RULES OF NATIONAL COMMODITY AND DERIVATIVES EXCHANGE LIMITED

1. [DEFINITIONS]


3. “Exchange” means National Commodity and Derivatives Exchange Limited and the premises and/or the system for executing transactions in commodity derivatives or any other products/securities that are permitted and/or approved by SEBI.

4. "Clearing Bank(s)" means such bank(s) as NCDEX may appoint to act as funds settling agency, for the collection of margin money for all deals cleared through exchange and any other funds movement between clearing members and the Clearing House and between clearing members as may be directed by the Clearing House from time to time.

5. "Clearing Member" means a person having clearing and settlement rights in any recognized clearing corporation and shall include any person having clearing and settlement rights on the Exchange Provided that such a clearing member of the Exchange shall be required to become a member of a recognized clearing corporation from such date as may be specified by the SEBI.

6. "Clearing House" means a division of the Exchange or any agency identified by the relevant authority or any independent entity such as Clearing Corporation set up and empowered suitably to act as a facilitator for processing of deliveries and payments between clearing members/trading members and participants for trades effected by them on the Exchange.

7. “Goods” mean the meaning assigned to it in section 2 (bb) of SCRA.

8. “Commodity Derivative” shall have the meaning as assigned to it in section 2 (bc) of SCRA.

9. “Contract” means a contract for or relating to the purchase or sale of securities and which is specifically approved by SEBI for trading on the Exchange.

10. "Regulations", unless the context indicates otherwise, includes business rules, code of conduct and such other regulations prescribed by the Relevant Authority from time to time for the operations of the Exchange and these shall be subject to the provisions of the Securities Laws, Rules framed thereunder, the directives of SEBI or any other similar regulatory authority and such other directives and provisions as may be specified from time to time by the Relevant Authority.

11. "Relevant Authority" means the Board or such other authority as specified by the Board from time to time as Relevant Authority for a specified purpose.

12. SCRA” means Securities Contracts (Regulation) Act, 1956 and amendments thereto.


1 Amended and renumbered as notified vide clauses 2 to 5 of Gazette Notification in Part IV of weekly Gazette dated November 11- November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra.


19. “Self-Clearing Member” means the self-clearing member as defined in Regulations 2 (1) (fa) of the Stock Broker Regulations.

20. “Stock Broker” means the Stock Broker as defined in Regulation 2 (1) (gb) of the Stock Broker Regulations.


22. “Trading Member” means a person having trading rights in NCDEX and includes a stock broker”.

2. BOARD

1. The Board may organise, maintain, control, manage, regulate and facilitate the operations of the Exchange and of commodities transactions by trading members / clearing members, subject to the provisions of the Securities Laws, and any directives issued thereunder as may be prescribed from time to time.

2. Directors of the National Commodity & Derivatives Exchange Limited shall be appointed in accordance with the provisions of the Articles of Association of the Company as amended from time to time 3[and in accordance with norms and conditions as prescribed by the SEBI and in accordance with the provisions as contained in SECC Regulations.]

3. 4[All appointments to the Board of Directors, the composition of the Board and Committees of the Board shall be in accordance with the norms and procedures prescribed for appointment of Directors under The Companies Act, 2013 or by the Central Government or SEBI as the case may be, under the Securities Laws.]

4. The Board is empowered to make Bye Laws, Rules and Regulations, 5[subject to prior approval of SEBI and in accordance with Securities Laws.] from time to time, for all or any matters relating to the conduct of business of the Exchange, the business and transactions of trading members / clearing members between trading members / clearing members inter-se as well as the business and transactions between trading members / clearing members and persons who are not trading members

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3 Substituted vide clause 7 of Gazette Notification in Part IV of weekly Gazette dated November 11- November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra. Prior to its substitution the sub Rule 2(2) read as: “……The Central Government may nominate one person as its representatives for appointment as Director and not more than three persons representing interests not directly represented through membership of the Exchange, for appointment as Directors in accordance with Section 6 (2) (b) of Forward Contracts (Regulation) Act, 1952. Any such appointment of Directors shall be considered as one being made under the provisions of these rules.”

4 Amended vide clause 8 of 7 of Gazette Notification in Part IV of weekly Gazette dated November 11-November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra.

5. Without prejudice to the generality of the foregoing, the Board is empowered to make Regulations, subject to the provisions of the Securities Laws, for all or any of the following matters:

a) Norms, procedures, terms and conditions for admission to membership of the Exchange;

b) Conduct of business of the Exchange;

c) Conduct of trading members / clearing members with regard to the business of the Exchange;

d) Prescription from time to time, and administration of penalties, fines and other consequences, including suspension/expulsion of Trading / Clearing Members from the Exchange for violation of any requirements of the Rules, Bye Laws and Regulations and the codes of conduct;

e) Manner of operations and interfacing with clearing bank(s) and other clearing and settlement agencies;

f) Prescription, from time to time, of capital adequacy and other norms which shall be required to be maintained by different categories of Trading / Clearing Members;

g) Maintenance of records and books of accounts by Trading / Clearing Members as may be specified from time to time;

h) Investigation of the financial condition, business conduct and dealings of the Trading / Clearing Members;

i) Disciplinary action/procedures against any Trading / Clearing Member;

j) Declaration of any trading member / clearing member as a defaulter or suspension or resignation or exclusion from trading membership / clearing membership and consequences thereof and Readmission;

k) Conditions, levy for admission or subscription for admission or continuance of trading membership / clearing membership;

l) Charges payable by trading members / clearing members for business transacted through the Exchange, as may be laid down from time to time;

m) Investigation of the financial condition, business conduct and dealings of the trading members / clearing members;

n) Appointment and dissolution of Committee or Committees for any purpose of the Exchange;

o) Such other matters in relation to the Exchange as may be specified under the provisions of the Articles of Association, Bye Laws or these Rules or as may be necessary or expedient for the organisation, maintenance, control, management, regulation and facilitation of the operation of the Exchange.

6. The Board is empowered to delegate, from time to time, to the Executive Committee(s) or to the Managing Director or to any person or committee of persons which may be referred to as Relevant Authority, such of the powers vested in it and upon such terms as it may think fit, to manage all or any of the affairs of the Exchange and from time to time, to revoke, withdraw, alter or vary all or any of such powers.

7. The Board may, *[in accordance with the directives of SEBI and as required under the provisions of SECC Regulations,]* from time to time, constitute one or more committees comprising of members of

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the Board or such others as the Board may in its discretion deem fit or necessary and delegate to such committees such powers as the Board may deem fit and the Board may from time to time revoke such delegation. The Committees constituted by the Board may inter alia include:

a) Admissions Committee for admission of trading members / clearing members;

b) Infrastructure Committee to recommend appropriate infrastructure and implement the same;

c) Systems Committee to recommend setting up of systems for carrying on the functioning of the Exchange and to implement and monitor the same;

d) Any other matter which the Board may think fit.

8. The Board shall have the authority to issue directives from time to time to the Executive Committee or any other Committees or any other person or persons to whom any powers have been delegated by the Board. Such directives issued in exercise of this power, which may be of policy nature or may include directives to dispose off a particular matter or issue, shall be binding on the concerned Committee(s) or person(s).

9. Subject to the approval of SEBI or the provisions of the Securities Laws, the Board is empowered to vary, amend, repeal or add to Bye Laws, Rules and Regulations framed by it.

10. The Members of the Board and of such committees as may be identified by the Board shall adhere to the Code of Conduct as may be prescribed by the Board from time to time.

11. Notwithstanding anything contained in the Rules, Bye Laws, Regulation or any circular, in the event of any conflict or ambiguity on any matter, the decision of Board shall supersede and the Board shall have final say on all matters including but not limited to the matters concerning functioning, regulation, business, membership, and day to day management of Exchange. Board may delegate and instruct any authority or committee to exercise such powers and functions as it may deem fit irrespective of such powers and functions being vested in any other authority or committee or subcommittee under Rules, Bye Laws, Regulations or any directions and any such delegation of power and functions by the Board shall supersede in the event of any conflict or ambiguity.

