

**India International Bullion Exchange IFSC Limited**

**BYE-LAWS**

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**CHAPTER I****PREAMBLE**

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

1. These Bye-Laws shall be known as “**The Bye-Laws of India International Bullion Exchange IFSC Limited**” and are for the sake of brevity and convenience, herein referred to as “these Bye-Laws” or “the Bye-Laws of the Exchange”.
2. These Bye-Laws shall come into force with effect from such date as the International Financial Services Centres Authority (hereinafter referred to as “**the IFSCA**” or “**IFSCA**”) established under the International Financial Services Centres Authority Act, 2019 (hereinafter referred to as “**the IFSCA Act**”) grants recognition to India International Bullion Exchange IFSC Limited (hereinafter referred to as “**the Exchange**”) in terms of the powers given to the IFSCA in International Financial Services Centres Authority (Bullion Exchange) Regulations, 2020 (hereinafter referred to as “**the Bullion Exchange Regulations**”) or any other later date (post such recognition) as the Board of the Exchange may notify in that behalf.
3. These Bye-Laws shall be in addition to the provisions of the IFSCA Act and rules and regulations made thereunder by IFSCA and / or Central Government 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 and / or Central Government thereunder. These Bye-laws shall at all times be read subject to the provisions of the IFSCA Act and rules and regulations made thereunder by IFSCA and / or Central Government thereunder and the Bullion Exchange Regulations and circulars or guidelines or directions issued by the IFSCA and / or Central Government 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 Bye-Laws, rules and business rules/ regulations of the Exchange and the provisions of the IFSCA Act and rules and regulations made thereunder by IFSCA and / or Central Government thereunder and the Bullion Exchange Regulations and circulars or guidelines or directions issued by the IFSCA and / or Central Government thereunder, the provisions of the IFSCA Act and rules and regulations made thereunder by IFSCA and / or Central Government thereunder and the Bullion Exchange Regulations and circulars or guidelines or directions issued by the IFSCA and / or Central Government thereunder, shall prevail.

## **CHAPTER II**

### **DEFINITIONS**

1. **“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.
2. **“Board” / “Governing Board”** means board of directors of the Exchange constituted in terms of the Bullion Exchange Regulations.
3. **“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;
4. **“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. Where the Exchange itself carries on the function of a clearing house, the term “Bullion Clearing Corporation” shall be deemed to be the Exchange for the purpose of these Bye-Laws, Rules and Regulations of the Exchange.
5. **“Bullion Clearing Member”** means a person having clearing rights on any Bullion Clearing Corporation and as such registered with the IFSCA as per the Bullion Exchange Regulations.
6. **“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.
7. **“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 Bullion Exchange 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;
8. **“Bullion Depository Receipt”** 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;

9. **“Bullion Exchange”** means a Financial Institution under clause (c) of sub-section (1) of section 3 of the IFSCA Act, established and 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;
10. **“Bullion Market”** includes the Exchange, Bullion Clearing Corporation, 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;
11. **“Bullion Trading Member”** means a person having trading rights on the Exchange in terms of the Bullion Exchange Regulations and as such registered with the IFSCA as per the Bullion Exchange Regulations, as amended from time to time;
12. **“Committee”** means the Committee of the Exchange formed in accordance with Chapter III.
13. **“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 Contracts and include Customers, Consumers, Depositors, Participants, 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 Contracts;
14. **“Customers”** shall have the meaning as ascribed under the Operating Guidelines.
15. **“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;
16. **“Consumer Education and Protection Fund”** shall mean the fund established by the Exchange in terms of the Bullion Exchange Regulation as consumer protection fund in the form of a trust, for the purpose of Consumer education and providing compensation to Consumers in case of defaults by the Bullion Trading Members, in the manner as may be specified by the IFSCA;
17. **“Defaulters’ Committee”** shall mean a Committee constituted by the Exchange and empowered for carrying out the functions under Chapter XIII of the Bye-Laws;
18. **“Depositor”** means a Consumer who delivers Bullion to the Vaults empanelled with any Bullion Depository for storage and shall have the meaning assigned to term in the Bullion Exchange Regulations, as amended from time to time;

