

**INDIA INTERNATIONAL BULLION  
EXCHANGE IFSC LIMITED**

**EXCHANGE RULES**

**ARRANGEMENT OF CHAPTERS**

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**CHAPTER I**

**PREAMBLE**

The India International Bullion Exchange IFSC Limited makes the following Rules, namely: -

1. These Rules shall be known as “**The Rules of India International Bullion Exchange IFSC Limited**” and are for the sake of brevity and convenience, herein referred to as “**these Rules**” or “**the Rules of the Exchange**”.
2. These Rules shall come into force with effect from such date as the Board of the Exchange may notify in that behalf.
3. These Rules shall be in addition to the provisions of the International Financial Services Centres Authority Act, 2019 (hereinafter referred to as “**the IFSCA Act**”) and rules and regulations made thereunder by the International Financial Services Centres Authority (hereinafter referred to as “**the IFSCA**” or “**IFSCA**”) and the International Financial Services Centres Authority (Bullion Exchange) Regulations, 2020 (hereinafter referred to as “**the Bullion Exchange Regulations**”) and circulars or guidelines or directions issued by the IFSCA thereunder. These Rules shall at all times be read subject to the provisions of the IFSCA Act and rules and regulations made thereunder by IFSCA thereunder and the Bullion Exchange Regulations and circulars or guidelines or directions issued by the IFSCA thereunder, as amended from time to time and the directives, orders, guidelines, norms and circulars issued by the Government of India and/or IFSCA from time to time.
4. In case of difference between the provisions of any Rules of the Exchange and the provisions of the IFSCA Act and rules and regulations made thereunder by IFSCA and circulars or guidelines or directions issued by the IFSCA thereunder, the provisions of the IFSCA Act and rules and regulations made thereunder by IFSCA circulars or guidelines or directions issued by the IFSCA thereunder, shall prevail over the relevant Rule of the Exchange.

**CHAPTER II****DEFINITIONS**

1. “**Articles**”/ “**Articles of Association**” means the articles of association of the Exchange.
2. “**Authorized Person**” means and includes any person who is appointed as such by a Bullion Trading Member upon the approval of the Exchange and on such terms and conditions as may be imposed / directed by the Exchange from time to time, for providing access to the trading platform of the Exchange, as an agent / representative of the Bullion Trading Member of the Exchange.
3. “**Beneficial Owner**” shall have the meaning assigned to the term in the Bullion Exchange Regulations.
4. “**Board**”/ “**Governing Board**”/ “**Board of Directors**” means board of directors of the Exchange constituted in terms of the Bullion Exchange Regulations and in accordance with the provisions of the Articles of Association of the Exchange.
5. “**Bullion**” shall mean precious metals, including gold, silver or any other precious metal in the form of bars or unallocated gold, silver, or such other precious metals, as the IFSCA may consider relevant in this regard, relating to good delivery, quality, quantity, and any other aspect in relation to bullion trading from time to time, and shall have the meaning assigned to term in the Bullion Exchange Regulations, as amended from time to time.
6. “**Bullion Clearing Corporation**” means a Financial Institution under clause (c) of sub-section (1) of section 3 of the IFSCA Act, recognised by the IFSCA under the Bullion Exchange Regulations, to offer clearing and settlement functions in the Bullion Market, and shall have the meaning assigned to term in the Bullion Exchange Regulations, as amended from time to time. As permitted by IFSCA the functions of the Exchange and the Clearing Corporation may be performed by a unified single entity for an initial period of 3 years from the date of commencement of operations of the Exchange i.e. from 15<sup>th</sup> July 2022. Thus, for the time being and till further advised **Clearing Department of India International Bullion Exchange IFSC Limited** shall do such Clearing functions as usually associated with Bullion Clearing Corporation. Further, anywhere in this document where the words Bullion Clearing Corporation appear, these would mean the Clearing Department of India International Bullion Exchange IFSC Limited.
7. “**Bullion Clearing Member**” means a person having clearing rights on India International Bullion Exchange IFSC Limited and as such registered with the IFSCA as per the Bullion Exchange Regulations.
8. “**Bullion Contract**” means a contract for the purchase and sale of Bullion, Bullion Depository Receipts or such other Bullion products, including derivatives on Bullion, bullion spot delivery contracts, and such other contracts as may be permitted by the IFSCA, and shall have the meaning

assigned to term in the Bullion Exchange Regulations, as amended from time to time. The Exchange may notify Bullion Contracts available for trading on the Exchange.

9. **“Bullion Depository”** means a Financial Institution under clause (c) of sub-section (1) of section 3 of the IFSCA Act, recognised by the IFSCA under the IFSCA Regulations, to carry on depository business in Bullion in an IFSC and shall have the meaning assigned to term in the Bullion Exchange Regulations, as amended from time to time.
10. **“Bullion Depository Receipt (BDR)”** means a receipt issued in electronic form with underlying Bullion by a Bullion Depository, under the Bullion Exchange Regulations, to a Depositor on receipt of Bullion for storage by an empanelled Vault, which can be traded on the Exchange, and shall have the meaning assigned to term in the Bullion Exchange Regulations, as amended from time to time.
11. **“Bullion Exchange”** means a Financial Institution under clause (c) of sub-section (1) of section 3 of the IFSCA Act, established, recognised for the purpose of assisting, regulating and controlling Bullion Contracts in an IFSC and shall have the meaning assigned to term in the Bullion Exchange Regulations, as amended from time to time.
12. **“Bullion Market”** includes the Bullion Exchanges, Bullion Clearing Corporations, Bullion Depositories, Vaults, Bullion Contracts dealt therein, and any other persons involved therein, and shall have the meaning assigned to term in the Bullion Exchange Regulations, as amended from time to time;
13. **“Bullion Trading Member”** means a person having trading rights on the Exchange in terms of the Bullion Exchange Regulations and shall have the meaning assigned to term in the Bullion Exchange Regulations, as amended from time to time.
14. **“Bye-Laws”** means the Bye-Laws of the Exchange made pursuant to the provisions of IFSCA Act and rules and regulations made thereunder by IFSCA and the Bullion Exchange Regulations and circulars or guidelines or directions issued by the IFSCA and thereunder.
15. **“Committee”** means the Committee of the Exchange formed in accordance with Chapter COMMITTEES of these Rules.
16. **“Constituents” / “constituents” / “investors”** shall mean all the constituents / clients of the Bullion Trading Member which use the trading platform of the Exchange for trading in Bullion / Bullion Contracts and include Consumers, Depositors, investing public, investors, persons whether resident in India or outside India, and any other similar persons as the case may be, who are permitted to trade on the Exchange for Bullion / Bullion Contracts.
17. **“Consumer”** means a constituent of a Bullion Trading Member and shall have the meaning assigned to term in the Bullion Exchange Regulations, as amended from time to time.
18. **“Defaulters’ Committee”** shall mean a Committee constituted by the Exchange and empowered for carrying out the functions under Chapter XIII of the Bye-Laws.