3. CHIEF EXECUTIVE

3.1 The Managing Director of the Exchange shall be the Chief Executive of the Exchange and shall be the Relevant Authority for day-to-day management and affairs of the Exchange including but not limited to trading, clearing and settlement of trades.

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

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

3.4 The Managing Director shall function in accordance with the directions of Board from time to time on matters as the Board may deem fit.

3.5 The Managing Director may delegate any of his powers and functions from time to time to any person, committee of persons or sub committee of persons who may be referred to as Relevant Authority for exercise of such delegated power/s and function/s.

3.6 The Managing Director may revoke, modify, substitute or alter at any time, any power or function delegated by him to any person, committee or sub committee.
4. [COMMITTEES OF THE BOARD]

4.1 CONSTITUTION

1. 8[One or more Committees of the Board shall be appointed by the Governing Board of NCDEX from time to time as may be specified by SEBI from time to time including a Committee known as Executive Committee.]

2. 9[The Composition of the Committees shall in accordance with the norms as specified by the Board from time to time. The Composition of the Executive Committee(s) appointed by the Board may, interalia, include:

a) Managing Director of the NCDEX,

b) Not more than such number of persons as may be decided by the SEBI under SECC Regulations.

c) Not more than such number of persons representing interests not directly represented through membership of the Exchange;

d) Such number of persons and such other persons as may be decided by the Board and the SEBI under SECC Regulations, from time to time.]

3. The maximum strength of any Executive Committee shall be decided by the Board or any other authority or committee to whom the Board delegates this authority from time to time in accordance with the provisions of SECC Regulations.

4. The person nominated under clauses b), c) and d) above shall hold office for a period of one year or for a period as mentioned by the authority nominating him, whichever is lesser.

5. 11[Notwithstanding anything contained herein, the SEBI circulars or directives dealing with the corporate governance norms including constitution, appointment and composition of the Executive Committee(s) shall be complied with.]

4.2 12[POWERS OF COMMITTEE(S)]

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8 The existing title appearing as “EXECUTIVE COMMITTEE” is substituted with the title as “COMMITTEES OF THE BOARD, vide clause 11(a) of Gazette Notification in Part IV of weekly Gazette dated November 11-November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra.

9 Substituted vide clause 11(b) of Gazette Notification in Part IV of weekly Gazette dated November 11-November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra.

Prior to its substitution Rule 4.1.1 read as under:

“1. One or more Executive Committee(s) may be appointed by the Board for the purposes mentioned in 4.2 here below. The Executive Committee may also be referred to as Governing Body for the functions delegated to it by the Board.”

10 Inserted vide clause 11(d) of Gazette Notification in Part IV of weekly Gazette dated November 11-November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra.


12 The existing title to the sub rule 4.2 appearing as “POWERS OF EXECUTIVE COMMITTEE” be substituted with “POWERS OF COMMITTEE(S)”, vide clause 11(f) of Gazette Notification in Part IV of weekly Gazette dated November 11-November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra.
1. The Board may delegate from time to time to the Executive Committee(s) such of the powers vested in it and upon such terms as it may think fit, from time to time, to revoke, withdraw, alter or vary all or any of such powers.

2. The Executive Committee shall have such responsibilities and powers as may be delegated to it by the Board from time to time which may include the following responsibilities and powers to be discharged in accordance with the provisions of the Bye Laws and Rules:
   a) Approving commodities/goods for admission to the relevant Official List which can be traded in spot and derivative segment of the Exchange;
   b) Devise policies for development of market for commodities and derivatives and recommend to the Board for implementation.
   c) Any other matter delegated by the Board.

3. The Board or Executive Committee may from time to time constitute such sub-committees and sub delegate any or all its functions to such Sub Committees. The constitution, quorum and responsibilities of such sub committees will be determined by Board/Executive Committee.

4. The Executive Committee may delegate from time to time and authorize the Managing Director to carry out any of its functions, as it may deem appropriate.

5. The Executive Committee(s)/Sub committee(s) shall be bound and obliged to carry out and implement any directives issued by the Board from time to time and shall be bound to comply with all conditions of delegation and limitations on the powers of the Executive Committee(s) as may be prescribed.

4.3 FILLING UP OF VACANCIES

1. Any vacancy caused by resignation, withdrawal of nomination, death or otherwise of a particular category of nominated person on the Executive committee shall be filled in by Board by nominating another person.

4.4 VACATION OF OFFICE OF MEMBERS OF THE BOARD/ EXECUTIVE COMMITTEE

1. The office of any member of the Board or Executive Committee including that of the public representatives, trading members and other nominees on the Executive Committee shall ipso facto be vacated if:
   a) He is adjudicated as insolvent;
   b) He applied to be adjudicated insolvent;
   c) He is convicted by any Court in India of any offence and sentenced in respect thereof to imprisonment for not less than 30 days;
   d) He absents himself from three consecutive meetings of the Executive Committee or for a continuous period of three months whichever is longer without obtaining leave of absence from the Committee meeting;
   e) In the case of a trading member / clearing member, if he ceases to be a trading member of the Exchange / member of the clearing house of the Exchange, or if he, by notice in writing addressed to the Board or Executive Committee as the case may be, resigns his office or if he is suspended or expelled or if his membership is terminated;

2. Provided however that if at any time the Board is satisfied that circumstances exist which render it necessary in public interest to do so, the Board may revoke the nomination of any such person.
4.5 Eligibility of Trading Member / Clearing Member to Become Executive Committee Member

1. No trading member/clearing member shall be eligible to be nominated as a member of an Executive Committee:
   
a) Unless he satisfies the requirement, if any, prescribed in that behalf by the Rules framed under the Securities Laws;
   
b) Unless he is a trading member/clearing member of Exchange for such period as may be decided by the Board from time to time;
   
c) If he is a partner with a trading member who is already a member of that Executive Committee;
   
d) If he has at any time been declared as defaulter or failed to meet his liabilities in ordinary course or compounded with his creditors;
   
e) If his certificate of registration as a broker has been cancelled by the competent authority or he has been expelled by the Exchange;
   
f) If his certificate of registration as a broker or his trading rights have been suspended by the Relevant Authority or the Exchange as the case may be or his membership rights have been suspended by the Exchange on account of any disciplinary action taken against him under the Rules, Regulations or Bye laws of the Exchange and two years have not elapsed from the date of expiry of such suspension of certificate of registration, trading rights or membership rights;

2. A trading member nominated for two consecutive years as a member on an Executive Committee shall not be eligible to be nominated to the Executive Committee unless a period of two years has elapsed since his last nomination.

4.6 Office Bearers of Executive Committee

1. The Executive Committee shall from time to time have the following office-bearers namely, the Chairman and Vice Chairman.

2. The Managing Director of the Exchange shall be the Chairman of Executive Committee(s).

3. The Executive Committee members shall elect one among themselves as the Vice Chairman.

4. The Vice Chairman so elected shall hold office for a period of one year and shall be eligible for re-election.

5. In the event of any casual vacancy arising in the office of the Vice-Chairman due to death, resignation or any other cause, the Executive Committee shall nominate a successor from among the members of the Executive Committee.

6. The persons nominated/elected as above in any casual vacancy shall hold office for the same period for which the office-bearer in whose place he was appointed would have held office if it had not been vacated as aforesaid.

4.7 Meetings of the Executive Committee

1. The Executive Committee may meet at such times and at such periodicity as may be required due to business exigency and may adjourn and otherwise regulate its meetings and proceedings as it thinks fit.

2. The quorum for a meeting of the Executive Committee, shall be one-third of the total strength of the Executive Committee, any fraction being rounded off as one, or five members whichever is lower; provided that where at any time the number of interested members exceeds two-thirds of the total strength, then the number of remaining members, i.e., the number of members present and not interested shall be the quorum for the meeting.
3. The Chairman of the Executive Committee may at any time convene a meeting of the Executive Committee.

4. Questions arising at any meeting of the Executive Committee shall be decided by a majority of the votes cast excepting in cases where a larger majority is required by any provision of the Rules, Bye Laws and Regulations of the Exchange. In the case of equality of votes on matters, which can be decided by a majority of votes, the Chairman presiding over the meeting shall have a second or casting vote.

