

## REGULATIONS OF NATIONAL COMMODITY CLEARING LIMITED

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## **1. TITLE, EXTENT AND COMMENCEMENT**

1. The Regulations framed hereunder by the National Commodity Clearing Limited are in pursuance of and in exercise of authority under Chapter 4 and 6 of the Bye Laws of the National Commodity Clearing Limited and shall be known as National Commodity Clearing Limited Regulations, 2018 (herein referred to as 'Regulations') and shall come into effect immediately on approval and notification by the Relevant Authority or the Board of the National Commodity Clearing Limited.
2. These Regulations shall be in addition to the provisions of the Securities Contracts (Regulation) Act 1956, Securities Contracts (Regulation) (Stock Exchanges And Clearing Corporations) Regulations, 2012 and the Rules and Regulations framed thereunder (referred collectively as "Securities Laws" hereinafter) and Rules and Byelaws of National Commodity Clearing Limited (herein referred to as 'NCCL'), as in force and any other applicable laws of India.
3. The titles of the clauses are only for convenience and may not be read as subject for the contents of clauses.
4. In case of any inconsistency between the provisions prescribed under these Regulations with that of the provisions of Securities Laws, the Bye Laws of the NCCL , Circulars and Guidelines issued by the SEBI from time to time, the latter shall prevail over the provisions contained herein

## **2. JURISDICTION & APPLICABILITY**

### **1. JURISDICTION**

Unless specifically mentioned otherwise in these Regulations, Bye Laws or Rules of the NCCL, any matter arising out of or pertaining to these Regulations shall be subject to exclusive jurisdiction of the Courts of Mumbai irrespective of the place of business of Clearing Members, their Constituents/Participants, Warehouse Service Providers (WSP), Assayers and other entities associated either directly or indirectly with the Clearing and Settlement functions irrespective of place from where the transaction is entered into.

### **2. APPLICABILITY**

- 2.1** These Regulations shall be applicable to all Clearing Members, their Constituents/Participants, WSP, Assayers and other entities associated either directly or indirectly with the Clearing and Settlement functions to the extent specified herein for undertaking a Deal for clearing on the Clearing Segments of the National Commodity Clearing Ltd unless the context requires otherwise or unless otherwise specified by the Relevant Authority from time to time.
- 2.2** Notwithstanding the above, a reference to Clearing Member shall include its Constituent wherever the context so requires and the said Constituents shall be jointly and severally liable for compliance of the provision of Regulations and the corresponding Bye-laws and Rules.
- 2.3** A Constituent, WSP, Assayer or such other entity whose services are being sought as a value chain Participant shall be liable to the extent applicable while dealing through the Clearing Members.



### **3. DEFINITIONS**

**3.1** 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 in the following order of priority:-

- (i) Securities Contracts (Regulation) Act 1956 and the Securities Contracts (Regulation) Rules, 1957,
- (ii) Securities and Exchange Board of India Act, 1992 and the Regulations and Circulars/Guidelines issued thereunder.
- (iii) Companies Act, 1956 and Companies Act, 2013 as amended from time to time.
- (iv) Rules, Bye-laws and/or Regulations of Concerned Exchanges as amended and is in force from time to time.
- (v) Rules and Bye-laws of the National Commodity Clearing Ltd as amended from time to time as amended and is in force from time to time.

**3.2** 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.

#### **3.3 DEFINITIONS:**

##### **1. ASSIGNMENT**

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

##### **2. AT THE MONEY OR NEAR THE MONEY STRIKE PRICE**

'At the money or Near the money' strike price is the strike price of the option contract at or within such range which is close to the current price of the Underlying as may be specified by the SEBI or the Relevant Authority from time to time.

### **3. BRANCH OFFICE**

Branch office in relation to a Member means: -

- a) any establishment described as a branch and approved by NCCL.
- b) any establishment carrying on either the same or substantially the same activity as that carried on by the head office and approved by NCCL.
- c) any other place, which the NCCL may approve.

### **4. BUYER**

For the purpose of these Regulations, unless the context indicates otherwise, the term buyer includes the buying Constituent and the Buying Member acting as his broker and agent and denotes the Buying Member when he is dealing on his own account as a principal.

### **5. BUYING MEMBER**

Buying Member means a Clearing Member who has to or has taken delivery in fulfillment of contracts to which these Rules, Bye Laws and Regulations apply unless the context indicates otherwise.

### **6. CALL**

The term "Call" means an option contract under which the holder of the option has the right, in accordance with the terms of the option, to purchase on the Concerned Exchange, the Underlying covered by the option contract.

### **7. CASH SETTLED DERIVATIVE CONTRACTS**

Cash settled Derivative Contracts means a Derivative Contracts which shall be performed by cash settlement rather than by delivery of the Underlying.

## **8. CLEARING BANK**

NCCL shall appoint one or more Clearing Banks which shall act as a funds settling agency, for the collection of Margin money and settlement for all Deals entered into through the Concerned Exchange and for any other funds movement between Members and NCCL as may be directed by the NCCL from time to time in general or specifically.

## **9. COMMODITIES**

Commodities shall have the same meaning as assign to the term “Goods” as defined in NCCL Bye Laws.

Note: The term Commodities and Goods have been used interchangeably in these Regulations.

## **10. CONTRACT MONTH**

Contract month means the month in which the Concerned Exchange Regulations require a Derivative Contracts to be finally settled.

## **11. DERIVATIVE CONTRACT**

Derivative Contract includes a contract, a Derivative as defined under the SCRA, 1956 and includes any other contract which is permitted to be traded on Concerned Exchanges.

## **12. DELIVERABLE QUANTITY**

Means the number of units that can be delivered in a contract as specified by the Concerned Exchanges from time to time

## **13. DELIVERY UNITS**

Delivery Units means Delivery Units of Commodities for delivery in settlement shall be as specified in the Derivative Contract specifications of the Concerned Exchange or any other units as may be permitted by Relevant Authority from time to time.

#### **14. EXERCISE OF OPTION**

Exercise of option means the invocation of right in an option contract, by the option holder, as per the terms of the Option contract and in accordance with and subject to Rules, Byelaws and these Regulations of NCCL.

#### **15. EXERCISE/STRIKE PRICE OF OPTION**

The Exercise Price or strike price of an option contract is the price per unit of trading at which the option holder has the right, either to buy or sell the underlying upon Exercise of the option.

#### **16. EXERCISE SETTLEMENT PRICE OF OPTION**

Exercise Settlement price of Option, in respect of Exercise Settlement, is the closing price of the underlying of the option contract on the day of Exercise or such other price as may be decided by the Relevant Authority from time to time.

#### **17. EXERCISE SETTLEMENT VALUE OF OPTION**

Exercise Settlement value of Option, in respect of Exercise Settlement means the difference between the Strike Price and the exercise settlement price for each unit of trading of the option contract for the purpose of settlement after adjusting for contract multiplier i.e adjustment to arrive at corresponding total value.

#### **18. EXPIRATION TIME OF OPTION**

Expiration time of option is the close of business hours on the expiration day of the option contract or such other time as may be specified by the Relevant Authority from time to time. In this context, business hours shall include the time specified by the Concerned Exchange, after the close of the trading hours, for the purpose of exercising option contracts.

#### **19. EXPIRATION DAY**

The day on which the final settlement obligations are determined in a Derivative Contracts.

## **20. FUTURES CONTRACT**

Means a legally binding agreement to buy or sell an underlying commodity in the future.

## **21. IN THE MONEY STRIKE PRICE OF OPTION**

1. In the money strike price, in case of Put Option, is the strike price of the option contract which is above 'At the money or Near the money' strike price.
2. In the money strike price, in case of Call Option, is the strike price of the option contract which is below 'At the money or Near the money' strike price.

## **22. LAST TRADING DAY**

Means the day up to and on which a Derivative Contracts is available for trading

## **23. LONG POSITION**

Long position in a Derivative contracts means outstanding purchase obligations in respect of a Derivative contracts at any point of time

## **24. MARGIN**

Margin means the margin as defined under the Bye Laws of NCCL.

## **25. NCCL**

NCCL shall for the purpose of these Regulations mean the National Commodity Clearing Ltd or the Clearing Corporation as the case may be.

## **26. NOTICE OR COMMUNICATION**

- i. It refers to any such intimation that can be served at ordinary business address and/or ordinary place of residence and/or last known

address/email address/Trading System of the party in any one or more of the following ways:

- a. by post
  - b. by registered post
  - c. under certificate of posting
  - d. by speed post / courier services.
  - e. by affixing it on the door at the last known business or residential address
  - f. by advertising it in at least one prominent daily newspaper having circulation in the area where the last known business or residential address of Respondent is situated
  - g. by sending a message through the Clearing System
  - h. by electronic mail or fax or telephonic communication or communication through any other electronic network
  - i. by hand delivery
  - j. by SMS through a mobile device
- ii. Any communication sent by the NCCL to any party shall be deemed to have been properly delivered or served, even if such communication is returned to the NCCL as unclaimed/ refused/ undelivered, if the same is sent to the ordinary business address/e-mail address and/ or ordinary place of residence and/ or last known address of the party, in any one or more of the ways mentioned in clause (i) above.

## **27. OUTSTANDING OBLIGATION**

Means the obligation which has neither been closed out nor been settled

## **28. OPTIONS CONTRACT**

Options Contract is a type of a Derivative Contracts which gives the Buyer/holder of the contract the right (but not the obligation) to buy/sell the underlying security at a predetermined price within or at the end of a specified period. The Option Contract which gives a right to buy is called a Call Option and the option contract that gives a right to sell is called a Put Option.

## **29. OPTION HOLDER**

Option holder is a person who has bought an Option Contract.

### **30. OPTION SELLER**

Option Seller is a person who has sold an Option Contracts.

### **31. OUT OF MONEY STRIKE PRICE IN OPTION**

- i. For the holder of the option, out of the money strike price, in case of Put Option, is the strike price of the Option Contract which is below 'At the money or Near the money' strike price.
- ii. For the holder of the option, out of the money strike price, in case of Call Option, is the strike price of the Option Contract which is above 'At the money or Near the money' strike price.

### **32. PREMIUM**

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

### **33. PREMIUM STYLE PREMIUM SETTLEMENT**

Premium Style Premium Settlement means payment of full option premium by the Buyer/ holder of an option contract to the seller of the option contract, on purchase of such option contract by the Buyer/ holder.

### **34. PUT**

The term "Put" means an Option Contract under which the holder of the option has the right, in accordance with the terms and provisions of the option, to sell on the Exchange the underlying covered by the Option Contract.

### **35. PROFESSIONAL CLEARING MEMBER**

Professional Clearing Member means a Clearing Member who is not a Trading Member. Term Professional Clearing Member and Clearing Member has been used interchangeably.

### **36. RELEVANT AUTHORITY**

The term Relevant Authority for the purpose of this Regulations shall mean, the Board of the NCCL or such other authority as specified by the Board from time to time as Relevant Authority for a specified purpose.

### **37. RULES AND BYE LAWS**

The terms Rules and Bye Laws shall mean the Rules and Bye Laws framed by the Board of the NCCL from time to time and approved by the Securities and Exchange Board of India or any Authority under Securities Contracts (Regulation) Act, 1956.

### **38. SEGMENT**

Segment means either the segment for trading and clearing of Futures Contract or Options Contract and includes the different clearing sub-segments or divisions thereof for clearing and settlement of Deals as may be classified by the Relevant Authority from time.

### **39. STRIKE PRICE INTERVALS IN OPTION**

Strike price interval in Option is the gap between any two successive strike prices which the Relevant Authority may prescribe from time to time.

### **40. SETTLEMENT AMOUNT IN OPTION**

Settlement amount shall include premium settlement amount and/ or exercise settlement amount and /or such other amount as may be specified by the Relevant Authority from time to time.

### **41. SETTLEMENT PRICE IN EXERCISE SETTLEMENT**

Settlement price, in respect of Exercise Settlement, is the Daily Settlement Price (DSP) of the underlying on the day of Exercise or such other price as may be decided by the Relevant Authority from time to time.

### **42. SPECIFIED PERIOD IN OPTION**



Specified period for an option contract is the time period between the start day and the expiration time.

#### **43. SETTLEMENT CALENDAR**

NCCL shall prescribe dates for settlement, Pay in, Pay out, Delivery and all obligations and rights of Members in respect of every Trading Cycle of each Derivative Contract or Commodity and such schedule of dates shall be referred to as Settlement Calendar of Trading Cycle in respect of particular Derivative Contract/Commodity.

#### **44. SETTLEMENT DATE /DAY**

Means the date on which the settlement of outstanding obligations in a Derivative Contracts is required to be settled as provided in these Regulations.

#### **45. SHORT POSITION**

Short position in a Derivative Contracts means outstanding sell obligations in Derivative Contracts at any point of time.

#### **46. TRADING CYCLE**

Trading Cycle means the period, as notified by the Exchange from time to time, during which the Derivative Contracts will be available for trading.

#### **47. TYPE OF OPTION**

Type of option means the classification of an option as either a Put or a Call.

## **4. CLEARING SEGMENT**

### **4.1 CONCERNED EXCHANGE.**

The Concerned Exchange for the purpose of these Regulations shall include Futures and Options segment of National Commodity and Derivatives Exchange Limited (hereinafter referred to NCDEX) and/or any other exchange/s or segment/s of exchanges, the transactions on which exchange/s or segment/s, the Relevant Authority may from time to time, admit for clearing and settlement.

### **4.2 MEMBER/CLEARING MEMBERS**

1. "Member/Clearing Members" means a Member as defined under the Bye laws of Clearing Corporation and includes all categories of clearing Members as may be admitted as such by the Relevant Authority of the Clearing Corporation and who may clear and settle transactions either on its own account or on account of its Constituents in the manner specified in these Regulations.
2. Clearing Corporation may admit separate Clearing Members for specific segment/s.

### **4.3 CATEGORIES OF CLEARING MEMBER**

The Relevant Authority may specify from time to time different categories of clearing Members and specify different norms and conditions, including for eligibility, admission and cessation of membership.

### **4.4 CLEARING MEMBER'S RESPONSIBILITY**

- 4.4.1** Without prejudice to the obligations of the Clearing Member hereunder, the registration and approval of Clearing Members, shall not in any way affect the jurisdiction of the Clearing Corporation on the concerned clearing Member who is also a Trading Member, in respect of the Deal executed by him for or on account of his Constituent who settle Deal through such Clearing Members and such clearing Member shall continue to remain responsible, accountable and liable to the Clearing Corporation in this behalf.

**4.4.2** Clearing Member is responsible, accountable and liable to the Clearing Corporation to clear and settle its own Deals and Deals done by its Constituents. The Clearing Member is bound and shall comply with the Byelaws, Rules and Regulations of the Clearing Corporation.

#### **4.5 COLLECTION OF COMMODITIES TRANSACTION TAX**

The Clearing Corporation shall, on behalf of the Concerned Exchanges collect the Commodities Transaction Tax. Every Clearing Member shall remit to the Clearing Corporation, the Commodities Transaction Tax payable by the Trading Member of the Concerned Exchanges in respect of the transactions entered into by him on such Exchanges either on his own behalf or on behalf of his Constituents and cleared and settled through such Clearing Member in accordance with the procedures prescribed by the Relevant Authority from time to time for the calculation and collection of such Tax. Any Clearing Member who fails to make the payment in accordance with the procedures, prescribed by the Relevant Authority from time to time, would be liable for such consequences of non-payment including but not limited to withdrawal of clearing facility, appropriation from the monies of the Clearing Member, withholding of pay-outs, etc. as may be prescribed from time to time or as may be deemed appropriate by the Relevant Authority.