19. “**Depositor**” shall have the meaning assigned to the term in the Bullion Exchange Regulations.
20. “**Director**” means the director for the time being of the Exchange.
21. “**Exchange**” means the Bullion Exchange operated by India International Bullion Exchange IFSC Limited (IIBX).
22. “**IFSC**” shall have the same meaning as assigned to it in clause (q) of section 2 of the Special Economic Zones Act, 2005.
23. “**IFSCA**” shall have the meaning as ascribed to it in Paragraph 3 of the Preamble to these Rules.
24. “**IFSCA Act**” shall have the meaning as ascribed to it in Paragraph 3 of the Preamble to these Rules.
25. “**Qualified Jewellers**” means qualified jewellers as notified by IFSCA permitted to import gold under specific ITC(HS) Codes through India International Bullion Exchange IFSC Limited (IIBX) in terms of DGFT notification No. 49/2015-2020 dated the 5th January, 2022.
26. “**Regulations**”, unless the context indicates otherwise, includes business rules, code of conduct including for the board of directors and key managerial personnel, powers and duties of office bearers and such other regulations prescribed by the Relevant Authority from time to time for the operations of the Exchange and these shall be subject to the provisions of the IFSCA Act and rules and regulations made thereunder by IFSCA and thereunder and the Bullion Exchange Regulations and circulars or guidelines or directions issued by the IFSCA and thereunder.
27. “**Relevant Authority**” means the Board, IFSCA or such other authority / committee of the Exchange, as specified by the Board from time to time as relevant for a specified purpose.
28. “**Securities Laws**” shall mean all applicable laws governing the Exchange, its activities, Bullion Contracts, and include Securities Contracts (Regulation) Act, 1956 and rules and regulations thereunder, SEBI Act, 1992 and rules, regulations, directions or guidelines thereunder, Securities and Exchange Board of India (International Financial Services Centres) Guidelines, 2015, IFSCA Act and rules and regulations made thereunder by IFSCA and thereunder and the Bullion Exchange Regulations and circulars or guidelines or directions issued by the IFSCA and thereunder.

*Any of the capitalised terms used herein and not defined shall have the meaning as assigned to those terms in the Bye-Laws of the Exchange.*

**CHAPTER III****BOARD****Board of Directors to Control Operations of Exchange**

1. The Board may organise, maintain, control, manage, regulate and facilitate the operations of the Exchange and Bullion/ Bullion Contract trading by Bullion Trading Members of the Exchange, subject to the provisions of the IFSCA Act and rules and regulations made thereunder by IFSCA and thereunder and the Bullion Exchange Regulations and circulars or guidelines or directions issued by the IFSCA and thereunder, as amended from time to time and the, directives, orders, guidelines, norms and circulars issued by the IFSCA from time to time and as provided in the IFSCA Act, Bullion Exchange Regulations and Securities Laws.

**Appointment of Directors on the Board of Exchange**

2. Directors of the Exchange shall be appointed in accordance with the Bullion Exchange Regulations and as per the provisions of the Articles of Association of the Exchange as amended from time to time and in accordance with the regulations/circulars issued by the IFSCA / Relevant Authority from time to time. Any such appointment of Directors shall be considered as one being made under the provisions of these Rules.

**Power of the Board to amend Rules, Bye-Laws and Regulations of Exchange**

3. Subject to the provisions of the IFSCA Act or the Bullion Exchange Regulations, the Securities Laws and rules, the Board is empowered to make and to amend the Bye-Laws, Rules and Regulations from time to time, for all or any matters relating to the conduct of business of the Exchange, the business and transactions of Bullion Trading Members between Bullion Trading Members inter-se as well as the business and transactions between Bullion Trading Members and persons who are not Bullion Trading Members, and to control, define and regulate all such transactions and dealings and to do such acts and things which are necessary for the purposes of the running, managing and controlling the operations of the Exchange.

**Power of the Board to Make Regulations**

4. Without prejudice to the generality of the foregoing, the Board is empowered to make Regulations, subject to the provisions of the IFSCA Act, Bullion Exchange Regulations and the Securities Laws and rules, regulations or directions or guidelines thereunder and the regulations

or directives which IFSCA may prescribe from time to time, for all or any of the following matters:

- (i) Conditions for admission, continuance, discontinuance as members and surrender of membership rights of Bullion Trading Members to membership of the Exchange, including for various category(s) of market participants including authorized clerk, constituted attorney, authorized persons, etc. who may be associated with dealing in Bullion/ Bullion Contracts or the Bullion Trading Members of the Exchange;
- (ii) Conduct of business of the Exchange;
- (iii) Conduct of Bullion Trading Members/ Constituents / Authorized Persons with regard to the business of the Exchange;
- (iv) Penalties for disobedience or contravention of the Rules, Bye-Laws and Regulations of the Exchange or of general discipline of the Exchange, including expulsion or suspension of the Bullion Trading Members / Constituents;
- (v) Declaration of any Bullion Trading Member / Constituents/ Authorized Persons as a defaulter or suspension or expulsion from trading membership of the Exchange and consequences thereof;
- (vi) Conditions, levy for admission or subscription for admission or continuance of trading membership of the Exchange;
- (vii) Charges payable by Bullion Trading Members / Constituents / Authorized Persons for transactions in such Bullion Contracts as may be laid down from time to time;
- (viii) Investigation of the financial condition, business conduct and dealings of the Bullion Trading Members / Constituents/ Authorized Persons;
- (ix) Appointment of Committee or Committees for any purpose of the Exchange;
- (x) Such other matters in relation to the Exchange as may be prescribed under the provisions of the Articles of Association, Bye-Laws or these Rules or as may be necessary or expedient for the organisation, maintenance, control, management, regulation and facilitation of the operations of the Exchange;
- (xi) Any other matter as the Board may think fit.

**Power of the Board to delegate**

5. The Board is empowered to delegate, from time to time, to such Committee(s) or to the Managing Director or to any person, such of the powers vested in it and upon such terms as they may think fit, with power to such person/committee to sub-delegate, all or any of the powers vested in it, upon such terms, conditions, limitations and to such extent as it may deem fit, to manage all or

any of the affairs of the Exchange and from time to time, to revoke, withdraw, alter or vary all or any of such powers.

**Board to Issue Directions**

6. The Board may issue or authorize any person to issue circulars, guidelines, norms, procedures, terms and conditions, directives, orders, notices, decisions, rulings and the like in respect of any or all such matters.
7. The Board shall have the authority to issue directives from time to time to any Committee(s) or any other person or persons to whom any powers have been delegated by the Board. Such directives issued in exercise of this power, which may be of policy nature or may include directives to dispose off a particular matter or issue, shall be binding on the concerned Committee(s) or person(s)

**Delegation of Power of the Board to amend Regulations of Exchange**

8. Subject to the approval of the Authority, the Bullion Exchange Regulations and Securities Laws and the regulations or directives which IFSCA may prescribe from time to time, the Board is empowered to vary, amend, repeal or add to Bye-Laws, Rules and Regulations of the Exchange framed by it.

**Code of Ethics and Conduct**

9. Every director and key managerial personnel of the Exchange and such other persons as maybe specified by Relevant Authority from time to time in this regard, shall adhere to the Code of Ethics and Conduct as may be prescribed by Relevant Authority from time to time.

**Fit and Proper Person**

10. Every director and key managerial personnel of the Exchange and such other persons as maybe specified by Relevant Authority from time to time in this regard, must fulfill the requirements for a 'fit and proper' person as may be prescribed by Relevant Authority from time to time.