5. At all meetings of the Executive Committee the Chairman shall ordinarily preside and in his absence the Vice-Chairman shall preside. If the Vice-Chairman also were not present at the meeting, the members of the Executive Committee present shall choose one from among themselves to be Chairman of such meeting.

6. Subject to the conditions stated elsewhere every member of the Executive Committee shall have only one vote whether on a show of hands or on a poll except that in the case of a poll resulting in equal votes, the Chairman who presides over the meeting shall have a casting vote.

7. No vote by proxy shall be allowed either on a show of hands or on a poll in respect of any matter.

8. No member, who has been suspended, expelled or declared defaulter shall be entitled to be present at a meeting or to take part in any proceedings or to vote thereat.

4.8 CHAIRMAN AND VICE CHAIRMAN

The Chairman may assume and exercise all such powers and perform all such duties as may be delegated to him by the Executive Committee from time to time as provided in the Rules, Bye Laws and Regulations of the Exchange.

The Chairman, shall be entitled to exercise any or all of the powers exercisable by the Executive Committee whenever he be of the opinion that immediate action is necessary, subject to such action being placed before by the Executive Committee within twenty-four hours.

A meeting of the Executive Committee for the time being, at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretion for the time being vested in or exercisable by the Executive Committee generally.

5. TRADING MEMBERSHIP / CLEARING MEMBERSHIP

1. The Exchange shall have following categories of Members:

   i. Trading Members: Trading Members shall be the Members admitted as such by the Exchange who shall be entitled to trade on Exchange on behalf of their constituents or on their own account and shall also be bound to clear and settle all such trade done by them unless responsibility to clear and settle is expressly accepted by a Professional Clearing Members in the manner prescribed by the Relevant Authority.

   ii. Professional Clearing Members: Professional Clearing Members shall be the Members admitted as such by the Exchange who shall be entitled to clear and settle the trades done by their Constituents though Trading Members in the manner as prescribed by the Relevant Authority from time to time.

The term ‘Clearing Member’ as used in Rules, Bye Laws and Regulations shall include Professional Clearing Members and Trading Members (while performing function of clearing) unless the context to the contrary.
2. [The admission, suspension, expulsion, re-admission of the trading/clearing member and their rights and privileges shall be subject to the provisions of the SEBI (Stock Brokers and Sub-Brokers) Regulation, 1992, the Securities Contracts (Regulation) Rules, 1957 and the Bye Laws, Rules and Regulations of the Exchange as amended from time to time.]

3. All trading members / clearing members of the Exchange shall have to register themselves prior to commencing operations on the Exchange, with the competent authority.

4. The relevant authority may define and admit more than one category of Trading / Clearing Member and may specify different norms including eligibility, admission and cessation of membership for each type of Trading / Clearing Members.

5. The relevant authority may specify pre-requisites, conditions, formats and procedures for application for admission, termination, re-admission, etc. of Trading / Clearing Members and eligibility criteria for trading / clearing in all or any of the trading / clearing segments of the Exchange. The relevant authority may, at its absolute discretion, refuse permission to any applicant to be admitted as Trading / Clearing Member.

6. Such fees, security deposit, contribution and other money as are specified by the relevant authority would be payable on or before admission as Trading / Clearing Member and for continued appointment thereof.

5.1 ELIGIBILITY FOR TRADING MEMBERS / CLEARING MEMBERS

1. The following persons shall be eligible to become trading members / clearing members of the Exchange:

   a) Individuals
   b) Sole proprietorship
   c) Partnership firms
   d) Cooperative Societies registered with the registrar of cooperative societies of respective states/union territories.
   e) Bodies corporate
   f) Companies as defined in the Companies Act, 1956 / 2013 and
   g) Such other persons or entities as may be permitted under the Securities Laws.

2. No person shall be admitted as a trading member / clearing member of the Exchange if such proposed member:

   a) Is an individual who has not completed 21 years of age;
   b) Is a body corporate who has committed any act which renders the entity liable to be wound up under the provisions of the law;
   c) Is a body corporate who has had a provisional liquidator or receiver or official liquidator appointed to the person;

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13 Substituted vide clause 12 of Gazette Notification in Part IV of weekly Gazette dated November 11-November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra. Prior to substitution the Rules 5.2 read as under:

"2. The rights and privileges of a trading member / clearing member shall be subject to the Bye Laws, Rules and Regulations of the Exchange."
d) Has been adjudged bankrupt or a receiving order in bankruptcy has been made against the person or the person has been proved to be insolvent even though he has obtained his final discharge;

e) Has been convicted of an offence involving a fraud or dishonesty;

f) Has compounded with his creditors for less than full discharge of debts;

g) Has been at any time expelled or declared a defaulter by any other Commodity / Stock Exchange / Clearing Corporation;

h) Has been previously refused admission to membership unless the period of one year has elapsed since the date of rejection;

i) Incurs such disqualification under the provisions of the Securities Laws as disentitles such person from seeking membership of a commodity exchange.

j) Exchange determines that it is not in public interest to admit him as Member of Exchange.

3. No person shall be eligible to be admitted to the trading membership / clearing membership of the Exchange unless the person satisfies:

a) The requirements as may be prescribed in that behalf under the Securities Laws,

b) The requirements of passing the certification programme as may be prescribed by the Exchange as eligibility criteria, and

c) Such additional eligibility criteria as the Board or relevant authority may prescribe for the different classes of trading / clearing members.

5.2 ADMISSION

1. Any person desirous of becoming a trading member / professional clearing member shall apply to the Exchange for admission to the trading membership / professional clearing membership during the period as permitted by the Exchange and specify the relevant trading segment / clearing segment of the Exchange he is desirous of trading / clearing in. Every applicant shall be dealt with by the relevant authority who shall be entitled to admit or reject such applications at its discretion.

2. The application shall be made in such formats as may be specified by the Relevant Authority from time to time for application for admission of trading members / clearing members.

3. **[The application shall have to be submitted along with such fees, security deposit and other monies in such form and in such manner as may be specified by the relevant authority from time to time.](#)**

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14 The existing clause (3) of sub rule 5.2 is omitted and substituted with two separate clause (3) and (4), vide clause 13 of Gazette Notification in Part IV of weekly Gazette dated November 11-November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra.

Prior to substitution the Rule 5.2.3 read as under:

"3. The application shall have to be submitted along with such fees, security deposit and other monies in such form and in such manner as may be specified by the relevant authority from time to time. For the time being the fee, security deposit and the net worth requirements for Trading Member and Professional Clearing Member shall be as under: Trading Member (cum Clearing Member):

a. Interest Free Cash Security Deposit: Rs. 15 lacs
b. Collateral Security Deposit in the format as may be prescribed by relevant authority: Rs.15 lacs.
c. Annual subscription Charges: Rs.0.50 lacs
d. Advance Minimum Transaction Charges: Rs. 0.50 lacs
e. Net worth requirement in the form and manner as may be stipulated by relevant authority: Rs. 50 lacs

Professional Clearing Member:

a. Interest Free Cash Security Deposit: Rs. 25 lacs"
4. The different category of Members shall satisfy the minimum net worth and deposit requirements as specified in the SEBI (Stock Brokers and Sub-brokers) Regulations 1992 from time to time.

5. The applicant shall have to furnish such documents and declarations as may be specified from time to time by the relevant authority.

6. The relevant authority shall have the right to call upon the applicant to pay such fees or deposit such additional security in cash or kind, to furnish any additional guarantee or to require the deposit of any building fund, computerisation fund, training fund or fee or contribution to the settlement guarantee fund as the relevant authority may prescribe from time to time.

7. The relevant authority may admit the applicant to the trading membership / professional clearing membership of the Exchange provided that the person satisfies the eligibility conditions and other procedures and requirements of admission. The relevant authority may at its absolute discretion reject any application for admission without communicating the reason thereof.

8. If for any reason the application is rejected, the application fee or admission fee, as the case may be, or part thereof as may be decided by the relevant authority may at its discretion be refunded to the applicant, without any interest.

9. Relevant Authority may, at its discretion, accept application/s for further admissions to trading membership and/or professional clearing membership of Exchange as and when deemed appropriate by it and may stipulate any premium amount as precondition/s for granting such membership.

