent;

(f) he is convicted of an act involving moral turpitude;

(g) By resignation/surrender of membership;

(h) He is declared as lunatic;

(i) Being a company/body corporate, it ceases to maintain or have the characteristics of eligibility under the provisions of the Rules and Articles of the Clearing Corporation or is wound up;

(j) Failure to submit any document(s) for SEBI registration or application submitted to SEBI for registration is withdrawn by the Exchange or rejection of application for registration by the SEBI

(k) Certificate of registration with SEBI is cancelled

CHAPTER -5

MARGINS AND CLEARING/ EXPOSURE LIMITS

5.1. Margin

The Clearing Corporation shall from time to time specify margin requirements for the Clearing Members including initial margin on open positions through risk based algorithms. The Clearing Members shall furnish and maintain such margins in such form and within such time as specified by the Clearing Corporation. Every Clearing Member has a continuing obligation to maintain margins at the level and for the period stipulated by the Clearing Corporation from time to time.

5.2. Mode of payment of Margin

The Clearing Member shall be required to furnish margins either in the form of cash, deposit receipts, guarantee of a bank(s) and Securities/Underlying/ commodities approved by the Relevant Authority or such other mode and subject to such terms and conditions as the Clearing Corporation may specify from time to time.

5.3. Withholding Margin

The Clearing Corporation shall at its discretion or on the instructions of the Concerned Exchange withhold/release any margin furnished by the Clearing Member to the Clearing Corporation for any period required by the Concerned Exchange / Clearing Corporation; If such a Clearing Member has open positions, he must continue to pay any further margin or other obligations without taking into account any margin so withheld by the Clearing Corporation.

5.4. Additional Margin(s)

If in the opinion of the Clearing Corporation sudden fluctuations are apparent on the Concerned Exchange, the Clearing Corporation may call for additional margin. Additional margin shall be payable in the manner and within such time as may be specified from time to time.

5.5. Margin from the Clients and Affiliated Trading Members of the Concerned Exchange

5.5.1. The Clearing Members shall demand from its Clients and Affiliated Trading Members of the Concerned Exchange the margin monies which the Clearing Member has to provide under these Regulations in respect of Trade/ Deal undertaken to be settled by the Clearing Members for such Clients the Trade/ Deals done by Affiliated Trading Members of the Concerned Exchange for their Clients.

5.5.2. The Clearing Members shall clear and settle Trade/ Deal on behalf of the Clients and Affiliated Trading Members of the Concerned Exchange only on the receipt of such minimum margin as the Clearing Corporation may decide from time to time, unless the Clients already has an equivalent credit with the Clearing Member. The Clearing Member may collect higher margins from Clients, as deemed fit.

5.5.3. The Clearing Member as and when required by the Clearing Corporation shall inform the Clearing Corporation, specifically the amount deposited as margin on behalf of his Clients.

5.5.4. The Clearing Member shall not allow the utlisation of margin monies paid by one client to the margin money dues of his own account or of other clients.

5.6. **Payment of Margins**

The Clearing Corporation shall treat all the margin and other monies paid by the Clearing Member as having been paid by and on his own behalf and appropriate the same accordingly for such purposes as it may deem fit under the Byelaws and Regulations;

Provided that, the Clearing Member may identify and segregate margin payments made by him to Clearing Corporation as to whether it is on his own account or on account of his Clients.

5.7. **Clearing/Exposure Limit**

5.7.1. The Clearing Corporation may at any time in its absolute discretion prescribe clearing/exposure limit either in quantity or value or as a percentage of the margin deposits of the Clearing Member or a combination of any of the above or such other method as may be decided from time to time for all or any of the Clearing Members;

5.7.2. The Clearing Corporation may at any time impose, increase, reduce or remove any clearing/exposure limits pursuant to the above Regulations by notifying the Concerned Exchange and the relevant Clearing Member(s). Any imposition, removal or change in clearing/exposure limits so notified shall take effect as stipulated in such notification.

5.7.3. The Clearing Corporation may at its discretion allow Clearing Members to increase their clearing/exposure limit on deposit of additional margin deposits with the Clearing Corporation. The Clearing Corporation shall specify from time to time the method of calculation of additional margin deposits and mode of deposit of additional margin deposits.

5.8. **Exceeding clearing/exposure limits**

5.8.1. If the Clearing Member exceeds any clearing/exposure limit imposed, the Clearing Corporation shall be entitled to require the Clearing Member to close out open positions or take such other measures as may be specified from time to time, which may in the opinion of the Clearing Corporation result in the Clearing Member complying with the clearing/exposure limits;

5.8.2. If the Clearing Member fails to comply with any requirement of the Clearing Corporation, the Clearing Corporation may close out such open positions on the Clearing Member's behalf or take such other measures required to comply with the clearing/exposure limits including initiating withdrawal of trading and/or clearing facility.

CHAPTER -6

DEALS

6.1. "Deals", "Trades", "Transactions", Dealings and Contracts

For the purpose of these Regulations, the terms "Deals", "'Trades", Transactions', 'Dealings' and 'Contracts' shall have one and the same meaning unless the context indicates otherwise.

6.2. Cleared and Non-Cleared Deals

Deals admitted on the clearing segment shall be distinguished as under:

(a) Cleared Deals shall relate to Deals executed on the Concerned Exchanges and admitted for clearing and settlement by the Clearing Corporation or as may be specified for the Clearing by the Relevant Authority and subject to such conditions as may be specified from time to time.

(b) Non-Cleared Deals shall relate to Deals other than Cleared Deals as may be specified by the Relevant Authority and such other Deals as may be specified to be NonCleared Deals by the Relevant Authority from time to time.

6.3. Deals in Provisional Documents and Provisional Securities

Deals in Provisional Documents and Provisional Securities shall be made and settled as specified and determined in each case by the Relevant Authority from time to time.

6.4. Extension or Postponement or Preponement of Contracts by the Relevant Authority

Notwithstanding anything to the contrary contained in these Regulations, the Relevant Authority may for reasons to be recorded from time to time extend or postpone the time for settlement of a Deal or Deals that are effected on a Concerned Exchange whenever in its opinion such action is called for in public interest or by and under just

and equitable principles of trade or when there arises circumstances beyond the control of either or both of the parties to a Deal.

Notwithstanding anything to the contrary contained in these Regulations, the Relevant Authority may in his discretion extend or postpone or prepone in any particular case the time for the clearing and settlement of a Deal from any one clearing session to the ensuing clearing session or to an earlier clearing session.

CHAPTER -7 SETTLEMENT OF DEALS

7.1. Settlement Regulations Form Part of Contracts

The Regulations issued or as modified or as amended from time to time and the circulars, notices, etc. issued thereunder and the directions and decisions of the Relevant Authority issued from time to time and in force at any given time and relating to, among others, the procedure for clearing and settlement of Deals/ Trades on the trading platforms of the Concerned Exchanges shall deem to be a part of the terms and conditions of settlement of the contract for all such Deals/ Trades including Cleared and Non-Cleared Deals/ Trades.

7.2. Contracts Subject To Change in Settlement Procedures

The Relevant Authority may at any time through a notice or direction bring into effect, in respect of any Cleared/Non Cleared Deals, any substitution of or any additions to, deletions from or variations, alterations or amendments in any settlement procedure or in any clearing process or in the timelines or the forms prescribed therefor.

7.3. Reporting of Deals

All deals executed on the Concerned Exchange shall be reported to the Clearing Corporation in such manner and form and within such time as may be prescribed from time to time by the Relevant Authority.

7.4. Settlement Obligations of Clearing Members

7.4.1. Clearing and settlement of any or all deals may be on a netted basis or gross basis or trade for trade basis or any other basis as may be specified by the Relevant Authority from time to time.

7.4.2. Obligations of Clearing Members arising therefrom for effecting delivery and paying and receiving funds shall also constitute the Settlement Obligations of the clearing member.

7.4.3. The Clearing Members giving and receiving delivery and paying and receiving

funds as provided in the Bye-Laws and Regulations shall be deemed, notwithstanding that no direct contract exists between them, to have made a contract with the Clearing Corporation through full novation as sellers and buyers and between themselves as delivering and receiving Clearing Members.

7.5. **Settlement Types**

Deals may be categorised by contract specifications of the Concerned Exchanges, its kind, basis, mode and manner of settlement into different settlement types by the Relevant Authority from time to time.

7.6. **Modes of delivery**

The Relevant Authority may from time to time prescribe different modes of deliveries and the conditions such deliveries may be subject to. Clearing Corporation will allocate deliveries which it has received from the selling member to the buyer member and the same shall be binding on the buyer member.

Without prejudice to the generality of the above, the following modes of deliveries are specified as under:

7.6.1 **Warehouse Delivery**

Delivery in physical mode whereby the selling member submits valid vault receipts/ warehouse/ storage receipts (duly endorsed and signed by the depositor & the member/ client) along with quality certificate issued by designated quality certifying agency and such other applicable documents and subject to such conditions as may be specified from time to time by the Relevant Authority.

7.6.2 **Delivery through Repository Account of the approved Repository**

Delivery Pay-in through Repository Account of the approved Repository, as may be prescribed from time to time, whereby the account holder can earmark existing eNWR commodity balance in the Repository Account towards the pay-in obligation and subject to such conditions as may be specified from time to time by the Relevant Authority.

7.6.3 **Delivery through ComRIS or any other electronic mode**

Delivery Pay-in through ComRIS Account or any other electronic mode, as may be prescribed from time to time, whereby the account holder can earmark existing commodity balance in the ComRIS Account towards the pay-in obligation and subject to such conditions as may be specified from time to time by the Relevant Authority.

7.7. **Settlement of Non-Cleared Deals**

Settlement Obligations of all non-cleared deals shall be settled by delivery and payment between the contracting parties, in accordance with the provisions in that behalf contained in the respective Regulation or such other provisions as the Relevant Authority may from time to time prescribe in addition thereto or in modification or substitution thereof.

7.8. **Settlement of Deals**

Clearing Corporation shall generate and provide to each Clearing Member obligations statements pertaining to deals admitted for clearing and settlement. The Clearing Corporation shall undertake to guarantee the financial settlement of all admitted deals irrespective of default, insolvency or failure of any Clearing Member. The Clearing Corporation shall guarantee funds pay out till marking of delivery and shall guarantee financial compensation (to make good losses of non-defaulting party) in case of default (in delivery of the underlying or funds pay-in) after marking of delivery. The settlement of admitted deals shall be done by the Clearing Corporation as under:

(a) Fund Settlement: Fund settlement shall be done by effecting debit/ credit transactions in the designated accounts of the Clearing Members through the Clearing Banks; provided however that the Relevant Authority may specify different mode of payment of funds for all or any of the Clearing Members.

(b) Delivery Settlement: Delivery Settlement shall be done by allocating deliveries received from the selling member, in the delivery modes as defined under 7.6 above, to the buyer member in such manner as may be prescribed from time to time; provided however that the Relevant Authority may further specify different mode of delivery for all or any of the Clearing Members.

7.9. **Change in Settlement Procedure**

It shall be competent of the Relevant Authority to order any changes in settlement procedure at any time that any/all deals entered into or to be entered into shall be settled by any suitable process as deemed fit.

CHAPTER -8

CLEARING BANKS AND SETTLEMENT PROCEDURE

8.1. Clearing Banks

8.1.1. Appointment of Clearing Bank(s)

The Relevant Authority shall from time to time decide on the criteria that it may apply to identify and decide on the banks that it may appoint as its Clearing Banks in order to meet one or more of the functions related to the Clearing and Settlement activities of the Clearing Corporation;

Once an appointment is made, the Relevant Authority will cause to publish through a notification or a circular as well as by insertions in its Web site the details of the bank so appointed.

8.1.2. Functions of Clearing Bank

The Clearing Bank(s) so appointed shall act as an agent for funds settlement, for the collection of margin money for all Deals/Trades entered into through the trading platform of the Concerned Exchange, any funds movement between Clearing Members and the Clearing Corporation and such other transactions as may be directed by the Relevant Authority from time to time.

The Relevant Authority shall specify from time to time the processes, procedures and operations that every Clearing Member shall be required to follow for the participation, functioning and operations of the Clearing Banks. The Regulations relating to the Clearing Banks shall be deemed to form a part of any settlement process so provided.

8.1.3. Members to Open Account(s) with the Clearing Bank

Every Member of the Clearing Corporation shall open and maintain settlement account(s) with designated branches of the Clearing Bank. Clearing Members shall operate the settlement account(s) only for the purpose of settlement of deals entered through the Clearing Corporation, for the payment of margin

money and for any other purpose as may be specified by the Relevant Authority from time to time. The settlement accounts may be for any or all of the segments as may be specified by the Relevant Authority. The Clearing Member shall not operate the settlement account(s) for any other purpose.