**CHAPTER IV****COMMITTEES****Constitution**

1. The Board may, from time to time, constitute one or more Committees comprising of members of the Board or such others as the Board may in its discretion deem fit or necessary. The Committees constituted by the Board may *inter alia* include:
  - (a) The statutory committees prescribed by the Bullion Exchange Regulations with such composition, quorum and functions as prescribed therein;
  - (b) Any other Committee as the Board may think fit.
2. One or more Committee(s) may be appointed by the Board for the purposes of managing the day-to-day affairs of the Exchange and/or managing the day-to-day affairs of different trading segment(s) of the Exchange.
3. Subject to the provisions of the Bullion Exchange Regulations and Securities Laws, the Board may decide *inter alia* on the constitution, composition, eligibility to become a member of the Committee(s), duration, powers, functions of the Committee(s), nomination, disqualification, removal and vacation of the nominees from the Committee(s), appointment of office bearers and rules and procedures for the functioning of the Committee(s), dissolution of Committee(s) and any other aspect relating to the formation and/or working of the Committee(s).

**4. Powers of Committee(s)**

- (i) The Board may delegate from time to time to the Committee(s) such of the powers vested in them and upon such terms as they may think fit, to manage all or any of the affairs of the Exchange and from time to time, to revoke, withdraw, alter or vary all or any of such powers.
- (ii) The Committee(s) shall be bound and obliged to carry out and implement any directives issued by the Board from time to time and shall be bound to comply with all conditions of delegation and limitations on the powers of the Committee(s) as may be prescribed.
- (iii) A Committee(s) so constituted may constitute, subject to the terms and conditions of its constitution, such sub-committees for such purposes as it may deem fit. The constitution, powers and responsibilities of such sub-committee(s) may be determined by the Committee which constitutes such sub-committee(s).
- (iv) The Committee may from time to time and subject to the terms and conditions of its constitution, authorise managing director of the Exchange or such other person(s) to carry out such acts, deeds and functions in accordance with such provisions as may be laid down

in this regard for fulfilling the responsibilities and discharging the powers delegated to it by the Board.

**Disqualification of member of the Committee**

5. No person shall be eligible to be a member of a Committee(s), if he suffers any disqualification as provided in the Articles of Association of the Exchange or as specified by Relevant Authority. A member of the Committee shall, ipso facto, be deemed to have vacated the office, if he suffers any such disqualification, provided however that nothing done in good faith by such person in his capacity as a member of such Committee shall be rendered invalid merely because such act, deed, matter or thing may have been done by him subsequent to his disqualification but without knowledge of his disqualification.

**Meetings of the Committee**

6. A Committee may decide on the mode and manner of transacting its business including for dispatch of business, adjournment, physical/ virtual meetings, frequency of meetings, voting at meetings (including proxy voting, if any), circular resolutions or any other matter as may be specified by the Board from time to time and otherwise regulate its meetings and proceedings as it thinks fit, subject to the directions as may be laid down by the Relevant Authority in this behalf.
7. The quorum for a meeting of the Committee shall be as laid down by the Relevant Authority in this behalf from time to time.
8. The Chairman of the Committee or any employee of the Exchange under the authority of the Chairman may at any time convene a meeting of such Committee.
9. Decisions at any meeting of the Committees shall be taken by a majority of the members. Every member of the Committee shall have only one vote except that in the case of an equality of votes, the Chairman of the Committee who presides over the meeting shall have a second or casting vote.
10. At all meetings of the Committee, the Chairman shall ordinarily preside and in his absence, the members of the Committee present may choose one from among themselves to be the Chairman of such meeting in accordance with the manner prescribed, if any, by Relevant Authority. A member of the Committee shall disclose his/her interest in the business, if any, before the meeting

and shall abstain from discussions, voting and decisions on the said matter. If the Chairman is interested in the business of the meeting, he shall abstain from chairing the meeting.

**Chairman**

11. The members of the Committee may elect a Chairman from amongst themselves, who shall be the chairman of the Committee in accordance with directives/regulations issued by Relevant Authority, if any.
12. The Chairman may assume and exercise all such powers and perform all such duties as may be delegated to him by the Committee from time to time.
13. The Chairman, and in his absence, a person elected by the Committee, shall be entitled to exercise any or all of the powers exercisable by the Committee whenever he/it be of the opinion that immediate action is necessary, subject to such action being confirmed by the Committee.
14. The Committee, at its meeting at which a quorum is present, shall be competent to exercise all or any of the powers and discharge all such functions as are vested in or exercisable by such Committee.

**CHAPTER V****TRADING MEMBERSHIP**

1. The rights, privileges, duties and responsibilities of a Bullion Trading Member shall be subject to and be in accordance with the applicable Laws, Rules, the Bye-Laws and Regulations of the Exchange. The trading membership right shall be non-transferable and/or non-assignable except as otherwise provided in these Rules or as may be specified by Relevant Authority from time to time.
2. All Bullion Trading Members of the Exchange shall have to register themselves prior to commencing operations on the Exchange, with IFSCA.

**Eligibility**

3. The following persons shall be eligible to become Bullion Trading Members of the Exchange:
  - (i) companies as defined in the Companies Act, 2013; or
  - (ii) any other entity as may be permitted by Relevant Authority.
4. No person shall be eligible to be admitted to the trading membership of the Exchange unless the person satisfies:
  - (i) the requirements prescribed in that behalf under the Bullion Exchange Regulations and the Securities Laws, and
  - (ii) such additional eligibility criteria as Relevant Authority may prescribe from time to time.
5. No person/entity shall be admitted as a Bullion Trading Member of the Exchange if such proposed member:
  - (a) is a company which has had a provisional liquidator or receiver or interim resolution professional or resolution professional or official liquidator appointed for itself under the provisions of the applicable law;
  - (b) has been adjudged bankrupt or a receiving order in bankruptcy has been made against such person/entity under any applicable law;
  - (c) an order of admission of corporate insolvency resolution process has been passed by the competent court / tribunal;
  - (d) such applicant has compounded with its creditors for less than full discharge of debts;
  - (e) has been at any time expelled or declared a defaulter by any other Bullion Exchange / stock exchange/ other exchanges notified by the Relevant Authority from time to time;
  - (f) has been previously refused admission to membership unless a period of one year has elapsed since the date of rejection;
  - (g) incurs any disqualification under the provisions of the IFSCA Act/ Bullion Exchange Regulations/ Securities Laws, which disentitles such person/ entity from seeking membership of the Exchange;
  - (h) has been restrained from accessing the Bullion Market by IFSCA or any other government authority in the foreign jurisdiction;
  - (i) has been convicted of an offence involving a fraud or dishonesty.

Additional criteria and qualifications may be prescribed by the Board from time to time.