19. **“Exchange”** means Bullion Exchange operated by India International Bullion Exchange IFSC Limited.
20. **“Good Delivery Standard”** shall have the meaning assigned to term in the Bullion Exchange Regulations, as amended from time to time, and shall include good delivery standards as prescribed under OECD Due Diligence Guidance for Responsible Supply chain of Minerals from Conflict Affected and High-Risk Areas, as amended from time to time;
21. **“IFSC”** shall have the same meaning as assigned to it in clause (q) of section 2 of the Special Economic Zones Act, 2005;
22. **“IFSCA”** shall have the meaning as ascribed to it in Paragraph 2 of the Preamble to these Bye-Laws.
23. **“Market-making Member”** means a Bullion Trading Member registered on such terms and conditions, as may be prescribed in these Bye-Laws, rules and regulations, for making a market in the Bullion Contracts assigned to such member and on such terms and conditions as may be prescribed by the Exchange from time to time. Explanation: Market-making Member shall offer at all times during the trading hours of the Exchange, quotations for both buying and selling of Bullion Contracts as determined by the Exchange for him;
24. **“Market Making”** means the process of providing continuous two-way quotes in Bullion Contracts at prices as per the terms and conditions prescribed by the Exchange. The terms /expression such as “making market”, “make market” shall be construed accordingly.
25. **“Official List of Exchange Bullion Contracts”** means the list of Bullion Contracts which are listed or permitted to trade on the Exchange from time to time.
26. **“Operating Guidelines”** shall mean the Operating Guidelines on Bullion Exchange, Bullion Clearing Corporation, Bullion Depository and Vault Manager issued by IFSCA vide Circular F. No. 415/ IFSCA/ Consolidated Operating Guidelines/ 2021-22 dated August 25, 2021, as amended from time to time and all circulars, guidelines and/or directions issued/ may be issued by the IFSCA and / or Central Government from time to time, with respect to any of the matters under the Operating Guidelines.
27. **“Participant”** means a Constituent who is registered by the Relevant Authority from time to time under Chapter VII of the Bye-Laws.
28. **“Regulatory Department”** means a department of the Exchange which is entrusted with regulatory powers and duties and includes such department as may be specified by the IFSCA, and shall have the meaning assigned to term in the Bullion Exchange Regulations, as amended from time to time;
29. **“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 / or Central Government thereunder and the Bullion Exchange Regulations and circulars or guidelines or directions issued by the IFSCA and / or Central Government thereunder

30. **“Relevant Authority”** means the Board or such other authority / committee of the Exchange, as specified by the Board from time to time as relevant for a specified purpose.
31. **“Rules”**, unless the context indicates otherwise, means rules as mentioned hereunder for regulating the activities and responsibilities of Bullion Trading Members of the Exchange and as prescribed by the Relevant Authority from time to time for the constitution, organisation and functioning of the Exchange and these rules shall be subject to the provisions of the Securities Laws.
32. **“Securities Law(s)”** shall mean all applicable laws governing the Exchange, its activities, Bullion Contracts, and includes Securities Contracts (Regulation) Act, 1956 and rules and regulations thereunder, Securities and Exchange Board of India 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 / or Central Government thereunder and the Bullion Exchange Regulations and circulars or guidelines or directions issued by the IFSCA and / or Central Government thereunder, the International Financial Services Centres Authority (Market Infrastructure Institutions) Regulations 2021 and rules and regulations made thereunder by IFSCA and / or Central Government, and all rules, regulations, instructions, orders, circulars, guidelines and/or directions issued/ may be issued by the IFSCA and / or Central Government and /or any other regulator with respect to regulation of financial products, financial services and financial institutions that are permitted in the International Financial Services Centres / IFSC are concerned, from time to time and all other applicable laws governing the Exchange and its activities in the IFSC.
33. **“Settlement Guarantee Fund”** shall mean the fund established by the Bullion Clearing Corporation in terms of the Bullion Exchange Regulation to guarantee the settlement of trades executed on the Exchange.
34. **“Segregated Nominee Account Provider”** shall mean a provider offering segregated nominee account service to end clients.
35. **“Trading system of the Exchange”** means a system which makes available to Bullion Trading Members, Constituents, and the investing public, by whatever method, quotations in Bullion Contracts and disseminates information regarding trades effected, volumes, etc. and such other notifications as may be placed thereon by the Exchange.

36. “**Vaults**” mean any premises wherein the Vault Manager takes custody of the Bullion deposited by the Depositor and includes a place for storage as approved by the IFSCA and shall have the meaning assigned to term in the Bullion Exchange Regulations, as amended from time to time.
37. “**Vaulting Business**” means the business of establishing and maintaining Vaults for storage of Bullion and shall have the meaning assigned to term in the Bullion Exchange Regulations, as amended from time to time.
38. “**Vault Manager**” means a person, registered by the IFSCA who manages the Vault empanelled by a Bullion Depository for carrying on the Vaulting Business and shall have the meaning assigned to term in the Bullion Exchange Regulations, as amended from time to time.