8.1.4. **Clearing Bank to act as per the instructions of the Clearing Corporation**

The Clearing Corporation shall instruct the Clearing Bank as to the debits and credits to be carried out for the funds settlement with the Members. The Clearing Bank shall act as per the instructions so received from the Clearing Corporation for the funds movement in respect of the Members Settlement account. Instructions of the Clearing Corporation as to debits and credits to a Member's Settlement account shall be deemed to be final, irrevocable, confirmed and binding.

For this purpose, the Members of the Clearing Corporation will submit an authorisation letter to the Clearing Bank, authorizing the Bank to accept and act on any debit or credit instructions received from the Clearing Corporation. Through the said letter the Member may also authorize the Bank to sweep the Client account of the respective Member for any shortfall in the Settlement account. Besides this, the Clearing Corporation will also have the power to freeze various accounts of the Member maintained with the Clearing Bank, in case of any default or shortfall in pay in or margin amount.

8.1.5. **Clearing Bank to inform Clearing Corporation of default in funds settlement**

If there is any funds shortage or default in respect of the instructions received from the Clearing Corporation, the Clearing Bank shall inform the Clearing Corporation immediately.

8.1.6. **Clearing Account(s) of Clearing Corporation in the Clearing Bank**

The Clearing Corporation will maintain its Settlement account with each of the Clearing Bank and all monies received from the Members towards pay-in or margins, shall be used appropriately for the concerned Settlement.

8.1.7. **Operational Procedures**

The operational procedures issued and in force or as modified from time to time by the Clearing Corporation relating to functioning of the Settlement account, pay-in and pay-out activities and the exact time schedule in order to maintain financial discipline shall be adhered to by the Members of the Clearing Corporation.

8.1.8. **Clearing Number and Clearing Forms**

A Clearing Member shall be allotted a Clearing Number which must appear on all forms used by the Clearing Member in relation to the operations of the Clearing Corporation. The Clearing Forms and Formats to be used by the Clearing Members shall be as specified by the Clearing Corporation and unless otherwise permitted, no other form or format shall be used.

8.1.9. **Signing Of Clearing Forms**

A Clearing Member shall file with the Clearing Corporation specimens of signatures of the authorised signatories and shall undertake to keep the Clearing Corporation updated of any changes in the authorized signatories. All clearing forms shall be signed by such authorized signatories only.

8.1.10. **Lien on Member's Deposits and Deliveries:**

The Clearing Corporation shall have a lien on deposits, margins, and delivery entitlements/ documents of a member, who is liable to pay monies either to the Concerned Exchange or to the Clearing Corporation. Such deposits or the delivery entitlements/ documents shall be under lien and first charge of the Clearing Corporation, irrespective of the fact whether such assets, margins or deposits belong to the Member or its Constituents/ Clients. No Constituent/ Client or any other person can claim any charge or right on any such deposit, margin or delivery entitlements/ documents under any circumstances.

8.1.11. **Delivery and Payment through Custodians and Clearing Members**

The Clearing Corporation shall specify from time to time, list of Custodians, Banks, Warehouse Service Providers, Repositories and other service providers approved by the Relevant Authority which may act for and assist the Members and their constituents in giving and taking delivery of underlying in terms of the contract specifications of the Concerned Exchanges.

8.1.12. **Liability of the Clearing Corporation**

The guarantee of the Clearing Corporation shall only relate to financial settlement of trades including good delivery and in terms of and to the extent of the Settlement Guarantee provisions of the Bye-Laws of the Clearing Corporation. No liability shall attach either to the Clearing Corporation, its officials, or to the Relevant Authority by reason of anything done or omitted to be done by the Clearing Corporation in the course of its operations nor shall the Clearing Corporation, its officials, or the Relevant Authority be liable to answer in any way for the title, ownership, genuineness, quality, quantity or validity of any delivery or any other documents passing through the Clearing Corporation nor shall any liability attach to the Clearing Corporation, its officials, the Relevant Authority in any way, in respect of such delivery and any other documents.

8.1.13. **False or Misleading Statements**

The Clearing Corporation may fine, and/or suspend and/or expel a Clearing Member who makes any false or misleading statement in the Clearing Forms required to be submitted in conformity with the Clearing Corporation requirements or any resolutions, orders, notices, directions and decisions of the Clearing Corporation.

8.1.14. **Class of Contracts Covered**

The Clearing Corporation shall be responsible in the manner stated above only in respect of contracts executed on the trading system of the Concerned Exchange and admitted for clearing and settlement by the Clearing Corporation in terms of the Bye-Laws of the Clearing Corporation. It shall not deal with, monitor or guarantee settlement of negotiated deals, off the floor transactions,

bilateral contracts, loan transactions or other transactions not covered under the Bye laws of the Clearing Corporation.

8.2 **Event of disruption**

In the event of disruption in the office or administrative services of the Clearing Corporation or the Designated Clearing Bank or any of the other Service Providers or Warehouse Service Providers due to technical reasons including Computer System break-down or due to absence, non-attendance and/or strike by the employees or due to any unforeseen circumstances or due to natural or other calamities such as earthquake, out-break of war, general strike or any such circumstance of a force majeure nature, the daily clearing may be suspended for such days and period till normalcy is restored. The office of the Clearing Corporation shall immediately notify all the Members about the suspension and/or postponement or preponement of the daily clearing settlement as also about the restoration or return of normalcy and resumption of daily clearing and settlement work. If the circumstances so demand, the Managing Director or any other Relevant Authority of the Clearing Corporation may take necessary measures in accordance with the Bye-laws to deal with the abnormal situation.

CHAPTER -9

ELECTRONIC DELIVERY CLEARING SYSTEM

The Relevant Authority shall prescribe the process from time to time for the functioning, regulating and operating of the Electronic Delivery Clearing System for the settlement of Deal/ Trades on the Concerned Exchanges.

The Relevant Authority shall specify from time to time the processes, procedures, and operations that every Clearing Member shall be required to follow for the participation, functioning and operations of the Electronic Delivery Clearing System.

The Regulations relating to the Electronic Delivery Clearing System shall be deemed to form a part of any settlement process so provided.

9.1. **Clearance by Members Only**

The Clearing Members and Members of the Concerned Exchange only shall be entitled to clear and settle Deal/ Trades through the Electronic Delivery Clearing System.

9.2. **Electronic Delivery Clearing System**

The Clearing Corporation shall specify Electronic Delivery Clearing Systems for effecting delivery settlement of Deal/ Trades, for the collection of margins or other Collaterals for the Deal/ Trades that are admitted for Clearing and Settlement through Clearing Corporation.

The System shall also be utilised for any other Securities/ Underlying movement and transfer between Clearing Members and their Clients/ Constituents, as may be directed by the Relevant Authority from time to time and for any other purpose as the Relevant Authority may specify from time to time.

9.2.1 **Electronic Delivery Clearing System Participants**

Clearing Corporation may generally permit all the participants affiliated or authorised by an approved or specified Electronic Delivery Clearing System with whom Clearing Members shall open and operate accounts for settlement of Deal/ Trades, for the collection of margins by way of Securities in respects of all Deal/ Trades entered into through the Concerned Exchange and for any other Securities/ Underlying movement and transfers involving Clearing Members and Clearing Corporation and between

Clearing Members as may be directed by the Relevant Authority from time to time and for any other purpose as the Relevant Authority may specify from time to time.

9.2.2 **Clearing and Other Accounts**

Clearing Corporation shall specify from time to time clearing and other accounts which Clearing Members shall be required to open and operate with the specified Electronic Delivery Clearing Systems and Participants subject to such conditions as the Relevant Authority may prescribe from time to time.

9.3. **Specified Electronic Delivery Clearing System**

CDSL Commodity Repository Limited (CCRL) and ComRIS (Commodities Receipts Information System) shall be the Electronic Delivery Clearing System of Clearing Corporation.

The Clearing Corporation may specify any other system or remove any system under these Regulations and notify the same from time to time for various commodities.

9.4. **Clearing Members to maintain Accounts with all specified Electronic Delivery Clearing System**

Every Clearing Member with delivery settlement obligation shall have a clearing account with the specified Electronic Delivery Clearing Systems through any of the licensed Participants. Clearing Members shall designate and operate the clearing accounts only for the purpose of settlement of Deal/ Trades admitted to the Clearing Segment of Clearing Corporation, for the collection of margins by way of Securities/ underlying for such Deal/ Trades and for any other purpose as the Relevant Authority may specify from time to time. The Clearing Members shall not operate these clearing account for any other purpose.

9.5. **Specified Electronic Delivery Clearing System to act as per the instructions of the Clearing Corporation**

The Clearing Corporation shall instruct the Specified Electronic Delivery Clearing System as to the debits and credits to be carried out for the settlement of Deal/ Trades between Clearing Members. The Specified Electronic Delivery Clearing System shall act as per the instructions received from the Clearing Corporation for effecting account transfers in respect of settlement of Deal/ Trades. Instructions of the Clearing Corporation as to debits and credits to a Clearing Member's/ Client's accounts shall be deemed to be irrevocable and confirmed orders by a Clearing Member to debit and/or credit account as specified in the instruction.

9.6. **Authority to pledge**

The Relevant Authority shall have the right to borrow money against and pledge all or any part of the Securities/ Underlying held by the Clearing Corporation for the account of any Member who fails to pay all or part of funds due to the Clearing Corporation.

9.7. **Selling-Out**

The Securities/ Underlying not taken up and paid for shall be sold-out by the Clearing Corporation in accordance with the Bye Laws and Regulations relating to closing- out.

9.8. **Clearing Account(s) of Clearing Corporation with the Specified Electronic Delivery Clearing System**

Unless otherwise prescribed in respect of any Deal/ Trades, as may be specified by the Relevant Authority, no Clearing Member or any person clearing through him shall have or be deemed to have any right, title or interest in any Securities/ Underlying in the Clearing Account or other account/(s), as the Relevant Authority may from time to time prescribe, of the Clearing Corporation with the Specified Electronic Delivery Clearing System.

The Relevant Authority may specify from time to time the Deal/ Trades, in respect of which all Securities/ Underlying deposited into the Clearing Account or other account/(s), as the Relevant Authority may from time to time prescribe, of the Clearing Corporation on account of any Clearing Member entitled thereto, shall be held by the Clearing Corporation as agents and in trust for such Clearing Member. In such cases, transfer of accounts of Securities/ underlying shall be deemed and taken to be a transfer of accounts of Securities/ underlying to such Clearing Member.

9.9. **Notices and directions**

All Clearing Members shall comply with the instructions, resolutions, orders, notices, directions and decisions of the Relevant Authority in all matters connected with the operations of the Electronic Delivery Clearing System.

9.10. **Clearing Number Id and Clearing Forms**

A Clearing Member shall be allotted an identification number as relevant to the specified Electronic Delivery Clearing System which must appear on all forms used by the Clearing Member connected with the operations of the Electronic Delivery Clearing System.

9.11. **Clearing Corporation to deliver Securities at discretion**

The Clearing Corporation is entitled at its discretion to deliver through the Electronic Delivery Clearing System Securities/ Underlying received from a Clearing Member under these Regulations to another Clearing Member who is entitled under these Regulations to receive delivery of Securities/ Underlying of a like kind or to instruct a Clearing Member to give direct delivery of Securities/ Underlying which he has to deliver through the Electronic Delivery Clearing System.

9.12. **Clearing Corporation bills**

The Clearing Corporation shall periodically render bills for the charges, fees, fines and other dues payable by Clearing Members which would also include the charges, fines and other dues payable on account of the business cleared and settled through the Electronic Delivery Clearing System and debit the amount payable by such members to their accounts. All such bills shall be paid within such period as may be specified from time to time.

9.13. **Liability of the Clearing Corporation**

The Clearing Corporation shall not be deemed to guarantee the title, ownership, genuineness, regularity or validity of any securities, transfer deed or any other document passing through the Electronic Delivery Clearing System and the only obligation of the Clearing Corporation in this matter shall be to facilitate the delivery and payment in respect of Securities/ Underlying between Clearing Members.

No liability shall attach either to the Clearing Corporation or to the Relevant Authority or any Member of the Relevant Authority by reason of anything done or omitted to be done by the Electronic Delivery Clearing System in the course of its operations.

CHAPTER -10

PROCEDURE FOR SETTLEMENT OF CLEARED DEALS

10.1 Clearing and Settlement Process

The Relevant Authority may specify different process and procedures for clearing and settlement for any or all Clearing Members and for any or all cleared deals from time to time.