**Admission**

6. Any company or entity desirous of becoming a Bullion Trading Member shall apply to the Exchange for admission to the trading membership of the Exchange. Every application shall be dealt with by the Relevant Authority who shall be entitled to admit or reject such applications at its discretion.
7. The application shall be made in such formats as may be specified by the Relevant Authority from time to time for application for admission of Bullion Trading Members.
8. The application shall have to be submitted along with such fees, security deposit and other monies in such form and in such manner as may be specified by the Relevant Authority from time to time.
9. The applicant shall have to furnish such declarations/undertakings / documents as may be specified from time to time by the Relevant Authority.
10. The Relevant Authority shall have the right to call upon the applicant to pay such fees or deposit such additional security in cash or kind, to furnish any additional guarantee or to require the deposit of any building fund, computerisation fund, training fund or fee as the Relevant Authority may prescribe from time to time.
11. The Relevant Authority may admit the applicant to the trading membership of the Exchange provided that the applicant satisfies the eligibility conditions and other procedures and requirements of admission. The Relevant Authority may at its absolute discretion reject any application for admission without communicating the reason thereof. In the event of transfer of trading membership from an existing Bullion Trading Member to another person/entity (whether already a member or not), as permitted under these Rules, the prospective Bullion Trading Member shall be eligible to be admitted to the trading membership at the sole discretion of the Relevant Authority on such terms and conditions as it deems fit. Such prospective Bullion Trading Member shall satisfy all such conditions, procedures and requirements as may be prescribed by the Relevant Authority.
12. If for any reason the application for trading membership is rejected, the application fee or admission fee, if any, or part thereof as may be decided by the Relevant Authority in its discretion, may be dealt with in such manner as the Relevant Authority deems fit including forfeiture thereof.
13. The Relevant Authority may at any time from the date of admission to the trading membership of the Exchange cancel the admission and expel a Bullion Trading Member if it has in or at the

time of his application for admission to membership or during the course of the inquiry made by the Relevant Authority preceding his admission:

- (i) made any willful misrepresentation; or
- (ii) suppressed any material information required of him as to his character and antecedents; or
- (iii) has directly or indirectly given false particulars or information or made a false declaration.

14. When an applicant is admitted to the trading membership of the Exchange, intimation of the applicant's admission shall be sent to the applicant. If the applicant admitted to the membership of the Exchange and after intimation of its admission is duly sent, does not become a member by complying with acts and procedures for exercising the privileges of membership as may be prescribed by the Relevant Authority within a specified time period from the date of despatch of the intimation of admission or such other period, the admission fee / deposits or such sums paid by applicant shall be forfeited by the Exchange in the manner prescribed by the Relevant Authority from time to time.

- (i) Every Bullion Trading Member of the Exchange shall, upon being admitted as a Bullion Trading Member of the Exchange be issued a certificate or entitlement slip or such other document as the Relevant Authority may deem fit ("**Membership Certificate**"), as proof of having been admitted to the benefits and privileges of the trading membership of the Exchange. The trading membership shall not be transferable or transmittable except as herein mentioned.
- (ii) Subject to such terms and conditions as the Relevant Authority may prescribe from time to time and to the prior written approval of the Relevant Authority, transfer of the Membership Certificate, may be effected as follows:
  - (i) by an amalgamation or merger of a Bullion Trading Member company;
  - (ii) by takeover of a Bullion Trading Member company;
  - (iii) by two or more Bullion Trading Members coming together to form a new company;
  - (iv) such other mode as may be permitted by the Relevant Authority.
- (iii) The Relevant Authority may permit the transfer of the Membership Certificate in the following circumstances:
  - (i) Upon amalgamation or merger of a Bullion Trading Member company;
  - (ii) Upon takeover of a Bullion Trading Member company;
- (iv) A Bullion Trading Member may not effect any change in its status or constitution, unless it has made an application seeking prior approval of the Exchange in such manner and

with such fees as may be specified by the Relevant Authority and such approval has been accorded.

Explanation 1: For the purpose of clause (iv), the expression “change in status or constitution” shall include:- (i) Upon amalgamation or merger of, demerger, consolidation or any other kind of corporate restructuring falling within the scope of the Companies Act, 1956 (1 of 1956), Companies Act, 2013 or Insolvency and Bankruptcy Code, 2016, or the corresponding provision of any other law for the time being in force; (ii) change in its managing director, whole-time director or director; and (iii) any change in control over a Bullion Trading Member; (iv) any other change in relation to the Bullion Trading Members which may be specified by the Relevant Authority from time to time as amounting to a change in status or constitution

Explanation 2: In a case falling under clause (iii) of Explanation 1, or in any other case including those stated in the Rules where the change in status or constitution requires prior approval of IFSCA or other Relevant Authority, a Bullion Trading Member shall not carry out such change without obtaining such prior approval.

Explanation 3: A Bullion Trading Member shall apply for prior approval under Explanation 2 by following such procedure as may be specified by IFSCA or the relevant authority.

- (v) The Relevant Authority may, while permitting the transfer, prescribe from time to time such transfer fee as it deems fit in the following circumstances viz.,
- (i) amalgamation or merger of a Bullion Trading Member company with a non Bullion Trading Member company resulting in the loss of majority shareholding and/ or control of management by the majority shareholders of the Bullion Trading Member company;
  - (ii) takeover of the Bullion Trading Member company by non Bullion Trading Member (s) company resulting in the loss of majority shareholding and/ or control of management by the majority shareholders of the Bullion Trading Member company;

Explanation I

For the purpose of sub-clauses (i) and (ii) above, the term “loss of majority shareholding” means a shareholder or a group of shareholders holding 51% or more shares / interest in the Bullion Trading Member company ceases to hold 51% of shares / interest in the Bullion Trading Member company or in the amalgamated company which shall take up trading membership upon amalgamation of the Bullion Trading Member company with a non Bullion Trading Member company.

Explanation II

For the purpose of sub-clauses (i) and (ii) above, the term “loss of control in management” means the loss of the right to appoint majority of the directors or to control the management or policy decision exercisable by person or persons acting individually or in concert, directly or indirectly including by virtue of their

shareholding or management rights or shareholders agreements or voting agreements or in any other manner.

- (vi) Without prejudice to any other provision of the Rules, the trading membership may be suspended, for such period as the Relevant Authority may deem fit, in the following circumstances:
- (i) Upon any deadlock in the management of a Bullion Trading Member company, which, in the opinion of the Relevant Authority will affect the ability of such Bullion Trading Member company to carry on its business. The Bullion Trading Member shall be entitled for an opportunity for representation before the Relevant Authority, before being suspended under this sub-clause, but the decision of the Relevant Authority shall be final.

Explanation 1

For the purposes of this sub-clause, the term “deadlock in the management” means a situation wherein there is a loss of confidence or disagreement among the directors/shareholders of a Bullion Trading Member company, which, in the opinion of the Relevant Authority, will affect or is likely to affect the conduct of business by the Bullion Trading Member company, as the case may be or an equality of vote at a meeting of the directors or shareholders of a Bullion Trading Member company.

15. The Membership Certificate does not confer any ownership right as a member of the Exchange. The original of the Membership Certificate shall stand deposited with the Relevant Authority. An authenticated photocopy or duplicate of such Membership Certificate shall remain in the possession of the Bullion Trading Member as a proof of the trading membership of the Exchange.
16. A Bullion Trading Member shall not assign, mortgage, pledge, hypothecate or charge his right of membership or any rights or privileges attached thereto and no such attempted assignment mortgage, pledge, hypothecation or charge shall be effective as against the Exchange for any purpose, nor shall any right or interest in any trading membership other than the personal right or interest of the Bullion Trading Member therein be recognised by the Exchange. The Relevant

Authority shall expel any Bullion Trading Member of the Exchange who acts or attempts to act in violation of the provisions of this Rule.