Any of the capitalised terms used herein and also defined in the Securities Laws including Bullion Exchange Regulations shall have the meaning as given above / so assigned to the respective terms in those legislations, and shall be deemed to be so amended as per any amendment in the respective Securities Laws including Bullion Exchange Regulations, from time to time. Words, terms and abbreviations, not defined herein but used, shall have the meaning assigned to those terms in the Securities Laws.

**CHAPTER III****COMMITTEES**

1. The Board shall constitute a functional committee, comprising of member and core settlement guarantee fund committee; a grievance redressal committee; a nomination and remuneration committee; an oversight committee, comprising of standing committee on technology; an advisory committee; a regulatory oversight committee; audit committee; and a risk management committee or any other Committee(s) as mandated by IFSCA from time to time.
2. The composition, quorum and functions of the aforementioned committees shall be in the manner as specified by the Board, consistent with the norms of IFSCA.
3. Additional committee(s) shall be appointed by the Board for the purposes of managing the day to day affairs of the Exchange in such manner as laid down in the Rules, including the Defaulters' Committee.
4. The Committee(s) of the Exchange shall have such responsibilities and powers as maybe delegated to it by the Board as provided for in the Rules, and as provided in the Securities Laws.



## **CHAPTER IV**

### **REGULATIONS**

1. The Relevant Authority may prescribe Regulations from time to time for the functioning and operations of the Exchange and to regulate the functioning and operations of the Bullion Trading Members of the Exchange.
2. Without prejudice to the generality of (1) above, the Relevant Authority may prescribe Regulations from time to time, inter alia, with respect to:
  - 2.1 norms, procedures, terms and conditions to be complied with for inclusion of Bullion Contracts in the Official List of Exchange Bullion Contracts / specification of Bullion Contracts;
  - 2.2 protect the interests of Constituents in the Bullion Market, to regulate Bullion Contracts, and work with global agencies or institutions in the bullion industry to promote growth, transparency and orderly development of the Bullion Market by such measures as the IFSCA may direct and in relation to any measures (which may be directed by the IFSCA) which provide for:
    - (a) regulating the Bullion Contracts;
    - (b) regulating the working of the Bullion Trading Members, and such other intermediaries who may be associated with the Exchange;
    - (c) establishing and enforcing Good Delivery Standards;
    - (d) prohibiting fraudulent and unfair trade practices in the Bullion Market;
    - (e) promoting Constituents' education and training of intermediaries of Bullion Market;
    - (f) calling for information from, undertaking inspection, conducting inquiries and audits of the Bullion Trading Members, intermediaries and other persons associated with the Exchange;
    - (g) levying fees or other charges for carrying out the purposes of the aforementioned;
    - (h) setting standards of quality, quantity and other parameters and means of verification of such standards;
    - (i) performing such other functions as may be specified by the IFSCA.
  - 2.3 adopt / act in furtherance of broader principles of governance prescribed by International Organization of Securities Commissions (IOSCO) and principles for Financial Market Infrastructures (FMI) and such other governance norms as may be specified by the IFSCA, from time to time;
  - 2.4 adopt / act in furtherance of the International Financial Services Centres Authority (Market Infrastructure Institutions) Regulations, 2021 (to the extent applicable) or under any other regulation, rules, instructions, orders, circulars, guidelines and/or directions issued/ may be issued by the IFSCA, from time to time;
  - 2.5 adopt / act in furtherance of the Operating Guidelines, as amended from time to time;