## **5. PROVISIONS REGARDING CLEARING & SETTLEMENT OF DERIVATIVE CONTRACTS**

### **5.1 CLEARING AND SETTLEMENT REGULATIONS FORM PART OF CONTRACTS**

The Regulations from time to time in force relating to any procedure for clearance and settlement of Derivative Contracts and the resolutions, notices, directions and decisions of the Relevant Authority for the time being in force shall be a part of the terms and conditions of every Derivative Contract.

### **5.2 CLEARING AND SETTLEMENT OF DERIVATIVE CONTRACTS**

Clearing and Settlement of transactions on Derivative Contracts shall be cleared and settled through the Clearing Corporation by such process or processes as the Relevant Authority may from time to time prescribe.

### **5.3 CHANGE IN SETTLEMENT PROCEDURE**

It shall be competent for the Relevant Authority to order at any time that any or all Deal entered into or to be entered into shall be settled by any other suitable processes as may be decided by the Relevant Authority from time to time and every transaction shall be subject to any such change in settlement procedure or process. Notwithstanding the same, any such change in settlement procedure shall be subject to the consent and approval of the Concerned Exchange.

### **5.4 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 Clearing Corporation.

### **5.5 CHARGES FOR CLEARING**

The Relevant Authority shall from time to time prescribe the scale of clearing charges for the clearing and settlement of any transactions through the Clearing Corporation.

## **5.6 CLEARING CORPORATION BILLS**

The Clearing Corporation shall periodically render bills or statements for the charges, clearing and such other fees, fines and other dues as may be payable by Clearing Members to the Clearing Corporation on account of transactions cleared and settled through the Clearing Corporation and debit the amount payable by such Members to their clearing accounts.

## **5.7 LIABILITY OF THE CLEARING CORPORATION**

No liability shall attach either to the Clearing Corporation or to the Relevant Authority or any employees/agents of the Clearing Corporation by reason of anything done or omitted to be done by the Clearing Corporation in the course of its operations.

## **5.8 CLEARING DAYS AND SCHEDULED TIMES**

The Relevant Authority shall from time to time fix the various clearing days including 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 Derivative Contracts. The Relevant Authority may specify different schedules for any or all Clearing Members and for all or any of the Segments from time to time.

## **5.9 ALTERATION OF THE CLEARING DAYS AND SCHEDULED TIMES**

The Relevant Authority may at any time curtail, extend, alter or postpone from time to time the entire clearing or any or all of the various clearing days and scheduled times in respect of any or all of the Derivative Contracts. Notwithstanding the above, the same shall be with the approval of the Concerned Exchange.

## **5.10 OPEN POSITIONS**

All contracts for the purchase or sale of any Derivative Contracts shall remain open and in force and shall continue to be binding upon the Clearing Members and its Constituents until liquidated by offsetting contract or such other method as may be specified by the Relevant Authority from time to time; provided however all open positions shall cease to exist after expiration day.

## **5.11 PAYMENT BY CLEARING MEMBER**

Clearing Corporation shall treat all monies paid by Clearing Members as monies paid to it by a principal and such monies in the hands of Clearing Corporation shall not be impressed with a trust or other equitable interest. Any payment by Clearing Corporation to any Clearing Member shall constitute good and sufficient discharge.

## **5.12 PROCEDURE AND MANNER OF CLEARING AND SETTLEMENT**

**5.12.1** The settlement of Derivative contracts shall be in the manner as specified and notified by NCCL from time to time.

**5.12.2** The procedure and manner of clearing and settlement (including settlement by physical delivery) notified under this provision shall be binding on the Members and Constituents and in the event of any conflict in the procedure and manner so notified and the procedure and the manner prescribed in any other Regulation herein, the procedure and manner notified under this provision shall prevail to the extent of such conflict. The procedure and manner of clearing and settlement as referred in this clause shall include timings prescribed for performance of requisite activities related thereto.

**5.12.3** Notwithstanding anything to the contrary contained in the Clearing Regulations, the Relevant Authority may notify separate procedure and manner for clearing and settlement of derivative contracts in any or all the Commodities including procedure and manner of physical deliveries.

## **5.13 ELIGIBILITY OF DEAL FOR SETTLEMENT**

All Deals executed on the Concerned Exchange shall be cleared and settled by the Trading Members on the settlement date either by themselves as Clearing Members or through other Professional Clearing Members in accordance with these Regulations, Bye Laws and Rules of the NCCL.

## **5.14 LAST DAY OF TRADING**

**5.14.1** The last trading day (LTD) for a derivative contract would be the date as specified in the respective contract specification. In the event of a sudden

or unexpected closure of the physical/spot market in the underlying commodity on the last trading day or for a longer duration contiguous to and inclusive of LTD, the NCCL may, in consultation with the Concerned Exchange, modify the last trading day or decide at its discretion, any course of action for settlement of such derivative contract/s or may settle such derivative contracts.

**5.14.2** On the Expiry date of Contracts, the Clearing Members shall give delivery information as prescribed by the NCCL from time to time and in the event of failure of any Clearing Member to submit such information during the trading hours on the Expiry date for the corresponding Contracts, the Deal shall, unless prescribed otherwise by the NCCL or SEBI, have to be settled as per the Settlement Calendar applicable to such Deal, in cash together with penalty as may be stipulated by the NCCL from time to time.

## **6. MARGINS AND CLEARING/ EXPOSURE LIMITS**

### **6.1 MARGIN**

- 6.1.1** The Clearing Corporation and/ or Concerned Exchange shall from time to time specify various margin requirements for the Clearing Members including but not limited to, initial margin on open positions.
- 6.1.2** The Clearing Members shall furnish and maintain such margins in such form and within such time as specified by the Clearing Corporation.
- 6.1.3** Every Clearing Member has a continuing obligation to maintain margins at the required level and for the period stipulated by the Clearing Corporation from time to time.
- 6.1.4** The Clearing Corporation shall segregate in such manner as it may deem fit the margins deposited by the Clearing Member on its own account and on behalf of clients.

### **6.2 Margin Requirement**

- 6.2.1** The NCCL shall from time to time impose such margins including Initial Margin, Delivery period margins, Concentration margins or any other form of Margin as part of norms of Risk Management measures or which may be specified by SEBI from time to time and the same shall be notified by NCCL from time to time and shall for the time being comprise of the following:
  - a. Liquid Assets: Liquid assets shall be deposited by Members with the NCCL in compliance with the norms specified herein to cover various margin and deposit requirements.
  - b. Initial Margins (IM): NCCL shall prescribe Value at risk (VaR) margins to cover potential losses from time to time.
  - c. Extreme Loss Margins (ELM): NCCL shall prescribe such margins to cover the loss in situations that lie outside the coverage of the VaR



based initial margins in accordance with and in the manner as specified by SEBI.

- d. Additional Margins: NCCL shall prescribe such margins imposed on both long and short sides over and above the other margins, would be called additional margins in accordance with and in the manner as specified by SEBI
- e. Tender Period Margin/Pre-expiry Margin: NCCL shall levy tender period/pre-expiry margin which may be increased gradually every day beginning from the pre-determined number of days before the expiry of the contract as applicable in accordance with and in the manner as specified by SEBI.
- f. Delivery Period Margin: NCCL shall levy appropriate delivery period margin on the long and short positions marked for delivery till the pay-in is completed by the Member. Once delivery period margin is levied, all other applicable margins thereof may be released.
- g. Minimum Liquid Network Requirement: NCCL shall deduct such quantum from the Initial margins, ELM, Additional margins or any other margins as may be specified by SEBI from time to time from the liquid assets of a clearing Member. The clearing Member's liquid assets after adjusting for applicable margins shall be referred to as 'Liquid Network' of the clearing Member. Clearing Members shall maintain 'Liquid Network' as specified by SEBI from time to time.
- h. MTM (Mark to Market) Settlement: The mark to market settlement on all open positions of clients/Members shall be done on daily basis in cash funds
- i. Base Minimum Capital: The Member shall maintain such exposure free deposit as may be prescribed by NCCL or as specified by SEBI from time to time.
- j. Settlement Guarantee Fund (SGF): NCCL shall maintain SGF in the manner as may be prescribed by SEBI which shall be used by NCCL only for the purpose of providing settlement guarantee.

**6.2.2** NCCL shall follow the norms for additional risk management as may be prescribe by SEBI from time to time and the Concerned Exchange shall follow the process for mitigating the Risk as specified by SEBI.

**6.2.3** NCCL may from time to time, by way of circulars, put in place such a mechanism for regular monitoring of Margins and penalty for short collection/non-collection of margins by Members from their clients.

### **6.3 MODE OF PAYMENT OF MARGIN**

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

### **6.4 WITHHOLDING MARGIN**

The Clearing Corporation shall at its discretion or on the instructions of the Concerned Exchange withhold/release of any margin furnished by that 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.

### **6.5 MARGIN FROM THE CONSTITUENTS**

**6.5.1** The Clearing Members shall demand and collect from its Constituents the margin monies which the clearing Member has to provide under these Regulations in respect of dealings done by the Clearing Members for such Constituents.

**6.5.2** Without prejudice to the liability of the Clearing Members to demand and collect margin monies from its Constituents, the clearing Member shall clear and settle Deals in Derivative Contracts on behalf of its Constituents as the Relevant Authority may prescribe from time to time. The clearing Member may collect higher margins from Constituents, as he deems fit.

**6.5.3** 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 Constituents.

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

## **6.6 PAYMENT OF MARGINS**

**6.6.1** Payments towards all margins shall be received / made by the Clearing Member from / to the clients strictly by account payee crossed cheques / demand drafts or by way of direct credit into the bank account through electronic fund transfer, or any other mode permitted by the Reserve Bank of India. The Clearing Members shall accept cheques drawn only by the clients and also issue cheques in favour of the clients only, for their transactions. Members shall not accept cash from their clients either directly or by way of cash deposit to the Members bank account.

**6.6.2** 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 Member shall 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'.

## **6.7 STATEMENT OF SHORTAGE /DEFAULT IN PAYMENT OF MARGINS**

**6.7.1** In the event of non-performance of Member of his obligations or his being declared as defaulter, such Member shall submit to the clearing corporation, a statement containing a list of client codes, names of the clients, open positions of each client, client-wise margin amount due and paid to the clearing corporation, client-wise settlement amount payable to/receivable from the clearing corporation and client-wise settlement amount paid to the clearing corporation. The Member shall also specifically attribute such failure/shortage/default in payment of margins

and/or settlement dues either to himself or his clients' and the amount of such shortage/default.

- 6.7.2** The Clearing Corporation shall use such statement provided by the Member for appropriating the margin monies with the Clearing Corporation towards the dues of the Clearing Corporation to the extent of shortage/default of obligations and for the purpose of settling the amounts due to clients', as the case may be, unless the contrary is proved to the satisfaction of the Clearing Corporation/Defaults Committee.
- 6.7.3** The Clearing Corporation shall appropriate the margin monies with the Clearing Corporation for settling the dues of the clients' before settling the dues of the Members.
- 6.7.4** Notwithstanding the above, in the event of any Member being declared as a defaulter, the statement, furnished by the Trading Member to such Clearing Member, providing the amounts paid by Trading Member on his own account or is paid on behalf of his clients' shall be conclusive and binding on himself, his Clearing Member and all his clients' unless the contrary is proved to the satisfaction of the Clearing Corporation/Defaults Committee.

## **6.8 CLEARING/EXPOSURE LIMIT WITH RESPECT TO MARGINS**

- 6.8.1** The Clearing Corporation may at any time in its absolute discretion :
  - (a) Prescribe maximum long and/ or short open positions for all or any of the Members and their clients for any or all Derivative Contracts;
  - (b) Prescribe clearing/exposure limit for a market type or as a percentage of the base capital of the Member or a combination of any of the above or such other method as the Relevant Authority may decide from time to time for all or any of the Members;
- 6.8.2** 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.

- 6.8.3** The Clearing Corporation may at its discretion allow Clearing Members to increase their clearing/exposure limit on deposit of additional base capital with the Clearing Corporation. The Clearing Corporation shall specify from time to time the method of calculation of base capital and mode of deposit of additional base capital.

## **6.9 EXCEEDING CLEARING/EXPOSURE LIMITS**

- 6.9.1** If a Clearing Member exceeds any clearing/exposure limit imposed, the Clearing Corporation shall be entitled to require the Clearing Member to close out open positions within such period as may be specified by the Relevant Authority or take such other measures as may be specified by the Relevant Authority from time to time, which may in the opinion of the Clearing Corporation result in the Clearing Member complying with the clearing/exposure limits. Any such direction of the Relevant Authority shall be without prejudice to any penalty or liability for breach of any provision of Rules, Bye Laws and Regulations of the Concerned Exchange or NCCL.
- 6.9.2** If a Clearing Member fails to comply with any requirement of the Clearing Corporation, the Clearing Corporation may, at the costs of such Clearing Member, 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 withdrawal of trading and/or clearing facility.

## **7. SETTLEMENT OF DERIVATIVE CONTRACTS**

### **A) FUTURES:**

#### **7.1 DAILY MARK TO MARKET SETTLEMENT (MTM)**

**7.1.1** All open positions whether long or short of a Clearing Member shall be deemed to have been closed out at the daily settlement price, and such Member shall be liable to pay to, or entitled to collect from the Clearing Corporation any loss or profit, as the case may be, represented by the difference between the price at which the Contract was bought or sold, or the settlement price of the previous trading day and the daily settlement price of the transaction at the end of the trading day, as the case may be.

**7.1.2** After making such settlement with the Clearing Corporation, such Member shall be deemed long or short, such Contract, as the case may be, at the daily settlement price. The daily settlement obligation shall be paid only in cash.

#### **7.2 DAILY SETTLEMENT PRICE**

Daily settlement price shall be the closing price of the Contracts for the trading day as determined by the Relevant Authority or such other price as may be decided by the Relevant Authority from time to time.

#### **7.3 ADVANCE CALL FOR DAILY MARK TO MARK SETTLEMENT**

If the market conditions or price fluctuations are such that the Relevant Authority deems it necessary, it may call upon the Clearing Members which in its opinion are affected, to deposit with the Clearing Corporation by such time as specified by the Relevant Authority, the amount of funds that it estimates will be needed to meet such settlements as may be necessary.

#### **7.4 SETTLEMENT OF FUTURES CONTRACTS WHICH ARE CLOSED OUT**

Futures Contracts which are closed out by offsetting positions shall be settled as per the procedure prescribed by the Relevant Authority from time to time.

## **7.5 FINAL SETTLEMENT**

**7.5.1** All open positions of Clearing Members in the Futures Contracts at the close of trading hours on the last trading day shall be settled as per the procedure specified by the Relevant Authority from time to time.

**7.5.2** On completion of final settlement, open positions in such futures contracts shall ipso facto cease to exist.

## **7.6 FINAL SETTLEMENT PRICE**

The Final Settlement Price for a Derivative Contracts shall be the price determined and announced as per the procedure and process prescribed by the Relevant Authority and incorporated in the contract specifications of a commodity for settlement of the derivative contract on its expiry.

## **7.7 DAILY AND FINAL SETTLEMENT OBLIGATIONS STATEMENTS**

Clearing Corporation shall generate and provide to each Clearing Member, Daily and Final Settlement Obligations Statements pertaining to transactions cleared and settled by the Clearing Corporation.

## **7.8 MODE OF PAYMENT**

All Clearing Members shall, on the designated pay-in day, have clear balance of funds in their clearing account to the extent of their funds obligation; provided however the Relevant Authority may specify different mode of payment of funds for all or any of the Clearing Members.

## **7.9 RECEIPT OF FUNDS**

**7.9.1** The Clearing Bank shall credit the clearing accounts of the Clearing Members who are due to receive funds as per the instructions of the Clearing Corporation.