**Termination of membership**

17. (a) Any Bullion Trading Member may cease to be a member, if one or more apply/ occurs:

- (i) expulsion in accordance with the provisions contained in the Bye-Laws, Rules and Regulations of the Exchange;
- (ii) declared a defaulter in accordance with the Bye-Laws, Rules and Regulations of the Exchange;
- (iii) winding up of such Bullion Trading Member or admission of the Bullion Trading Member into the corporate insolvency resolution process or order of liquidation by any competent court / tribunal passed against such Bullion Trading Member;
- (iv) surrender of the trading membership of the Exchange.

**(b) Liability of Past Members**

A Bullion Trading Member who shall for any reason ceases to be a Bullion Trading Member of the Exchange shall nevertheless remain liable for and shall pay to the Exchange all monies which at the time of its ceasing to be a Bullion Trading Member shall have been due by it to the Exchange or to the Clearing Department of the Exchange.

**Resignation**

18. (a) A Bullion Trading Member who intends to resign from the trading membership of the Exchange shall address to the Exchange a written notice to that effect which shall be displayed on the trading system or on the website of the Exchange or at such places as the Relevant Authority deem appropriate.

(b) Any Bullion Trading Member of the Exchange objecting to any such resignation shall communicate the grounds of its objection to the Relevant Authority by a letter within such period as may be specified by the Relevant Authority from time to time.

(c) The Relevant Authority may accept the resignation of a Bullion Trading Member either unconditionally or on such conditions as it may think fit or may refuse to accept such resignation and in particular may refuse to accept such resignation until it is satisfied that all the conditions including satisfaction of all outstanding transactions is complied with by such Bullion Trading Member.

**Claims against ceased Bullion Trading Member**

19. When a Bullion Trading Member intends to transfer its trading membership right in favour of another entity, all the debts, liabilities, obligations and claims under the Rules, Bye-laws and Regulations shall be paid and satisfied in full or the new entity undertakes to fulfill the liabilities/obligations of the Bullion Trading Member, as may be directed by the Relevant Authority.

**Failure to pay Charges**

20. Save as otherwise provided in the Bye-Laws, Rules and Regulations of the Exchange if a member fails to pay his annual subscription, fees, charges or other monies which may be due by him to

the Exchange within such time as the Relevant Authority may prescribe from time to time after notice in writing has been served upon him by the Exchange, he may be suspended by the Relevant Authority until he makes payment and if within a further period of fifteen days he fails to make such payment, he may be expelled by the Relevant Authority.

**Continued Admittance**

21. The Relevant Authority shall from time to time prescribe conditions and requirements for continued admittance to trading membership which may, inter alia, include maintenance of minimum net worth and capital adequacy, deposit including membership deposit, renewal of certification, if any, payment of annual fees, other fees, charges, etc. The trading membership of any person who fails to meet these requirements shall be liable to be terminated.

**Additional conditions for Trading Member**

22. Apart from the conditions/requirements prescribed in the Rules, Bye-laws and Regulations, a Bullion Trading Member shall comply with such additional conditions as may be prescribed by the Relevant Authority from time to time, including seeking prior permission of the Relevant Authority for change in name, memorandum and articles of association of the company, its capital and shareholding pattern of such Bullion Trading Member. If the Bullion Trading Member does not comply with and adhere to any order or direction or conditions imposed at the time of considering its application/request, the Relevant Authority shall take appropriate disciplinary proceedings against such Bullion Trading Member.

**Readmission of Defaulters**

23. A Bullion Trading Member's right of membership shall lapse and vest with the Exchange immediately after he is declared a defaulter. The member who is declared a defaulter shall forfeit all his rights and privileges as a member of the Exchange, including any right to use of or any claim upon or any interest in any property or funds of the Exchange, if any.
24. The Relevant Authority may readmit a defaulter as a Bullion Trading Member subject to the provisions as may be prescribed by the Relevant Authority from time to time. Subject to all applicable laws in force for the time being, a Bullion Trading Member declared as a defaulter may be re-admitted in accordance with such procedure and on such terms and conditions as the Exchange may prescribe from time to time, in its absolute discretion. Provided further that, in case, a defaulter is re-admitted, any proceedings/ actions/steps taken by the Exchange for

declaring a Bullion Trading Member as a defaulter & during the period when it continued to remain a defaulter shall not be invalid and shall not be questioned or challenged by any party.

25. The Relevant Authority may readmit only such defaulter which in its sole opinion:

- (i) has paid up all dues to the Exchange, other Bullion Trading Members and Constituents;
- (ii) has no winding up proceedings / corporate insolvency resolution process against it in a court / tribunal or has not been wound up by any court/ tribunal or admitted into corporate insolvency resolution process;
- (iii) has defaulted owing to the default of principals or Constituents whom he might have reasonably expected to be good for their commitments;
- (iv) has not been guilty of bad faith or breach of the Bye-Laws, Rules and Regulations of the Exchange;
- (v) has been irreproachable in his general conduct;
- (vi) meets all eligibility criteria for being a Bullion Trading Member.

**CHAPTER VI****DISCIPLINARY PROCEEDINGS, PENALTIES, SUSPENSION AND EXPULSION****Disciplinary Jurisdiction**

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

**Penalty for Misconduct, Unbusiness like Conduct and Unprofessional Conduct**

2. In particular and without in any way limiting or prejudicing the generality of the provisions in Rule 1 above, a Bullion Trading Member shall be liable to expulsion or suspension or withdrawal of all or any of its membership rights and/or to payment of a fine and/or to be censured, reprimanded or warned for any misconduct, unbusiness like conduct or unprofessional conduct in the sense of the provision in that behalf contained herein.

**Misconduct**

3. A Bullion Trading Member shall be deemed guilty of misconduct for any of the following or similar acts or omissions namely:
  - (i) Fraud: If it is convicted of a criminal offence or commits fraud or a fraudulent act which in the opinion of the Relevant Authority renders it unfit to be a Bullion Trading Member;
  - (ii) Violation: If it has violated provisions of any statute governing the activities, business and operations of the Exchange, Bullion Trading Members and Bullion/Bullion Contract trading business in general;
  - (iii) Improper conduct: If, in the opinion of the Relevant Authority, it is guilty of dishonourable or disgraceful or disorderly or improper conduct on the Exchange or of willfully obstructing the business of the Exchange;
  - (iv) Breach of Rules, Bye-Laws and Regulations of the Exchange: If it shields or assists or omits to report any Bullion Trading Member whom it has known to have committed a breach or evasion of any Rule, Bye-Law and Regulation of the Exchange or of any resolution, order, notice or direction thereunder of the Relevant Authority or of any Committee or officer of the Exchange authorised in that behalf;
  - (v) Failure to comply with resolutions: If it contravenes or refuses or fails to comply with or abide by any resolution, order, notice, direction, decision or ruling of the Relevant Authority or of any Committee or officer of the Exchange or other person authorised in that behalf under the Bye-Laws, Rules and Regulations of the Exchange;
  - (vi) Failure to submit to or abide by Arbitration: If it neglects or fails or refuses to submit to arbitration or to abide by or carry out any award of the arbitrators made in