- 2.6 directions / guidance/ parameters every director and key management personnel of the Exchange to abide by the Code of Ethics and Conduct specified by the IFSCA;
- 2.7 providing / communicating reference to the IFSCA for any failure by the directors or key management personnel to abide by the Bullion Exchange Regulations or Code of Ethics and conduct or in case of any conflict of interest, and to act upon the direction issued by the IFSCA wherein the IFSCA may take any action including removal or termination of the appointment of any director or key management personnel;
- 2.8 prescribe risk management and control measures in view of the various characteristics of Bullion Contracts. These measures may inter alia include margin requirements, price limits, deferred fee, extended position fees, position limits, trading limits, large position reporting, forced liquidation, risk warning, and Bullion Market surveillance;
- 2.9 fees payable by relevant participants for inclusion and continued inclusion in the Official List of Exchange Bullion Contracts;
- 2.10 segregation of its Regulatory Departments from other departments in the manner specified by the IFSCA;
- 2.11 appointment of a compliance officer who shall be responsible for monitoring the compliance of the Bullion Exchange Regulations, or circulars or guidelines or directions issued by the IFSCA and for the redressal of Constituents' grievances, and the manner of immediate and independent reporting of non-compliance thereof by the compliance officer to the IFSCA;
- 2.12 norms and procedures for admission, continuance as members and surrender of membership rights of Bullion Trading Members / their Participants in accordance with Chapter VI and VII;
- 2.13 norms and procedures for approval of Market-making Members to act as such;
- 2.14 norms/ procedure/ guidelines for Market Making and other obligations as may be specified by IFSCA/ Relevant Authority from time to time;
- 2.15 norms and procedures, terms and conditions for recognition of bullion refiner;
- 2.16 forms and conditions of contracts to be entered into, and the time, mode and manner for performance of contracts between Bullion Trading Members/their participants inter se or between Bullion Trading Members/ their participants and the Constituents;
- 2.17 determination from time to time, of fees, system usage charges, deposits, margins and other monies payable to the Exchange by Bullion Trading Members, participants and by Constituents whose Bullion Contracts are admitted/to be admitted to dealings on the Exchange and the scale of brokerage chargeable by Bullion Trading Members / their participants;

- 2.18 prescription, from time to time, of capital adequacy and other norms which shall be required to be maintained by Bullion Trading Members / their participants;
- 2.19 supervision of the Bullion Market and promulgation of such business rules and codes of conduct as it may deem fit;
- 2.20 maintenance of records and books of accounts by Bullion Trading Members / their participants as it may deem fit and records as required under the Securities Laws;
- 2.21 inspection and audit of records and books of accounts of Bullion Trading Members and of such other persons as the Exchange may determine from time to time;
- 2.22 prescription, from time to time, and administration of penalties, fines and other consequences, including suspension /expulsion for defaults or violation of any requirements of the Bye-Laws and Regulations and the Rules and codes of conduct and criteria for readmission, if any, promulgated thereunder;
- 2.23 disciplinary action/procedures against any Bullion Trading Members / their Participants and other intermediaries including Authorized Persons;
- 2.24 settlement of disputes, complaints, claims arising between Bullion Trading Members / their participants inter-se as well as between Bullion Trading Members / their participants and persons who are not Bullion Trading Members / their participants relating to any transaction in Bullion Contracts made on the Exchange including settlement by arbitration;
- 2.25 norms and procedures for arbitration;
- 2.26 establishment, administration, maintenance and investment of the corpus of the fund(s) set up by the Exchange including Consumer Education and Protection Fund;
- 2.27 norms and procedures for settlement and clearing of deals, including establishment and functioning of clearing house or other arrangements for clearing and settlement;
- 2.28 Constituents education and providing compensation to Constituents in case of defaults by the Bullion Trading Members, in the manner as may be specified by the IFSCA;
- 2.29 contribution to the Settlement Guarantee Fund in the manner as may be specified by the IFSCA;
- 2.30 utilization of profits and investments by the Exchange in accordance with the norms specified by the IFSCA;
- 2.31 carry on any other activity whether involving deployment of funds or otherwise after prior approval of the IFSCA;

- 2.32 treasury investments if such investments are as per the investment policy approved by the Board of Exchange;
- 2.33 engage in activities involving deployment of funds or otherwise, that are unrelated or not incidental to its activity as a Bullion Exchange through a separate legal entity and subject to approval of the IFSCA;
- 2.34 norms and procedures for settlement and clearing of deals, including establishment and functioning of Bullion Clearing Corporation or other arrangements for clearing and settlement;
- 2.35 ensure equal, unrestricted, transparent and fair access to all persons without any bias towards its associates and related entities;
- 2.36 usage of the services of a recognised Bullion Clearing Corporation for clearing and settlement of its trades;
- 2.37 maintenance of a website or any other universally accessible repository of electronic information to: (1) publish all information that it is obliged to publish under the Bullion Exchange Regulations; (2) provide a copy of all rules, regulations, bye-laws made and all guidance issued, including all amendments therein; (3) provide information about the manner in which applications to be made for membership or association; and provide material information about the functions;
- 2.38 norms, procedures, terms and conditions for registration and continuance of registration of Participants;
- 2.39 prescribe particulars for Bullion Depository Receipts;
- 2.40 prescribe norms for all its directors, key managerial personnel and material shareholders for being fit and proper persons, at all times, and to comply with the norms prescribed by the IFSCA / Bullion Exchange Regulations from time to time;
- 2.41 registration/suspension/cancellation of intermediaries and persons associated with the Bullion Market;
- 2.42 furnish returns and statements and such particulars, as the IFSCA may, from time to time, require;
- 2.43 payment of regulatory fee as may be specified by the IFSCA;
- 2.44 norms and procedures in respect of, incidental or consequential to closing out of contracts, deals or transactions;
- 2.45 dissemination of information, announcements to be placed on the trading system of the Exchange;
- 2.46 prescribe reporting requirements for clearing corporation etc;