10. The relevant authority may at any time from the date of admission to the trading membership / professional clearing membership of the Exchange cancel the admission and expel a trading member / professional clearing member if he has in or at the time of his application for admission to membership or during the course of the inquiry made by the relevant authority preceding his admission:

   a) Made any willful misrepresentation; or

   b) Suppressed any material information required of him as to his character and antecedents; or

   c) Has directly or indirectly given false particulars or information or made a false declaration.

11. When a person is admitted to the trading membership / professional clearing membership of the Exchange, intimation of the person's admission shall be sent to the person and to the competent authority. If the person admitted to the membership of the Exchange and after intimation of his admission is duly sent, does not become a member by complying with acts and procedures for exercising the privileges of membership as may be prescribed by the relevant authority within a specified time period from the date of despatch of the intimation of admission, the admission fee paid by him shall be forfeited by the Exchange.

12. Every trading member / professional clearing member of the Exchange shall, upon being admitted as a trading member / professional clearing member of the Exchange be issued a certificate or entitlement slip / membership as proof of having been admitted to the benefits and privileges of the trading membership / clearing membership of the Exchange. Such a certificate or entitlement slip / membership shall not be transferable or transmittable except as herein mentioned.

b. Collateral Security Deposit in the format as may be prescribed by relevant authority: Rs.25 lacs.

c. Annual subscription Charges: Rs.1.00 lacs
d. Advance Minimum Transaction Charges: Rs. 1.00 lacs
d. Net worth requirement in the form and manner as may be stipulated by relevant authority: Rs. 5000 lacs.

Relevant Authority may modify, waive, and increase all or any of the above requirements or the manner of calculation of any or all the requirements from time to time in respect of Trading Member and/or Professional Clearing Member.”

The existing clauses 4 to 18 have been renumbered as 5 to 19 respectively in terms of clause 14 of Gazette Notification in Part IV of weekly Gazette dated November 11-November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra.
13. Subject to such terms and conditions as the relevant authority may prescribe from time to time and to the prior written approval of the relevant authority, transfer of the certificate / entitlement slip, membership may be effected as follows:

a) By making nomination under these Rules;
b) By an amalgamation or merger of a trading member / clearing member company;
c) By takeover of a trading member / clearing member company;
d) By transfer of the trading membership / clearing membership of a trading member / clearing member firm to a new firm, in which, all the existing partners are not partners; and
e) By two or more trading members / trading member firms or professional clearing member / clearing member firms coming together to form a new partnership firm/company.

f) [Upon sale of a broking business]
g) [Such other mode as may be permitted by the relevant authority]

14. An individual/sole proprietorship Trading Member / professional clearing member or his successor(s) may make a nomination to the certificate / entitlement slip of trading membership / professional clearing membership. The nomination(s) made by a trading member / clearing member or successor(s) of a trading member / clearing member shall be subject to the following conditions, namely:

a) The nominee(s) shall, at the time when the nomination becomes effective, be person(s) who shall be qualified to be admitted as trading member(s) of the Exchange;
b) The nominee(s) shall give to the relevant authority his/their unconditional and irrevocable acceptance of his/their nomination;
c) A trading member / clearing member shall nominate one or more of his successor(s) as per the applicable succession laws. If the trading member / clearing member has no successor(s) willing to carry on the trading membership / clearing membership, then, the trading member / clearing member may nominate person(s) other than his successor(s);
d) If the trading member / clearing member has not nominated any person and is rendered incompetent to carry on his business on the Exchange on account of physical disability, then the trading member may, within a period of six months, make a nomination as per the provisions of sub-clause (c) above;
e) If the trading member / clearing member has not nominated any person, the successor(s) of the trading member / clearing member may nominate one or more persons from among themselves within six months from the date of the death of the trading member / clearing member;
f) If the nomination of the trading member / clearing member is such that it cannot be given effect to by the relevant authority, at the time when the nomination would have become effective, then the successor(s) of such a trading member / clearing member may nominate any other person(s) within six months from the date on which the nomination would have become effective;
g) If more than one person(s) are nominated by the trading member / clearing member or the successor(s), then such nominated person(s) shall be required to form a company/partnership firm to carry on the trading membership / clearing membership;

15 inserted vide clause 5.2.13(f) of Gazette Notification in Part IV of weekly Gazette dated May 5-May 11, 2018of Gazette of India and Part II of weekly Gazette dated May 3 – May 9, 2018 of State Gazette of Maharashtra.

16 inserted vide clause 5.2.13(g) of Gazette Notification in Part IV of weekly Gazette dated May 5-May 11, 2018of Gazette of India and Part II of weekly Gazette dated May 3 – May 9, 2018 of State Gazette of Maharashtra.
h) A nomination made by a trading member / clearing member or successor(s) may be revoked with the prior written approval of the relevant authority and subject to such terms and conditions as the relevant authority may prescribe from time to time. No such revocation shall be permitted after the nomination becomes effective; and

i) The nomination shall become effective in the case of a nomination made by a trading member / clearing member, from the date of his death or physical disability or from the date of approval by the relevant authority, whichever is later and in the case of a nomination made by successor(s), from the date on which such nomination is made or from the date of approval by the relevant authority, whichever is later.

15. The relevant authority may permit the transfer of the certificate / entitlement slip / membership subject to payment of such transfer fee as it may be fit in the following circumstances:

   a) Death of a trading member / clearing member;

   b) If in the opinion of the relevant authority, the trading member / clearing member is rendered incompetent to carry on his business on the Exchange on account of physical disability;

   c) Upon amalgamation or merger of a trading member / clearing member company;

   d) Upon take over of a trading member / clearing member company; and

   e) Upon the death of or resignation or notice of dissolution by a partner of a trading member firm / clearing member firm, and re-alignment, if any, by the partners in such firm or by the partners in such firm and the nominee(s)/successor(s) of the outgoing partner or by the partners in such firm and person(s) other than the nominee(s)/successor(s) of the outgoing partner in a new firm, within a period of six months from the date of such death or resignation or notice of dissolution.

f) [Upon sale of a broking business]

   g) [Such other mode as may be permitted by the relevant authority]

16. For the purpose of the clauses (11) to (14), the term 'trading member / clearing member' shall to the extent applicable, include a partner of a trading member firm / clearing member firm or a shareholder of a trading member company / clearing member company. The term successor(s) shall to the extent applicable, include successor(s) of a partner of a trading member firm / clearing member firm or successor(s) of a shareholder of a trading member company / clearing member company.

17. Without prejudice to any other provision of the Rules, the trading membership / clearing membership may be suspended, for such period as the relevant authority may deem fit, in the following circumstances:

   a) Upon the individual trading member / clearing member or a partner of a trading member firm / clearing member firm, in the opinion of the relevant authority, being rendered incompetent to carry on his business on account of physical disability;

   b) Upon the mental disability of the individual trading member / clearing member or a partner of a trading member firm / clearing member firm provided the partner holds at least 51% of share in the profits and losses of and / or at least 51% of share in the capital of such firm or a shareholder of a trading member company / clearing member company provided the shareholder is a majority shareholder in such trading member company / clearing member company.

17 inserted vide clause 5.2.15(f) of Gazette Notification in Part IV of weekly Gazette dated May 5-May 11, 2018of Gazette of India and Part II of weekly Gazette dated May 3 – May 9, 2018 of State Gazette of Maharashtra.

18 inserted vide clause 5.2.15(g) of Gazette Notification in Part IV of weekly Gazette dated May 5-May 11, 2018of Gazette of India and Part II of weekly Gazette dated May 3 – May 9, 2018 of State Gazette of Maharashtra.
c) Upon the death of an individual trading member / clearing member or a partner of a trading member firm / clearing member firm provided the partner holds at least 51% of share in the profits & losses of and / or at least 51% of share in the capital of such firm or a shareholder of a trading member company / clearing member company, provided the shareholder is a majority shareholder in such trading member company / clearing member company and during the six month period within which successor(s) of such individual trading member / clearing member or partner or shareholder, may nominate person(s) to take up the stake/ shares of such deceased individual trading member / clearing member or partner or shareholder;

d) Upon the dissolution of a trading member firm / clearing member firm and during the six month period as referred to in sub clause (e) of clause (13); and

e) Upon any deadlock in the management of a trading member firm / clearing member firm or trading member company / clearing member company, which, in the opinion of the relevant authority will affect the ability of the such trading member firm or trading member company / clearing member company to carry on its business. The trading member / clearing member shall be entitled for an opportunity for representation before the relevant authority, before being suspended under this sub-clause, but the decision of the relevant authority shall be final.