10.2 Clearing Days and Scheduled Times

The Relevant Authority shall from time to time fix various clearing days, the pay-in and pay-out days and the scheduled time to be observed in connection with the clearing and settlement operations of any or all Cleared Deals. The Relevant Authority may specify different schedules for any or all Clearing Members from time to time.

10.3 Alteration of Clearing and Clearing Days and Times

The Relevant Authority may at any time through notifications or circulars, curtail, extend, alter or postpone from time to time to any other date or dates the entire clearing or any or all of the various clearing days in respect of any or all of the Cleared Deals relating to any of the Clearing Segments.

10.4 Delivery and Payment for Clearing

10.4.1 Delivery through the Clearing Corporation

Delivery in respect of Settlement Obligations of delivery deals shall be through the Clearing Corporation/ Electronic Delivery Clearing System.

10.4.2 Payment through the Clearing Bank

Payment in respect of Settlement Obligations of deals for the Clearing shall be through the Clearing Bank(s).

10.5 Delivery for Clearing when Outside the Clearing Corporation

It shall be competent of the Relevant Authority to order that delivery and/or payment in respect of any/all Deals/Trades entered into or to be entered into for the clearing shall be effected outside the Clearing Corporation by such process or processes as may be prescribed from time to time.

10.6 **Clearing Forms**

All Clearing Forms shall be as prescribed in the relative Regulation or in such other form or forms or by means of any electronic manner or application as the Relevant Authority may from time to time prescribe in addition thereto or in modification or substitution thereof.

10.7 **Settlement Obligations Statements**

The Clearing Corporation shall generate and provide to each Clearing Member, their respective Settlement Obligations Statements, Concerned Exchange wise and Clearing Segment wise, showing different kinds of Deals/ Trades made by the Constituents/ Clients of the Member for which delivery is to be made or given and/or received or taken and the funds payable or receivable by the Member. The Obligations Statement shall be deemed to be confirmation by the Member of the different kinds of Deals/Trades for which deliveries is to be made/given and/or received/taken and of the funds to be debited and/or credited to the respective Member's Settlement account with the concerned Clearing Bank as specified in the Obligations Statements and shall also be deemed to be instructions of the Clearing Member for the said obligations and/or rights.

10.8 **Delivery and Receipt Statements**

Based on the Obligations Statements, the Clearing Corporation shall generate Delivery Statement and Receipt Statement for each Clearing Member. The Delivery and Receipt Statements shall contain details of Securities/Underlying and/or the Underlying to be delivered to and received from other Clearing Members. The Delivery and Receipt Statements shall be deemed to be confirmed orders by a Clearing Member to deliver and receive the Underlying as specified in the respective Delivery and Receipt Statements.

10.9 **Delivery of Securities including Underlying**

On the respective pay-in day, clearing members shall deliver Securities/ underlying to the Clearing Corporation as per Delivery Statement. Delivery shall be in such delivery units as the Relevant Authority may notify from time to time together with the necessary documents and such other details as may be required by the Clearing Corporation.

10.9.1 **Delivery Period:** Each deal for specified delivery month shall be deemed to have entered the delivery period from such date of its expiry month, as specified by the Concerned Exchange and the Clearing Corporation in its respective contract specifications. The deal can be performed by delivery of the underlying within this period on designated tender days fixed by the Clearing Corporation. The Relevant authority of the Clearing Corporation shall however, have the right to fix, alter, extend or postpone such tender and delivery period, if it is expedient to do so. Tender and Delivery Period Margin shall be levied to Clearing Member as specified by the Concerned Exchange and/or the Clearing Corporation in the relevant contract launch circular.

10.9.2 **Delivery Centers:** Delivery centers shall be such centers as may be notified by the Clearing Corporation for respective underlying commodities. The Members shall be obliged to tender delivery at such centers as may be specified by the Exchange**.**

10.9.3 **Designated Tender Days:** The tendering of deliveries shall be permitted only on specific tender days during the tender and delivery period. Such tender days will be notified by the Clearing Corporation in advance.

10.9.4 **Delivery Intentions**: All deliveries tendered by the Clearing Members on designated tender days shall be in the form of `Delivery Intentions'. The delivery intentions shall be submitted to the Clearing Corporation in such form and in the prescribed manner and shall clearly state the contract particulars including quantity etc. The delivery intentions must be received by the Clearing Corporation by specified time and on the specified tender days.

10.9.5 **Intention timelines:** The Clearing Corporation may decide the timelines for submission of delivery intentions by Members. Delivery intentions can be submitted only for the current business day during tender days and within specified time. Delivery intentions are to be given in multiples of Deliverable Lots only and shall not be carried forward to the next working day. Delivery intention once submitted to the Clearing Corporation cannot be modified/ withdrawn after the designated time. Members are advised not to square off their positions once delivery intention is submitted.

10.9.6 **Delivery Lot:** Deals on the Concerned Exchanges would be deliverable in such lots as may be specified such Exchanges and also accepted by the Clearing Corporation. Members with a short open position opting to tender deliveries shall be permitted to issue delivery
only in such deliverable lots. Any Member with an open position not convertible into multiples of deliverable lots shall be required to square-off such outstanding 'odd lot' before expiry of the contract so as to make the total deliverable quantity a deliverable lot. In case any Member fails to square-off outstanding odd lot until the contract expires resulting into odd lot position at the end of the contract expiry day, the delivery up to the nearest completed delivery lot will happen, while the residual odd lot will be settled as specified by the Clearing Corporation in the relevant circular.

10.9.7 **Permissible limits for Delivered Quantity:** The delivery shall be deemed to have been provisionally completed whenever the seller has delivered the quantity for that delivery within a tolerance limit as may be specified from time to time.

10.9.8 **Delivery Grades**: The Clearing Members tendering delivery will have the option of delivering such grades of Commodities as permitted by the Concerned Exchanges in the Contract specifications and/or the Clearing Corporation. The buyer will not have any option to select a particular grade and the delivery offered by the seller and allocated by the Clearing Corporation shall be binding on him.

10.9.9 **Intention based delivery Marking**

In contracts with Staggered Delivery, Members having outstanding position in the expiring contract may submit to the Clearing Corporation their intention for tendering or taking delivery along with details of, quantity etc. on each of the tender days. Delivery is marked to the extent of the seller intention and buyer intentions would be assigned a priority for allocation on each such tender day.

10.9.10 **Compulsory Tender of Delivery:** In Compulsory Delivery Contracts, any Clearing Member, with an open position at the close of business on the contract expiry date shall be obliged to compulsorily tender delivery for the entire short position or accept delivery for the entire long position, as the case may be.

10.10 The Underlying when stored by the Members at warehouses for a specific period for delivery on the Clearing Corporation are subject to weight loss on account of loading and unloading, sampling, transportation, pest infestation, storage condition, moisture variation etc. When a seller delivers an underlying of certain quantity that may not match with the quantity when buyer takes out the said commodity from the warehouse because of above reasons, which the industry normally accepts with a view to adjust the handling loss due to loading, unloading and sampling etc., standard deduction may be applied on different commodities as specified in these Regulations or the relevant circulars of the Concerned Exchanges/ Clearing Corporation. However, weight adjustments due to moisture variation shall be made at the time of revalidation/ withdrawal of the underlying over and above the standard deduction.

10.11 The Clearing Members tendering delivery may specify the grade to be delivered. Once the delivery grade is specified, it cannot be changed and shall be in conformity with the assayer's/ surveyor's certificate accompanied with the tender document.

10.12 **Freight adjustment factor / Discount/Premium on up country delivery**: The Concerned Exchange/ Clearing Corporation shall determine and disclose the location premium/discount prior to launch of the contract in various commodities.

10.13 **Evidence of Stocks in Possession**: At the time of issuing the delivery intention, the Member must satisfy the Clearing Corporation that he holds stocks of the quantity and quality specified in the Delivery Intention at the declared Delivery Center.

10.14 **Quality Certification:** Each Delivery shall be accompanied by a certificate from an approved surveyor/ quality certifying agency as to the physical verification and certification of quantity of stocks in possession of tenderer at designated delivery center and quality specifications in conformity with the specifications of the grade being tendered.

10.15 **Sampling**: The procedures followed for drawing samples and carrying out analysis tests shall be as specified by the Clearing Corporation in the relevant circulars.

10.16 **Cost of certification**: The cost of survey and issuance of certification by an approved surveyor shall be borne by the respective Clearing Members submitting the delivery.

10.17 **Pricing of Delivery**: The basis price for a delivery shall be the settlement/ closing price of the concerned contract on the day (which shall be a designated tender day) the delivery is tendered or as specified by the Clearing Corporation from time to time.

The basis price arrived at as above will have to be adjusted by applying Freight adjustment factor / Discount/Premium on up country delivery and the discount / premium in respect of quality.

10.18 **Taxes, Duties, Cess and other Levies including GST**: These taxes and/or levies shall be as specified by the Concerned Exchange and/or the Clearing Corporation in the relevant Contract circular. All the Sellers tendering goods shall have the necessary registration with the applicable Tax Authorities and obtain other licenses, if any, required by them. The Member giving delivery and the Member taking delivery will exchange appropriate tax forms as provided in law including any respective State Laws and as customary, and neither of the parties will unreasonably refuse to do so.

10.18.1 The Buying Member is required to submit the tax registration number, name and address of buyer etc. for the purpose of raising the invoice by the seller.

10.18.2 The Selling Member is required to submit tax-invoice favouring the Buyer Member/Buyer Member's constituent/client along with such other applicable documents/ forms/ permits etc.

10.19 **Allocation of Delivery**: The Clearing Corporation shall allocate all delivery received on tender days/expiry day from Members holding short open positions to Members holding long open positions. The allocation of delivery shall be done in manner as specified by the Relevant Authority of the Clearing Corporation and its decision shall be final and binding.

10.20 **Publication of Delivery Intentions**: The Clearing Corporation shall display on the trading system of the Concerned Exchange, within reasonable time, details of delivery intentions received on each designated tender day.

10.21 **Acceptance of Allocated Delivery**: The allocation of delivery to Members with net buy or long positions shall be final and binding on all Members to whom it has been allocated and under no circumstances a Member shall have any right to refuse or challenge the delivery allocation.

10.22 **Payment by Member with Net `Buy' Position**: The Member with net long position shall pay full value of the delivery by specified time and day. The payment shall be made by funding the designated clearing account of the Member maintained with the Designated Clearing Bank.

10.23 **Endorsement of Delivery Orders**: The delivery allocated to the respective Members with net long position shall be freely endorsable by them to their constituents/clients who may be either a Member on the Concerned Exchange or a client. However, in case of dispute or default involving the endorsee, the responsibility for contractual performance shall remain vested with the original assignee of the delivery.

10.24 **Payment by Clearing Corporation to the Tenderer**: The Clearing Corporation shall pay the delivery amount to the Member tendering delivery on allocation of Delivery.

10.25 **Penalty for non-performance:** In order to enforce strict discipline in respect of performance of a contract, the Clearing Corporation shall levy a penalty, as per penal provisions prescribed from time to time in the relevant circular, to the respective Member in case of failure to honour their delivery/ payment obligation. The Clearing Corporation shall, from time to time, have the flexibility to increase/decrease penalty for specific commodities. The Clearing Corporation shall have appropriate deterrent mechanism, including penal / disciplinary action in place against intentional / willful delivery default.

CHAPTER -11

WAREHOUSING AND ASSAYING

The accreditation of Warehouse Service Provider (WSP) & Assaying agency shall be in accordance with the norms as may be specified by the Clearing Corporation and/or SEBI from time to time

11.1 **Accreditation of Warehouse Service Provider (WSP)**

The Clearing Corporation shall lay down a transparent procedure for accreditation of WSP from time to time.

11.2 **Eligibility and Experience of WSP/Promoters/Promoter Group of WSP**

The eligibility and Experience of WSP/Promoters/Promoter Group of WSP shall be according to the norms as may be specified by the Clearing Corporation and/ or SEBI from time to time.

11.3 **Financial Norms for the WSP**

The Clearing Corporation and/or SEBI may specify various financial norms related to share capital, networth and security deposits. WSP shall follow the financial norms as may be specified by the Clearing Corporation and/ or SEBI from time to time.

11.4 **Fit and Proper Criteria**

The WSP, Promoters of WSP, assayers, Key Management Personnel (KMP) of WSPs, warehouses and Assayers shall follow the Fit and Proper Criteria as laid down by the Clearing Corporation and/ or SEBI from time to time.

11.5 **Corporate Governance norms for WSP's**

11.5.1 **Management and Employees**: Clearing Corporation shall specify the norms to oversee the functions and operation of accredited of the WSP from to time.