- 2.47 prescribe documents / reports to be issued by the Bullion Trading members to the traders / constituents / consumer upon transaction on Exchange;
- 2.48 prescribe audit requirements for constituents of the Exchange;
- 2.49 form and manner of transfer of the depository receipts in buyer's name at the time of delivery;
- 2.50 publishing the reports having particulars as may be prescribed in relation to trades undertaken on the exchange for continuous dissemination of information to the constituents;
- 2.51 whistleblower policy;
- 2.52 powers and duties of officer bearers
- 2.53 design mechanism wherein complaints may be filed against clearing corporation, and continuous monitoring thereto;
- 2.54 initiation of enquiry and penalizing Exchange constituents in case of any non-compliance of bye-laws, regulations and other rules and regulations as may be prescribed;
- 2.55 any other matter as maybe decided by the Board or directed by the IFSCA to further / adopt any requirements of the Bullion Exchange Regulations.

## **CHAPTER V**

### **DEALINGS IN BULLION CONTRACTS**

#### **Dealings Allowed**

1. Dealings in Bullion Contracts shall be permitted on the Exchange as provided in these Bye-Laws and Regulations and save as so provided, no other dealings are permitted.

#### **Admission of Bullion Contracts to Dealings**

2. Dealings are permitted on the Exchange in accordance with the provisions prescribed in these Bye-Laws and Regulations in that behalf, in Bullion Contracts which are, from time to time, permitted to trade on the Exchange by the Relevant Authority. The Relevant Authority may from time to time notify / launch / provide for, Bullion Contracts which are permitted to trade on the Exchange. The contract specifications for each Bullion product shall be as provided by the Relevant Authority from time to time.

#### **Fees**

3. For trading on the Exchange, such fees and deposits shall be paid as the Relevant Authority may charge from time to time.
4. Every Constituent shall comply with the requirements of the Securities Laws or any other Laws as may be prescribed, from time to time.

#### **Prohibited Dealings**

5. The Relevant Authority may prohibit dealings on the Exchange in any Bullion Contracts for any cause as it may deem fit or in the interest of the Bullion Market.

#### **Suspension of Admission to Dealings on the Exchange**

6. (a) The Relevant Authority may suspend at any time, the dealings in any Bullion Contracts for such period as it may determine. At the expiration of the period of suspension the Relevant Authority may revoke the suspension subject to such conditions as it deems fit.  
  
(b) The manner of suspension and revocation of dealings on the Exchange shall be in accordance with the procedures prescribed by Exchange and/ or IFSCA from time to time.

## **CHAPTER VI**

### **BULLION TRADING MEMBERS**

#### **Appointment and Fees**

1. (a) The Relevant Authority is empowered to admit Bullion Trading Members in accordance with the Bye-Laws, Rules and Regulations it may frame from time to time in accordance with the Securities Laws. Eligible foreign entities seeking to become Bullion Trading Member shall in addition to the condition specified herein comply with the requirements as may be specified by IFSCA from time to time for appointment as a Bullion Trading Member or applicable under the Securities Laws. All Bullion Trading Members of the Exchange shall have to register themselves with IFSCA, prior to commencing operations on the Exchange.
- (b) The Relevant Authority may specify prerequisites, conditions, formats and procedures for application for admission, termination, expulsion, re-admission, etc. of Bullion Trading Member to the Exchange. The Relevant Authority may, at its absolute discretion, refuse permission to any applicant to be appointed as Bullion Trading Member for reasons to be recorded in writing and after providing an opportunity of being heard to such Bullion Trading Member.
- (c) The Bullion Trading Member shall pay such necessary fees, security deposits and other monies as may be specified by the Relevant Authority and IFSCA from time to time, on admission as Bullion Trading Member and for continued admission. The fees, security deposits, other monies and any additional deposits paid, whether in the form of cash, Bank Guarantee, Securities or otherwise, with the Exchange, by a Bullion Trading Member from time to time, shall be subject to a first and paramount lien for any sum due to the Exchange and all other claims against the Bullion Trading Member for due fulfillment of engagements, obligations and liabilities of Bullion Trading Members arising out of or incidental to any dealings made subject to the Bye-Laws, Rules and Regulations of the Exchange. The Exchange shall be entitled to adjust or appropriate such fees, deposits and other monies for such dues and claims, to the exclusion of the other claims against the Bullion Trading Member, without any reference to the Bullion Trading Member .
- (d) Bullion Trading Member may trade on the Exchange in the Bullion Contracts.
- (e) Bullion Trading Members may trade in relevant Bullion Contracts either on their own account as principals or on behalf of their Constituents unless otherwise specified by the Relevant Authority and subject to such conditions which the Relevant Authority may prescribe from time to time. They may also act as Market-making Members in such Bullion Contracts if they are so authorised and subject to such conditions as under Chapter IX.