Explanation I

For the purposes of this sub-clause, the term " Deadlock in the Management " means a situation wherein there is a loss of confidence or disagreement among the partners of a trading member firm / clearing member firm or among the directors/shareholders of a trading member company / clearing member company, which, in the opinion of the relevant authority, will affect or is likely to affect the conduct of business by the trading member firm / clearing member firm or trading member company / clearing member company, as the case may be or an equality of vote at a meeting of the directors or shareholders of a trading member company / clearing member company.

18. Without prejudice to any other provision of the Rules, the trading membership / clearing membership may be terminated by the relevant authority if an acceptable nomination or realignment, as the case may be, does not take place to the satisfaction of the relevant authority, within the said period of six months.

19. The nominee(s), successor(s), partners of a trading member firm / clearing member firm or such other persons, as the case may be shall be entitled for an opportunity for representation before the relevant authority, before being terminated under clause (h) above, but the decision of the relevant authority shall be final.

5.3 CONVERSION OF LEGAL STATUS OF THE TRADING MEMBER / CLEARING MEMBER

1. Subject to such terms and conditions as the relevant authority may prescribe from time to time and to the prior written approval of the relevant authority, conversion of the legal status of a trading member / clearing member may be effected as follows:

a) By conversion of an individual trading member / clearing member into a partnership firm / company;

b) By conversion of a Trading Member firm / clearing member firm into a company.

2. The entitlement slip / membership does not confer any ownership right as a member of the Exchange and shall not be a transferable instrument without prior specific permission in writing from the Relevant Authority and subject to these Bye Laws and conditions as may be stipulated by the Relevant Authority from time to time.

3. A trading member / clearing member shall not assign, mortgage, pledge, hypothecate or charge his right of membership or any rights or privileges attached thereto and no such attempted assignment mortgage, pledge, hypothecation or charge shall be effective as against the Exchange for any purpose, nor shall any right or interest in any trading membership / clearing membership other than the personal right or interest of the trading member / clearing member therein be recognised by the
Exchange. The relevant authority shall expel any trading member / clearing member of the Exchange who acts or attempts to act in violation of the provisions of this Rule.

CONDITIONS

1) Trading / Professional Clearing Members shall adhere to the Rules, Bye Laws and Regulations and shall comply with such operational parameters, rulings, notices, guidelines and instructions of the relevant authority as may be applicable.

2) Trading/Professional Clearing Members shall be bound by the provisions of Securities Laws as in force from time to time and all other applicable laws in force from time to time.

3) All contracts issued for admitted deals shall be in accordance with and subject to Rules, Bye Laws and Regulations.

4) Trading / Professional Clearing Members shall furnish declarations, undertakings, confirmation and such other documents and papers relating to such matters and in such forms as may be specified by the relevant authority from time to time.

5) Trading / Professional Clearing Members shall furnish to the Exchange, within such time as may be specified, an annual Auditors’ Certificate certifying that specified requirements as may be specified by the relevant authority from time to time pertaining to their operations have been complied with.

6) Trading / Professional Clearing Members shall furnish such information and periodic returns pertaining to their operations as may be required by the relevant authority from time to time.

7) Trading / Professional Clearing Members shall furnish to the Exchange such audited and/or unaudited financial or qualitative information and statements and in such manner as may be required by the relevant authority from time to time.

8) Trading / Professional Clearing Members shall comply with such requirements as may be specified by the relevant authority from time to time with regard to advertisements, booklets and issue of circulars in connection with their activities as Trading / Clearing Members.

9) Trading / Clearing Members shall extend full cooperation and furnish such information and explanation and in such manner as may be required by the relevant authority or authorised person of the Exchange for inspection or audit or in regard to any dealings, settlement, accounting and/or other related matters.

10) Trading/Professional Clearing Members shall maintain the net worth requirement as may be stipulated by the relevant authority from time to time.

11) Trading/Professional Clearing Members shall pay such fees, security deposits and other charges as may be stipulated by the relevant authority from time to time.

5.4 PARTNERSHIP

1. No trading member / clearing member shall form a partnership or admit a new partner to an existing partnership or make any change in the name of an existing partnership without intimation and prior approval of the relevant authority in such form and manner and subject to such requirements as the relevant authority may specify from to time; these requirements may, inter alia, include deposits, declarations, guarantees and other conditions to be met by and which may be binding on partners of the firm who are not trading members / clearing members.

2. No trading member / clearing member shall, at the same time, be a partner in more than one partnership firm which is a trading member / clearing member of the Exchange.

3. No trading member / clearing member who is a partner in any partnership firm shall assign or in any way encumber his interest in such partnership firm.
4. The partnership firm shall register with the Income Tax authorities and with the Registrar of Firms and other such authorities as may be required and shall produce a proof of such registration to the Exchange.

5. The partners of the firm shall do business only on account of the firm and jointly in the name of the partnership firm. No single partner or group of partners are entitled to any rights and privileges of Trading / Clearing Membership independent from that of their partnership firm.

6. The members of the partnership firm must communicate to the Exchange in writing under the signatures of all the partners or surviving partners any change in such partnership either by dissolution or retirement or death of any partner or partners. Any notice to the Exchange intimating dissolution of a partnership shall contain a statement as to who undertakes the responsibility of settling all outstanding contracts and liabilities of the dissolved partnership firm but that shall not be deemed to absolve the other partner or partners of his or their responsibility for such outstanding contracts and liabilities.

5.5 TERMINATION OF MEMBERSHIP

19[(a)] Any trading member / professional clearing member may cease to be a member, if one or more apply:

1. By surrender of membership;
2. By death;
3. By expulsion in accordance with the provisions contained in the Bye Laws, Rules and Regulations;
4. By being declared a defaulter in accordance with the Bye Laws, Rules and Regulations of the Exchange;
5. By dissolution in case of partnership firm;
6. By winding up or dissolution of such company in case of a limited company.

20[(b)] The termination of Trading / Clearing Membership shall not in any way absolve the Trading / Clearing Member from any obligations and liabilities incurred by the Trading / Clearing Member prior to such termination.

5.6 SURRENDER OF MEMBERSHIP

21[(a)] A trading member / clearing member who intends to surrender the trading membership / clearing membership of the Exchange shall intimate to the Exchange by a written notice to that effect which shall be displayed on the trading system or through such other mode.

22[(b)] Any member of the Exchange objecting to any such surrender shall communicate the grounds of his objection to the relevant authority by letter within such period as may be specified by the relevant authority from time to time.

23[(c)] The relevant authority may accept the surrender of a member either unconditionally or on such conditions as it may think fit or may refuse to accept such surrender and in particular may

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19 Existing 1st para numbered as (a);
20 Existing 2nd para numbered as (b), vide clause 15 of Gazette Notification in Part IV of weekly Gazette dated November 11-November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra.
21 Existing 1st para numbered as (a);
22 Existing 2nd para numbered as (b);
23 Existing 3rd para numbered as (c), vide clause 16 of Gazette Notification in Part IV of weekly Gazette dated November 11-November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra.
refuse to accept such surrender until it is satisfied that all outstanding transactions with such member have been settled.

5.7 DEATH

On the death of a trading member / clearing member, his legal representatives and authorised representatives, if any, shall communicate due intimation thereof to the relevant authority in writing immediately and all future activities of the Trading / Clearing Member shall cease immediately except so far as it pertains to past obligations prior to his death.