11.5.2 **Compliance Officer:** WSP shall appoint a Compliance Officer who shall be responsible for monitoring the compliance with relevant Act, rules and

regulations, notifications, guidelines and instructions issued by Clearing Corporation/SEBI and/or any other regulatory authorities from time to time.

11.5.3 WSP shall have a Standard Operating Procedure (SOP) in respect of all the concerned warehouses.

11.6 **Know Your Depositor**

11.6.1 WSP shall comply with Know Your Depositor (KYD) Policy as prescribed by Clearing Corporation from time to time.

11.6.2 The Clearing Corporation and WSP shall at any point of time be able to identify the depositor of the goods deposited in accredited warehouses, the owner of the deposited goods (in case the depositor is an agent of the actual owner) and also the actual beneficiary (in case the depositor and the beneficiary are different) of the deposited/stored commodities.

11.7 **PAN requirement**

WSPs shall be under obligation to provide to the Clearing Corporation the details including PAN numbers of its Promoters, Promoter group entities, its holding/subsidiaries/associates and other related entities, persons 'acting in concert', Key Management Personnel at the time of accreditation and update the same on periodical basis as mandated by the Clearing Corporation. Any change in the details provided to the Clearing Corporation shall be updated immediately to the Clearing Corporation.

11.8 **Facilities & Infrastructure Requirement**

The Clearing Corporation and/ or SEBI may specify the Facilities & Infrastructure requirement for WSP from time to time to ensure that the WSPs have reasonable facility and infrastructure for proper handling and storage of commodities.

11.9 **Accreditation of Assayers**

The Accreditation of assayers shall be done as per the regulation/norms laid down by the Clearing Corporation and/ or SEBI from time to time.

11.10 **Warehouses at delivery centres**

Warehouses at delivery centres shall specified by the Clearing Corporation from time to time.

11.11 **Insurance**

WSP shall at all times ensure to have the full insurance cover for the value of goods stored at accredited warehouses against all potential perils.

11.12 **Monitoring/Inspection/Audit of warehouses by WSPs and Clearing Corporations**

The Clearing Corporation and or SEBI may specify norms for the Monitoring/Inspection/Audit of warehouses by WSPs and Clearing Corporations.

11.13 **Review of WSPs/warehouses:**

The Clearing Corporation shall review and appraise the operational performance of WSPs/warehouses in accordance with the norms stipulated by Clearing Corporation and /or SEBI from time to time.

11.14 **Code of Conduct**

Every accredited WSP, accredited warehouse and Assayers shall be bound to promote to the best of its ability the objects and interests of Clearing Corporation and to protect and safeguard the interests of the Participants of Clearing Corporation. The WSP, warehouses and assayers shall therefore adhere at all times code of conduct prescribed by Clearing Corporation and the said code of conduct shall be displayed on Clearing Corporation website.

11.15 **Grievance Cell**

Complaints / grievances against WSPs can be submitted to Clearing Corporation in prescribed formats and within such time limits as specified by Clearing Corporation from time to time. If after scrutiny of such a complaint, Clearing Corporation is satisfied that the complaint is admissible under the Byelaws and Regulations of the Clearing Corporation, it shall forward the complaint to the concerned WSP through email to reply /settle the complaints. In case the WSP fails to resolve the complaint to the satisfaction

of the Client within the stipulated period, Clearing Corporation shall take such steps as may be necessary to compensate the aggrieved client for any such losses that have been appropriately established by debiting the Financial Security Deposit (FSD) of WSP held with Clearing Corporation.

The Clearing Corporation shall require the WSP to report the details of complaints received / resolved by it/ pending and action taken on the complaints, once in very fortnight.

11.16 **MIS System**

The Clearing Corporation and/ or SEBI may specify the norms from time to time for MIS System to ensure the real time flow of informations from the warehouse to the WSP and Clearing Corporation electronically.

11.17 **Surrender/Cancellation of accreditation**

11.17.1 Any WSP intending to surrender its accreditation shall submit its application for Surrender to Clearing Corporation for evaluation and approval.

11.17.2 The Clearing Corporation may cancel the accreditation of a WSP if it fails to comply with the provisions of the rules/regulations specified by it and intimate the same to the market participants through circular. Further, the Clearing Corporation shall put in place a cancellation policy for WSP in public domain. However, the Clearing Corporation shall offer the WSP concerned an opportunity of being heard and take a decision on cancellation after considering the explanation of the WSP.

11.17.3 A WSP that surrenders its accreditation or its accreditation is cancelled, shall attend to the following matters urgently:

(a) all commodities for delivery on Clearing Corporation shall be dispatched out of the warehouse or converted to stock under professional warehousing;

(b) all liabilities and debts vis-a-vis the Clearing Corporation, its Member and Clients shall be settled;

(c) there is no obligation on its part to deliver goods to the clients pertaining to their trades on the Concerned Exchange, and

(d) no customer complaints pertaining to any of its accredited warehouses are pending for redressal.

11.17.4 Security deposits & FSD shall be returned in accordance with the Clearing Corporation's rules, keeping aside 10% of such deposits with the Clearing Corporation, which shall not be released until six months after cancellation or surrender of accreditation of the WSP or until satisfaction of all claims against the deposits made in its warehouses, whichever is later.

11.17.5 Adequate intimation to general public / clients should be given through widely published newspapers and website etc. before accepting the surrender of WSP or cancellation/expulsion of the WSP.

11.17.6 A WSP which surrenders its accreditation with Clearing Corporation shall not be eligible to provide its services to the Clearing Corporation for a period of 3 years.

11.17.7 Once the accreditation of a WSP is cancelled or WSP is expelled by Clearing Corporation then it shall not be eligible to provide its services to any Commodity Derivatives Exchanges /Clearing Corporation for such period as may be prescribed from time to time.

11.18 **Business Continuity Plan**

A WSP shall put in place, a business continuity plan and submit such plan to Clearing Corporation.

11.19 **Actions against WSPs**

11.19.1 The Clearing Corporation may frame regulations/guidelines/circular for its accredited WSPs to rectify/ correct their misconduct or misconduct on the part of any of its approved warehouses used for storing goods for delivery on Clearing Corporation. The Clearing Corporation may also direct the WSPs to indemnify an entity aggrieved by the delivery process of its warehouse or, in serious cases of misconduct/malfeasance, revoke the accreditation of the concerned warehouse or/and hold the WSP accountable for any legal liabilities, if the concerned erring WSP/ warehouse engages in any of the following offences:

i. refuses to accept delivery without any bonafide reasons or, issues a falsified certificate of delivery;

ii. refuses to recognize the delivery settlement done by Clearing Corporation; iii. violates any of the Clearing Corporation's regulations or limits the movement of a deliverable commodity into or out of the warehouse;

iv. discloses any confidential business information relating to a buyer or seller or related to Trade/Deal executed on the Concerned Exchange;

v. provide inaccurate or incomplete information, conceal the truth of the facts;

vi. engages in the trading activities on the Commodity Derivative Exchanges; or

vii. engages in any other behavior in breach of the Clearing Corporation's these regulation ; or viii. any other offence not listed above.

11.20 The accredited WSP shall be liable for any losses resulting from any action or inaction on its part or on the part of its warehouses that prevents the buyer or seller from exercising, in whole or in part, their rights. The Clearing Corporation shall compensate the aggrieved client for any such losses that have been appropriately established by debiting the security deposits of WSP held with the Clearing Corporation, in accordance with its applicable regulations and WSP shall within 7 days replenish the security deposit.

CHAPTER -12

SETTLEMENT OF NON CLEARED DEALS

12.1 Scheduled Date and Time

The scheduled time and hour to be observed in connection with the clearing and settlement of non-cleared deals shall be as prescribed in the relative Regulation or such other time and hour as the Relevant Authority may from time to time notify in modification or substitution thereof.

12.2 Delivery and Payment

For non-cleared deals, on the due date the selling member shall deliver to the buying member at such place and at such time, in such manner and in such delivery units as the Relevant Authority may notify from time to time, securities/ underlying together with the necessary documents duly signed and witnessed and showing on the reverse the code and name of the delivering member and the buying member shall pay for them on the same day or such other day and in such manner as the Relevant Authority may specify from time to time.

For non-cleared electronic delivery deals, on the due date the selling member shall effect electronic delivery to the buying member at such time, in such manner and in such delivery units as the Relevant Authority may notify from time to time and the buying member shall pay for them on the same day or such other day and in such manner as the Relevant Authority may specify from time to time.

12.3 Delivery in Part

The buying member shall accept any portion of a lot of securities/ underlying contracted for, if tendered in delivery units.

12.4 No Deduction from Purchase Price

The buying member receiving securities/ underlying shall not be entitled to deduct from the purchase price any sum due to or any damages claimed by him from the selling member except as provided under the relevant Regulations.

12.5 **Payment**

The buying member shall make payment to the selling member through the Clearing Bank or by cheque or such other mode as may be prescribed by the Relevant Authority from time to time.

12.6 **Closing Out by Buying-In**

If the selling member fails to deliver the securities/ underlying on the due date of the contract, the buying member shall be entitled to buy-in the same or the undelivered portion thereof, as provided in the Bye Laws and Regulations relating to closing-out.

12.7 **Closing Out by Selling-Out**

If the buying members fails to take up or pay for the Securities/Underlying delivered on the due date of contract, the selling member shall be entitled to sell-out the same, as provided in the Bye Laws and Regulations relating to closing-out.

CHAPTER -13

CLOSING OUT OF CONTRACTS

13.1 Closing-Out

13.1.1 Closing-out when effected

Any Deal/ Trade made subject to the Rules, Bye Laws and Regulations of the Clearing Corporation may be closed-out against a Clearing Member on failure to comply with any of the provisions relating to delivery, payment and settlement of Deal/ Trades or on any failure to fulfil the terms and conditions subject to which the Deal/ Trade has been made.

13.1.2 Closing-out in specific cases

Without prejudice to the generality of the provision contained as above, closingout may be effected in cases specified in the relevant Regulations or in such other cases as the Relevant Authority may from time to time specify in addition thereto or in modification thereof.

13.2 Closing Out for Deal/ Trade settled through the Clearing Corporation

In respect of Deals/ Trades settled through the Clearing Corporation , the Clearing Corporation shall be entitled to close out against the Clearing Member in default for the benefit of the receiving/delivering Clearing Member or itself as the case may be. In such cases no notice of closing- out shall be given to the Clearing Member in Default against whom the closing- out is to be effected.

13.3 Closing-out without notice

Without prejudice to the generality of the provisions contained as above, closing-out without notice may be effected in cases specified in the relative Regulation or subsequent Notifications or in such other cases as the Relevant Authority may from time to time specify or deem necessary in addition thereto or in modification or substitution thereof.

13.4 **Closing-Out Contracts with Defaulter Clearing Member**

If a Clearing Member is declared a defaulter, the Clearing Corporation shall determine all outstanding Deals/ Trades and the corresponding obligations by closing-out against him in accordance with the Bye Laws and Regulations relating to Default.

13.5 **Closing-Out Contracts with Deceased Clearing Member**

On the death of a Clearing Member , having transactions outstanding in the market in any Securities, the Relevant Authority may at its discretion give permission to his legal heirs or legal representatives to settle such transaction according to the terms thereof. In the event of such permission not being applied for or not being granted, the Clearing Corporation shall forthwith determine all outstanding obligations by closing out against the deceased Clearing Member. The loss, if any, on such closing-out shall be claimed from the legal heirs or legal representatives of the deceased Clearing Member and the profit, if any, shall be paid to them with the prior approval of the Relevant Authority. If the legal heirs or legal representatives of the deceased Clearing Member fail to pay the amount claimed from them, it shall be deemed that such deceased Clearing Member has been declared a Defaulter and in that event the Bye Laws and Regulations relating to Default shall apply.

13.6 **Compliance before Closing-Out**

If the Clearing Member against whom closing-out is to be effected meets or tenders to all compliance requirements in accordance with the provisions of the Bye Laws, Rules and Regulations relating to delivery, payment and settlement of obligations and/ or the terms and conditions subject to which the Deals/ Trades have been made at any time before the Deals/ Trades have been actually closed out, the Relevant Authority may accept the same in fulfilment of his obligations. This will not, however, relieve the Clearing Member in default of the obligation to pay any penalties and interest charges imposed by the Clearing Corporation on such default.

13.7 **Closing-Out how Effected**

Closing out shall be effected against the Clearing Member by the Clearing Corporation in any of the following:

(a) by buying-in or selling-out against the Clearing Member through an auction initiated by the Clearing Corporation

(b) by declaring a closing-out at such prices as may be decided by the Relevant Authority

(c) by buying-in or selling-out against the Clearing Member by placing order in the Concerned Exchange; or

(d) any other manner as the Relevant Authority may decide from time to time.