#### **Conditions**

2. (a) Bullion Trading Members shall adhere to the Bye-Laws, Rules and Regulations of the Exchange and shall comply with such operational parameters, rulings, notices, guidelines and instructions of the Relevant Authority as may be applicable.
- (b) All contracts issued for deals on the Exchange shall be in accordance with the

## Bye-Laws, Rules and Regulations of the Exchange.

- (c) Bullion Trading Members shall comply with such Exchange requirements as may be prescribed by the Relevant Authority from time to time with regard to advertisements and issue of circulars in connection with their activities as Bullion Trading Members.
- (d) Bullion Trading Members shall furnish declarations relating to such matters and in such forms as may be prescribed by the Relevant Authority from time to time.
- (e) Bullion Trading Members shall furnish to the Exchange an annual Auditors' Certificate certifying that specified Exchange requirements as may be prescribed from time to time by the Relevant Authority pertaining to their operations have been complied with.
- (f) Bullion Trading Members shall furnish such information and periodic returns pertaining to their operations as may be required by the Relevant Authority from time to time.
- (g) Bullion Trading Members shall furnish to the extent such audited and/or unaudited financial or quantitative information and statements as may be required by the Relevant Authority from time to time.
- (h) Bullion Trading Members shall extend full co-operation and furnish such information and explanation as may be required for the purpose of any inspection or audit authorised by the Relevant Authority or other authorised official of the Exchange into or in regard to any trades, dealings, their settlement, accounting and/or other related matters.
- (i) A Bullion Trading Member shall not deal with Authorized Persons / Participants who are not registered with IFSCA and /or Exchange nor allow operation of its trading terminal at any office other than its registered office, branch offices and the offices of its registered Authorized Person/ Participants.
- (j) A Bullion Trading Member may enter into a tie-up with a Bullion Clearing Member unless clearing trades for itself and open a bank account with the banking unit at an IFSC for the purpose of settlements, margins etc, of its Customers, as may be required under the Securities Law including the Operating Guidelines and/or as may be required by IFSCA/ Relevant Authority from time to time.
- (k) A Bullion Trading Member shall pay necessary fees, penalties, charges etc. as may be imposed by IFSCA and /or the Exchange from time to time.



## **CHAPTER VII**

### **PARTICIPANTS**

#### **Registration of Participants on application**

1. The Relevant Authority may register as a "Participant", those from amongst the Constituents as are desirous of registering themselves as such, in accordance with these Bye-Laws and Regulations framed from time to time, for such purpose and subject to such terms and conditions as may be prescribed by the Relevant Authority.

#### **Suo Moto Registration of Participant**

2. Notwithstanding anything contained in Bye-Law (1) above, the Relevant Authority may suo moto register as a 'Participant' those from amongst the Constituents as, in the opinion of the Relevant Authority for reasons to be recorded, should be so registered, subject to such terms and conditions as may be prescribed by the Relevant Authority.

#### **Rights and Liabilities of Participants**

3. (a) Notwithstanding any provisions to the contrary as may be contained in any other part of the Bye-Laws especially VI(3)(a), the Exchange may recognise a Participant as a party to the deal or trade made, firmed up or contracted by the Participant through a Bullion Trading member of the Exchange, for such purposes (including for clearing and settlement) subject to such terms, conditions and requirements and in such circumstances as may be prescribed by the Relevant Authority from time to time.  
  