5.8 FAILURE TO PAY CHARGES

Save as otherwise provided in the Bye Laws, Rules and Regulations of the Exchange if a member fails to pay his annual subscription, fees, charges, deposits, fines, penalties, contribution to Settlement Fund(s), other charges, or other monies which may be due by him to the Exchange or to the Clearing House within such time as the relevant authority may prescribe from time to time after notice in writing has been served upon him by the Exchange, he may be suspended by the relevant authority until he makes payment and if within a further period of time as may be specified by the relevant authority from time to time, he fails to make such payment, he may be declared a defaulter or expelled by the relevant authority.

5.9 CONTINUED ADMITTANCE

The relevant authority shall from time to time prescribe conditions and requirements for continued admittance to trading membership / clearing membership which may, inter alia, include maintenance of minimum networth and capital adequacy. The trading membership / clearing membership of any person who fails to meet these requirements shall be liable to be terminated.

5.10 READMISSION OF DEFAULTERS

24[(a)] A trading member's / clearing member's right of membership shall lapse and vest with the Exchange immediately he is declared a defaulter. The member who is declared a defaulter shall forfeit all his rights and privileges as a member of the Exchange, including any right to use of or any claim upon or any interest in any property or funds of the Exchange, if any.

25[(b)] The relevant authority may, at its absolute discretion, readmit a defaulter as a trading member / clearing member subject to the provisions, terms and conditions as may be prescribed by the relevant authority from time to time.

26[(c)] The relevant authority may readmit only such defaulter who in its opinion:

1. Has paid up all dues to the Exchange, other trading members / clearing members and constituents;
2. Has no insolvency proceedings against him in a Court or has not been declared insolvent by any Court;
3. Has defaulted owing to the default of principals whom he might have reasonably expected to be good for their commitments;
4. Has not been guilty of bad faith or breach of the Bye Laws, Rules and Regulations of the Exchange;

24 Existing 1st para numbered as (a);
25 Existing 2nd para numbered as (b);
26 Existing 3rd para numbered as (c), vide clause 17 of Gazette Notification in Part IV of weekly Gazette dated November 11-November 17, 2017 of Gazette of India and Part II of weekly Gazette dated November 9 – November 15, 2017 of State Gazette of Maharashtra.
5. Has been irreproachable in his general conduct.

6. **DISCIPLINARY PROCEEDINGS, PENALTIES, SUSPENSION AND EXPULSION**

6.1 DISCIPLINARY JURISDICTION

The relevant authority may expel or suspend and/or fine under censure and/or warn and/or withdraw any of the membership rights of a trading member / clearing member if it be guilty of contravention, non-compliance, disobedience, disregard or evasion of any of the Bye Laws, Rules and Regulations of the Exchange or of any resolutions, orders, notices, directions or decisions or rulings of the Exchange or the relevant authority or of any other Committee or officer of the Exchange authorised in that behalf or of any conduct, proceeding or method of business which the relevant authority in its absolute discretion deems dishonourable, disgraceful or unbecoming a trading member / clearing member or inconsistent with just and equitable principles of trade or detrimental to the interests, good name or welfare of the Exchange or prejudicial or subversive to its objects and purposes.

Explanation: The relevant authority for the purpose of these Rules shall be the Disciplinary Action Committee as constituted by the Board of NCDEX and shall function in terms of the provisions of this Bye Laws.

6.2 PENALTY FOR MISCONDUCT, UNBUSINESSLIKE CONDUCT AND UNPROFESSIONAL CONDUCT

In particular and without in any way limiting or prejudicing the generality of the provisions in Rule 6.1 above, a trading member / clearing member shall be liable to expulsion or suspension or withdrawal of all or any of its membership rights and/or to payment of a fine and/or to be censured, reprimanded or warned for any misconduct, unbusinesslike conduct or unprofessional conduct in the sense of the provision in that behalf contained herein.

6.3 MISCONDUCT

A trading member / clearing member shall be deemed guilty of misconduct for any of the following or similar acts or omissions namely:

1. Fraud: If it is convicted of a criminal offence or commits fraud or a fraudulent act which in the opinion of the relevant authority renders it unfit to be a trading member / clearing member;

2. Violation: If it has violated provisions of any statute governing the activities, business and operations of the Exchange, trading members / clearing members and commodities business in general;

3. Improper Conduct: If in the opinion of the relevant authority it is guilty of dishonourable or disgraceful or disorderly or improper conduct on the Exchange or of willfully obstructing the business of the Exchange;

4. Breach of Rules, Bye Laws and Regulations: If it shields or assists or omits to report any trading member / clearing member whom it has known to have committed a breach or evasion of any Rule, Bye-law and Regulation of the Exchange or of any resolution, order, notice or direction

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thereunder of the relevant authority or of any Committee or officer or the Exchange authorised in that behalf;

5. Failure to comply with Resolutions: If it contravenes or refuses or fails to comply with or abide by any resolution, order, notice, direction, decision or ruling of the relevant authority or of any Committee or officer of the Exchange or other person authorised in that behalf under the Bye Laws, Rules and Regulations of the Exchange;

6. Failure to submit to or abide by Arbitration: If it neglects or fails or refuses to submit to arbitration or to abide by or carry out any award, decision or order of the relevant authority or the Arbitration Committee or the arbitrators made in connection with a reference under the Bye Laws, Rules and Regulations of the Exchange;

7. Failure to testify or give information: If it neglects or fails or refuses to submit to the relevant authority or to a Committee or an officer of the Exchange authorised in that behalf, such books, correspondence, documents and papers or any part thereof as may be required to be produced or to appeal and testify before or cause any of its partners, attorneys, agents, authorised representatives or employees to appear and testify before the relevant authority or such Committee or officer of the Exchange or other person authorised in that behalf;

8. Failure to submit Special Returns: If it neglects or fails or refuses to submit to the relevant authority within the time notified in that behalf special returns in such form as the relevant authority may from time to time prescribe together with such other information as the relevant authority may require whenever circumstances arise which in the opinion of the relevant authority make it desirable that such special returns or information should be furnished by any or all the trading members / clearing members;

9. Failure to submit Audited Accounts: If it neglects or fails or refuses to submit its audited accounts to the Exchange within such time as may be prescribed by the relevant authority from time to time.

10. Failure to compare or submit accounts with Defaulter: If it neglects or fails to compare its accounts with the Defaulters' Committee or to submit to it a statement of its accounts with a defaulter or a certificate that it has no such account or if it makes a false or misleading statement therein;

11. False or misleading Returns: If it neglects or fails or refuses to submit or makes any false or misleading statement in its clearing forms or returns required to be submitted to the Exchange under the Bye Laws, Rules and Regulations;

12. Vexatious complaints: If it or its agent brings before the relevant authority or a Committee or an officer of the Exchange or other person authorised in that behalf a charge, complaint or suit which in the opinion of the relevant authority is frivolous, vexatious or malicious;

13. Failure to pay dues and fees: If it fails to pay its subscription, fees, arbitration charges or any other money which may be due by it or any fine or penalty imposed on it.

6.4 UNBUSINESSLIKE CONDUCT

A trading member / clearing member shall be deemed guilty of unbusinesslike conduct for any of the following or similar acts or omissions namely:

1. Fictitious Names: If it transacts its own business or the business of its constituent in fictitious names or if he carries on business in more than one trading segment / clearing segment of the Exchange under fictitious names;
2. Fictitious Dealings: If it makes a fictitious transaction or gives an order for the purchase or sale of goods/commodities the execution of which would involve no change of ownership or executes such an order with knowledge of its character;

3. Circulation of rumours: If it, in any manner, circulates or causes to be circulated, any rumours;

4. Prejudicial Business: If it makes or assists in making or with such knowledge is a party to or assists in carrying out any plan or scheme for the making of any purchases or sales or offers of purchase or sale of commodities for the purpose of upsetting the equilibrium of the market or bringing about a condition in which prices will not fairly reflect market values;

5. Market Manipulation and Rigging: If it, directly or indirectly, alone or with other persons, effects transactions in any commodity to create actual or apparent active trading in such commodity or raising or depressing the prices of such commodity for the purpose of inducing purchase or sale of such commodity/goods by others;

6. Unwarrantable Business: If it engages in reckless or unwarrantable or unbusinesslike dealings in the market or effects purchases or sales for its constituent's account or for any account in which it is directly or indirectly interested which purchases or sales are excessive in view of its constituent's or his own means and financial resources or in view of the market for such commodity/goods;