13.8 **Bids and Offers**

Unless permitted otherwise by the Relevant Authority, Clearing Members other than those against whom the closing-out is effected may make a bid or offer during such closing-out. The Relevant Authority shall at its discretion, be at liberty to refuse any bid or offer given.

13.9 **Closing-Out Clearing Member's responsibility**

Save as otherwise provided, the Clearing Member against whom the closing out is effected by the Clearing Corporation, for the purpose of closing-out shall be responsible for the Deals/ Trades made by its Clients or Constituents and no liability or responsibility shall attach to the Clearing Corporation or its employees for any Deal/ Trade made in pursuance of such closing-out.

13.10 **Deferment by the Relevant Authority**

The Relevant Authority may defer closing-out in any particular case if, in its opinion, a fair market to Close-Out is not available or if it is satisfied that the Securities/underlying are out of the control of the seller or if it determines that the default is due to the existence of a special situation; however, no such deferment of Closing Out shall relieve the Clearing Member in default of the obligation to pay for any resulting damages or free the intermediate parties of their liabilities.

13.11 **Suspension or Postponement of Closing-Out**

The Relevant Authority may suspend or postpone closing out in respect of any Deals/ Trades and from time to time extend or postpone the period of such suspension or postponement when, in its view circumstances appear to make such suspension or postponement desirable in the general interest of the markets.
The liability of intermediaries in respect of Deals/ Trades settled through the Clearing Corporation shall continue during the period of such suspension or postponement.

13.12 **Closing-Out against Defaulter**

When closing-out is effected as provided above and the Clearing Member concerned is declared a Defaulter, the difference arising from closing-out shall be recovered from the said Defaulter Clearing Member and distributed in accordance with the Bye Laws and Regulations relating to Default.

13.13 **Charges for Closing-Out**

When closing-out is effected on the advice of the Clearing Corporation, the Clearing Member against whom the closing-out takes place shall pay to the Clearing Corporation such closing out charges as the Relevant Authority may from time to time prescribe.

13.14 **Loss arising from Closing-Out**

When closing-out is effected on the advice of the Clearing Corporation against a Clearing Member failing to give or take delivery of all or any of the Securities/ underlying or Funds in terms of his obligation statement, the resulting difference (between the money value of Securities/ underlying at the valuation price and the closing out price) shall be paid by him forthwith to the Clearing Corporation.

13.15 **Profit arising from Closing-Out**

When closing-out is effected on the advice of the Clearing Corporation against a Clearing Member failing to give or take delivery of all or any of the Securities/ underlying or Funds according to his obligation statement, any profit (between the money value of Securities/ underlying at the valuation price and the closing out price) shall be credited to the account of the Settlement Guarantee Fund and/or such other funds as may be established by the Relevant Authority from time to time and held by the Clearing Corporation for such purposes as may be prescribed by the Relevant Authority.

13.16 **Default if Closing-Out Loss and Damage not paid**

If any Clearing Member, against whom a Deal/ Trade is closed-out under the provisions of these Regulations, fails to make payment of the loss arising out of the closing-out and of the damages, if any, within such time as may be stipulated by the Relevant Authority from time to time, he may be declared a Defaulter.

CHAPTER -14

CONDUCT OF BUSINESS BY CLEARING MEMBERS

14.1 Office Related Procedure

14.1.1 The Clearing Members shall ensure that all persons acting on their behalf shall subscribe to and maintain at all times high standards of professional expertise and integrity.

14.1.2 Each Clearing 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 Clearing Corporation Bye Laws, Rules and Regulations, or any other relevant Act(s) in force for that time being.

14.1.3 Where the Clearing Corporation feels it necessary, in the public interest to do so, it may at its own volition or on a complaint from another Clearing Member or client/ Constituent, seek explanation from the Clearing Member regarding the level of service or professional conduct of the Clearing Member or any of its staff where such service or conduct has been found unsatisfactory or contrary to principles enumerated in the Clearing Corporation Bye Laws, Rules and Regulations, or notifications, directions or circulars issued thereunder.

14.2 In- House Supervision

14.2.1 Procedures to be followed

14.2.1.1 Each Clearing Member shall establish, maintain, and enforce procedures, to supervise its business and the activities of its employees that are reasonably designed to achieve compliance with the Clearing Corporation Bye Laws, Rules and Regulations and any notifications, directions etc. issued thereunder as well as the relevant Statutory Acts.

14.2.1.2 The Clearing 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 Clearing Member for a period of not less than five years.

14.2.1.3 The Clearing Member must inform the Clearing Corporation of any change in the status and constitution, operation, activities of the Clearing Member's entity.

14.2.2 **Internal inspections**

Each Clearing Member shall conduct a review, at least annually, of the business in which it engages, which shall be reasonably designed to assist in detecting and preventing violations of and achieving compliance with Bye Laws, Rules and Regulations of the Clearing Corporation.

14.2.3 **Written Approval**

Each Clearing 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 of any securities transaction.

CHAPTER -15

CODE OF CONDUCT FOR CLEARING MEMBERS

15.1 General Principles

15.1.1 Professionalism

A Clearing Member in the conduct of his business, shall observe high standards of commercial honour with just and equitable principles of trade. A Clearing Member shall have and employ effectively the resources and procedures which are needed for the proper performance of his business activities.

15.1.2 Adherence to Clearing Practices

Clearing Members shall adhere to the Rules, Regulations and Bye Laws of the Clearing Corporation and shall comply with such operational parameters, rulings, notices, guidelines and instructions of the Relevant Authority as may be applicable from time to time.

15.1.3 Honesty and Fairness

In conducting its business activities, a Clearing Member shall act honestly and fairly, in the best interests of Affiliated Trading Members/ Clients and Constituents.

15.2 Settlement Principles

15.2.1 Clearing Members shall ensure that the fiduciary and other obligations imposed on them and their staff by the various Statutory Acts, Rules and Regulations of the Clearing Corporation are complied with.

15.2.2 Clearing Members shall ensure that employees are adequately trained in the practices of the relevant Clearing Segment in which they deal, clear and settle, and are aware of their own, and their organization's responsibilities as well as the relevant Statutory Acts governing the Clearing Member, the Rules, Bye Laws and Regulations of the Clearing Corporation including any additions or amendments thereof.

15.2.3 No Clearing Member or person associated with a Clearing Member shall make improper use of Clients/Constituents Securities or funds.

15.3 **General Guidelines**

A Clearing Member shall desist from the following practices while conducting business on the Clearing Corporation:-

15.3.1 **Shielding or Assisting**

No Clearing Member shall shield or assist or omit to report any Clearing Member whom he has known to have committed a breach or evasion of any Rules, Bye Laws or Regulations of the Clearing Corporation or of any resolution, order, notice or direction thereunder of the Governing Board or the Relevant Authority or of any committee or Officer of the Clearing Corporation authorised in that behalf.

15.3.2 **Use of Information Obtained in Fiduciary Capacity**

A Clearing Member who in the capacity of paying agent, transfer agent, trustee, or in any other similar capacity, has received information as to the ownership of Securities/underlying commodities, shall under no circumstances make use of such information for the purpose of soliciting business except at the request and on behalf of the beneficial owner.

CHAPTER - 16
RECORDS, ANNUAL ACCOUNTS & AUDIT

16.1 Records

16.1.1 Every Clearing Member shall comply with all relevant Statutory Acts, including Securities Contracts (Regulation) Act, 1956 and Rules thereunder of 1957, and Securities Exchange Board of India Act, 1992 and Rules, Regulations and guidelines thereunder, and the requirements of and under any notifications, directives and guidelines issued by the Central Government and any statutory body or local authority or anybody or authority acting under the authority or direction of the Central Government relating to maintenance of accounts and records.

16.1.2 In additions to the requirements as per regulation above, every Clearing Member shall comply with the following requirements and such other requirements as the Clearing Corporation may from time to time notify in this behalf relating to books of accounts, records and documents in respect of his membership to the relevant Clearing Segment of the Clearing Corporation.

16.1.3 Every Clearing Member of the Clearing Corporation shall maintain the following records relating to its business for a period of five years:–

(a) Statements of fund and Securities obligations received from the Clearing Corporation.

(b) Record of all statements received from the settling agencies and record of all correspondence with them.

(c) Copies of all instructions obtained in writing from Affiliated Trading Members/ Clients/Constituents.

(d) Records in respect of interest/ dividends received on Securities of constituents, monies borrowed and loaned including monies received.

(e) Records in respect of clearing charges collected separately from constituents.

16.1.4 Every Clearing Member shall keep such records and books of accounts, as may be necessary, to distinguish client's Securities/ underlying from its own Securities/ underlying. Such records shall inter-alia, provide for the following:–

(a) Securities fully paid for, pending delivery to clients;

(b) Securities/ underlying received for transfer or sent for transfer by the

Clearing Member, in the name of client or his nominee(s) in respect of non-depository deals;

(c) Securities/Underlying that are fully paid for and are held in custody by the clearing member as security / margin, etc. Proper authorization from Client / Constituent for the same shall be obtained by the Clearing Member;

(d) Duly paid for client's Securities/ underlying registered in the name of Clearing Member, if any, towards margin requirements, etc.

(e) Instructions from Clearing Members to Depository/ Repository Participants/ Electronic Delivery Clearing System Participants to effect accounts transfers;

(f) Such other records as the Relevant Authority may prescribe from time to time.

16.1.5 Every Clearing Member shall keep such books of accounts, as will be necessary, to show and distinguish, in connection with its business as a Clearing Member:–

(a) the moneys received from or on account of and moneys paid to or on account of each of its Affiliated Trading Members/ Clients/Constituents and,

(b) the moneys received and the moneys paid on Clearing Member's own account.

(c) it shall be compulsory for all Clearing Members to keep the money of the Affiliated Trading Members/ Clients/Constituents in a separate account and their own money in a separate account. No payment for transaction in which the Clearing Member is taking a position as a principal will be allowed to be made from the Client's / Constituents account.

16.2 Notwithstanding anything contained hereinabove, every Clearing Member shall preserve the originals of the documents, copies of which have been collected by enforcement agencies like the CBI, Police, Crime Branch, etc., during the course of their investigation till the trial is completed.

16.3 **Transfers to and from Affiliated Trading Members/ Client/ Constituents Accounts**

The transfer from client's account to Clearing Member's account shall be allowed under circumstances provided herein in the relative Regulations.

16.3.1 **Obligation to pay money into clients account**

Every Clearing Member who holds or receives money on account of an Affiliated Trading Member/Client/ Constituent shall forthwith pay such money to account at bank to be kept in the name of the Clearing Member in the title of which the word "Clients" shall appear (hereinafter referred to as "Clients Account"). A Clearing Member may keep in its Books of Accounts one consolidated Client account for all the clients/ Constituents or accounts in the name of each client, as it thinks fit;

16.3.2 **Moneys to Be Paid into Clients Account**

No money shall be paid into Client account other than –

i. money held or received on account of Clients/ Constituents; ii. such moneys belonging to the Clearing Member as may be necessary for the purpose of opening or maintaining the account;

iii. money for replacement of any sum which may by mistake or accident have been drawn from the account;

iv. a cheque or draft received by the Clearing Member representing in part money belonging to the client and in part money due to the Clearing Member.

16.3.3 **Moneys to be withdrawn from clients account**

No money shall be drawn from clients account other than –

16.3.3.1 money properly required for payment to or on behalf of clients for or towards payment of a debt due to the Clearing Member from Clients/ Constituents or money drawn on Client's authority, or money in respect of which there is a liability of clients to the Clearing 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 client;

16.3.3.2 such money belonging to the Clearing Member as may have been paid into the Client account as mentioned in regulation above;

16.3.3.3 money which may by mistake or accident have been paid into such account.

16.4 **Right to Lien, Set-Off not affected**

Nothing in this Section shall deprive a Clearing 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 Affiliated Trading Member/Clients/ Constituents account.

16.5 **Record Maintenance**

16.5.1 Every Clearing Member shall maintain permanently copies of agreements executed with each of its Clients/Constituent in accordance with the Clearing Corporation requirements.

16.5.2 Every Clearing Member shall maintain permanently copies of agreements executed with each of the settling agencies or banks.

16.5.3 Every clearing member shall maintain originals of all communications received and copies of all communications sent by such Clearing Member (including inter-office memo and communications relating to its business as such).

16.5.4 Every Clearing Member shall maintain all guarantees of accounts and all powers of attorney and other evidence of the granting of any discretionary authority given in respect of any account and copies of resolutions empowering an agent to act on behalf of a Clearing Member.