- connection with a reference under the Bye-Laws, Rules and Regulations of the Exchange;
- (vii) Failure to testify or give information : If it neglects or fails or refuses to submit to the Relevant Authority or to a Committee or an officer of the Exchange authorised in that behalf, such books, correspondence, documents and papers or any part thereof as may be required to be produced or to appeal and testify before or cause any of its attorneys, agents, authorised representatives or employees to appear and testify before the Relevant Authority or such Committee or officer of the Exchange or other person authorised in that behalf;
  - (viii) Failure to submit special returns : If it neglects or fails or refuses to submit to the Relevant Authority within the time notified in that behalf special returns in such form as the Relevant Authority may from time to time prescribe together with such other information as the Relevant Authority may require whenever circumstances arise which in the opinion of the Relevant Authority make it desirable that such special returns or information should be furnished by any or all the trading members;
  - (ix) Failure to submit audited accounts: If it neglects or fails or refuses to submit its audited accounts to the Exchange within such time as may be prescribed by the Relevant Authority from time to time;
  - (x) Failure to compare or submit accounts with defaulter: If it neglects or fails to compare its accounts with the Defaulters' Committee or to submit to it a statement of its accounts with a defaulter or a certificate that it has no such account or if it makes a false or misleading statement therein;
  - (xi) False or misleading returns: If it neglects or fails or refuses to submit or makes any false or misleading statement in its clearing forms or returns required to be submitted to the Exchange under the Bye-Laws, Rules and Regulations of the Exchange;
  - (xii) Vexatious complaints: If it or its agent brings before the Relevant Authority or a Committee or an officer of the Exchange or other person authorised in that behalf a charge or complaint, complaint which in the opinion of the Relevant Authority is frivolous, vexatious or malicious;
  - (xiii) Failure to pay dues and fees: If it fails to pay its subscription, fees, arbitration charges or any other money which may be due by it or any fine or penalty imposed on it.

#### **Unbusiness like Conduct**

4. A Bullion Trading Member shall be deemed guilty of unbusiness like conduct for any of the following or similar acts or omissions namely:
  - (i) Fictitious Names: If it transacts its own business or the business of its Constituent in fictitious names;

- (ii) Fictitious dealings: If it makes a fictitious transaction or gives an order for the purchase or sale of Bullion/ Bullion Contracts the execution of which would involve no change of ownership or executes such an order with knowledge of its character;
- (iii) Circulation of rumours: If it, in any manner, circulates or causes to be circulated, any rumours;
- (iv) Prejudicial business: If it makes or assists in making or with such knowledge is a party to or assists in carrying out any plan or scheme for the making of any purchases or sales or offers of purchase or sale of Bullion/ Bullion Contracts for the purpose of upsetting the equilibrium of the Bullion Market or bringing about a condition in which prices will not fairly reflect Bullion Market values;
- (v) Bullion Market manipulation and rigging: If it, directly or indirectly, alone or with other persons, effects series of transactions in any Bullion/ Bullion Contracts to create actual or apparent active trading in such Bullion/ Bullion Contracts or raising or depressing the prices of such Bullion/ Bullion Contracts for the purpose of inducing purchase or sale of such Bullion/ Bullion Contracts by others;
- (vi) Unwarrantable business: If it engages in reckless or unwarrantable or unbusiness like dealings in the Bullion Market or effects purchases or sales for its Constituent's account or for any account in which it is directly or indirectly interested which purchases or sales are excessive in view of its Constituent's or his own means and financial resources or in view of the Bullion Market for such Bullion/ Bullion Contracts;
- (vii) Compromise: If it connives at a private failure of a Bullion Trading Member or accepts less than a full and bona fide money payment in settlement of a debt due by a Bullion Trading Member arising out of a transaction in Bullion/ Bullion Contracts;
- (viii) Dishonoured cheque: If it issues to any other Bullion Trading Member or to its Constituents a cheque which is dishonoured on presentation for whatever reasons;
- (ix) Failure to carry out transactions with Constituents: If it fails in the opinion of the Relevant Authority to carry out its committed transactions with its Constituents;
- (x) Declared as defaulter: If the Bullion Trading Member or its holding company or the person who controls it, is at any time expelled or declared a defaulter or imposed similar sanctions by any other Bullion Exchange / stock exchange (in India or outside India)/ other exchanges (in India or outside India) / governmental authority in India or in foreign jurisdiction or has been restrained from accessing the Bullion Market by IFSCA or any other government authority in India or in foreign jurisdiction.

### **Unprofessional Conduct**

5. A Bullion Trading Member shall be deemed guilty of unprofessional conduct for any of the following or similar acts or omissions namely :

- (i) Business in Bullion/ Bullion Contracts in which dealings not permitted: If it enters into dealings in Bullion/ Bullion Contracts in which dealings are not permitted;
- (ii) Business for defaulting Constituent: If it deals or transacts business directly or indirectly or executes an order for a Constituent who has within its knowledge failed to carry out engagements relating to Bullion/ Bullion Contracts and is in default to

- another Bullion Trading Member unless such Constituent shall have made a satisfactory arrangement with the Bullion Trading Member who is its creditor;
- (iii) Business for insolvent/bankrupt: If without first obtaining the consent of the Relevant Authority it directly or indirectly is interested in or associated in business with or transacts any business with or for any individual who has been insolvent or admitted into insolvency resolution process even though such individual shall have obtained his final discharge from an insolvency Court/tribunal;
  - (iv) Business without permission when under suspension: If without the permission of the Relevant Authority it does business on its own account or on account of a principal with or through a Bullion Trading Member during the period it is required by the Relevant Authority to suspend business on the Exchange;
  - (v) Business for or with suspended, expelled and defaulter Bullion Trading Members: If without the special permission of the Relevant Authority it shares brokerage with or carries on business or makes any deal for or with any Bullion Trading Member who has been suspended, expelled or declared a defaulter;
  - (vi) Business for employees of other Bullion Trading Members: If it transacts business directly or indirectly for or with or executes an order for an authorised representative or employee of another Bullion Trading Member without the written consent of such employing Bullion Trading Member;
  - (vii) Business for Exchange employees: If it makes a speculative transaction in which an employee of the Exchange is directly or indirectly interested;
  - (viii) Advertisement: If it advertises for business purposes or issues regularly circular or other business communications to persons other than its own Constituents, Bullion Trading Members of the Exchange, banks and joint stock companies or publishes pamphlets, circular or any other literature or report or information relating to the Bullion Market without the prior written permission of the Exchange or in contravention of the advertisement code prescribed by the Exchange;
  - (ix) Evasion of margin requirements: If it willfully evades or attempts to evade or assists in evading the margin requirements prescribed in the Bye-Laws, Rules and Regulations of the Exchange;
  - (x) Brokerage Charge: If it willfully deviates from or evades or attempts to evade the Bye-Laws, Rules and Regulations of the Exchange relating to charging and sharing of brokerage.
  - (xi) Dealings with entities prohibited to buy or sell or deal in Securities Market: If it deals, directly or indirectly, in the course of its business with or transacts any business with or for any entity, which has been prohibited by IFSCA/any other governmental authority in India or in foreign jurisdiction, to buy or sell or deal in the Bullion Market.