7. Compromise: If it connives at a private failure of a trading member / clearing member or accepts less than a full and bona fide money payment in settlement of a debt due by a trading member arising out of a transaction in goods/commodities;

8. Dishonoured Cheque: If it issues to any other trading member / clearing member or to its constituents a cheque which is dishonoured on presentation for whatever reasons;

9. Failure to carry out transactions with Constituents: If it fails in the opinion of the relevant authority to carry out its committed transactions with its constituents;

6.5 UNPROFESSIONAL CONDUCT

A trading member / clearing member shall be deemed guilty of unprofessional conduct for any of the following or similar acts or omissions namely:

1. Business in commodities in which dealings not permitted: If it enters into dealings in goods/commodities in which dealings are not permitted;

2. Business for Defaulting Constituent: If it deals or transacts business directly or indirectly or executes an order for a constituent who has within its knowledge failed to carry out engagements relating to commodities and is in default to another trading member / clearing member unless such constituent shall have made a satisfactory arrangement with the trading member / clearing member who is its creditor;

3. Business for Insolvent: If without first obtaining the consent of the relevant authority it directly or indirectly is interested in or associated in business with or transacts any business with or for any individual who has been bankrupt or insolvent even though such individual shall have obtained his final discharge from an Insolvency Court;

4. Business without permission when under suspension: If without the permission of the relevant authority it does business on its own account or on account of a principal with or through a trading member / clearing member during the period it is required by the relevant authority to suspend business on the Exchange;

5. Business for or with suspended, expelled and defaulter trading members / clearing members: If without the special permission of the relevant authority it shares brokerage with or carries on
business or makes any deal for or with any trading member / clearing member who has been
suspended, expelled or declared a defaulter;

6. Business for Employees of other trading members / clearing members: If it transacts business
directly or indirectly for or with or executes an order for authorised representative or employee of
another trading member / clearing member without the written consent of such employing trading member / clearing member;

7. Business for Exchange Employees: If it makes a speculative transaction in which an employee
of the Exchange is directly or indirectly interested;

8. Advertisement: If it advertises contrary to guidelines if any, issued by the Relevant Authority for
advertisement by the Trading/Clearing Members.

9. Evasion of Margin Requirements: If it will fully evades or attempts to evade or assists in evading
the margin requirements prescribed by relevant authority and/or in Bye Laws and Regulations;

10. Brokerage Charge: If it deviates from or evades or attempts to evade the Bye Laws and
Regulations relating to charging and sharing of brokerage.

6.6 TRADING MEMBER'S / CLEARING MEMBER'S RESPONSIBILITY FOR PARTNERS, AGENTS
AND EMPLOYEES

A trading member / clearing member shall be fully responsible for the acts and omissions of its
authorised officials, attorneys, agents, authorised representatives and employees and if any such act
or omission be held by the relevant authority to be one which if committed or omitted by the trading
member / clearing member would subject it to any of the penalties as provided in the Bye Laws, Rules
and Regulations of the Exchange then such trading member / clearing member shall be liable
to the same extent as if such act or omission had been done or omitted by itself.

6.7 SUSPENSION ON FAILURE TO PROVIDE MARGIN DEPOSIT AND/OR CAPITAL ADEQUACY
REQUIREMENTS AND / OR DEPOSIT OR CONTRIBUTION TO SETTLEMENT FUND

The relevant authority shall require a trading member / clearing member to suspend its business when
it fails to provide the margin deposits, deposits and contribution to Settlement Fund and/or meet
capital adequacy norms as provided in these Bye Laws, Rules and Regulations and the suspension
of business shall continue until it furnishes the necessary margin deposits, deposits and contribution
to Settlement Fund or meet capital adequacy requirements. The relevant authority may expel a
trading member / clearing member acting in contravention of this provision.

6.8 SUSPENSION OF BUSINESS

The relevant authority may require a trading member / clearing member to suspend its business in
part or in whole:

1. Prejudicial Business: When in the opinion of the relevant authority, the trading member / clearing
member conducts business in a manner prejudicial to the Exchange by making purchases or
sales of goods/commodities or offers to purchase or sell goods/commodities for the purpose of
upsetting equilibrium of the market or bringing about a condition of demoralisation in which prices
will not fairly reflect market values, or]

2. Unwarrantable Business: When in the opinion of the relevant authority it engages in
unwarrantable business or effects purchases or sales for its constituent's account or for any
account in which it is directly or indirectly interested which purchases or sales are excessive in
view of its constituent's or its own means and financial resources or in view of the market for such
commodity, or
3. Unsatisfactory Financial Condition: When in the opinion of the relevant authority it is in such financial condition that it cannot be permitted to do business with safety to its creditors or the Exchange.

6.9 REMOVAL OF SUSPENSION

The suspension of business under clause 6.8 above shall continue until the trading member / clearing member has been allowed by the relevant authority to resume business on its paying such deposit or on its doing such act or providing such thing as the relevant authority may require.

6.10 PENALTY FOR CONTRAVENTION

A trading member / clearing member who is required to suspend its business shall be expelled by the relevant authority if he acts in contravention of this provision.

6.11 TRADING MEMBERS / CLEARING MEMBERS AND OTHERS TO TESTIFY AND GIVE INFORMATION

A trading member / clearing member shall appear and testify before and cause its partners, attorneys, agents, authorised representatives and employees to appear and testify before the relevant authority or before other Committee(s) or an officer of the Exchange authorised in that behalf and shall produce before the relevant authority or before other Committee(s) or an officer of the Exchange authorised in that behalf, such books, correspondence, documents, papers and records or any part thereof which may be in its possession and which may be deemed relevant or material to any matter under inquiry or investigation.

6.12 PERMISSION NECESSARY FOR LEGAL REPRESENTATION

No person shall have the right to be represented by professional counsel, attorney, advocate or other representative in any investigation or hearing before the relevant authority or any other Committee unless the relevant authority or other Committee so permits.

6.13 EXPLANATION BEFORE SUSPENSION OR EXPULSION

A trading member / clearing member shall be entitled to be summoned before the relevant authority and afforded an opportunity for explanation before being suspended or expelled but in all cases the findings of the relevant authority shall be final and conclusive.

6.14 TEMPORARY SUSPENSION

1. Notwithstanding what is contained in clause 6.13 herein above if in the opinion of the Managing Director it is necessary to do so, he may, for reasons to be recorded in writing, temporarily suspend a trading member / clearing member, pending completion of the proceedings for suspension under this chapter by the relevant authority, and no notice of hearing shall be required for such temporary suspension and such temporary suspension shall have the same consequences of suspension under this chapter.

2. A notice to show cause shall be issued to the trading member / clearing member within five working days of such temporary suspension.

3. Any such temporary suspension may be revoked at the discretion of the Managing Director, for reasons to be recorded in writing, if the Managing Director is satisfied that the circumstances leading to the formations of opinion of the Managing Director to effect temporary suspension, have ceased to exist or are satisfactorily resolved.

4. A trading member / clearing member aggrieved by the temporary suspension may appeal to the relevant authority, provided that such appeal shall not automatically suspend the temporary suspension unless otherwise directed by the relevant authority.

6.15 IMPOSITION OF PENALTIES
The penalty of suspension, withdrawal of all or any of the membership rights, fine, censure or warning may be inflicted singly or conjointly by the relevant authority. The penalty of expulsion may be inflicted by the relevant authority.

6.16 PRE-DETERMINATION OF PENALTIES

The relevant authority shall have the power to pre-determine the penalties, the period of any suspension, the withdrawal of particular membership rights and the amount of any fine that would be imposed on contravention, non-compliance, disobedience, disregard or evasion of any Bye Law, Rules or Regulation of the Exchange or of any resolution, order, notice, direction, decision or ruling thereunder of the Exchange, the relevant authority or of any other Committee or officer of the Exchange authorised in that behalf.