16.5.5 Every Clearing Member shall maintain all written agreements (or copies thereof) entered into by that Clearing Member relating to its business as such, including agreements with respect to any account.

16.5.6 Every Clearing Member shall preserve, for a period of not less than six years after the closing of any Clients/ 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, date of modification thereof, date of termination and representatives of such constituent who signed in each case.

16.5.7 A Clearing Member shall, whenever called upon, inform the Clearing Corporation the place where these records are kept and available for audit/inspection.

16.5.8 The above requirements relating to maintenance of records shall apply not only to records of the Clearing Member's principal office but also to those of any branch office and to any nominee company owned or controlled by a Clearing Member for the purpose of conducting the business of the Clearing Member.

16.5.9 Each Clearing Member shall keep and preserve a record of all written complaints of its constituents showing the reference number of complaint, date, constituent's name, particulars of the complaints, action taken by the clearing member and if the matter is referred to arbitration to the Clearing Corporation, then the particulars thereof.

16.5.10 Every Clearing Member shall maintain details of securities/ underlying commodities which are the property of a Clearing Member showing with whom they are deposited and if held otherwise than by the Clearing Member, whether they have been lodged as collateral security for loans or advances.

16.6 **Annual Accounts and Audit**

16.6.1 Each Clearing Member shall prepare annual accounts for each financial year ending on 31st March or such other date as advised to the Clearing Corporation.

16.6.2 The Assets and Liabilities of the Clearing Member's business shall be brought into account in the balance sheet at such amounts 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.

16.6.3 Each Clearing Member shall furnish to the Clearing Corporation, its audited financial statement and such report shall be furnished not later than six months after the end of the clearing member's financial year; provided that when the Clearing Corporation is satisfied that circumstances warrant an extension of time is necessary to furnish such report, it may grant an extension of such time as it may deem fit.

16.6.4 Each Clearing 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 and does not have any conflict of interest and submit the report within such time and in such format as may be prescribed by the Clearing Corporation from time to time.

CHAPTER - 17
INSPECTION

17.1 **Inspection Authority**

17.1.1 Where it appears to the Clearing Corporation 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 Clearing Members including for any of the purposes specified in the relative Regulation.

17.1.2 The Inspecting authority appointed by the Clearing Corporation may be either its own officials or outside professionals.

17.1.3 When the Clearing Corporation appoints outside professionals as an inspecting authority, it shall notify the Clearing Member the names and addresses of the professionals or firms so appointed as an inspecting authority at the time of inspection.

17.1.4 When outside professionals are appointed as an inspecting authority in respect of a Clearing Member and such professionals are already related in any other capacity with the Clearing Member, then such Member shall forthwith inform the Clearing Corporation of such relationship.

17.1.5 Where after appointment of any outside professional as an inspecting authority in respect of a Clearing Member, the clearing member or any of its associates engages the inspecting authority for its services in any other capacity, the inspecting authority shall not engage itself in such other professional capacity with the Clearing Member or any of its associates without prior consent of the Clearing Corporation.

17.2 **Reasons for Inspection**

The Clearing Corporation may cause a Clearing Member to be inspected for purposes which may include the following:

(a) to ensure that the books of accounts and other books are being maintained in the manner required;

(b) to ensure that the provisions of SEBI Act, Rules and Regulations thereunder are being complied with;

(c) to ensure that provisions of the Securities Contracts (Regulation) Act and the Rules made thereunder are being complied with;

(d) to ensure that various provisions of the Clearing Corporation's Bye Laws, Rules and Regulations and any directions or instructions issued thereunder are being complied with;

(e) to investigate into the complaints received from investors, other Members of the Clearing Corporation or any other person on any matter having a bearing on the activities of the Clearing Member;

(f) to investigate suo-moto, for any reason where circumstances so warrant an inspection into the affairs of the Clearing Member in public interest;

(g) to examine whether any notices, circulars, instructions or orders issued by the Clearing Corporation from time to time relating to trading and other activities of Clearing Members are being complied with;

(h) to comply with any of the directives issued in this behalf by any regulating authority including Government of India.

17.3 **Notice**

Before undertaking any inspection as above, the Clearing Corporation shall give a reasonable notice to the Clearing Member for that purpose.

Notwithstanding anything contained above, where the Clearing Corporation is of the opinion that no such notice should be given, it may direct in writing that the inspection of the affairs of the Clearing Member be taken up without such notice. Clearing Corporation officials or the inspecting authority who is directed by the Clearing Corporation to undertake the inspection, shall undertake the inspection and the Clearing Member against whom an inspection is being carried out shall be bound to discharge his obligations as provided in the relative Regulation herein.

17.4 **Obligations of a Clearing Member on Inspection**

17.4.1 It shall be the duty of every director, officer and employee of the Clearing Member, who is being inspected, to produce to the inspecting authority such books, accounts and other documents in his custody or control or arrange to produce where such books, accounts and other documents when they are in any other person's custody or control and furnish him such statements and information within such time as the said inspecting authority may require.

17.4.2 The Clearing 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.

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

17.4.4 It shall be the duty of every director, officer and employee of the Clearing Member or where an associate is examined, such associate to give to the inspecting authority all assistance in connection with the inspection which the Clearing Member may be reasonably expected to give.

17.4.5 The inspecting authority shall be entitled to examine the records relating to the Clearing Member's financial affairs held with its bankers or any other agency which the inspecting authority may find it relevant.

17.4.6 The inspecting authority shall have access to accounts and other records relating to the Clearing Member or such access as authorised by the Clearing Corporation to accounts and other records relating to any associate of the Clearing Member, as are within the power of the Clearing Member to provide.

17.5 **Submission of Report**

17.5.1 The inspecting authority shall, as soon as possible submit an inspection report to the Clearing Corporation.

17.5.2 All documents, papers, returns or the copies submitted to the inspecting authority may be retained by it on behalf of the Clearing Corporation. It shall maintain complete confidentiality thereof and no disclosure of any information contained therein shall be made to any person, firm, company or authority unless required by any law for the time being in force and not without approval of the Clearing Corporation in this regard.

17.5.3 The Clearing Corporation shall, after consideration of the inspection report, communicate the findings to the Clearing Member to give him an opportunity of being heard before any action is taken by the Clearing Corporation on the findings of the inspecting authority.

17.5.4 On receipt of the explanation, if any, from the Clearing Member, the Clearing Corporation may call upon Clearing Member to take such measures as the Clearing Corporation may deem fit.

17.5.5 Notwithstanding anything contained as above, where the Clearing Corporation is of the opinion that no such hearing should be provided in certain circumstances, it may take action forthwith without giving an opportunity of being heard.

CHAPTER -18

ARBITRATION

I. All claims, disputes, differences, arising between Clearing Members and Constituents or between Clearing Members inter se or between warehouse service provider and constituent arising out of or related to deals admitted for clearing and settlement by the Clearing Corporation or with reference to anything done in respect thereto or in pursuance of such deals shall be referred to and decided by arbitration as provided in the Rules, Byelaws and Regulations of the Multi Commodity Exchange of India Limited if the deal originated from it or in pursuance thereof.

II. All claims, disputes, differences arising, between Clearing Members and Constituents or between Clearing Members inter se or between warehouse service provider and constituent arising out of or related to deals admitted for clearing and settlement by the Clearing Corporation or with reference to anything done in respect thereto or in pursuant of such deals shall be referred to and decided by arbitration as provided in the Rules, Bye laws and Regulation of the Clearing Corporation if the deal originated from any Exchange other than the Multi Commodity of India Limited or in pursuance thereof.

18.1 Definitions

(a) 'Act' shall mean the Arbitration & Conciliation Act, 1996 or any statutory modification or re-enactment thereof.

(b) 'Arbitrator' means a sole arbitrator or a panel of arbitrators.

(c) 'Applicant' means the person who makes the application for initiating arbitral proceedings.

(d) 'Respondent' means the person against whom the Applicant lodges arbitration application, whether or not there is a claim against such person.

18.2 Reference to Arbitration

All claims, differences or disputes between the Clearing Members inter se and between Clearing Members and Constituents arising out of or in relation to dealings, contracts and transactions admitted for clearing and settlement on the Clearing Corporation subject to the Bye-Laws, Rules and Regulations or with reference to anything incidental thereto or in pursuance thereof or relating to their validity, construction, interpretation, fulfillment or the rights, obligations and liabilities of the parties thereto shall be submitted to arbitration in accordance with the provisions of these Byelaws and Regulations

18.3 **Provisions of these Byelaws and Regulations deemed to form part of all dealings, contracts and transactions**

In all dealings, contracts and transactions, which are admitted for clearing and settlement on the Clearing Corporation subject to the Byelaws, Rules and Regulations, the provisions relating to arbitration as provided in these Byelaws and Regulations shall form and shall be deemed to form part of the dealings, contracts and transactions and the parties shall be deemed to have entered into an arbitration agreement in writing by which all claims, differences or disputes of the nature referred to in Byelaw (II) above shall be submitted to arbitration as per the provisions of these Byelaws and Regulations.

18.4 **Limitation period for reference of claims, differences or disputes for arbitration**

All claims, differences or disputes referred to in Regulation (II) above shall be submitted to arbitration within the period prescribed under the Limitation Act, 1963

18.5 **Power of the Relevant Authority to prescribe Regulations**

18.5.1 The Relevant Authority may, from time to time prescribe Regulations for the following:

(i) the procedure to be followed by the parties in arbitral proceedings. In particular, and without prejudice to the generality of the foregoing power, such procedure may, inter alia, provide for the following:

a. the forms to be used;
b. the fees to be paid;
c. the mode, manner and time period for submission of all pleadings by both the parties;
d. matters relating to requests from the parties for amending or supplementing the pleadings; and
e. the consequences upon failure to submit such pleadings by the parties.

(ii) the procedure to be followed by the arbitrator in conducting the arbitral proceedings. In particular, and without prejudice to the generality of the foregoing power, such procedure may, inter alia, provide for

a. adjournment of hearings; and
b. terms and conditions subject to which the arbitrator may appoint experts to report on specific issues and the procedure to be followed in arbitral proceedings upon such an appointment.

c. passing interim orders / directions if deemed fit.

(iii) different set of arbitration procedures for different claims, differences or disputes after taking into consideration such circumstances and facts as the Relevant Authority may deem fit which circumstances and facts may include the value of the subject matter and the persons who are involved as parties to such claims, differences or disputes.

(iv) creation of seats of arbitration for different regions or prescribing geographical locations for conducting arbitrations and prescribing the courts which shall have jurisdiction for the purpose of the Act.

(v) the claims, differences or disputes which may be referred to a sole arbitrator and the claims, differences or disputes which may be referred to a panel of arbitrators.

(vi) the procedure for selection of persons eligible to act as arbitrators.

(vii) the procedure for appointment of arbitrator.

(viii) the terms, conditions and qualifications subject to which any arbitrator may be appointed.

(ix) determination of the number of arbitrators in the case of a panel of arbitrators.

(x) the time period within which a substitute arbitrator has to be appointed in case the office of the arbitrator falls vacant for any reason whatsoever.

(xi) the matters to be disclosed by any person who is approached in connection with his possible appointment as an arbitrator.

(xii) the procedure to be adopted by the parties for challenging the appointment of an arbitrator.

(xiii) (a) The claims, differences or disputes which, may be decided by the arbitrator without a hearing unless either party in writing requests the relevant authority for a hearing and the time period within which such a request shall be made.

(b) The claims, differences or disputes which, may be decided by the arbitrator only by hearing the parties unless both the parties jointly waive the right to such hearing and the time period within which such a waiver shall be made.

(xiv) the place of arbitration for each reference and the places where the arbitrator can meet for consultation, for hearing witnesses, experts, or the parties, or for inspection of documents, goods or other property.

(xv) the making of the arbitral award including the manner in which a decision is to be taken in the case of panel of arbitrators and the form and contents of the arbitral award.

The term arbitral award shall also include an arbitral award on agreed terms. Prescriptions as to the contents of the arbitral award may include provisions for costs and where the arbitral award is for the payment of money, may include interest payable on principal sum due.

(xvi) the amount of deposit or supplementary deposit, as the case may be, as an advance for the costs which it expects will be incurred in respect of the claim, difference or dispute; provided where a counter-claim is submitted to the arbitrator, a separate amount of deposit for the counter-claim may also be specified.

(xvii) the administrative assistance which may render in order to facilitate the conduct of arbitral proceedings.

(xviii) all matters regarding the mode and the manner of service of notices and communications by the parties including communication addressed to arbitrator.