**7.9.2** All funds due to a Clearing Member shall normally be credited to his account unless

- a. the Clearing Member does not perform his obligations to the Clearing Corporation or
- b. it is otherwise ordered by the Relevant Authority.

Provided however the Relevant Authority may specify different mode for transfer of funds to the credit of all or any of the Clearing Members.

**7.9.3** Clearing Members are deemed to have authorized the Clearing Corporation and their respective Clearing Bank for all receipts and payments as required in these Regulations.

## **B. OPTION CONTRACTS**

### **7.10 PREMIUM SETTLEMENT FOR OPTION CONTRACTS**

**7.10.1** Premium settlement in respect of trades in options contracts shall be settled in cash by debit/ credit of the clearing accounts of clearing Members with the respective Clearing Bank.

**7.10.2** The premium payable or receivable value of clearing Members shall be computed after netting the premium payable or receivable positions at trading Member level, for each option contract, at the end of each trading day.

**7.10.3** The premium pay-in shall be effected before the start of trading on T+1 day along with payin of daily mark to market losses in respect of trades / positions in futures contracts. ('T' is the trade date)

**7.10.4** The Premium Pay-in / Pay-out obligation of the clearing Member for trades in option contracts will be netted with daily MTM Pay-in / Pay-out obligation of trades / positions in futures contracts.

### **7.11 MARK TO MARKET**

The options positions shall be mark to market by deducting/adding the current market value of options (positive for long options and negative for short options) times the number of long/short options in the portfolio from/to



the margin requirement. Thus, mark to market gains and losses would not be settled in cash for options positions.

#### **7.12 FINAL SETTLEMENT PRICE (FSP)**

Final Settlement Price shall be the Daily Settlement Price (DSP) of the underlying Futures contract on the Options Expiration date.

#### **7.13 SETTLEMENT METHOD**

On Exercise of Option, the settlement of options contract shall be as prescribed in the Derivative Contracts or as may be prescribed by SEBI from time to time.

#### **7.14 EXERCISE / DEVOLVEMENT MECHANISM**

On expiry, following mechanism shall be adopted for Exercise / devolvement of the options contracts:

##### **7.14.1**

- a) Option series having strike price closest to the Daily Settlement Price (DSP) of Futures shall be termed as At the Money (ATM) option series.
- b) This ATM option series and two option series having strike prices immediately above this ATM strike price and two option series having strike prices immediately below this ATM strike shall be referred as 'Close to the money' (CTM) option series.
- c) In case the DSP is exactly midway between two strike prices, then immediate two option series having strike prices just above DSP and immediate two option series having strike prices just below DSP shall be referred as 'Close to the money' (CTM) option series.

**7.14.2** All option contracts belonging to 'CTM' option series shall be devolved only on 'explicit instruction' for devolvement by the long position holders of such contracts failing which they will expire worthless.

**7.14.3** All In the money (ITM) option contracts, except those belonging to 'CTM' option series, shall be devolved automatically, unless 'contrary instruction' has been given by long position holders of such contracts for not doing so and in that case shall expire worthless.

**7.14.4** All Out of the money (OTM) option contracts, except those belonging to 'CTM' option series and devolved by the long position holders, shall expire worthless.

**7.14.5** All devolved contracts within an option series shall be assigned to short positions in that series in a fair and non-preferential manner as may be notified by the Clearing Corporation from time to time.

**7.15 MARKING INSTRUCTION FOR DEVOLVEMENT OF POSITIONS**

**7.15.1** The Members can mark the instruction to / not to devolve through such process as may be prescribed post close of trading session of option contract on expiry day.

**7.15.2** Instruction can be marked by holder of the options contract i.e. long position holder.

**7.15.3** For ITM option series except CTM, Members shall give instruction for the quantity which is not intended to be devolved

**7.15.4** For CTM option series, Members shall give instruction for the quantity which is intended to be devolved

**C. GENERAL**

**7.16 NON-FULFILMENT OF SETTLEMENT OBLIGATION**

**7.16.1** Non-fulfilment of settlement obligation by scheduled clearing day and time is a violation of the Clearing Corporation's Rules, Bye-Laws and Regulations and attracts penal action as may be stipulated by the Clearing Corporation from time to time.

**7.16.2** Clearing Corporation shall prescribe guidelines in case of repeated shortfall in margin / pay-in and the same shall be applicable at all times unless revised.

**7.17 DAY AND TIME OF SETTLEMENT:**

The Relevant Authority may specify from time to time the day and time when the settlements shall take place.

**7.18 CLEARING FORMS**

All Clearing Forms shall be as specified in the relative regulation or in such other form or forms as the Relevant Authority may from time to time prescribe in addition thereto or in modification or substitution thereof.

**7.19 SETTLEMENT OBLIGATIONS STATEMENTS**

Clearing Corporation may facilitate download of relevant data to Clearing Members and Trading Members to enable them to generate Settlement Obligations Statements pertaining to transactions in different kinds of Derivative Contracts.

**7.20 MODE OF PAYMENT**

All Clearing Members shall, on the designated pay-in-day, have clear balance of funds in their clearing account to the extent of their funds obligation for the purpose of transfer to the account of Clearing Corporation. Provided however the Relevant Authority may specify different mode of payment of funds for all or any of the Clearing Members.

**7.21 RECEIPT OF FUNDS**

**7.21.1** The Clearing Bank shall credit the clearing accounts of the Clearing Members who are due to receive funds as per the instructions of the Clearing Corporation.

**7.21.2** All funds due to a Clearing Member shall normally be credited to his account unless

- a. the Clearing Member does not perform his obligations to the Clearing Corporation or
- b. it is otherwise ordered by the Relevant Authority.

Provided however the Relevant Authority may specify different mode for transfer of funds to the credit of all or any of the Clearing Members.

## **8. PROCEDURE FOR SETTLEMENT OF DEAL**

### **8.1 DELIVERY**

#### **8.1.1 SUBMISSION OF DELIVERY INTENTIONS**

- 8.1.1.1** Timelines for submission of delivery intentions as per various types of contract logics may be prescribed by the Relevant Authority from time to time. The NCCL would provide during the trading hours, a window on its System for Members to submit delivery information for all their open positions. On the expiry date, the window would be closed at such time, as may be prescribed by the Relevant Authority from time to time.
- 8.1.1.2** After the trading hours on the expiry date, the matching for deliveries would take place firstly, on the basis of locations and then randomly keeping in view the factors such as available capacity of the vault/Warehouse, Commodities already deposited and reflected in the Repository/Comtrack account and offered for delivery and any other factor as may be specified by the NCCL from time to time. The Matching for deliveries by the aforesaid process shall be binding on the Clearing Members and their respective clients. After completion of the matching process, Clearing Members would be informed of the deliverable / receivable positions and the unmatched positions. Unmatched positions shall be settled in cash. The cash settlement would be only for the incremental gain / loss as determined on the basis of Final Settlement Price.
- 8.1.1.3** All matched and unmatched positions shall be settled in accordance with the applicable Settlement Calendar and the process prescribed by the NCCL and/or SEBI and notified to the market from time to time.
- 8.1.1.4** Members and Constituents having obligation to give physical delivery of Goods arising out of a Deal on the Concerned Exchange shall ensure to have their Goods deposited in

accordance with the norms and procedures/ delivery guides prescribed and notified by the NCCL from time to time.

- 8.1.1.5** For the purpose of receiving electronic credit for their deposits of Goods, the Members and Constituents shall open necessary accounts with the Repository Participants or such other like entities as may be approved by SEBI and notified by the NCCL from time to time.

### **8.1.2 OUTSIDE CLEARING CORPORATION**

1. The Relevant Authority may permit delivery/ies and/or payment/s in respect of any Deal/Trade entered into or to be entered into for settlement outside the Clearing Corporation subject to such terms and conditions or processes as may be stipulated by the Clearing Corporation.
2. Any such settlement as may be permitted by the Relevant Authority as per Clause (1) above shall be an alternate mode of settlement and shall be a bilateral contract between the Buyer and seller and shall be deemed to be a settlement outside Clearing Corporation. NCCL shall not be responsible or liable in any manner for such settlement/s and / or any and all consequences thereof.

### **8.1.3 EARLY PAY-IN OF COMMODITIES**

The Clearing Members may be allowed to deliver their obligations before the Pay in date as per applicable Settlement Calendar, to the Clearing Corporation whereby the Clearing Corporation may reduce the margin requirement to that extent.

### **8.1.4 ADDITIONAL CREDIT/DEBITS**

1. NCCL may specify the parameters and methodology for Premium/discount as the case may be, from time to time for the quality/quantity differential, GST, taxes and government levies/fees if any, and for any other compliances. Pay-in/ Pay-out for such additional obligations shall be settled on the

Supplemental Settlement Date as specified in the Settlement Calendar.

2. NCCL for the purpose above, reserves the right to hold back portion of funds pay-out as it may deem necessary.

## **8.2 PROCEDURE FOR PAYMENT OF GST, OTHER LEVIES/TAXES.**

**8.2.1** NCCL shall prescribe procedures and norms for payment/transfer of GST, other applicable levies and taxes which are required to be complied for giving effect to settling the Deal culminating into sale with physical delivery of Commodities.

**8.2.2** The Buying Member and Selling Member on the NCCL platform is required to ensure that the compliance in respect of payment of taxes as applicable to the commodity being delivered is met within prescribed days and time and has the requisite registrations and licenses of both legislations (Central and State) as applicable to the commodity being delivered under the applicable laws.

**8.2.3** NCCL shall at its discretion call for any records from the clients of the Buying Member or Selling Member, as the case may be, directly and it shall be obligatory on the clients to provide such information within such time as may be permitted by NCCL.

## **8.3 REGISTRATION WITH GST AUTHORITIES**

All Members shall ensure that their respective Constituents, who intend to take or give delivery of commodity, are registered with GST authorities of all such States which has a Delivery center for particular commodity in which Constituent has or is expected to have or deemed to have open positions. Members shall maintain records/details of GST registration of each of such Constituent and furnish the same to the NCCL as and when required.

#### **8.4 PAYMENT OF GST**

The Seller shall be responsible for payment of GST. The Seller shall be entitled to recover from the Buyer, the GST and other taxes levied under the local State GST law to the extent permitted by GST law. In no event the Clearing Corporation shall be liable for payment of GST or any other local tax, fees, levies etc.

#### **8.5 INFORMATION SUBMISSION RELATING TO GST TO THE NCCL**

Clearing Members shall be solely and fully responsible for collection and verification of GST information relating to applicability of GST, Exemptions and/or Concessions claimed, Rate of tax to be levied, from their delivering and/or receiving Constituent, as the case may be, and furnishing the same to the NCCL for Settlement purposes within the time limit as specified by the NCCL from time to time. Collection of information by Clearing Corporation is only for the purpose of ensuring that no tax related disputes pertaining to deliveries effected through the Clearing and Settlement process are raised by buying clients. Clearing corporation is neither liable nor responsible for non-levy and non-payment of applicable GST and other taxes in any manner whatsoever.

#### **8.6 RAISING OF INVOICE AND DETERMINATION OF SALE VALUE**

It shall be the responsibility of Seller to raise an Invoice as may be required under the GST laws for the deal made on the Exchange. For the purpose of raising invoice, Sale price shall be calculated as per Final Settlement Price net of Premium/Discount, if any, applicable for Quality and Quantity of Commodities delivered or as notified by the NCCL from time to time.

#### **8.7 DISPUTES RELATING TO INCORRECT GST INFORMATION / DOCUMENTS FOR COMMODITIES DELIVERED / RECEIVED**

**8.7.1** In case where a Constituent taking / receiving delivery deems that the GST information / documents for Commodities delivered / received is/are not correct or insufficient, the said Constituent may file a complaint regarding such cases with the NCCL.

**8.7.2** The party taking / receiving delivery shall file the complaint about incorrectness or insufficiency of any information with regard to GST, if any, not later than 7 business days following the supplemental pay-in / pay-out day as specified in the Settlement Calendar. If no such complaint is received by the NCCL from the Member / Constituent as aforesaid, it shall be deemed conclusively that all the requisite information has been



exchanged between the selling and buying Constituents. Any disputes raised thereafter, shall be ordinarily not accepted and NCCL shall not be responsible for facilitating any resolution in this regard.

**8.7.3** Upon receiving the complaint, the NCCL shall determine the extent of incorrectness and notify the Members representing parties to delivery / receipt, of the results of determination.

**8.7.4** If the NCCL decides upon the complaint that the Commodities for delivery / receipt to have inappropriate or insufficient GST information for delivery / receipt, NCCL shall cause the party making / accepting delivery, as the case may be, to furnish proper information as required by / under applicable GST laws / rules. The NCCL may also levy a penalty for each such failure and accordingly the Member's account/s is/are liable to be debited without notice.

**8.7.5** The NCCL may impose a penalty on a Clearing Member responsible for the supply of information, which is incorrect or insufficient. Such penalty and other charges may be as prescribed by NCCL from time to time in this regard.

## **8.8 FAILURE TO SUBMIT GST INFORMATION**

In the event of failure to submit GST information to the NCCL within period stipulated in the Settlement Calendar, then there would not be any supplemental pay-in / pay-out date as specified in the Settlement Calendar on account of GST for such transactions.

Notwithstanding anything contained in these Regulations, the Clearing Members are required to ensure that the Members and their Constituents are in Compliance of the GST laws in force from time to time and shall follow the due procedure as may be prescribed by the GST authorities from time to time. The Clearing Corporation shall not be responsible or liable to any Buyer/Seller of the Commodity in case of any non-compliances of any of the provision of the GST Act and the notification issued thereunder by the State and the Central Govt.

## **8.9 MAINTENANCE OF RECORDS WITH RESPECT TO GST**

Clearing Members shall maintain proper records relating to GST which include but not limited to maintenance of:

**8.9.1** Registration with GST Authorities for their Constituents

**8.9.2** GST related details on Deal made through NCCL by their Constituents

**8.9.3** Details of Information / Documents required under GST laws and furnished to respective Buyer / Seller for Deal executed on NCCL

The preservation of records pertaining to GST shall be in accordance with the provisions of Rules prescribed under the Central and State GST Rules.

**8.10 COMPLIANCE UNDER FOOD SAFETY LAWS**

**8.10.1** The Participants receiving and giving delivery of Commodities are responsible to comply with the Regulations and Rules of Food Safety and Standards as prescribed by the Food Safety and Standards Authority of India (FSSAI) from time to time and comply with all the licensing requirements prescribed by the FSSAI Authority or any other Regulator / Authority having jurisdiction.

**8.10.2** The Clearing Corporation shall not be responsible or liable to any Participant in case of any non-compliances of any of the provision of the FSSAI Act and the notification issued thereunder from time to time by the State and the Central Govt.

Explanation: For the purpose of this clause, Participants also includes Members and or Clients or their respective agent, who hold electronic credit balance of Goods in its / their Repository Account.

**8.11 COMPLIANCE UNDER THE ESSENTIAL COMMODITIES ACT**

**8.11.1** The Participants receiving and giving delivery of Commodities are responsible to comply with the relevant provisions, directives, orders, notifications and circulars issued by the Central and the State Government under the Essential Commodities Act and shall be responsible and liable to comply with all the Stock limits and licensing requirements prescribed thereunder.

**8.11.2** The Clearing Corporation shall not be responsible or liable to any Participant in case of any non-compliances of any of the provision of the Essential Commodities Act.