#### **Bullion Trading Member's responsibility for agents and employees**

6. A Bullion Trading Member shall be fully responsible for the acts and omissions of its authorised officials, attorneys, agents, authorised representatives, employees, Authorized Person and if any such act or omission be held by the Relevant Authority to be one which if committed or omitted by the Bullion Trading Member would subject it to any of the penalties as provided in the Bye-Laws, Rules and Regulations of the Exchange then such Bullion Trading Member shall be liable

therefore to the same penalty to the same extent as if such act or omission had been done or omitted by itself.

#### **Suspension on failure to provide deposit and/or Capital Adequacy requirements**

7. The Relevant Authority shall require a Bullion Trading Member to suspend its business when it fails to provide the deposit and/or meet capital adequacy norms as provided in the Bye-Laws, Rules and Regulations of the Exchange and the suspension of business shall continue until it furnishes the necessary deposit or meet capital adequacy requirements. The Relevant Authority may expel a Bullion Trading Member acting in contravention of this provision.

#### **Suspension of Business**

8. The Relevant Authority may require a Bullion Trading Member to suspend its business in part or in whole:
  - (i) Prejudicial business : When in the opinion of the Relevant Authority, the Bullion Trading Member conducts business in a manner prejudicial to the Exchange by making purchases or sales of Bullion/ Bullion Contracts or offers to purchase or sell Bullion/ Bullion Contracts for the purpose of upsetting equilibrium of the Bullion Market or bringing about a condition of demoralisation in which prices will not fairly reflect Bullion Market values, or
  - (ii) Unwarrantable business: When in the opinion of the Relevant Authority it engages in unwarrantable business or effects purchases or sales for its Constituent's account or for any account in which it is directly or indirectly interested which purchases or sales are excessive in view of its Constituent's or its own means and financial resources or in view of the Bullion Market for such Bullion/ Bullion Contracts, or
  - (iii) Unsatisfactory financial condition: When in the opinion of the Relevant Authority it is in such financial condition that it cannot be permitted to do business with safety to its creditors or the Exchange.

#### **Removal of Suspension**

9. The suspension of business under clause 8 above shall continue until the Bullion Trading Member has been allowed by the Relevant Authority to resume business on its paying such deposit or on its doing such act or providing such thing as the Relevant Authority may require.

#### **Penalty for Contravention**

10. A Bullion Trading Member who is required to suspend its business shall be expelled by the Relevant Authority if he acts in contravention of this provision.

#### **Bullion Trading Members and others to testify and give information**

11. A Bullion Trading Member shall appear and testify before and cause its attorneys, agents, authorised representatives and employees to appear and testify before the Relevant Authority or before other Committee(s) or an officer of the Exchange authorised in that behalf and shall produce before the Relevant Authority or before other Committee(s) or an officer of the Exchange authorised in that behalf, such books, correspondence, documents, papers and records

or any part thereof which may be in its possession and which may be deemed relevant or material to any matter under inquiry or investigation.

**Permission necessary for Legal Representation**

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

**Explanation before suspension or expulsion**

13. A Bullion Trading Member shall be entitled to be summoned before the Relevant Authority and afforded an opportunity for explanation before being suspended or expelled but in all cases the findings of the Relevant Authority shall be final and conclusive.

**Temporary Suspension**

- (i) Notwithstanding what is contained in clause 13 above if in the opinion of the Managing Director it is necessary to do so, he may, for reasons to be recorded in writing, temporarily suspend a Bullion Trading Member, pending completion of the proceedings for suspension under this chapter by the Relevant Authority, and no notice of hearing shall be required for such temporary suspension and such temporary suspension shall have the same consequences of suspension under this chapter.
- (ii) A notice to show cause shall be issued to the Bullion Trading Member within five working days of such temporary suspension.
- (iii) Any such temporary suspension may be revoked at the discretion of the Managing Director, for reasons to be recorded in writing, if the Managing Director is satisfied that the circumstances leading to the formations of opinion of the Managing Director to effect temporary suspension, have ceased to exist or are satisfactorily resolved.
- (iv) A Bullion Trading Member aggrieved by the temporary suspension may appeal to the Relevant Authority, provided that such appeal shall not automatically suspend the temporary suspension unless otherwise directed by the Relevant Authority.

**Effect of suspension of registration by IFSCA/ other authorities**

14. Notwithstanding anything contained in any of the Bye-Laws, Rules and Regulations of the Exchange, if the registration of a Bullion Trading Member is suspended by IFSCA/any other governmental authority in India or in foreign jurisdiction, such Bullion Trading Member shall ipso facto stand suspended from the trading membership of the Exchange for the period of suspension, so imposed by IFSCA/ any other governmental authority in India or in foreign jurisdiction or till such suspension is in force.

**Imposition of Penalties**

15. The penalty of suspension, withdrawal of all or any of the membership rights, fine, censure or warning may be inflicted singly or conjointly by the Relevant Authority. The penalty of expulsion may be inflicted by the Relevant Authority.

**Pre-determination of Penalties**

16. The Relevant Authority shall have the power to pre-determine the penalties, the period of any suspension, the withdrawal of particular membership rights and the amount of any fine that would be imposed on contravention, non-compliance, disobedience, disregard or evasion of any Bye-

Law, Rule or Regulation of the Exchange or of any resolution, order, notice, direction, decision or ruling thereunder of the Exchange, the Relevant Authority or of any other Committee or officer of the Exchange authorised in that behalf.

**Commutation**

17. Subject to the provision of the Bullion Exchange Regulations and Securities Laws, the Relevant Authority in its discretion may in any case suspend a Bullion Trading Member in lieu of the penalty of expulsion or may withdraw all or any of the membership rights or impose a fine in lieu of the penalty of suspension or expulsion and may direct that the guilty Bullion Trading Member be censured or warned or may reduce or remit any such penalty on such terms and conditions as it deems fair and equitable.

**Reconsideration/Review**

18. Subject to the provisions of the Bullion Exchange Regulations and Securities Laws, the Relevant Authority may of its own motion or on appeal by the Bullion Trading Member concerned within ninety days from the date of communication of decision of the Relevant Authority to the member reconsider and may rescind, revoke or modify its resolution withdrawing all or any of the membership rights or fining, censuring or warning any Bullion Trading Member. In a like manner the Relevant Authority may rescind, revoke or modify its resolution expelling or suspending any Bullion Trading Member Provided that where any expulsion, suspension or other penalty is imposed in accordance with the directions of IFSCA or other authority issued in exercise of any powers conferred on them under Securities Laws / relevant applicable laws, then the Board or the Relevant Authority shall not exercise the power to rescind or revoke or modify the same, except with the previous sanction of the authorities concerned.

**Failure to pay fines and penalties**

19. If a Bullion Trading Member fails to pay any fine or penalty imposed on it within such period as prescribed from time to time by the Relevant Authority after notice in writing has been served on it by the Exchange it may be suspended by the Relevant Authority until it makes payment and if within a further period as prescribed from time to time it fails to make such payment it may be expelled by the Relevant Authority.