(b) Save as otherwise provided in these Bye-Laws and Regulations, recognition of the Participant by the Exchange as a party to the deal or trade made, firmed up or contracted by the Participant through the Bullion Trading Member, shall not in any way affect the jurisdiction of the Exchange on the concerned Bullion Trading Member in regard thereto and such Bullion Trading Member shall continue to remain responsible, accountable and liable to the Exchange in this behalf.
4. The Relevant Authority may prescribe from time to time such guidelines governing the functioning and operation of the Participants on the Exchange and conditions for continuance of their registration or recognition. Without prejudice to the generality of the foregoing, such norms, requirements and conditions may include prescription of, inter alia, eligibility to participate in Exchange, deposits, margins, fees, system usage charges, system maintenance/propriety, etc.
5. Rights and liabilities of the Participants as mentioned in this Bye-Law are in addition to their rights and liabilities under these Bye-Laws as Constituents, save where a specific provision of these Bye-Laws or Regulations prescribed from time to time regarding any right or liability of a Participant is at variance with that applicable to a Constituents. In the event of such a variance, the specific provision by virtue of the terms and conditions of their registration with the Exchange, regarding any right or liability of a Participant shall prevail.
6. Rights and liabilities of the Participants shall be subject to these Bye-Laws and Regulations as maybe prescribed by the Relevant Authority from time to time.
7. Subject to the regulations prescribed from time to time, the Relevant Authority shall at any time be entitled to cancel the registration or recognition of a Participant on such

terms and conditions as the Relevant Authority may specify. Save as otherwise expressly provided in the regulation or in the decision of the Relevant Authority, all rights and privileges available to the Participant shall accordingly stand terminated on such cancellation.

8. At the discretion of the Exchange, and subject to such regulations as may be prescribed or other terms and conditions as may be stipulated by the Relevant Authority, the Participant may be permitted conditional and / or limited access to the Trading system of the Exchange or any part thereof, as may be decided by the Relevant Authority from time to time.

**CHAPTER VIII****DEALINGS BY BULLION TRADING MEMBERS****Jurisdiction**

1. (a) Any deal entered into through automated Trading system of the Exchange or any proposal for buying or selling or any acceptance of any such proposal for buying and selling shall be deemed to have been entered at the computerised processing unit of the Exchange at IFSC and the place of contracting as between the Bullion Trading Members shall be at IFSC. The Bullion Trading Members of the Exchange shall expressly record on their contract note that they have excluded the jurisdiction of all other Courts save and except, Civil Courts in Gandhinagar in relation to any dispute arising out of or in connection with or in relation to the contract notes, and that only the Civil Courts at Gandhinagar have exclusive jurisdiction in claims arising out of such dispute. The provisions of this Bye-Law shall not object the jurisdiction of any court deciding any dispute as between Bullion Trading Members and their Constituents to which the Exchange is not a party.
- (b) The record of the Exchange as maintained by a central processing unit or a cluster of processing units or computer processing units, whether maintained in any register, magnetic storage units, electronic storage optical storage units or computer storage units or in any other manner shall constitute the agreed and authentic record in relation to any transaction entered into through automated Trading system of the Exchange. For the purposes of any dispute the record as maintained by the computer processing units by the Exchange shall constitute valid evidence in any dispute or claim between the Constituents and the Bullion Trading Member of the Exchange or between the Bullion Trading Members of the Exchange inter-se.

**Indemnity**

2. The Exchange is only facilitating trading of Bullion Contracts and the Bullion Trading Member shall indemnify and keep indemnified the Exchange from and against all harm, loss, damages, injury and penalty suffered or incurred and all costs, charges and expenses incurred in instituting and/or carrying on and/or defending any suits, action, litigation, arbitration, disciplinary action, prosecution or any other legal proceedings suffered or incurred by the Exchange on account of or as a result of any act of any unauthorised dealings or trades on the Exchange by the Bullion Trading Members or any person acting in the name of the Bullion Trading Members or due to commission or omission or default in complying with any of the provisions of the Securities Law or these Bye-Laws or the Rules or Regulations of the Exchange or due to any agreement, contract or transaction executed or made in pursuance thereof or on account of negligence or fraud on the part of any Bullion Trading Member of the Exchange as aforesaid and their employees, servants and agents.

**Bullion Trading Members Only Parties to Trades**

3. (a) The Exchange does not recognise as parties to any deal any persons other than its own Bullion Trading Members, and
- (b) Every Bullion Trading Member is directly and wholly liable, in accordance with the Bye-Laws, Rules and Regulations of the Exchange, to every other Bullion Trading Member with whom such Bullion Trading Member effects any deal on the Exchange for due fulfillment of the deal, whether such deal be for account

of the Bullion Trading Member effecting it or for account of a Constituent.