Explanation: For the purpose of this clause, Participants also includes Members and or Clients or their respective agent, who hold electronic credit balance of Goods , in its / their Repository Account

**8.12 OTHERS**

**8.12.1** Notwithstanding the above, it shall be the sole obligation and responsibility of the Members and market Participants to ensure that apart from the approved quality

standards stipulated by the Exchange, the commodity deposited / traded / delivered through the approved Warehouse either on their own or on behalf of them by any third party acting on behalf of the Market Participants/Constituents is in due compliance with the applicable regulations laid down by authorities like Food Safety Standard Authority of India, AGMARK, BIS, Warehousing Development and Regulatory Authority (WDRA), Orders under Packaging and Labelling etc and also other State/Central laws and authorities issuing such regulations in this behalf from time to time, including but not limited to compliance of provisions and rates relating to GST, APMC Tax, Mandi Tax, LBT, Stamp Duty, etc. as applicable from time to time on the underlying commodity of any contract offered for deposit / trading / delivery and the NCCL shall not be responsible or liable on account of any noncompliance thereof.

### **8.13 PENALTIES FOR DEFAULTS**

**8.13.1** The penalty on delivery default shall be prescribed in accordance with the directives of SEBI as may be notified by the NCCL from time to time

**8.13.2** In the event of a default by the seller or the Buyer of a commodity derivative contract in delivery of Commodities or payment of the price, the NCCL would close out the Derivative Contracts and would impose penalties on the defaulting seller or Buyer, as the case may be, and also may use the margins deposited by such a Clearing Member to recover losses if any. The settlement for such trades would be in cash within such period and in such manner with such penalty and/or charges as may be prescribed by NCCL from time to time.

**8.13.3** The apportionment of such penalties shall be in accordance with the norms prescribed by SEBI from time to time.

### **8.14 PROCESS OF DEPOSIT OF COMMODITIES IN NCCL APPROVED WAREHOUSES AND RECEIVING ELECTRONIC CREDITS IN REPOSITORY ACCOUNTS**

**8.14.1** The process of deposit and delivery of Goods/Commodities shall be governed by the guidelines in the form of a Physical Delivery Guide or such other similar process document as may be notified by the Clearing Corporation from time to time.

**8.14.2** The clients desirous of depositing the stocks are required to deposit the stocks in such Warehouses as may be approved and notified by the Clearing Corporation from time to time.

**8.14.3** The Clients shall necessarily open a Repository Account with any of the Repository Participants for the purpose of holding their deposits in the electronic form.

**8.14.4** The Warehouses shall accept the Goods for deposits strictly in accordance with the quality parameters as per the contract specifications and procedures prescribed by the Clearing Corporation/Exchange, as the case may be. Warehouses shall be solely responsible for the stocks accepted by them which are not in accordance with the prescribed guidelines or norms.

#### **8.15 VALIDITY DATE**

**8.15.1** In case of Commodity having Validity Date assigned to it by the Approved Assayer, the delivery of the said Commodity upon expiry of such Validity Date shall not be considered as a good delivery. The concerned WSP shall ensure that his concerned Constituent holding such Commodities removes them on or before the expiry of Validity Date for such Commodities.

**8.15.2** For the Repository, Commodities which have reached the Validity Date, shall move out of the electronic deliverable quantity. Constituent shall withdraw such quantity and remove the same from the Warehouse. Failure to remove Goods/Commodities after the validity date from Warehouse shall attract penalty as may be specified by the Relevant Authority from time to time.

#### **8.16 PROCESS OF WITHDRAWAL OF STOCKS.**

**8.16.1** Electronic Debit refers to issuance of physical delivery receipt or the like against the credit in the Repository account of a Constituent. The Constituent seeking withdrawal of the commodity reflecting in its Repository Account shall have to make a request to its Repository Participant in prescribed format and the Repository Participant would route his request through the Repository system. The process of physical withdrawal of Goods/Commodities from the approved Warehouses shall be in the manner as notified by the Repository or the Clearing Corporation as the case may be.

#### **8.17 DELIVERY THROUGH THE REPOSITORY ACCOUNT**

Delivery in respect of all Deals admitted for Clearing in Commodities shall be through the Repository Account. The delivery through the Repository Account system into the account of the Buyer with the Repository Participant shall be deemed to be delivery and the ownership of corresponding Goods in the Repository Account shall be deemed to be transferred from the Constituent whose Repository Account is debited to the Constituent whose Repository Account is credited for all purposes.

## **8.18 PAYMENT THROUGH THE CLEARING BANK**

Payment in respect of all Deals for the Clearing shall be made through the Clearing Bank(s); Provided however that the Deal of Sales and Purchase executed between different Constituents of the same Clearing Member in the same Settlement, shall be offset by process of netting to arrive at Net Obligations.

## **8.19 PRIVACY OF CONTRACT**

**8.19.1** Except as provided herein, Members giving and receiving delivery as provided in the Bye Laws and Regulations shall be deemed, notwithstanding that no direct contract may exist between them, to have made a contract with each other as sellers and Buyers. However the rights and liabilities of Selling Member and Buying Member in relation to their immediate contracting party shall not be deemed to be affected thereby except that the selling Member (unless he be himself the seller) shall be released from all responsibility in regard to the title, ownership, genuineness, regularity and validity of the documents of Goods and Securities received by the Buying Member and in regard to the loss and damages arising therefrom, which shall be dealt with in accordance with the provisions of Bye Laws and Regulations thereof.

**8.19.2** In cases where the Clearing Corporation may specify either generally or specifically, 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 as sellers and Buyers and between themselves as Selling Members and Buying Members; provided further however that in such event the rights and liabilities of Selling Members and Buying Members with the Clearing Corporation shall not be deemed to be affected thereby except that the Clearing Corporation shall not be responsible in respect of the title, ownership, genuineness, regularity and validity of the documents of Goods and Securities delivered or received and in regard to the loss and damages arising therefrom, which shall be dealt with in accordance with the provisions of Bye Laws and Regulations thereof.

**8.19.3** Notwithstanding anything contained above, the Clearing Corporation may specify either generally or specifically that the Clearing Corporation shall be counterparty to the deal specified by it and arising out of trades executed / reported on the trading system of the Concerned exchanges or otherwise, admitted for clearing and settlement except the fact that in respect of failure on the part of the Selling Member in tendering delivery, the Clearing Corporation

shall be responsible only to pay financial compensation and not to give physical delivery to the Buying Member. The Clearing Corporation shall undertake to guarantee the financial settlement of all Deals arising out of Deals in Goods and Securities duly executed / reported on the trading system of the Concerned Exchanges or otherwise irrespective of default, insolvency or failure on the part of the corresponding Member. Provided that the settlement guarantee by the Clearing Corporation extends only:

- i. to its own Members, and
- ii. to those Deals that have been accepted for clearing and settlement by the Clearing Corporation., and
- iii. to those Members who are not in default in their financial obligations to the Clearing Corporation to the Concerned exchange or otherwise.

Provided however, the Clearing Corporation shall not be deemed to guarantee the title, ownership, genuineness, regularity or validity of any Goods and Securities or any document in lieu thereof passing through the Clearing Corporation, the object of maintaining the Clearing Corporation being to facilitate the delivery and payment in respect of the Goods and Securities or documents in lieu thereof between Members.

Provided however that the nature of guarantee by the Clearing Corporation is strictly financial, that is, in case of Buyer default or seller default, the Clearing Corporation shall guarantee financial compensation to make good any monetary loss to non-defaulting party in the manner as may be prescribed in the Byes Laws and Regulations.

#### **8.20 CONTRACTS SUBJECT TO CHANGE IN SETTLEMENT PROCEDURE**

The Concerned Exchange or the NCCL as the case may be, at any time through a notice in that behalf may bring into effect in respect of all or any Deal entered into or to be entered into in all or any of the commodity futures contract, 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 time or the forms prescribed therefore.

#### **8.21 CLEARING DAYS AND SCHEDULED TIMES**

The Relevant Authority of the Clearing Corporation shall from time to time fix the 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 Deal in Commodities / futures contracts. The Relevant Authority may specify different schedules for any or all Clearing Members from time to time.

## **8.22 ALTERATION OF CLEARING DAYS AND TIMES**

**8.22.1** The Relevant Authority may at any time curtail, extend, alter or postpone 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 Commodities/ futures contracts/Deal.

**8.22.2** In case of multiple settlements on a single day because of intervening holidays or otherwise, the Deal shall be cleared and settled on a sequential basis i.e. the pay-in and the pay-out of the first settlement shall be completed before the commencement of the pay-in and pay-out of the subsequent settlement/s. The cash/securities pay-out from the first settlement shall be made available to the Members for meeting their pay-in obligations for the subsequent settlement/s.

## **8.23 CLEARING AND SETTLEMENT PROCESS**

The Relevant Authority of the Clearing Corporation shall prescribe the process from time to time for the functioning and operations of the Clearing Corporation and to regulate the functioning and operations of the Clearing Corporation, which shall be deemed to form a part of any settlement process so provided. The Relevant Authority may specify different process and procedures for clearing and settlement for any or all Clearing Members from time to time.

## **8.24 SETTLEMENT OBLIGATIONS STATEMENTS FOR CLEARING MEMBERS**

**8.24.1** Clearing Corporation shall generate and provide to each Clearing Member, Settlement Obligations Statements showing the quantities of the different kinds of Commodities for which delivery/ deliveries is/ are to be given and/or taken and the funds payable or receivable by them.

**8.24.2** The Settlement Obligations Statement shall be deemed to be confirmed by the Member with respect to deliveries to be given and/ or taken and funds to be debited and/or credited to its account as specified in the Settlement Obligations Statements and shall be construed as deemed instructions to the Clearing Banks/Institutions/Repository in respect thereof for the same.

## **8.25 DELIVERY AND RECEIPT STATEMENTS**

### **8.25.1 MEMBER**

Based on the Settlement Obligations Statements, the Clearing Corporation shall generate Delivery Statement and Receipt Statement for each Clearing Member. The Delivery and Receipt Statement shall contain details of Commodities to be delivered to and to be received from other Clearing Members, the details of the corresponding buying / selling Constituent and such other details as may be

prescribed. The Delivery and Receipt Statements shall be deemed to be confirmed by respective Member to deliver and receive on account of his Constituent, Commodities as specified in the Delivery and Receipt Statements.

## **8.26 DELIVERY OF COMMODITIES**

### **8.26.1 DELIVERY THROUGH RESPOSITORY SYSTEM**

On respective Pay-in day, Clearing Members shall effect delivery in the Repository System as per Delivery Statement / Obligation statement. Delivery shall be in such Delivery Units which the Clearing Corporation or Relevant Authority may notify from time to time. Simultaneously Repository shall also effect the debits and credits into the respective Repository Accounts of the holders of Goods based on the instructions received from NCCL.

## **8.27 RECEIPT OF COMMODITIES**

### **8.27.1 REPOSITORY DEAL**

Commodities, which are to be received by a Clearing Member, shall be delivered to him in the Repository Clearing System on the respective Payout day as per instructions of the Clearing Corporation.

### **8.27.2 MODE OF RECEIPT OF FUNDS**

On the Pay-out day, unless otherwise prescribed for a Clearing Member regarding the mode of payment, the Clearing Bank shall credit the clearing accounts of the Clearing Members who are due to receive funds or make payments to Clearing Members as per the instructions of the Clearing Corporation . All funds due to a Clearing Member shall normally be credited to its account unless a) the Clearing Member has not delivered Commodities on Pay-in day as per Settlement Obligations Statement or b) the full extent of funds obligation of the Clearing Member was not available with the NCCL Clearing Account for funds Pay-in or c) it is otherwise ordered by the NCCL or Relevant Authority.

## **8.28 DEATH OF A CLEARING MEMBER**

If a Clearing Member dies on or before the Pay-in day, the procedure to be followed in clearing and settling the account of such Member shall be the procedure prescribed for clearing and settling the account of a defaulter, provided that with the permission of the NCCL, the heirs or legal representatives of such deceased Member may receive and deliver Commodities and make and receive payment on account of such deceased Member or , any Member of



whom the NCCL approves may deliver Commodities and make payment on account of such deceased Member.

#### **8.29 DELIVERABLE GRADES**

Deliverable grades shall be those stated in contract specifications as prescribed by the Concerned Exchanges from time to time.

#### **8.30 ASSAYERS CERTIFICATE**

**8.30.1** NCCL shall notify list of Approved Assayers for the purpose of certification of quality, grade and any other specification pertaining to each of the Commodities/Warehouses.

**8.30.2** The WSP shall use its own assaying capacity or alternatively use the services of any Assayer from the list of Approved Assayers. In either case, the assayer shall be the agent of the WSP and the WSP shall be responsible at all times for the services provided by the assayer including for the quality and quantity of Goods deposited and stored with the WSP.

**8.30.3** The Constituents shall avail the services of Approved Assayers for the purpose of certifications of the Commodities as required under these Regulations and avail the services of Assayers or WSP as may be prescribed by the NCCL for quality certification.

#### **8.31 DELIVERY IN PART**

The receiving Clearing Member shall accept such portion of the Commodities as are in conformity with the contract specifications provided it is in lots of Delivery Unit.

#### **8.32 DELIVERY WHEN COMPLETE**

Commodities delivered by the Constituent / Selling Member to the Buying Constituent / Buying Member along with Approved Assayer's Certificate which confirms the specifications and grade as mentioned in the Derivative Contracts, shall, in the absence of fraud or apparent error, be considered as good delivery and the Buying Member shall accept them as good delivery and failing such acceptance, the NCCL shall be entitled to close-out the same against the Buying Member in accordance with the Bye Laws and Regulations relating to closing-out.

#### **8.33 CLOSING OUT**

If the Selling Member fails to remove the defect or in the alternative deliver to the Buying Member other regular, genuine and valid delivery in place of the defective delivery within the period prescribed above, the NCCL on behalf of the Buying Member would close out the said delivery at closing price or any other price as decided from time to time by Relevant Authority against the Selling Member in accordance with the Bye-laws and Regulations relating to closing-out.

#### **8.34 SELLING MEMBER DEBITED**

Without prejudice to the provisions contained elsewhere in this regard, the NCCL shall be entitled to debit the Selling Member responsible for the documents which are not good delivery or are disputed deliveries by an amount equivalent to the said deliveries valued at such valuation price as the NCCL may specify from time to time in this regard together with penalties as may be prescribed.

#### **8.35 PENALTY FOR BAD DELIVERY**

The NCCL or Relevant Authority may in case of violation of Good Delivery Norms, impose on the corresponding Selling Member such penalty and other charges as it may prescribe from time to time. Such penalty and other charges shall be in addition to any loss such Member may suffer on account of closing-out and shall be in addition to the commission chargeable in that behalf.

#### **8.36 DELIVERY THROUGH AGENTS**

The Relevant Authority may, in general or in specific cases, permit Members / Constituents to complete delivery under the Regulations through their Agents on the terms and conditions as may be stipulated by the Relevant Authority from time to time. The deliveries given to or taken by such Agents shall be construed as deliveries given to or taken by such Members / Constituents for the purpose of compliance of delivery obligations under these Regulations.

Members / Constituents shall be responsible for all acts and omissions of their Agents.

## **9. DELIVERY THROUGH REPOSITORY**

### **9.1 DELIVERY UNITS**

Delivery through Repository shall be in such Delivery Units as defined in this Regulations. In case where the Deal is for an odd lot, the deal would be settled in cash.

### **9.2 TRANSFER DUTIES AND CHARGES**

**9.2.1** Unless otherwise directed by the Relevant Authority, stamp duties and charges payable, if any, to Government for registering transfers of Commodities, if any, shall be paid by the Buyer.

**9.2.2** The seller would be liable to pay GST under the local State GST law or the Central GST Act as the case may be and will be solely responsible for complying with all the provisions and Regulations of the applicable GST law. However, the Seller shall be entitled to collect the applicable amount of GST from the Buyer unless the price is inclusive of GST as per contract specifications.