(xix) any other matter which in the opinion of the Relevant Authority is required to be dealt with in the Regulations to facilitate arbitration.

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

18.6 **Disclosure by persons to be appointed as arbitrators**

Every person who is approached in connection with his possible appointment as an arbitrator, shall disclose to the Relevant Authority in writing any circumstances likely to give rise to justifiable doubts as to his independence and impartiality. If the person

discloses any circumstances which in the opinion of the Relevant Authority are likely to give rise to justifiable doubts as to his independence and impartiality, then he shall not be appointed as an arbitrator.

18.7 **Disclosure by persons appointed as arbitrators**

An arbitrator, from the time of his appointment and throughout the arbitral proceedings, shall, without delay, disclose to the relevant authority in writing any circumstances referred to in Regulation 18.6 above which have come to his knowledge after his appointment as an arbitrator.

18.8 **Termination of mandate of the arbitrator**

The mandate of the arbitrator shall terminate if

(a) the arbitrator withdraws from office for any reason; or

(b) in the opinion of the Relevant Authority, the arbitrator becomes de jure or de facto unable to perform his functions or for other reasons fails to act without undue delay including failure to make the arbitral award within the time period specified by the Relevant Authority. Such a decision of the Relevant Authority shall be final and binding on the parties; or

(c) the mandate of the arbitrator is terminated by the Relevant Authority upon receipt of written request for the termination of the mandate of the arbitrator from both the parties to arbitration; or

(d) the arbitrator discloses any circumstances referred to in Regulation 18.6 and 18.7 which in the opinion of the Relevant Authority are likely to give rise to justifiable doubts as to his independence and impartiality; or

(e) the arbitral proceedings are terminated as provided for herein.

18.9 **Supplying of vacancy to the office of the arbitrator**

At any time before the making of the arbitral award should the office of the arbitrator fall vacant for any reason whatsoever including any vacancy due to the illness or death of the arbitrator or termination of the mandate of the arbitrator by the relevant authority or otherwise, the vacancy shall be supplied by the relevant authority by following the same procedure as specified by it for appointment of the arbitrator.

18.10 **Consideration of recorded proceedings and evidence**

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

18.11 **Order or ruling of previous arbitrator not invalid**

An order or ruling of the arbitrator made prior to the termination of his mandate shall not be invalid solely because his mandate has been terminated; provided that when the termination has been effected pursuant to Regulation 18.8(d), the order or ruling of the arbitrator made prior to termination of his mandate shall become invalid unless otherwise agreed upon by the parties.

18.12 **Interim arbitral award and interim measures ordered by the arbitrator**

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

18.13 **Appearance in arbitral proceedings by counsel, attorney or advocate**

In arbitral proceedings where both the parties are Clearing Members, the parties shall not be permitted to appear by counsel, attorney or advocate but where one of the parties is a Constituent, then the Constituent shall be permitted to appear by counsel, attorney or advocate. If the Constituent chooses to appear by counsel, attorney or advocate, then the Clearing Member shall be granted a similar privilege.

18.14 **Expeditious disposal of arbitration cases**

a. Time for appointment of Arbitrator

Where an arbitration application is made, the appointment of arbitrator or panel of arbitrators, shall be completed within thirty days of receipt of the application.

b. Adjournment

Adjournment, if any, shall be granted by the arbitrator only in exceptional cases, for bonafide reasons to be recorded in writing.

c. Time for Completion of Arbitration

The arbitrator(s) shall conclude the arbitration reference within four months from the date of their appointment, by issuance of an arbitral award.

d. Request for extension

The time for making an arbitral award may be extended for a total period not exceeding two months by Relevant Authority on an application by either party or the arbitrator(s), for sufficient cause to be recorded in writing.

18.15 **Implementation of Arbitral Award**

Notwithstanding anything contained in the Bye-laws, in cases where the arbitral award or appellate arbitral award is passed against the Clearing Member and in favour of a Constituent, the Clearing Corporation shall debit from the deposits or other monies of the Clearing Member lying with the Clearing Corporation, the amount of award payable to the awardee together with interest payable, if any, till the date of debit after setting off the counter claim of the Clearing Member and /or its Constituent allowed under the award, if any, and keep aside the said amount in a separate account to be dealt with in such manner as mentioned in Regulation 18.16 (b) and 18.20 of this Chapter.

18.16 **Payment of Debited Amount**

a. Arbitral Award:- Where the Clearing Member chose not to prefer an appeal under Regulation 18.22 within the time permissible there under, the amount debited under Regulation 18.15 shall be paid, together with the interest earned thereon, to the awardee.

b. Appellate Arbitral Award:- Where an appeal is preferred by the Clearing Member under Regulation 18.22 and the appellate arbitral tribunal makes an appellate arbitral award against the Clearing Member the Clearing Corporation shall pay the awarded amount to the awardee from the amount debited under Regulation 18.15:-

i. where no application is made by the Clearing Member under Section 34 of the Arbitration and Conciliation Act, 1996 to challenge such arbitral award within the limitation period for making such application, upon expiry of such limitation period;

ii. where such an application is made by the Clearing Member, and no stay is granted by the court within three months from the date of receipt of appellate arbitral award by him, upon completion of such three months;

18.17 **Reversal of Debit in Certain Cases**

Where the arbitral award or the appellate arbitral award against the Clearing Member has been set aside or has been modified by reduction of awarded amount, and such

setting aside or modification has attained finality, the Clearing Corporation may reverse the debit, in full or in part, as the case may be, and pay the reduced amount, if any, to the awardee.

18.18 **Arbitration proceedings subject to the provisions of the Act**

The arbitration proceedings as provided for by the provisions of these Byelaws and Regulations shall be subject to the provisions of the Act to the extent not provided for in these Byelaws or the Regulations.

18.19 **Construction of references**

For the purposes of section 2(6) of the Act, in all claims, differences or disputes which are required to be submitted to arbitration as per the provisions of these Byelaws and the Regulations, wherever Part A of the Act leaves the parties free to determine a certain issue, the parties shall be deemed to have authorised the Relevant Authority to determine that issue.

18.20 **Administrative assistance**

For the purpose of section 6 of the Act, in all claims, differences or disputes which are required to be submitted to arbitration as per the provisions of these Byelaws and Regulations, the parties shall be deemed to have arranged for administrative assistance of the Relevant Authority in order to facilitate the conduct of the arbitral proceedings.

18.21 **Jurisdiction**

All parties to a reference to arbitration under these Byelaws and Regulations and the persons, if any, claiming under them, shall be deemed to have submitted to the exclusive jurisdiction of the courts in Mumbai or any other court as may be specified by the Relevant Authority for the purpose of giving effect to the provisions of the Act.

18.22 **Appellate Arbitration**

18.22.1 A party aggrieved by an arbitral award may appeal to the appellate panel of arbitrators of the Exchange against such award.

18.22.2 An appeal before the appellate panel of arbitrators may be filed within one month from the date of receipt of arbitral award.

18.22.3 The appellate panel shall consist of three arbitrators who shall be different from the ones who passed the arbitral award appealed against.

18.22.4 The appellate Arbitrators shall be appointed within 30 days from the date of receipt of application for appellate arbitration.

18.22.5 The appeal shall be disposed of within three months from the date of appointment of appellate panel of such appeal by way of issue of an appellate arbitral award. The Managing Director or any officer (s) authorized by the Board may for sufficient cause extend the time for issue of appellate arbitral award by not more than two months on a case to case basis after recording the reasons for the same. A party aggrieved by the appellate arbitral award may file an application to the Court of competent jurisdiction in accordance with Section 34 of the Arbitration and Conciliation Act, 1996.

III. The provisions of Regulation (I) & (II) shall become applicable to all claims, differences, disputes between the parties mentioned therein for all dealings, contracts and transactions admitted for clearing and settlement on the Clearing Corporation in respect of trading and made subject to the byelaws, rules and regulations provided such dealings, contracts and transactions had been entered into between the parties mentioned therein prior to or to the date on which the Clearing Member was either declared a defaulter or expelled or has surrendered his trading membership.

IV. The complaints/grievances against warehouse service provider pertaining to quality or quantity / any damages arising after the delivery shall be addressed through the complaint redressal mechanism, including arbitration mechanism.

CHAPTER -19

COMMODITY RECEIPTS INFORMATION SYSTEM (ComRIS)

"ComRIS" (Commodity Receipts Information System), a web based application of the Clearing Corporation is an Electronic Warehouse Receipt System designed to maintain electronic record of commodities deposited at the Clearing Corporation accredited Warehouses/Vaults and ensure real time transfer of the receipts between participants

The ComRIS Participant is authorized by the Clearing Corporation to open and maintain ComRIS Account for its own and for its clients, for the purpose of holding electronic credits of underlying commodities and dealing therein including transfers thereof in the manner prescribed.

The Relevant Authority shall prescribe the process from time to time for the functioning, regulating and operating the ComRIS System or any other electronic mode, by or as a ComRIS Participants of the Clearing Corporation.

19. 1. Obligations of the ComRIS Participant

The ComRIS Participant shall, before opening of account of any User/Depositor in accredited Warehouses of Clearing Corporation, fulfil the followings;

19.1.1 make all such inquiries as may be expedient and exercise due care and caution in ascertaining the bonafides and track record of the intending User/Depositor inter alia, by carrying out appropriate due diligence;

19.1.2 scrutinize the authenticity of all documents produced by the User/Depositor for opening the account or for deposit of commodities;

19.1.3 Where the account is opened by a non-individual entity account holders, desires to authorize one or more of them to issue instructions to the ComRIS Participant from time to time, the ComRIS Participant shall ensure that due authorization is obtained by the holders.

19.1.4 The ComRIS Participant shall not effect any debit or credit to the account of a User/Depositor unless:

19.1.4.1 the ComRIS Participant has received appropriate prior written instructions from the concerned User/Depositor or the Clearing Corporation in that behalf and

19.1.4.2 an adequate audit trail of the same is duly maintained.

19.1.5 Separate accounts shall be opened and maintained by the ComRIS Participant in the name of each User/Depositor and the commodities of each User/Depositor shall

be kept segregated and shall not be mixed up with the commodities of other User/Depositor or with the ComRIS Participant's own commodities.

19.1.6 The ComRIS Participant shall preserve for a minimum period of five years or such period as may be prescribed by Clearing Corporation from time to time, all original documents such as account opening forms, agreements/ Rights & Obligations document with User/Depositor and instructions received from User/Depositor, as also copies of deposit form, withdrawal form, pledge form, pledge closure form, confiscation form, freeze form, unfreeze form, transfer request form and any other form / document as may be prescribed by the Clearing Corporation from time to time.

19.1.7 The ComRIS Participant's responsibility and liability for payment to the Clearing Corporation of all fees, charges, dues and penalties in respect of all transactions and entries effected or carried out by or through the ComRIS Participant shall be unconditional and such amounts shall be payable by the ComRIS Participant to the Clearing Corporation irrespective of whether the ComRIS Participant has received payment of or recovered any amount from the concerned User/Depositor or not, such recovery from the User/Depositor being the sole responsibility of the ComRIS Participant.

19.1.8 The ComRIS Participant shall, as far as possible, carry out instructions received from any User/Depositor on the same day on which the instructions are received and failing that, shall carry out the instructions before the close of working hours of the immediately succeeding working day.

19.1.9 The ComRIS Participant shall exercise lien on commodities held in any account by following instructions, on any commodities belonging to the User/Depositor held in any account with the ComRIS Participant, as security for recovery of dues owed by User/Depositor to the ComRIS Participant in his capacity as such including any compensation for any loss caused to the ComRIS Participant and/or the Clearing Corporation by reason of fraud, negligence or mistake on the part of the User/Depositor. The ComRIS Participant shall, upon receipt of such approval from the Clearing Corporation, give notice in writing to the concerned User/Depositor of the exercise of such lien by the ComRIS Participant in respect of such of the commodities held in the User/Depositor's account as may be specified by the Clearing Corporation from time to time.

19.1.9.1 The ComRIS Participant shall, forthwith upon discovering any loss, destruction or theft of any commodity, instruments or documents belonging or owed to any User/Depositor that may have been entrusted to or may otherwise have come into the hands of the ComRIS

Participant in the course of his/its business, notify the Clearing Corporation, the concerned User/Depositor in that behalf.

19.1.9.2 The ComRIS Participant alone shall be responsible to ensure that all duties, taxes or levies, if any, of whatsoever nature that may be payable under any Central or State enactment in respect of entries, transactions or transfers effected by or through the ComRIS Participant are duly paid as required in law.

19.1.9.3 The ComRIS Participant shall process requests received from User/Depositor for deposit or withdrawal within such time and in such manner as may be specified by the Clearing Corporation from time to time.