6.17 COMMUTATION

Subject to the provision of the Securities Laws, the relevant authority in its discretion may in any case suspend a trading member / clearing member in lieu of the penalty of expulsion or may withdraw all or any of the membership rights or impose a fine in lieu of the penalty of suspension or expulsion and may direct that the guilty trading member / clearing member be censured or warned or may reduce or remit any such penalty on such terms and conditions as it deems fair and equitable.

6.18 RECONSIDERATION/REVIEW

Subject to the provisions of the Securities Laws, the relevant authority may of its own motion or on appeal by the trading member / clearing member concerned reconsider and may rescind, revoke or modify its resolution withdrawing all or any of the membership rights or fining, censuring or warning any trading member / clearing member. In a like manner the relevant authority may rescind revoke or modify its resolution expelling or suspending any trading member / clearing member.

6.19 FAILURE TO PAY FINES AND PENALTIES

If a trading member / clearing member fails to pay any fine or penalty imposed on it within such period as prescribed from time to time by the relevant authority after notice in writing has been served on it by the Exchange it may be suspended by the relevant authority until it makes payment and if within a further period as prescribed from time to time it fails to make such payment it may be expelled by the relevant authority.

6.20 CONSEQUENCE OF SUSPENSION

The suspension of a trading member / clearing member shall have the following consequences namely:

(1) Suspension of Membership Rights: The suspended trading member / clearing member shall during the terms of its suspension be deprived of and excluded from all the rights and privileges of membership including the right to attend or vote at any meeting of the general body of trading members / clearing members of the relevant segment, but it may be proceeded against by the relevant authority for any offence committed by it either before or after its suspension and the relevant authority shall not be debarred from taking cognizance of and adjudicating on or dealing with any claim made against it by other trading members / clearing members;

(2) Rights of creditors unimpaired: The suspension shall not affect the rights of the trading members / clearing members who are creditors of the suspended trading member / clearing member;

(3) Fulfillment of Contracts: The suspended trading member / clearing member shall be bound to fulfill contracts outstanding at the time of its suspension;

(4) Further business prohibited: The suspended trading member / clearing member shall not during the terms of its suspension make any trade or transact any business with or through a trading member / clearing member provided that it may with the permission of the relevant authority close with or through a trading member / clearing member the transactions outstanding at the time of its suspension;
6.21 CONSEQUENCES OF EXPULSION

The expulsion of a trading member / clearing member shall have the following consequences namely:

1. Trading membership / clearing membership rights forfeited: The expelled trading member / clearing member shall forfeit to the Exchange its right of trading membership / clearing membership and all rights and privileges as a trading member / clearing member of the Exchange including any right to the use of or any claim upon or any interest in any property or funds of the Exchange but any liability of any such trading member / clearing member to the Exchange or to any trading member / clearing member of the Exchange shall continue and remain unaffected by its expulsion;

2. Office vacated: The expulsion shall create a vacancy in any office or position held by the expelled trading member / clearing member;

3. Rights of Creditors unimpaired: The expulsion shall not affect the rights of the trading members / clearing members who are creditors of the expelled trading member / clearing member;

4. Fulfillment of Contracts and Obligations: The expelled trading member / clearing member shall be bound to fulfill transactions and obligations outstanding at the time of his expulsion and it may with the permission of the relevant authority close such outstanding transactions with or through a trading member / clearing member;

5. Trading / Clearing members not to deal: No trading member / clearing member shall transact business for or with or share brokerage with the expelled trading member / clearing member except with the previous permission of the relevant authority.

6. Consequences of declaration of defaulter to follow: The provisions of 29[Chapter X of Part-A and Chapter VII of Part-B of the Bye Laws of NCDEX] pertaining to default, shall become applicable to the Trading / Clearing Member expelled from the Exchange as if such Trading / Clearing Member has been declared a defaulter.

6.22 EXPULSION RULES TO APPLY

When a trading member / clearing member ceases to be such under the provisions of these Bye Laws otherwise than by death, default or resignation it shall be as if such trading member / clearing member has been expelled by the relevant authority and in that event all the provisions relating to expulsion contained in these Rules shall apply to such trading member / clearing member in all respects.

6.23 SUSPENSION OF BUSINESS

1. The relevant authority shall require a trading member / clearing member to suspend its business when it fails to maintain or provide further security as prescribed in the Bye Laws and Regulations and the suspension shall continue until it pays the necessary amount by way of security.

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2. Penalty for Contravention: A trading member / clearing member who is required to suspend its business under clause 6.23 (1) shall be expelled by the relevant authority if it acts in contravention of the provisions of the Bye Laws.

6.24 NOTICE OF PENALTY AND SUSPENSION OF BUSINESS

Notice shall be given to the trading member / clearing member concerned and to the trading members / clearing members in general by a notice on the trading system or such other method as the Exchange may decide of the expulsion or suspension or default of or of the suspension of business by a trading member / clearing member or of any other penalty imposed on it or on its partners, attorneys, agents, authorised representatives or other employees. The relevant authority may in its absolute discretion and in such manner as it thinks fit notify or cause to be notified to the trading members / clearing members of the Exchange or to the public that any person who is named in such notification has been expelled, suspended, penalised or declared a defaulter or has suspended its business or ceased to be a trading member / clearing member. No action or other proceedings shall in any circumstances be maintainable by such person against the Exchange or the relevant authority or any officer or employee of the Exchange for the publication or circulation of such notification and the application for trading membership / clearing membership or the application for registration as the constituted attorney or authorised representative or by the person concerned shall operate as license and the Bye Laws, Rules and Regulations shall operate as leave to print, publish or circulate such advertisement or notification and be pleadable accordingly.

Notwithstanding anything contained in these provisions, if in the opinion of the relevant authority it is necessary to do so, he may, for reasons to be recorded in writing, temporarily suspend forthwith the Trading / Clearing Member, pending completion of appropriate proceedings for suspension under this chapter by the relevant authority, and no notice of hearing shall be required for such temporary suspension and such temporary suspension shall have the same consequences of suspension under this chapter, provided that appropriate proceedings provided in this chapter shall be commenced by issue of a notice to show cause to the Trading / Clearing Member within 10 days of such temporary suspension. Any such temporary suspension may be revoked at the discretion of the relevant authority, for reasons to be recorded in writing, if the relevant authority is satisfied that the circumstances leading to the formation of opinion of the relevant authority to suspend, has ceased to exist or are satisfactorily resolved.

7. SAVINGS AND CONTINUATION

A. In pursuance of section 28A of the Forward Contracts (Regulation) Act, 1952 (FCRA) the Rules of the Exchange made under the FCRA (referred to as ‘the existing Exchange Rules’), shall not be applicable after a period of one year from September 29, 2015 due to repeal of FCRA with effect from September 29, 2015. Notwithstanding such repeal,-

(i) All actions or activities pursuant to trades executed under the provisions of the existing Exchange Rules, including but not limited to clearing, settlement, auctions, dispute resolution or arbitration and default redressal shall be undertaken and enforced under the corresponding provisions of these Rules.

(ii) All rights and liabilities accruing under the existing Exchange Rules including but not limited to risk management measures such as maintenance of Investor Protection Fund and Settlement Fund shall continue to accrue under the corresponding provisions of these Rules.

(iii) All eligible members of the Exchange or their agents granted admission to dealings or granted permission to access the trading platform of the Exchange in terms of the existing Exchange Rules, shall continue to exercise such rights in the Exchange in terms of the corresponding provisions of these Rules, subject to provisions of SCRA and the Rules and Regulations made thereunder and the SEBI act and the Rules and Regulations made thereunder and any directives or Circulars etc. issued by SEBI from time to time.
(iv) Anything done or any action taken or purported to have been done or taken including any inspection, order, penalty, proceeding or notice, made, initiated or issued or any confirmation or declaration made or any license, permission, authorization or exemption granted, modified or revoked or any document or instrument executed, or any direction given under the existing Exchange Rules, shall be continued or enforced by the Exchange, in terms of the corresponding provisions of these Rules.

(v) All violations of provisions of the existing Exchange Rules and any proceedings initiated or pending as on September 28, 2016, shall continue to be governed by the corresponding provisions of these Rules.

B. The Exchange, as directed by SEBI shall be empowered to issue clarifications with regard to any of the provisions of these Rules.