**Consequence of Suspension**

20. The suspension of a Bullion Trading Member shall have the following consequences namely:
  - (i) Suspension of Membership Rights: The suspended Bullion Trading Member shall during the terms of its suspension be deprived of and excluded from all the rights and privileges of membership, but it may be proceeded against by the Relevant Authority for any offence committed by it either before or after its suspension and the Relevant Authority shall not be debarred from taking cognisance of and

- adjudicating on or dealing with any claim made against it by other Bullion Trading Members;
- (ii) Rights of creditors unimpaired: The suspension shall not affect the rights of the Bullion Trading Members who are creditors of the suspended Bullion Trading Member;
  - (iii) Fulfillment of Bullion Contracts: The suspended Bullion Trading Member shall be bound to fulfill the Bullion Contract outstanding at the time of its suspension;
  - (iv) Further business prohibited: The suspended Bullion Trading Member shall not during the terms of its suspension make any trade or transact any business with or through a Bullion Trading Member or clear or settle trades provided that it may with the permission of the Relevant Authority close with or through a Bullion Trading Member the transactions outstanding at the time of its suspension;
  - (v) Bullion Trading Members not to deal with suspended members: No Bullion Trading Member shall transact business for or with or share brokerage with a suspended Bullion Trading Member during the terms of its suspension except with the previous permission of the Relevant Authority.

**Consequences of Expulsion**

21. The expulsion of a Bullion Trading Member shall have the following consequences namely:

- (i) Trading membership rights forfeited: The expelled Bullion Trading Member shall forfeit to the Exchange its right of trading membership and all rights and privileges as a Bullion Trading Member of the Exchange including any right to nominate, to the use of or any claim upon or any interest in any property or funds with the Exchange and all of the above shall automatically vest in the Exchange however, any liability of any such Bullion Trading Member to the Exchange or to any Bullion Trading Member of the Exchange or India International Bullion Exchange IFSC Limited shall continue and remain unaffected by its expulsion;
- (ii) Office vacated: The expulsion shall create a vacancy in any office or position held by the expelled Bullion Trading Member;
- (iii) Rights of creditors unimpaired: The expulsion shall not affect the rights of the Bullion Trading Members who are creditors of the expelled Bullion Trading Member;
- (iv) Fulfillment of Contracts: The expelled Bullion Trading Member shall be bound to fulfill transactions outstanding at the time of his expulsion and it may with the permission of the Relevant Authority close such outstanding transactions with or through a Bullion Trading Member;
- (v) Bullion Trading Members not to deal: No Bullion Trading Member shall transact business for or with or share brokerage with the expelled Bullion Trading Member except with the previous permission of the Relevant Authority.
- (vi) Consequences of declaration of defaulter to follow: The provisions of Chapter XIII and Chapter XVI of the Bye-Laws pertaining to default and Consumer Education and Protection Fund respectively shall become applicable to the Bullion Trading

Member expelled from the Exchange as if such Bullion Trading Member has been declared a defaulter.

#### **Expulsion Rules to Apply**

22. When a Bullion Trading Member ceases to be such under the provisions of the Rules, Bye-Laws or Regulations of the Exchange otherwise than by default or surrender or resignation of membership it shall be as if such Bullion Trading Member has been expelled by the Relevant Authority and in that event all the provisions relating to expulsion contained in these Rules shall apply to such Bullion Trading Member in all respects.

#### **23. Suspension of Business**

- (i) The Relevant Authority shall require a Bullion Trading Member to suspend its business when it fails to maintain or provide further security as prescribed in the Bye-Laws, Rules and Regulations and the suspension shall continue until it pays the necessary amount by way of security.
- (ii) Penalty for Contravention: A Bullion Trading Member who is required to suspend its business under clause (i) shall be expelled by the Relevant Authority if it acts in contravention of the provisions of the Bye-Laws, Rules and Regulations of the Exchange.

#### **Forfeited or Lapsed Right of Membership**

24. When a right of membership is forfeited to or vest in the Exchange under any Rule, Byelaw or Regulation of the Exchange for the time being in force, it shall belong absolutely to the Exchange free of all rights, claims or interest of such member or any person claiming through such member and the Relevant Authority shall be entitled to deal with or dispose of such right of membership as it may think fit.

#### **Notice of Penalty and suspension of Business**

25. Notice shall be given to the Bullion Trading Member concerned and to the Bullion Trading Members in general by a notice on the trading system of the Exchange of the expulsion or suspension or default of or of the suspension of business by a Bullion Trading Member or of any other penalty imposed on it or on its attorneys, agents, authorised representatives or other employees. The Relevant Authority may in its absolute discretion and in such manner as it thinks fit notify or cause to be notified to the Bullion Trading Members of the Exchange or to the public that any person who is named in such notification has been expelled, suspended, penalised or declared a defaulter or has suspended its business or ceased to be a Bullion Trading Member. No action or other proceedings shall in any circumstances be maintainable by such person against the Exchange or the Relevant Authority or any officer or employee of the Exchange for the publication or circulation of such notification and the application for trading membership or the application for registration as the constituted attorney or authorised representative or by the person concerned shall operate as license and the Bye-Laws, Rules and Regulations of the

Exchange shall operate as leave to print, publish or circulate such advertisement or notification and be pleadable accordingly.

26. The Relevant Authority for the purpose of this Chapter shall be such committee as may be constituted and designated by the Board from time to time as may be prescribed by IFSCA.

**CHAPTER VII****MISCELLANEOUS****Power to provide clarification and decisions binding**

1. In case of any difficulty in implementing the provisions of Rules or in case of a conflict, the Exchange has the power to provide clarification, if the circumstances demand and such clarification shall be final and binding on all persons.
2. Further, the decision/directions of the Exchange / Board / Relevant Authority on the aspects mentioned in these Rules including but not limited to admission, disqualification, removal, suspension of membership, shall be final and binding on all relevant persons and stakeholders.
3. Exchange shall be entitled to issue, from time-to-time notices, circulars, instructions or orders (hereinafter called as “Communiqués”) to Trading Members, Qualified Jewellers, Clients, Clearing Members, Clearing Banks, Depository, Bullion Depositors and Vaults for implementation of and/or clarification on any aspect of Bye Laws or the Rules and Regulations or on any procedural or operational issue. All such Communiqués shall bind the Trading Members, Qualified Jewellers, Clients, Clearing Members, Clearing Banks, Depository, Bullion Depositors and Vaults with the same force and effect as the Bye-Laws and the Rules and Regulations.

**Statutory laws**

4. These Rules, including all alterations, amendments and modifications thereto, shall be subject to the rules/ Regulations/ directives/ notifications/ circulars issued by IFSCA from time to time and all such rules/ Regulations/ directives/ notifications/ circulars that are issued by IFSCA for or in relation to Bullion Exchange shall be deemed to be incorporated in the Rules prescribed by the Board/ Relevant Authority/ Exchange and the Rules shall deemed to be altered/ amended/ modified to that extent, which amendment/ modification/ alteration shall be effective from the date notified by the IFSCA in that behalf.

**Good Faith**

5. No claim, suit, prosecution or other legal proceedings shall lie against the Exchange or any authorised person(s) acting for the Exchange, in respect of anything which is in good faith done or intended to be done in pursuance of any order or other binding directive issued to the Exchange under any law or delegated legislation for the time being in force.