**9.2.3** Transportation cost would be borne by the relevant parties.

**9.2.4** Any charges for assaying, at the time of Electronic Credit would be borne by the Seller/Depositor. If the Buyer is interested in assaying at the time of picking up the deliveries, then those charges would be borne by the Buyer.

**9.2.5** Any other tax, charges, levy would be borne by the relevant parties from time to time

### **9.3 DELIVERY IN PART**

The receiving Clearing Member shall accept such portion of the Commodities as are in conformity with the contract specifications provided it is in lots of Delivery Unit.

### **9.4 CLOSING OUT ON REFUSAL TO ACCEPT DELIVERY**

When deliveries in performance of a Derivative Contract are not completed by the Buying Member, the NCCL shall be entitled to close-out the same against such Buying Member in accordance with the Bye Laws and Regulations

## **10. NON-DELIVERY AND NON-PAYMENT**

### **10.1 NOTICE OF NON-DELIVERY AND NON-PAYMENT**

Each Clearing Member shall send to the Clearing Corporation/NCCL on the pay-in day an intimation of non-delivery in respect of each failure to deliver Commodities and a notice to the Clearing Bank and NCCL of non-payment in respect of failure to pay any or all of the funds which are due to be paid in such forms as may be prescribed in this regard by the NCCL or Relevant Authority from time to time.

### **10.2 CLOSING-OUT ON FAILURE TO DELIVER**

If a Clearing Member fails to deliver on the pay-in day the Commodities deliverable either by itself or on account of its client, the NCCL shall be entitled to reverse / settle such delivery position in cash together with penalty as may be stipulated by the NCCL from time to time in accordance with the Byelaws and Regulations relating to closing-out.

### **10.3 CLOSING-OUT ON FAILURE TO PAY**

If a Clearing Member fails to pay on the pay-in day for the Commodities to be received either by itself or on account of its client, the NCCL shall be entitled to reverse such delivery position in cash together with penalty or withhold the Goods due to Member besides levying penalty as may be stipulated by the NCCL from time to time in accordance with the Byelaws and Regulations relating to closing-out.

### **10.4 DISABLING OF A MEMBER**

Any Member either on his own account or on account of his client who fails to deliver Commodities or pay funds on the pay-in day shall (without prejudice to any other right of the NCCL), be forthwith disabled from dealing through the trading system until the NCCL or Relevant Authority may decide otherwise.

### **10.5 DECLARATION OF DEFAULT**

A Clearing Member failing to deliver the Commodities due from him or pay the amount due by him either on his own account or on account of his client shall be declared a defaulter as provided in these Byelaws and Regulations.

## **10.6 DELIVERIES DUE TO THE DEFAULTER**

All deliveries and payment due to the defaulter shall be handed over to the NCCL. The NCCL shall reserve the right to dispose off the Commodities to make good non-payment of funds or non-delivery of Commodities by the defaulting Member.

## **10.7 PENALTY FOR FAILURE TO GIVE OR TAKE DELIVERY**

The NCCL or Relevant Authority may impose on a Member failing to give or take delivery of all or any of the Commodities and/or funds according to his obligation or the obligation of his client, such penalty and other charges as it may prescribe from time to time in this regard. Such penalty and other charges shall be in addition to any loss such Member may suffer on account of closing-out and shall be in addition to the commission chargeable in that behalf.

## **10.8 WITHHOLDING OF COMMODITIES AND FUNDS**

Notwithstanding anything contained in these Regulations, irrespective of whether the Deal are cleared through the Repository System or otherwise, the NCCL may withhold, for such period(s) as the Relevant Authority may decide from time to time, pay -out of any Commodities and any funds including Commodities and funds constituting margins, if:

**10.8.1** the Clearing Member or its clients has not delivered the required Commodities on pay-in day or

**10.8.2** there are no adequate funds in the Clearing Account of the Clearing Member to meet the funds pay -in obligation on the pay -in day or

**10.8.3** the Clearing Member fails to satisfy the margin requirements or

**10.8.4** the Clearing Member or its clients fails to fulfill any other obligation or

**10.8.5** the Relevant Authority, otherwise, deems fit.

## **10.9 WITHHOLDING OF COMMODITIES FOR SHORTAGES**

**10.9.1** The Relevant Authority may with-hold the Commodities pay-out due to the Clearing Member either on its own account or on account of its client and/or withdraw Clearing Member's clearing facility in case of any pay-in shortages by the Clearing Member for such amount as the Relevant Authority may deem fit.

**10.9.2** The Relevant Authority may, on recovery of such shortages as it may deem fit, release the pay-out and/or restore the clearing facility and permit the clearing Member to clear and settle subject to such terms and conditions as the Relevant Authority may impose.

**10.10 WITHHELD COMMODITIES AND FUNDS - HOW DEALT WITH**

**10.10.1** The Commodities and funds withheld shall be dealt with by the NCCL at such times and in such manner as it may deem fit, which may include appropriating the withheld funds for the purpose of fulfilling the obligations of the Clearing Member, closing out of the withheld Commodities or registering the withheld Commodities in the name of the NCCL or any other entity as decided by the NCCL. The NCCL may deal with the funds received out of closing out of withheld Commodities at such times and in such manner as it may deem fit.

**10.10.2** The Clearing Corporation shall put in place such mechanism as may be required for the purpose of dealing with the Commodities withheld and the same shall be subject to such revisions or changes as deemed fit by the Relevant Authority.

## **11. CLOSING-OUT OF CONTRACTS**

### **11.1 TRANSFER OF OPEN POSITIONS AND CLOSING-OUT WHEN EFFECTED**

**11.1.1** Upon the failure of a Clearing Member to comply with any of the provisions relating to margins, clearing/exposure limits, daily mark to market settlement and final settlement, failure to fulfill the terms and conditions subject to which the transactions in Derivative Contracts have been made or for such other reasons as the Relevant Authority may specify from time to time, the Relevant Authority may:

**11.1.2** transfer all or any of the open positions of clients or such other open positions of the defaulting clearing Member as may be decided from time to time to any other Clearing Member who agrees to accept such transfer subject to such terms and conditions as may be specified by the Relevant Authority from time to time and / or

**11.1.3** close-out all or any of the open positions by buying-in or selling- out against the defaulting Clearing Member.

**11.1.4** Close out in such other manner as may be deemed fit by the Relevant Authority

### **11.2 CLOSING-OUT IN SPECIFIC CASES**

Without prejudice to the generality of the provision contained as above, closing -out 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.

### **11.3 CLEARING CORPORATION ENTITLED TO CLOSE-OUT WITHOUT NOTICE**

**11.3.1** In respect of Derivative Contracts settled through the Clearing Corporation, the Clearing Corporation shall be entitled to closing out against the party in default. In such cases no notice of closing-out shall be given to the Clearing Member against whom the closing-out is to be effected.

**11.3.2** Without prejudice to the generality of the provisions contained as above, closing-out without notice may be effected in cases specified in the relevant Regulation 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.

#### **11.4 CLOSING-OUT CONTRACTS WITH DEFAULTER CLEARING MEMBER**

If a Clearing Member is to be declared a defaulter, the Clearing Corporation shall determine all outstanding Deal by closing-out against him in accordance with the Bye Laws and Regulations relating to default.

#### **11.5 CLOSING-OUT CONTRACTS WITH DECEASED MEMBER**

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

#### **11.6 COMPLIANCE BEFORE CLOSING-OUT**

If the Member against whom closing-out is to be effected tenders compliance in accordance with the provisions of the Bye Laws and Regulations relating to delivery, payment and settlement of obligations and Deal on the terms and conditions subject to which the deal has been made at any time before the Deal have been actually closed out, the Relevant Authority may accept the same in fulfillment of his obligations. This will not relieve the Member in default of the obligation to pay any resulting damages and other penalties and interest charges imposed by the NCCL on such default.

#### **11.7 CLOSING-OUT HOW EFFECTED**

The NCCL shall effect closing out against the Member in any of the following manner:

**11.7.1** by buying-in or selling-out against the Clearing Member through an auction initiated by the Clearing Corporation;

**11.7.2** by declaring a closing-out at such prices as may be decided by the Relevant Authority.



**11.7.3** by buying-in or selling-out against the Clearing Member by placing order in the Concerned Exchange;

**11.7.4** in any other manner as the Relevant Authority may decide from time to time.

## **11.8 BIDS AND OFFERS**

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

## **11.9 CLOSING-OUT CLEARING MEMBER'S RESPONSIBILITY**

Save as otherwise provided, the Member against whom the closing-out is effected by the NCCL for the purpose of closing-out shall be responsible for the deal made and no liability or responsibility shall attach to the NCCL, its directors, agents or its employees for any deal made in pursuance of such closing-out.

## **11.10 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 determines that the default is due to the existence of a special situation but no such deferment shall relieve the Member in default of the obligation to pay for any resulting damages or free the intermediate parties of their liabilities.

## **11.11 SUSPENSION OR POSTPONEMENT OF CLOSING-OUT**

The Relevant Authority may suspend or postpone closing -out in respect of any Deal and from time to time extend or postpone the period of such suspension or postponement when circumstances appear in its view to make such suspension or postponement desirable in the general interest. The liability of intermediaries in respect of Deal in such Commodities settled through the Clearing Corporation or Repository System, as the case may be, shall continue during the period of such suspension or postponement.

## **11.12 CLOSING-OUT AGAINST DEFAULTER**

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

#### **11.13 CHARGES FOR CLOSING-OUT**

When closing-out is effected by NCCL, the Member against whom the closing-out takes place shall pay to the NCCL such closing out charges as the Relevant Authority may from time to time prescribe.

#### **11.14 LOSS ARISING FROM CLOSING-OUT**

When closing-out is effected on the advice of the NCCL against a Member failing to give or take delivery either of itself or on account of client, of all or any of the Commodities or funds according to his obligation, the resulting difference (between the money value of Commodities at the valuation price and the closing out price) due by such Member shall be paid by him forthwith to NCCL.

#### **11.15 PROFIT ARISING FROM CLOSING -OUT**

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

#### **11.16 DEFAULT IF CLOSING -OUT LOSS AND DAMAGE NOT PAID**

If any Member against whom a deal 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.

## **12. CLEARING SYSTEM, APPROVED USERS AND CLEARING TERMINAL**

### **12.1 CLEARING SYSTEM**

Clearing System for the purpose of this Regulation means, access to relevant interface, online portal, software, as may be provided by Concerned Exchanges / NCCL for clearing and settlement of trades and any incidental matters thereof.

However, in case of any failure of any of the system of the Clearing Member using the Responsible of Member – subject to access to be given.

12.1.1 The NCCL shall provide an Automated Clearing facility in all the Commodities admitted for dealings on the Concerned Exchange.

12.1.2 Clearing on the NCCL shall be allowed only through Approved Workstation(s) located at locations for the office(s) of a Clearing Member as approved by the NCCL / Concerned Exchange as the case may be. If LAN or any other way to other workstations at any place connects an Approved Workstation of a Clearing Member it shall require an approval of the NCCL.

12.1.3 Each Clearing Member shall have a unique identification number which shall be provided by the NCCL and which shall be used to log on (sign on) to the Clearing System.

12.1.4 A Clearing Member shall have a non-exclusive permission to use the Clearing System as provided by the NCCL in the ordinary course of business as Clearing Member.

12.1.5 A Clearing Member shall not have any title rights or interest whatsoever with respect to Clearing System, its facilities, software and the information provided by the Clearing System.

12.1.6 The Clearing System

- a) Shall be made available to the Member for clearing subject to such terms and conditions as the Relevant Authority may determine from time to time, inter alia, payment of such charges as may be specified from time to time.
- b) Access, may be withdrawn or restricted by the Relevant Authority at any time without assigning any reason and at its absolute discretion.

- 12.1.7 The Member shall, at its own costs, install and use such equipment and software as specified by the NCCL from time to time for the purpose of accessing the Clearing System.
- 12.1.8 The NCCL shall have the right to inspect equipment and software used for the purposes of accessing the Clearing System at any time without giving any notice.
- 12.1.9 The cost of the equipment and software supplied by the NCCL, installation and maintenance of the equipment shall be borne by the Clearing Member.
- 12.1.10 The permission to use the Clearing System shall be subject to payment of such charges as the NCCL may from time to time prescribe in this regard.
- 12.1.11 A Clearing Member shall not, permit itself or any other person(s) to:
- a) use the software provided by the NCCL for any purpose other than the purpose as approved and specified by the NCCL
  - b) use the software provided by the NCCL on any equipment other than the workstation approved by the NCCL
  - c) copy, alter, modify or make available to any other person the software provided by the NCCL
  - d) use the software in any manner other than the manner as specified by the NCCL
  - e) attempt directly or indirectly to de-compile, disassemble or reverse engineer the same.
- 12.1.12 A Clearing Member shall not, by itself or through any other persons on his behalf, publish, supply, show or make available to any other person or reprocess, retransmit, store or use the facilities of the Clearing System or the information provided by the Clearing System except with the explicit approval of the NCCL and in the ordinary course of business to complete the transactions on the NCCL.
- 12.1.13 The NCCL shall provide its services on a best effort basis. However the NCCL shall not be liable for failure or malfunctioning of the Clearing System or any other support systems and for any loss, damage, or other costs arising thereupon and/or in any way out of:

- a) Failure of telecom network or systems including failure of ancillary or associated systems, or fluctuation of power, or other environmental conditions; or
- b) accident, transportation, neglect, misuse, errors, frauds of the Clearing Member or its Authorized Persons or the agents or any third party; or
- c) any fault in any attachments, system or equipments (either supplied by the NCCL or approved by the NCCL) which forms or does not form part of the clearing workstation installation; or
- d) act of God, fire, flood, war, act of violence, or any other similar occurrence or for any reason beyond the control of NCCL; or
- e) any incidental, special or consequential damages

12.1.14 No Clearing Member shall deal on or access the Clearing System or related facilities through another Clearing Member or on behalf of another Clearing Member, unless the prior approval of the NCCL in writing is obtained in this regard.

## **12.2 CLEARING MEMBERS AND USERS**

12.2.1 Clearing Members shall be entitled to appoint, (subject to such terms and conditions, as may be specified by the Relevant Authority) from time to time Approved Users.

12.2.1 Clearing Members should have passed a certification program, which has been prescribed by the NCCL/ Concerned Exchange as the case may be. In case of Clearing Members, other than individuals or sole proprietorships, such certification program shall have to be passed by at least one of their directors/employees/partners / Members of governing body. Relevant Authority shall have discretion to modify or waive this condition in general or for any specific Clearing Member/s or User/s.

12.2.2 Each Clearing Member shall be permitted to appoint such number of Approved Users as may be notified from time to time by the NCCL.

12.2.3 The appointment of Approved Users shall be subject to such terms and conditions as the NCCL may prescribe from time to time.

12.2.4 Each Approved User shall be given a unique identification number through which he shall have access to the Clearing System.

12.2.5 An Approved User can access the Clearing System through a password and can change such password from time to time.

12.2.6 A Clearing Member or its Approved Users thereof shall maintain complete secrecy of its password. Any trade or transaction done by use of password of any Approved User of the Clearing Member, shall be binding on such Clearing Member. Usage of password by the approved user shall be deemed to be the usage by the clearing Member for all purposes.

12.2.7 Approved User shall be required to change his password at the end of the password expiry period. The NCCL shall prescribe the password expiry period from time to time.