19.1.9.4 Notwithstanding anything to the contrary contained herein, the ComRIS Participant shall not be bound to give effect to any entries or transactions and the Clearing Corporation shall not be bound to permit any entries or transactions to be effected, which would violate any law or any decree or order of any court or tribunal or any order or direction of the Central or State Government or that of any other statutory or revenue authority that may have been served upon or intimated to the ComRIS Participant or the Clearing Corporation or which to their knowledge, would constitute a breach of any covenant or undertaking given to any court, tribunal or statutory or revenue authority or which the Clearing Corporation otherwise deems not to be in its interest or that of its ComRIS Participant or User/Depositor.

19.1.10 The ComRIS Participant shall strictly comply with the time schedule specified from time to time by the Clearing Corporation for data entry and transfer.

19.1.11 The ComRIS Participant shall furnish to the User/Depositor a statement in such form as may be specified of his/its account at the end of every month if there has been even a single entry or transaction during that month, and in any event once at the end of each financial year. The ComRIS Participant shall furnish such statements at such shorter periods as may be required by the User/Depositor on payment of such charges by the User/Depositor as may be specified by the ComRIS Participant.

19.1.12 The ComRIS Participant assumes full responsibility for verifying the authenticity of instructions issued by or on behalf of User/Depositor including signature/s of the User/Depositor/s on the instruction slips and undertake to process the instructions after satisfying itself about the accuracy and genuineness of the signatures on the instructions slips. The ComRIS Participant shall ensure that it has in place

appropriate systems and/or processes as may be specified by the Clearing Corporation from time to time in this regard.

19.2 Obligations relating to ComRIS Participant's own account

19.2.1 The ComRIS Participant shall not commingle the commodities held by it in his/its own right in the account with those held by it as the ComRIS Participant on behalf of User/Depositor.

19.2.2 The ComRIS Participant shall comply with such procedures for deposit and withdrawal of commodities to and from any of his/its own accounts (as distinguished from the accounts of User/Depositor with it) as may be laid down by the Clearing Corporation from time to time.

19.3 Information to be furnished by the ComRIS Participant to the Clearing Corporation

19.3.1 The ComRIS Participant shall submit Audited Financial Statement (AFS) and Net worth Certificate to the Clearing Corporation within such period as prescribed by the Clearing Corporation

19.3.2 In the event of the networth of the ComRIS Participant falling below the networth criteria, the ComRIS Participant shall forthwith intimate the Clearing Corporation and shall, if so required, furnish a fresh networth certificate computed as aforesaid and duly certified by a Statutory Auditors. The Clearing Corporation may thereupon take such action as it may deem fit.

19.3.3 Where the ComRIS Participant is a member of any recognized stock commodity exchange and/or any clearing corporation and commits any breach or violation of or defaults in compliance with the bye laws and /or rules of such commodity exchange and/or clearing corporation as the case may be in that behalf or his/its operations, activities or membership is/are suspended or terminated by such commodity exchange, clearing corporation as the case may be, the nature of the default and the reason for such default, suspension or termination to be communicated forthwith upon such occurrence;

19.3.4 The number of complaints received from User/Depositor during the month, complaints redressed during the month, complaints remaining not redressed, the nature and status thereof and the steps taken by the ComRIS Participant for redressal thereof, to be communicated to the Clearing Corporation;

19.3.5 The ComRIS Participant shall notify at the earliest of any change in respect of any of the particulars with regard to any of the matters contained in the application form submitted to the Clearing Corporation

19.3.6 The ComRIS Participant shall provide such information relating to User/Depositor

and their accounts with the ComRIS Participant as may be required by the Clearing Corporation from time to time.

19.4 Maintenance of records

The ComRIS Participant shall maintain all documents and records in respect of operations in such manner as may be specified by the Clearing Corporation from to time.

19.5 Reconciliation and Rectification of Errors

19.5.1 The ComRIS Participant shall reconcile its records with the Clearing Corporation on a daily basis. The ComRIS Participant shall, as a continuous process and on an ongoing basis, check and reconcile with his/its own records and those of his/its User/Depositor, all records, balances, advices, statements and reports received by the ComRIS Participant from the Clearing Corporation and promptly notify the Clearing Corporation of any error or omission in such records, balances, advices, statements and reports.

19.5.2 The ComRIS Participant shall be liable for any loss caused to the Clearing Corporation or to any other ComRIS Participant or User/Depositor due to late request to rectify an error or omission, if any. However, the Clearing Corporation shall reserves the right to rectify any erroneous entry or transaction made to the account of any User/Depositor. In the event of the Clearing Corporation carrying out any such rectification, the Clearing Corporation shall inform the ComRIS Participant and the concerned User/Depositor of such rectification.

19.6 Internal controls and Audit

19.6.1 The ComRIS Participant shall install and maintain suitable systems, audit and control measures including setting up of separate internal controls and an audit department inter alia for regularly reviewing his/its internal operations ensuring due compliance and maintaining the integrity and confidentiality of data transmitted to the Clearing Corporation.

19.6.2 The ComRIS Participant shall from time to time submit such operational, financial, technical or other data, information, reports and returns, in relation to his/its activities and operations as a ComRIS Participant, duly audited and certified by a Chartered Accountant, a Company Secretary in practice or by a Systems Auditor, as the case may be, in such form and manner and within such period, as may be specified by the Clearing Corporation.

19.7 Inspection by the Clearing Corporation

The Clearing Corporation shall be entitled to carry out inspection of the facilities, systems, records and books of the ComRIS Participant relating to all dealings of the ComRIS Participant with it through such persons as may be authorized in that behalf by the Clearing Corporation and the ComRIS Participant shall permit the persons so authorized entry into his/its premises during regular business hours on any working day and shall allow access to his/its facilities, systems, records and books and permit copies thereof to be made.

19.8 Back-up facilities

19.8.1 The ComRIS Participant shall strictly follow the back-up procedure recommended by the Clearing Corporation. The Clearing Corporation shall not be liable to the ComRIS Participant for any loss or damage arising out of failure on the part of the ComRIS Participant to maintain up to date back-up of the computer programme and the relevant data.

19.8.2 The ComRIS Participant shall permit access to any person/s designated by the Clearing Corporation to inspect his/its back-up and shall make available such extracts or reports of the records maintained at the said back-up facilities as may be required by the Clearing Corporation.

19.9 Disaster Recovery Plan

19.9.1 The ComRIS Participant shall forthwith inform the Clearing Corporation of any loss or failure of connectivity between the ComRIS Participant and the Clearing Corporation.

19.9.2 The ComRIS Participant shall strictly adhere to such plan, scheme or procedure (to be known as "Disaster Recovery Plan") as may be specified by the Clearing Corporation.

19.10 Suspension and Termination

19.10.1 A ComRIS Participant shall cease to carry on business as a ComRIS Participant with the Clearing Corporation,

19.10.2 In case the Clearing Corporation has reasonable grounds to believe that the ComRIS Participant is approaching financial difficulty or will be unable to meet his/its obligations in relation to the Clearing Corporation or his/its User/Depositor;

19.10.3 In the event of bankruptcy, insolvency, liquidation or winding up of the ComRIS

Participant or the initiation of any proceedings in relation thereto or if the Clearing corporation considers in its absolute discretion that the occurrence of such events are imminent or likely;

19.10.4 In the event of the ComRIS Participant's failure to pay security deposits, fees or any other charges as may be required or furnish additional or collateral commodities within such time as may be required by the Clearing Corporation;

19.10.5 In case the Clearing Corporation has reasonable grounds to believe that the ComRIS Participant has been responsible for negligence or fraudulent or dishonest conduct or has made a material misstatement or omitted to state a material fact in any statement to the Clearing Corporation;

19.10.6 In case the ComRIS Participant has violated or committed any breach or default in the observance or performance of any provisions of the Clearing Corporation

19.10.7 In case the ComRIS Participant 's empanelment by the Clearing Corporation has been suspended or cancelled;

19.10.8 In case the ComRIS Participant is a member of a stock exchange/clearing corporation, if the ComRIS Participant has been expelled or his/its trading privileges have been suspended by the commodity Exchange /Clearing Corporation.

19.10.9 In the event of the ComRIS Participant failing to redress grievances of User/Depositor to the satisfaction of the Clearing Corporation;

19.10.10 In case the Clearing Corporation has reasonable grounds to believe that the ComRIS Participant has been carrying on his/its activities in a manner which is detrimental to the interest of the Clearing Corporation and/or User/Depositor or that the termination of the relationship with the ComRIS Participant is necessary for the protection of User/Depositor or other ComRIS Participant or to facilitate the orderly performance of services rendered by the Clearing Corporation;

19.10.11 Without prejudice to any other rights of the Clearing Corporation may have, in the event of occurrence of any of the events listed hereinabove, the Clearing Corporation may suspend with immediate effect, the business or activities of the ComRIS Participant in the Clearing Corporation, before issuance of any notice or pending the notice period and/or inquiry under the Bye Laws.

19.11 Withdrawal by the ComRIS Participant

19.11.1 The ComRIS Participant shall be entitled to withdraw as a ComRIS Participant from

the Clearing Corporation by issuing to the Clearing Corporation a communication in writing giving notice of not less than thirty days. The Clearing Corporation may, however, require the ComRIS Participant to continue his/its business as ComRIS Participant in the Clearing Corporation for such further period not exceeding three months from the receipt of such notice if the Clearing Corporation shall deem it necessary to do so in the interest of the User/Depositor or in the orderly functioning of the Clearing Corporation.

19.11.2 The ComRIS Participant shall not be permitted to withdraw as a ComRIS Participant from the Clearing Corporation unless and until the ComRIS Participant shall have provided satisfactory evidence to the Clearing Corporation of its having :

19.11.2.1 issued notice of his/its intended withdrawal to all User/Depositor holding accounts with it;

19.11.2.2 transferred all accounts of the User/Depositor to any other ComRIS Participant/s of the User/Depositor's choice in the Clearing Corporation;

19.11.2.3 ensured that there are no pending instruction or unresolved grievance/complaints of Users/ Depositors or Clearing Corporation;

19.11.2.4 complied with such other terms and conditions as the Clearing Corporation may have specified in that behalf.

19.11.2.5 no amount due, owing or payable

19.12 Consequences of Withdrawal

19.12.1 On withdrawal by the ComRIS Participant, the Clearing Corporation shall return to or make available for collection by the ComRIS Participant, all security deposits or other commodities that may have been furnished by the ComRIS Participant to the Clearing Corporation by way of collateral or additional security on expiry of six months from the date of withdrawal of ComRIS Participant or after resolving pending investor grievances, if any, to the satisfaction of the Clearing Corporation, whichever is later, provided however that the Clearing Corporation shall have the right to retain any security/ deposit or to adjust or set off amounts from such security deposit equivalent to the amount which is due or is likely to become due to the Clearing Corporation, other ComRIS Participant or User/Depositor in respect of transactions or entries effected by the ComRIS Participant during the currency of transaction.

19.12.2 The Clearing Corporation shall, on receipt of communication in writing from the ComRIS Participant conveying his/its decision to withdraw from the Clearing Corporation, notify all other ComRIS Participant and initiate suitable steps for the protection of the interests of User/Depositor and other ComRIS Participant.

19.12.3 The ComRIS Participant shall be required to meet all his/its outstanding obligations to the Clearing Corporation, whether incurred while the ComRIS Participant was acting as such or incurred thereafter but arising out of any action, transaction or dealings by the ComRIS Participant during the currency of transaction.

19.12.4 On withdrawal by the ComRIS Participant from the Clearing Corporation, every User/Depositor holding an account with the ComRIS Participant shall have the option to either get his commodities held with the ComRIS Participant transferred to another ComRIS Participant or get the same withdrawn. Notwithstanding anything stated above even after such withdrawal, the ComRIS Participant shall continue to act as a ComRIS Participant for the limited purpose of either getting the commodities held with the ComRIS Participant transferred to another ComRIS Participant or get the commodities withdrawn.

19.12.5 Upon withdrawal by the ComRIS Participant from the Clearing Corporation, the Clearing Corporation shall give notice in writing to all User/Depositor holding accounts with the ComRIS Participant calling upon the User/Depositor to have their accounts transferred to any other ComRIS Participant within fifteen days from the receipt of such notice. In the event of there being any User/Depositor who have failed to have their accounts transferred to any other ComRIS Participant as aforesaid, the Clearing Corporation shall nominate one or more ComRIS Participant to whom such accounts shall stand transferred for the time being provided however that no debits in respect of the commodities in such transferred account shall be effected until such time as the concerned User/Depositor shall have entered into an agreement with any other ComRIS Participant.

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