- a) Only persons who are registered as Clearing Members in accordance with provisions of the Byelaws, Rules and Regulations of the NCCL or are agents of Clearing Members for whom an application has been made to the NCCL by the Clearing Members in accordance with the format specified by the NCCL from time to time may be approved as Users.
- b) No person shall be admitted as Approved User who is under 21 years of age.
- c) No person shall be admitted as Approved User against whom any disciplinary action has been taken by the NCCL and the punishment imposed thereon is still in force.
- d) No Clearing Member shall without permission of the NCCL take into his employment a former Clearing Member or User of such Clearing Member as Approved User, if such Clearing Member or Approved User is one against whom any disciplinary action has been taken by the NCCL and the punishment imposed against the said Clearing Member or said User is still in force.

12.2.8 The NCCL shall have a right to reject any application made or at any time withdraw any approval granted previously, or suspend any Approved User temporarily from access to the system. Such suspension may be conditional and may be revoked on the fulfillment of condition specified, if any, to the satisfaction of the NCCL.

- 12.2.9 A Clearing Member desiring to change the User Id or cancel the authority given to its Approved User to operate the Clearing System on its behalf shall intimate the NCCL in writing, in such form and manner as the NCCL may specify, immediately on taking such action and obtain confirmation from the NCCL of having received such intimation, and of the disabling of the particular User by the NCCL. However the Clearing Member will continue to be liable for all the activities reported on the basis of such or previous User Id undertaken up to a period of 24 hours after his obtaining a confirmation as mentioned above from the NCCL. The Clearing Member shall cancel all his outstanding orders in respect of such Approved User.
- 12.2.10 Whenever an Approved User of the Clearing Member ceases to act in such or any capacity with the Clearing Member then each such Clearing Member shall inform the NCCL, within 24 hours, the name and other particulars of such Approved User.
- 12.2.11 No application shall be made by any Clearing Member, if such person for whom such an application is made, is already an Approved User of any other Clearing Member.
- 12.2.12 The NCCL shall notify different level of the Approved Users for each workstation provided. These levels shall define the access to the Clearing System by the Users and shall include a provision for inquiry only on the terminal, provision for order entry and clearing, or such others, as may be specified by the NCCL.
- 12.2.13 The NCCL may change the status of Approved User of the Clearing Member from Trader to Inquiry only where circumstances warrant and intimate to such Clearing Member.
- 12.2.14 A Clearing Member, shall not access the Clearing System using a different Clearing Member or User Id other than the one allotted to him.
- 12.2.15 The Approved User shall not attempt to aid in or access the Clearing System using the Clearing Member code from a location other than the Clearing Member's Approved Office/location.

12.2.16 A Clearing Member who wants the NCCL to reset his password, has to make a request in writing signed by the Clearing Member indicating his Broker Id and User Id. A Clearing Member shall not make a request for resetting the password of any other Clearing Member.

### **12.3 FAILURE OF CLEARING MEMBERS' TERMINAL**

12.3.1 In the event of failure of Clearing Members workstation and / or the loss of access to the Clearing System, the NCCL may at its discretion, but not bound to, undertake on behalf of the Clearing Member to carry out the necessary functions which the Clearing Member is eligible on a valid request from such Clearing Member subject to such terms and conditions which the NCCL may deem necessary to be imposed.

12.3.2 The NCCL shall entertain only request made in writing in a clear and precise manner by the Clearing Member and in a manner as prescribed by the NCCL.

12.3.3 The Clearing Member or the approved user shall be accountable for the functions executed by the NCCL on their behalf and shall indemnify the NCCL against any losses or costs incurred by the NCCL or any claims on the NCCL arising out of the above situation.



## **13 CLEARING BANK**

### **13.2 NCCL TO SPECIFY**

- 13.2.1 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.
- 13.2.2 The NCCL shall specify the standard format for acceptance of Collaterals in accordance with the norms prescribed by the SEBI or its Board and it shall be obligatory for the Clearing Banks to adhere to the same.
- 13.2.3 The Clearing Banks shall enter into an agreement with NCCL for the purpose of the providing the services as may be required by the NCCL for performing its function of clearing and settlement.

### **13.3 FUNCTIONS OF CLEARING BANK**

The NCCL shall appoint a Clearing Bank which shall act as an agent for funds settlement, for the collection of margin money for all Deal cleared and settled/entered into through the NCCL and any other funds movement between Clearing Members and the NCCL and between Member to Member as may be directed by the NCCL from time to time.

### **13.4 MEMBERS TO HAVE ACCOUNT WITH THE CLEARING BANK**

Every Member of the NCCL shall have a clearing account with designated Clearing Bank branch. Members shall operate the clearing account only for the purpose of settlement of Deal entered through the Concerned Exchange, for the payment of margin money and for any other purpose as may be specified by the Concerned Exchange or NCCL, as the case may be, from time to time. The Member shall not operate the clearing account for any other purpose.

### **13.5 CLEARING BANK TO ACT AS PER THE INSTRUCTIONS OF THE NCCL**

The NCCL shall instruct the Clearing Bank as to the debits and credits to be carried out for the funds settlement between the Members. The Clearing Bank shall act as per the instructions received from the NCCL for the funds movement. Instructions of the NCCL as to debits and credits to a Member's accounts shall be deemed for all purposes, to be irrevocable and confirmed orders by a Clearing

Member to debit his account and/ or credit his account, funds as specified in the instruction.

**13.6 CLEARING BANK TO INFORM NCCL OF DEFAULT IN FUNDS SETTLEMENT**

If there is any funds default arising out of the instructions received from the NCCL, the Clearing Bank shall inform the NCCL immediately.

**13.7 MEMBERS TO AUTHORIZE THE CLEARING BANK TO ACT AS PER THE INSTRUCTIONS RECEIVED FROM THE NCCL**

Members shall authorize the Clearing Bank to access their clearing account for debiting and crediting their accounts as per the instructions received from the NCCL.

**13.8 CLEARING ACCOUNT(S) OF NCCL IN THE CLEARING BANK**

Unless otherwise prescribed in respect of any Deal as may be specified by the Relevant Authority, no Clearing Member or any person claiming through him shall have or be deemed to have any right, title or interest in any monies in the Clearing Account or other account(s), as the Relevant Authority may from time to time prescribe, of the NCCL with the Clearing Bank. The Relevant Authority may specify from time to time the Deal in respect of which all sums of monies paid into the Clearing Account or other account(s), as the Relevant Authority may from time to time prescribe, of the NCCL on account of any Clearing Members entitled thereto, shall be held by the NCCL as agents for such Clearing Member. In such cases, the making of such payment or credit entry shall be deemed and taken to be a payment or credit to such Clearing Member.

## **14 SETTLEMENT THROUGH REPOSITORY SYSTEM**

### **14.2 NCCL TO SPECIFY**

14.2.1 The Relevant Authority shall prescribe the process from time to time for performance of the function of Clearing Corporation and shall be entitled to prescribe such changes as may be required for the said purpose and it shall be obligatory for the Repository to provide such services as may be required by the Clearing Corporation for effecting the smooth settlement of deliveries in electronic format.

14.2.2 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 Repository System. The Regulations relating to the Repository System shall be deemed to form a part of any settlement process so provided.

### **14.3 CLEARANCE BY MEMBERS ONLY**

Clearing Members only shall be entitled to clear and settle Deal through the Repository System.

### **14.4 FUNCTIONS OF REPOSITORY SYSTEM**

#### **14.3.1 REPOSITORY**

The NCCL shall specify Repository(ies) through which Repository delivery shall be effected and which shall act as agents for settlement of deliveries , for the collection of Warehouse Rent or Storage charges , for any other Commodities movement and transfer in a Repository(ies) between Clearing Members and the NCCL and between Clearing Member to Clearing Member 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.

#### **14.3.2 REPOSITORY PARTICIPANTS**

The NCCL may specify Repository Participants with whom Clearing Members shall be required to open and operate accounts for settlement of deliveries, for the collection of Warehouse rent for all deposits in the NCCL Approved Warehouses and for any other Commodities movement and transfer in a Repository(ies) between Clearing Members and the NCCL and between Clearing Member to Clearing Member 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.

#### **14.3.3 CLEARING AND OTHER ACCOUNTS**

The NCCL shall specify from time to time clearing and other accounts that Clearing Members shall be required to open and operate with Repository(ies) and Repository Participants subject to such conditions as the Relevant Authority may prescribe from time to time.

#### **14.4 SPECIFIED REPOSITORY**

The following Repository is specified as under:

##### **National E-Repository Limited:**

National E-Repository Limited which repository is hereinafter referred to as NERL for the purposes of these Regulations.

##### **CDSL Commodity Repository Limited:**

CDSL Commodity Repository Limited which repository is hereinafter referred to as CCRL for the purposes of these Regulations.

The Clearing Corporation may specify any other repository and notify the same from time to time.

#### **14.5 CLEARING MEMBERS TO HAVE ACCOUNT WITH A REPOSITORY PARTICIPANT**

Every Clearing Member shall have such prescribed account with any of the Repository Participants of specified Repositories. Clearing Members shall operate such account only for the purpose of settlement of deliveries, for the collection of Warehouse rent for all deposits in the NCCL Approved Warehouses and for any other Commodities movement and transfer in a Repository(ies) as may be permitted by NCCL from time to time. The Clearing Member shall not operate such account for any other purpose.

#### **14.6 SPECIFIED REPOSITORY TO ACT AS PER THE INSTRUCTIONS OF THE NCCL**

The NCCL shall instruct the Specified Repository as to the debit and credit to be carried out for the settlement of Deliveries between Clearing Members. The Specified Repository shall act as per the instructions received from the NCCL for

effecting account transfers in respect of settlement of Deliveries. Instructions of the NCCL as to debits and credits to a Clearing Member's accounts shall be deemed to be irrevocable and confirmed orders by a Clearing Member to debit his account and/or credit his account as specified in the instruction.

#### **14.7 MEMBERS TO AUTHORIZE REPOSITORY PARTICIPANTS**

Clearing Members shall authorize the specified Repositories with whom they have such prescribed account to access their account for debiting and crediting their accounts as per instructions received from the NCCL and to report balances and other credit information to the NCCL.

#### **14.8 PRESCRIBED ACCOUNT(S) OF NCCL WITH THE SPECIFIED REPOSITORY**

Unless otherwise prescribed in respect of any Deal as may be specified by the Relevant Authority, no Clearing Member or any person claiming through him shall have or be deemed to have any right, title or interest in any Commodities in such Account or other account/(s), as the Relevant Authority may from time to time prescribe, of the NCCL with the Specified Repository. The Relevant Authority may specify from time to time the Deal in respect of which all Commodities deposited into such Account of the NCCL on account of any Clearing Member entitled thereto, shall hold other account (s), as agents for such Clearing Member. In such cases, transfer of accounts of Commodities through Repositories shall be deemed and taken to be a transfer of accounts of Commodities to such Clearing Member.

#### **14.9 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 Repository System.

#### **14.10 CHARGES FOR CLEARING**

The Relevant Authority shall from time to time prescribe the scale of clearing charges for the clearance and settlement of transactions through the Repository System.

#### **14.11 NCCL BILLS**

The NCCL shall periodically render bills for the charges, fees, fines and other dues payable by trading / Clearing Members, which would also include the

charges, fines and other dues payable on account of the business cleared and settled through the Repository System and debit the amount payable by such Members to their accounts. All such bills shall be paid within a week of the date on which they are rendered.

#### **14.12 LIABILITY OF THE NCCL**

The transactions on the NCCL will be deemed to have taken place between the Constituents and the NCCL shall not be deemed to guarantee the title, ownership, genuineness, regularity or validity of any commodity passing through the Repository System and the only obligation of the NCCL in this matter shall be to facilitate the delivery and payment in respect of Commodities between Clearing Members. No liability shall attach either to the NCCL or to the Relevant Authority or any Member of the Relevant Authority by reason of anything done or omitted to be done by the Repository System in the course of its operations.

## **15 PROVISIONS REGARDING MEMBERSHIP OF THE CLEARING CORPORATION**

### **15.1 MEMBERSHIP OF THE CLEARING CORPORATION**

1. Admission to the Membership of the Clearing Corporation shall be governed in accordance to the Rule 8 of NCCL Rules and such other conditions as may be specified by the Clearing Corporation from time to time.
2. The existing Clearing Members of NCDEX shall stand transferred as Clearing Member of NCCL in the manner as may be prescribed by NCCL by way of circular upon the commencement of these Regulations. Such existing Members are required to submit fresh applications in accordance with the requirements as may be notified by the Concerned Exchange and NCCL within the stipulated time period.
3. It shall be obligatory for the Members to ensure compliances as required in the Rules of NCCL and applicable Securities Laws.
4. Admission to the Clearing Corporation as Members is at the discretion of the Clearing Corporation and subject to applicable continuous compliances.

### **15.2 SURRENDER OF MEMBERSHIP**

- (a) A clearing member who intends to surrender its membership shall intimate to NCCL by a written notice to that effect which shall be displayed on the clearing system or through such other mode.
- (b) Any member of the NCCL 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.
- (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 refuse to accept such surrender until it is satisfied that all outstanding transactions with such member have been settled.

### **15.3 CLEARANCE BY MEMBERS ONLY**

Clearing Members including Professional Clearing Members only shall be entitled to clear and settle Deals/contracts through the Clearing Corporation.

#### **15.4 TRADING MEMBERS RESPONSIBILITY**

Without prejudice to the obligations of the Clearing Members hereunder, the registration and approval of Clearing Members, shall not in any way affect the jurisdiction of the Concerned Exchange on the concerned Trading Member in respect of the trade(s) and/or contract(s) effected by him for or on account of his Constituent who settle trades through such Clearing Members and such Trading Member shall continue to remain responsible, accountable and liable to the Concerned Exchange in this behalf till acceptance of such responsibility is confirmed by Clearing Members.

#### **15.5 NOTICES AND DIRECTIONS**

All Clearing Members shall comply with the instructions, resolutions, orders, notices, directions and decisions of the NCCL in all matters connected with the operations of the Clearing Corporation.

#### **15.6 CHARGES FOR CLEARING**

The NCCL shall from time to time prescribe the scale of clearing charges for the clearance and settlement of transactions through NCCL.

#### **15.7 CLEARING CORPORATION BILLS**

The Clearing Corporation shall periodically render bills for the charges, fees, fines and other dues payable by Members to the NCCL which would also include the charges for the use of the property as well as the charges, fines and other dues payable on account of the business cleared and settled through the Clearing Corporation and debit the amount payable by Members to their accounts. All such bills shall be paid within a week of the date on which they are rendered.

#### **15.8 LIABILITY OF THE CLEARING CORPORATION**

The transactions on the NCCL will be deemed to have taken place between the Constituents and their Members inter-se or by or between Members or Constituents as the case may be and the Clearing Corporation shall not be deemed to guarantee the title, ownership, genuineness, regularity or validity of any security, transfer deed or any other document passing through the Clearing Corporation or the Repository and the only obligation of the Clearing Corporation in this matter shall be to facilitate the delivery and payment in respect of Commodities, transfer deed and any other documents between Members.



NCCL shall not be liable to answer in any way for the title, ownership, genuineness, of any Commodities, or any other documents passing through the Clearing Corporation nor shall any liability attach to the NCCL, or authorized employee/agent of the NCCL in any way in respect of such Commodities and any other documents.

## **16 CLEARING AND OTHER FORMS**

### **16.1 CLEARING FORMS, SPECIAL RETURNS AND OTHER FORMS**

The clearing forms, special returns and other forms referred to in these Bye Laws and Regulations and not separately prescribed shall be in such other form or forms as the Relevant Authority may from time to time prescribe in addition thereto or in modification or substitution thereof.

### **16.2 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 connected with the operation of the NCCL. The Clearing Forms and Formats to be used by the Clearing Members shall be as prescribed by NCCL and Repository Clearing System and unless otherwise permitted, no other form or format shall be used.

### **16.3 SIGNING OF CLEARING FORMS**

The Clearing Member or its authorized signatory shall be eligible to sign all Clearing Forms subject to appropriate authorization by NCCL in the manner and as prescribed by NCCL from time to time.

### **16.4 FALSE OR MISLEADING STATEMENTS**

The Relevant Authority may fine, suspend or expel a Clearing Member who makes any false or misleading statement in the Clearing Forms required to be submitted in conformity with these Regulations or any resolutions, orders, notices, directions and decisions of the Relevant Authority there under.

## **17 WSP AND APPROVED WAREHOUSE**

### **17.1 EMPANELMENT / ACCREDITATION OF WSPs**

17.1.1 The accreditation/ selection of WSP shall be in accordance with such process, manner and timeframe as may be prescribed by the Relevant Authority of the Clearing Corporation and/or as stipulated by SEBI from time to time,

17.1.2 The accreditation/selection of a WSPs shall, unless any expulsion proceedings are pending against it, shall be subject to renewal after a such period, considering WSP's performance during accreditation, quality of services and number of client complaints and effective resolutions thereof and/or such other parameters as may be relevant to the Clearing Corporation The renewal shall be approved by the Risk Management Committee of the NCCL or any other authority or committee as the Board of NCCL may authorize in this regard. During the renewal process, the WSP shall continue to be responsible for the Commodities stored till their Validity or Exchange Delivery Date whichever is earlier.

17.1.3 The accreditation would be valid for such a period a may be specified and shall be subject to renewal from time to time as a Relevant Authority may deem fit subject to SEBI directives.

17.1.4 The Clearing Corporation may from time to time specify following norms that WSP's shall adhere to and timely comply in the manner as stipulated by Clearing Corporation or by SEBI/ Central Government/WDRA vide various directives issued from time to time and is in force, inter alia includes;

- (i)** Eligibility and Experience of WSP/Promoters/Promoter Group of WSP
- (ii)** Financial Norms for the WSP:
- (iii)** Security Deposit
- (iv)** Financial Security Deposits (FSD)
- (v)** Fit and Proper Criteria
- (vi)** Corporate Governance norms for WSP
- (vii)** Adherence to the norms prescribed pertaining Know Your Depositor

- (viii)** PAN requirements of the WSPs
- (ix)** Facilities & Infrastructure Requirement for WSP
- (x)** Warehouses at delivery centres and norms to be adhered by the WSPs for the Warehouses approved by them.
- (xi)** Insurance by the WSPs
- (xii)** Monitoring/Inspection/Audit of Warehouses by WSPs and NCCL or its agency
- (xiii)** Review of WSPs/Warehouses by the NCCL
- (xiv)** Code of conduct and policies framed by the NCCL
- (xv)** Grievance Cell of the NCCL
- (xvi)** MIS System of WSPs
- (xvii)** Surrender/Cancellation of accreditation of WSPs
- (xviii)** Business Continuity Plan to be put in place by the WSPs

17.1.5 Upon the approval of the application by the Relevant Authority of the Clearing Corporation and subject to the fulfillment of terms and conditions as stipulated for the purpose of Accreditations, the WSP shall enter into a Warehousing Service Agreement with Clearing Corporation in the format as prescribed by the Clearing Corporation from time to time.

17.1.6 The WSP shall be the agent of Clearing Corporation only to the extent of the responsibilities of ensuring good delivery as stipulated under the Regulation 44D of SECC Regulation, 2012 and the WSP shall be continue to be liable for all its obligations under various State and Central Laws governing the operation of Warehouses and shall be solely responsible to the depositors/owners of stocks as reflected in the storage receipt issued by the Warehouse/WSP or the Statement issued by the Repository or the Electronic Warehouses Receipts issued by the Repository.

17.1.7 The NCCL shall specify approved Warehouse(s) through which delivery of a specific commodity shall be effected and which shall facilitate for

storage of Commodities in the manner as prescribed by the NCCL from time to time.

17.1.8 The WSP shall appoint a Compliance Officer in accordance to the directions of SEBI or NCCL as the case may be. The Clearing Corporation shall notify the obligation and responsibility of Compliance Officer from time to time and it shall be the obligation of the WSP to ensure that the Compliance officer strictly adheres to the directions of the Clearing Corporation.

## 17.2 **PROCESS AND PROCEDURES FOR APPROVED WAREHOUSE**

The NCCL shall specify from time to time the processes, procedures, norms and operations that every approved Warehouse, Constituents, Repository Participants and other allied Service Providers as may be engaged, shall be required to follow for the participation, functioning and operations of the approved Warehouse(s). The Regulations/circulars/guidelines/prescribed processes as issued from time to time relating to the approved Warehouse shall be deemed to form a part of any settlement process so provided.

## 17.3 **ACTIONS AGAINST WSPs:**

17.3.1 The NCCL may issue directives from time to time for its approved WSPs to rectify correct their misconduct or misconduct on the part of any of its approved Warehouses used for storage of Goods for delivery on the NCCL platform.

17.3.2 The NCCLs may issue directives on WSPs to indemnify an entity aggrieved by the delivery process of its Warehouse or, without prejudice to any other liability of WSP, 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:

- (a) refuses to accept delivery without any bonafide reasons or, issues a falsified certificate of delivery;
- (b) violates any of the NCCL's rules/bye laws or regulations or limits the movement of a deliverable commodity into or out of the Warehouse;
- (c) discloses any confidential business information relating to a Buyer or seller or a futures contract;
- (d) provide inaccurate or incomplete information, conceal the truth of the facts;
- (e) engages in the futures trading activities; or
- (f) engages in any other behavior in breach of the NCCL's rules;

- (g) In case the registration of WSP/Warehouse is cancelled by WDRA or
- (h) any other offence not listed above.

17.3.3 Any disciplinary action arising out of the offences as enumerated in sub clause (2) above shall be subject to the due process of law and on the recommendations of the Risk Management Committee of NCCL. or any other authority/committee as may appointed by the Board or NCCL in this regard.

## **17.4 FUNCTIONS OF APPROVED WAREHOUSE**

### **17.4.1 WAREHOUSE(S) TO OFFER SERVICES**

Approved Warehouse(s) shall provide the following services to the Constituents and Members of the NCCL:

- a) Earmark separate storage area as specified by the NCCL for the purpose of storing Commodities to be delivered against Deal made/to be made on the NCCL. The Warehouse(s) shall also meet the specifications prescribed by the NCCL for storage of Commodities from time to time.
- b) Ensure and co-ordinate for grading of the Commodities received at the Warehouse before they are being stored.
- c) Store Commodities in line with their grade specifications and validity period and shall facilitate maintenance of identity. On expiry of such validity period of the grade for such Commodities, the Warehouse(s) shall mark such Commodities and demark the area where such lots are stored . The bags should be so marked that they are easily identifiable.
- d) The WSP shall provide any other services incidental and ancillary to its function as a WDRA approved WSP subject to the approval of the Clearing Corporation, to the extend as applicable,

### **17.4.2 DUTIES OF APPROVED WAREHOUSE**

Approved Warehouse(s) shall discharge duties specified hereunder to the complete satisfaction of the NCCL. Warehouse(s):

- (a) shall use uniform and standard description of Commodities and units of measurement in respect of the Commodities stored pertaining to the Constituent of the NCCL. The NCCL reserves the right to advise the approved Warehouse(s) any time, the standard description and units of

measurement to be used by the Warehouse for the Commodities stored / to be stored and deposited / to be deposited by the Constituents

- (b) shall strictly adhere to the Warehousing norms stipulated for a commodity in particular or group of Commodities in general by the NCCL from time to time.
- (c) shall ensure that necessary steps and precautions are taken to ensure that the quantity and the grade/quality of the commodity are maintained during the storage period to ensure that the Commodities are in conformity with the specifications prescribed in the derivative contracts traded on the Concerned Exchange.
- (d) shall maintain the records for the Commodities deposited with it by the Constituents, in electronic form in the manner and in the system as prescribed by specified Repository. The Warehouse shall for the purpose of maintaining records, facilitate the uploading of instructions using the system connected to the Repository for the creation of electronic records of the Commodities received by the Warehouse in the Repository System and shall execute and complete necessary documentation with the such agent and the Repository in this regard.
- (e) Unless and until expressly consented by the NCCL, the Warehouse shall not assign, shift, transfer and relocate the Commodities held by it pertaining to the Constituents of the NCCL. The Warehouse(s), however, is/are entitled to move the Commodities within the area earmarked in the Warehouse for storing the Commodities pertaining to the Constituents of the NCCL.
- (f) The WSP shall comply with Know Your Depositor (KYD) Policy as prescribed by NCCL from time to time.
- (g) The WSP shall put in place appropriate systems and procedures to identify the depositor of the Goods deposited in approved Warehouses, the owner of the deposited Goods (in case the depositor is an agent of the actual owner), and the actual beneficiary (in case the depositor and the beneficiary are different) of the deposited/stored Commodities
- (h) Shall follow the process for deposit and withdrawal of physical Goods from the approved Warehouses only after duly complying with the prescribed process and documentation as required by the Clearing Corporation and shall maintain all records pertaining to the deposit and delivery of Commodities in such manner and for such period (atleast for a period of 7 years) as may be prescribed by NCCL.

- (i) Shall comply with any other directive/guidelines or process as may be issued/prescribed from time to time by the Clearing Corporation, SEBI or Warehousing Development and Regulatory Authority.

#### **17.5 VERIFICATION OF COMMODITIES STORED IN WAREHOUSE**

The NCCL reserves the right to physically verify itself or through any agencies / experts, at any time, the Commodities deposited by the Constituents and/or Warehouse facilities in general or for compliance of the warehousing norms stipulated by the NCCL for the specific Commodities.

#### **17.6 RELEASE OF COMMODITIES STORED IN WAREHOUSE**

- (i) As and when the Buyers intend to take physical delivery of the Commodities, held by them in their respective Repository accounts, they would make such requests to their respective Repository Participant (RP) with whom they hold the Repository account. The said RP will process such request and issue an acknowledgment receipt generated on the Repository to such Repository account holder. The said Repository account holder shall thereafter present the same to the concerned WSP at the time of physical withdrawal of Goods. After due verification, the WSP shall forward delivery details to the Warehouse who in turn will arrange to release the Commodities after due verification of the identity of recipient.
- (ii) The Repository or the Clearing Corporation may modify/amend or substitute the process as stated in Regulation 17.4.4 (i) hereabove in general or specifically from time to time with prior notice/notification.

#### **17.7 CHARGES FOR WAREHOUSE SERVICES**

- (a) Warehouse(s) shall charge from the Constituents of the NCCL, storage and other charges as may be mutually agreed in advance between the NCCL and Warehouse(s) from time to time.
- (b) For the purpose of operational convenience, the Repository Participants who will be opening the Repository account for the Constituents will arrange to collect the storage charges from them and pay the same to the Warehouse at agreed periodic intervals.
- (c) The Warehouse(s) is entitled to levy and collect all incidental charges such as insurance; assaying, handling charges or any such charges directly from the Constituent depositing the Commodities as may be applicable.
- (d) The NCCL shall not be responsible in any manner for payment of any of the charges of Warehouse.



- (e) Under no circumstances shall be the WSP entitled to hold back the delivery of stocks without the express permission of NCCL.

## **17.8 ASSAYER**

### **17.8.1 APPROVED ASSAYER**

- (a) NCCL shall specify Approved Assayer(s), the service of whom can be availed by the Constituents of Clearing Members.
- (b) NCCL may appoint independent Assayers apart from the regular panel of Assayers either on its own or upon any regulatory directive.
- (c) The norms for appointment of Assayers shall be as prescribed by the Clearing Corporation from time to time.
- (d) The Clearing Corporation reserves the right to continue the services of any Assayer so appointed under these Regulations and shall be subject to the discretion of the Clearing Corporation.
- (e) The assayers approved by NCCL except independent assayers shall always be an agent of the WSP who appoints the empaneled assayer.

### **17.8.2 PROCESS AND PROCEDURES FOR ASSAYER**

The NCCL shall specify from time to time the processes, procedures, and operations that every Warehouse and Constituents shall be required to follow for the participation, functioning and operations of the Assayer. The Regulations relating to the function of the Approved Assayer shall be deemed to form a part of any settlement process so provided.

## **17.9 FUNCTIONS OF ASSAYERS**

### **17.9.1 SERVICES BY ASSAYER**

Assayer(s) shall provide following services to the Constituents and Members of the NCCL:

- a) Inspection of Goods stored in the Warehouse(s) approved by NCCL on periodic basis or such other assignment as may be required by the Clearing Corporation.
- b) Make available assaying facilities to the Constituents in respect of the specific Commodities deposited at NCCL approved Warehouse.
- c) ensure that the assaying to be done in respect of commodity is as per the norms specified by the NCCL in the respective Contract specifications

### **17.9.2 DUTIES OF ASSAYER(S)**

- a) The issuance of the certificate of compliance by the Assayer would imply that in the event of deterioration of quality of the commodity before the expiry of the validity period assigned by the Assayer, the Assayer would make good the losses that may be incurred. However, the NCCL shall not be liable for any losses arising out of such cases.
- b) Assayer(s) shall not allow to store/deposit of any commodity that does not meet the grading norms and parameters specified by the NCCL/Concerned Exchange and that the Assayer(s) shall make available to the Constituents the grading certificate when the Commodities are allowed to be stored in the Warehouses.
- c) Assayer(s) shall ensure that it shall at all given times maintain proper records in respect of grading of Commodities and validity period of the commodity in electronic form along with the details with regard to the certificate issued by them from time to time.
- d) The Assayer shall issue a assaying certificate which should specify the grade as well as the validity period up to which the Commodities would retain the original grade, and the time up to which the Commodities are fit for delivery in against an settlement obligation and such other information as may be prescribed by Clearing Corporation from time to time.

### **17.10 INSPECTION OF GRADING FACILITIES**

The NCCL shall physically verify / inspect either by itself or through any agencies / experts, at any time, the assaying facilities and processes of the Approved Assayers as and when felt necessary.

### **17.11 MISCELLANEOUS:**

Notwithstanding anything contained in these Regulations, the NCCL may prescribe any additional facility for Assaying or prescribe process and procedures of Assaying which a Member and its Constituent would be required to adhere to while dealing on the NCCL platform for deposit or delivery of Goods through the NCCL approved Warehouses. Such processes and Procedures laid down by the NCCL shall be notified by the NCCL by issuance of Circulars or which may be required to be complied by a Member and its Constituents as per directives from SEBI.

## **18 CONDUCT OF BUSINESS BY CLEARING MEMBERS**

### **18.1 OFFICE RELATED PROCEDURE**

- 18.1.1 Every clearing Member shall ensure that all persons acting on his behalf shall subscribe at all times to high standards of professional expertise and integrity.
- 18.1.2 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.
- 18.1.3 Where the Clearing Corporation feels it necessary, in the public interest to do so, it may at its own instance or on a complaint from another clearing Member or client, seek explanation from the clearing Member regarding the level of service or professional conduct of the clearing Member or any of his 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.

### **18.2 SUPERVISION**

#### **18.2.1 PROCEDURES TO BE FOLLOWED:**

- a) Each clearing Member shall establish, maintain, and enforce procedures to supervise its business and to supervise the activities of its employees that are reasonably designed to achieve compliance with the Clearing Corporation Bye Laws, Rules and Regulations and any notifications, directions etc. issued thereunder as well as the relevant statutory acts.
- b) 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 three years.
- c) Every clearing Member shall specifically authorise in writing person or persons, who may be authorised to transact on behalf of the clearing Member and to do such acts which clearing Member may wish to delegate to such person, and make available a copy of such power of attorney to the Clearing Corporation before such person transacts any business on the Clearing Corporation. All acts or

omissions by such authorized persons shall be deemed to be the acts and omission of such Clearing Member for all purposes.

- d) Clearing Member shall keep strictly confidential, the password/s set for accessing the clearing system of Clearing Corporation. All acts, omissions, deeds, transactions etc done by use of password of the Clearing Member or its agents/authorized/approved person and the corresponding User ID, shall be deemed to be done by such Clearing Member and such Clearing Member shall be responsible for all such acts, omissions, deeds and transactions.
- e) A clearing Member shall maintain such records and make available to inspection by any person authorised in this behalf by the Clearing Corporation, the information related to such Clearing Member's financial condition as prescribed by the Clearing Corporation for this purpose.
- f) The clearing Member shall pay such fees, charges and other sum as the Clearing Corporation may notify from time to time, in such time and manner as required by the Clearing Corporation.
- g) The clearing Member shall obtain prior approval/inform the Clearing Corporation, as the case may be for any change in the status and constitution, operation, activities of the clearing Member's entity.

#### **18.2.2 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.

#### **18.2.3 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 Commodity Derivative transaction.

### **18.3 RELATION WITH THE CONSTITUENTS**

- 18.3.1 When establishing a relationship with a new client, clearing Members must take reasonable steps to assess the background, genuineness, financial soundness of such person, and his objectives.

- 18.3.2 Clearing Member shall make the Constituent aware of the precise nature of the clearing Member's liability for business to be conducted, including any limitations on that liability and the capacity in which the clearing Member acts and the Constituents liability thereon.
- 18.3.3 The clearing Member shall provide extracts of relevant provisions governing the rights and obligations of Constituents as Constituents of clearing Members as prescribed in the Bye Laws, Rules and Regulations, relevant manuals, notifications, circulars any additions or amendments thereto, etc. of the Clearing Corporation, or of any regulatory authority, to the extent it governs the relationship between clearing Members and Constituents, to the Constituents at no extra cost. The clearing Member shall also bring to the notice of his Constituents, any indictments, penalties, etc. imposed on him by the Clearing Corporation or any other regulatory authority.
- 18.3.4 The Clearing Member shall enter into an agreement with all its Constituents in the format as may be prescribed by the Relevant Authority from time to time.

#### **18.4 RECOMMENDATIONS TO THE CONSTITUENTS**

- 18.4.1 A clearing Member shall make adequate disclosures of relevant material information in its dealing with his Constituents.
- 18.4.2 No clearing Member or person associated with the clearing Member shall guarantee a Constituent against a loss in any securities transactions effected by the clearing Member with or for such Constituent.

#### **18.5 CODE OF CONDUCT FOR CLEARING MEMBERS**

##### **18.5.1 GENERAL PRINCIPLES**

###### **a) PROFESSIONALISM**

A clearing Member in the conduct of his business, shall observe high standards of commercial honour of 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.

**b) 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.

**c) HONESTY AND FAIRNESS**

In conducting his business activities, a clearing Member shall act honestly and fairly, in the best interests of his Constituents.

**18.5.2 SETTLEMENT PRINCIPLES**

**a)** Clearing Members shall ensure that the fiduciary and other obligations imposed on them and their staff by the various statutory acts, Rules, Bye Laws and Regulations are complied with.

**b)** Clearing Members shall ensure that employees are adequately trained in the practices of the relevant clearing segment in which they deal, clear and settle, are aware of their own, and their organisation'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.

**c)** When entering into transactions on behalf of Constituents, the clearing Members shall ensure that they abide by the Code of Conduct and regulations as enumerated in the current chapter of these regulations.

**d)** No clearing Member or person associated with a clearing Member shall make improper use of Constituents securities or funds.

**e)** When entering into or arranging transactions, clearing Members must ensure that at all times great care is taken not to misrepresent in any way the nature of transaction.

- f) No clearing Member shall exercise any discretionary power in a client's account unless such client has given prior written authorisation to a stated individual or individuals and the account has been accepted by the clearing Member, as evidenced in writing by the clearing Member.

### 18.5.3 **GENERAL GUIDELINES**

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

#### **a) 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 Managing Director or of any committee or Officer of the Clearing Corporation authorised in that behalf.

## **19 RECORDS, ANNUAL ACCOUNTS & AUDIT**

### **19.1 RECORDS**

- a)** 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 other applicable law, 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.
- b)** 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 on this behalf relating to books of accounts, records and documents in respect of his Membership to the relevant clearing segment of the Clearing Corporation.
- c)** Subject to clause 'a' above, every clearing Member of the Clearing Corporation shall maintain the following records relating to its business for a period of five years:–
  - i. Statements of fund and securities obligations received from the clearing(s).
  - ii. Record of all statements received from the settling agencies and record of all correspondence with them.
  - iii. Copies of all instructions obtained in writing from Constituents.
  - iv. Records in respect of interest received on securities of Constituents, monies borrowed and loaned including monies received.
  - v. Records in respect of clearing charges collected separately from Constituents.
  - vi. A register of transactions (or other records of original entry) containing an itemized daily record of all purchases and sales of securities, showing for each such deal cleared, the name of Commodities, securities, value of Commodities, clearing charges and name of Constituents.



- d) Every clearing Member shall keep such records and books of accounts, as may be necessary, to distinguish client's information from own information including details of transactions, margins and settlement information.
- e) Every clearing Member shall keep such books of accounts, as will be necessary, to show and distinguish, in connection with his business as a clearing Member :–
  - i. The moneys received from or on account of and moneys paid to or on account of each of his clients and,
  - ii. The moneys received and the moneys paid on clearing Member's own account.
  - iii. It shall be compulsory for all clearing Members to keep the money of the clients 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 account.
- f) 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.

## 19.2 TRANSFERS TO AND FROM CLIENT ACCOUNTS

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

### 19.2.1 OBLIGATION TO PAY MONEY INTO CLIENTS ACCOUNT

Every clearing Member who holds or receives money on account of a client shall forthwith pay such money to current or deposit account at bank to be kept in the name of the Member in the title of which the word "Clients" shall appear (hereinafter referred to as "Clients Account"). A clearing Member may keep one consolidated clients account for all the clients or accounts in the name of each client, as he thinks fit; provided that when a clearing Member receives a cheque or draft representing in part money belonging to the client and in part money due to the clearing Member, he shall pay the whole of such cheque or draft into the clients account and effect subsequent transfer as laid down in the relative Regulation herein.

### **19.2.2 MONEYS TO BE PAID INTO CLIENTS ACCOUNT**

No money shall be paid into clients account other than –

- a) money held or received on account of clients;
- b) such moneys belonging to the clearing Member as may be necessary for the purpose of opening or maintaining the account;
- c) money for replacement of any sum which may by mistake or accident have been drawn from the account;
- d) a cheque or draft received by the clearing Member representing in part money belonging to the client and in part money due to the clearing Member.

### **19.2.3 MONEYS TO BE WITHDRAWN FROM CLIENTS ACCOUNT**

No money shall be drawn from clients account other than –

- a) 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 or money drawn on client's specific 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;
- b) such money belonging to the clearing Member as may have been paid into the client account as mentioned in regulation above;
- c) money which may by mistake or accident have been paid into such account.

### **19.3 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 clients account.

### **19.4 RECORD MAINTENANCE**

19.4.1 Every clearing Member shall maintain permanently the documents executed with each of its Constituent in accordance with the Clearing Corporation requirements.

19.4.2 Every clearing Member shall maintain permanently the documents executed with each of the settling agencies or banks.

- 19.4.3 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.
- 19.4.4 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.
- 19.4.5 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.
- 19.4.6 Every clearing Member shall preserve, for a period of not less than six years after the closing of any Constituent's account, any records which relate to the terms and conditions with respect to the opening and maintenance of such account, date of entering into agreement with the Constituent, date of modification thereof, date of termination and representatives of such Constituent who signed in each case.
- 19.4.7 A clearing Member shall intimate to the Clearing Corporation the place where these records are kept and available for audit/inspection.
- 19.4.8 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.
- 19.4.9 Each Clearing Member shall keep and preserve a record of all written complaints of its Constituents showing the reference number, date, Constituent's name, particulars of the complaints, action taken by the Clearing Member and if the matter is referred to arbitration facilitated by the Clearing Corporation, then the particulars thereof.
- 19.4.10 Every clearing Member shall maintain details of securities which are the property of a clearing Member showing with whom they are deposited and if held otherwise than by the Member, whether they have been lodged as collateral security for loans or advances.
- 19.4.11 Notwithstanding anything contained hereinabove, every Clearing Member shall preserve the originals of the documents both in electronic and physical form, copies of which have been taken by CBI, Police or

any other enforcement agency during the course of their investigation till the trial is completed.

#### **19.5 ANNUAL ACCOUNTS AND AUDIT**

- 19.5.1 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.
- 19.5.2 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.
- 19.5.3 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.
- 19.5.4 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.

## **20 INSPECTION**

### **20.1 INSPECTION AUTHORITY**

- 20.1.1 Where it appears to the NCCL 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 Members for any of the purposes specified in Regulations.
- 20.1.2 The Inspecting authority appointed by the NCCL may be either its own officials or outside professionals.
- 20.1.3 When the NCCL appoints outside professionals as an inspecting authority, it shall notify the Member the names and addresses of the professionals or firms so appointed as an inspecting authority at the time of inspection.
- 20.1.4 When outside professionals are appointed as an inspecting authority in respect of a Member and such professionals are already related in any other capacity with the Member then such Member shall forthwith inform the NCCL of such relationship.
- 20.1.5 Where after appointment of any outside professional as an inspecting authority in respect of a Member, the 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 Member or any of its associates without prior consent of the NCCL.

### **20.2 REASONS FOR INSPECTION**

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

20.2.1 to ensure that the books of accounts and other books are being maintained in the manner required and prescribed network is maintained by the Clearing Member;

20.2.2 to ensure that provisions of the Securities Laws are being complied with;

20.2.3 to ensure that various provisions of NCCL Bye-laws, Rules and Regulations and any directions or instructions issued there under are being complied with;

20.2.4 to investigate into the complaints received from investors, other Members of the NCCL or any other person on any matter having a bearing on the activities of the Member;

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

20.2.6 to examine whether any notices, circulars, instructions or orders issued by the NCCL from time to time relating to trading and other activities of Members are being complied with;

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

### **NOTICE**

20.2.8 Before undertaking any inspection under regulation, the NCCL shall give a reasonable notice to the Member for that purpose.

20.2.9 Notwithstanding anything contained in regulation, where the NCCL is of the opinion that no such notice should be given, it may direct in writing that the inspection of the affairs of the Member be taken up without such notice.

20.2.10 NCCL officials or the inspecting authority who is directed by the NCCL to undertake the inspection, shall undertake the inspection and the Member against whom an inspection is being carried out shall be bound to discharge his obligations as provided below.

## **20.3 OBLIGATIONS OF A CLEARING MEMBER ON INSPECTION**

20.3.1 It shall be the duty of every director, officer and employee of the 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 inspection authority may require.

20.3.2 The 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 computerized data in his possession or any other person and also provide copies of documents or other materials which in the opinion of the inspecting authority are relevant. Such copies or materials shall be retained by the inspecting authority as the property of the Clearing Corporation.

20.3.3 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 Member or of any associate of such Member.

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

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

20.3.6 The inspecting authority shall have access to accounts and other records relating to the Member or such access as authorized by the NCCL to accounts and other records relating to any associate of the Member as are within the power of the Member to provide.

#### 20.4 **SUBMISSION OF REPORT**

20.4.1 The inspecting authority shall, as soon as possible submit an inspection report to the NCCL.

20.4.2 All documents, papers, returns or their copies submitted to the inspecting authority may be retained by it on behalf of the NCCL. 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 without approval of the NCCL in this regard.

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

20.4.4 On receipt of the explanation, if any, from the Member the NCCL may call upon Member to take such measures as the NCCL may deem fit in public interest.

20.4.5 Notwithstanding anything contained in regulation, where the NCCL 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.

## **20.5 COLLECTION AND DISSEMINATION OF INFORMATION**

- 20.5.1 The NCCL may call upon the Members to furnish such information and /or explanation with regard to any constitution, dealings, settlement, account and/or other related matters.
- 20.5.2 The NCCL shall maintain the details of the clients of the Members in confidence and that it shall not disclose to any person/ entity such details of the client as mentioned in the client registration form or any other information pertaining to the client except as required under the law or by any authority.
- 20.5.3 Notwithstanding anything contained in any of the Regulations, the NCCL may at its discretion disseminate to regulatory authorities or to the general public, any information including information relating to any trades, dealings, settlement of dealings, accounting, disciplinary action initiated/taken against Members and/or other matters relevant for enforcement or regulatory purposes.

## **21 CONFLICT BETWEEN RULES, BYE LAWS AND REGULATIONS**

- 21.1 In event of any conflict between Regulations and Bye Laws, the contents of Bye Laws shall supersede and in the event of any conflict between Rules and Bye Laws or Rules and Regulations, the Rules shall supersede.
- 21.2 Without prejudice to the generality of above, in case of any ambiguity or any confusion with regard to any of the provisions of Regulations, the clarification given by NCCL shall be binding.

## **22 ARBITRATION**

- 22.1 All claims, disputes, differences, arising between Clearing Members and Constituents or between Clearing Members inter se Constituents and WSPs 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 thereof shall be referred to and decided by arbitration (including but not limited to the arbitration panel/s, process, procedures, charges as in force from time to time).
- 22.2 All the Clearing Members, WSPs and their respective Constituents shall be deemed to have agreed to refer all their claims, disputes or differences to Arbitration as stated and prescribed above.



22.3 For the purpose of this Regulations, NCCL may avail Arbitration Mechanism of the Concerned Exchange to the extent in its opinion deemed fit for adjudication of disputes referred to NCCL.

## **23 MODIFICATION**

Subject to the provisions of the Securities Laws the NCCL shall have right to modify, substitute or alter these Regulations at any time if deemed appropriate by the NCCL in the interest of the regulation of the commodity and/ or derivatives market.

## **24 MEASURES TO MEET EMERGENCIES**

Notwithstanding anything contained in this Regulations, if in the opinion of the Relevant Authority of NCCL, an emergency exists or has arisen or is likely to occur or if in its opinion the conditions are such as to make free trading in Commodities / Derivative contracts extremely difficult, the Relevant Authority of NCCL may by a resolution take such action as it deems fit for stabilizing the market. Any power exercised by the Relevant Authority under this provision shall be subject to directions, if any, issued by the Securities and Exchange Board of India.

## **25 SECURITIES CONTRACTS (REGULATION) ACT, 1956**

Notwithstanding anything contained in these Regulations, these Regulations shall be subject to the provisions of Securities Contracts (Regulation) Act, 1956 and Rules framed thereunder as in force from time to time and directions of Securities and Exchange Board of India.

## **26 SAVINGS**

26.1 Save as otherwise specifically provided in these Regulations, the NCCL, its directors, employees and agents while performing functions of regulating, promoting, facilitating, assisting, operating or performing any function under Rules, Bye laws and these Regulations, shall not be deemed to have incurred any liability and accordingly no claim or recourse shall lie against the NCCL, their employees, directors or authorized persons.

26.2 No claim, suit, prosecution or other legal proceedings shall lie against the NCCL their directors, employees or any authorized persons in respect of anything which is in good faith done or intended to be done in order to

regulate the functions of NCCL or done or intended to be done in pursuant to any orders issued by Securities and Exchange Board of India or any other authority under law for the time being in force.

## **27 FEES AND CHARGES**

Notwithstanding anything contained in these Regulations, the NCCL may prescribe any additional fees, charges which a Clearing Member would be required to pay to the NCCL for any activity or processes which the NCCL may prescribe and notify to the Members by issuance of a circular or which may be required to be levied on a Member as per directives from SEBI.