**All Dealings Subject to Bye-Laws, Rules and Regulations**

4. All dealings in Bullion Contracts on the Exchange shall be deemed made subject to the Bye-Laws, Rules and Regulations of the Exchange and this shall be a part of the terms and conditions of all such deals and the deals shall be subject to the exercise by the Relevant Authority of the powers with respect thereto vested in it by the Bye-Laws, Rules and Regulations of the Exchange.

**Inviolability of Trade**

5. (a) All the dealings in Bullion Contracts on the Exchange made subject to the Bye-Laws, Rules and Regulations of the Exchange shall be in-violable and shall be cleared and settled in accordance with the Bye-Laws, Rules and Regulations of the Exchange. However, the Exchange may by a notice annul the deal(s) on an application by a Bullion Trading Member in that behalf, if the Relevant Authority is satisfied after hearing the other party/parties to the deal(s) that the deal(s) is/are fit for annulment on account of fraud or willful misrepresentation or material mistake in the trade.
- (b) Notwithstanding anything contained in clause (a) above, the Exchange may, to protect the interest of Constituents in Bullion Contracts and for proper regulation of the Bullion Market, suo motu annul deal(s) at any time if the Relevant Authority is satisfied for reasons to be recorded in writing that (i) such deal(s) is/are vitiated by fraud, material mistake, misrepresentation or market or price manipulation and the like; or (ii) there exists a cogent and sufficient cause to do so and is in the interest of investors, market integrity and maintenance of price discovery mechanism.
- (c) Any annulment made pursuant to clauses (a) and (b) above, shall be final and binding upon the parties to trade(s). In such an event, the Bullion Trading Member shall be entitled to cancel the relevant contracts with its Constituents.
- (d) The decision of the Exchange to annul the trade(s) or reset the price of the trade(s) shall be final and binding on all the parties concerned, and the Exchange shall not be liable for any losses/liabilities arising out of such action(s).
- (e) Without prejudice to the decision taken with regard to annulment of trade(s) or resetting of price of trade(s), the Exchange shall also be entitled to take such other suitable disciplinary action(s) against the Bullion Trading Member / its Participants / Authorised Persons under the Rules, Bye-Laws and Regulations of the Exchange.
- (f) The procedure to be followed for annulment of trade(s) or resetting of price of trade(s) shall be such as specified by the Exchange from time to time and every Bullion Trading Member / its Participants / Authorised Persons shall comply with the same including payment of prescribed fees.

**Deals by Representative Bullion Trading Members**

6. (a) A Bullion Trading Member may authorise another Bullion Trading Member to act as a representative for a specified period with the prior permission of the Relevant Authority.
- (b) When a Bullion Trading Member employs another Bullion Trading Member as a representative to put through the transaction of a Constituent, such representative shall report the transaction to the employing Bullion Trading Member at the same price as dealt in the market and the employing Bullion Trading Member shall report the same price to the Constituent in respect of such transaction.
- (c) The Bullion Trading Member / its Participants / Authorised Persons shall, at all times, comply with the conditions laid down by the Relevant Authority, failing which, the Relevant Authority may suspend or rescind the arrangement between

the Bullion Trading Member / its Participants / Authorised Persons.

**Restriction on the Bullion Trading Members**

7. A Bullion Trading Member shall become a Constituent of another Bullion Trading Member of the Exchange only for trading on its own account after obtaining permission of the Exchange. The Bullion Trading Member cannot become a Constituent of more than one Bullion Trading Member.

## **CHAPTER IX**

### **MARKET-MAKING MEMBERS**

1. Bullion Contracts which will be eligible for Market Making, if at all, will be specified by the Relevant Authority and IFSCA from time to time.

#### **Eligibility criteria**

2. Eligible persons seeking to become Market-making Members shall comply with the conditions and requirements as may be specified by IFSCA/ Relevant Authority from time to time

#### **Registration of Market-making Members**

3. (a) Bullion Trading Members may apply to be Market-making Members in any in Bullion Contracts as notified by the Exchange for Market Making.
- (b) No Bullion Trading Member shall act as a Market-making Member unless such Bullion Trading Member is approved in accordance with this Bye-Law and the approval has not been suspended or cancelled. Application for registration shall be in such and with such particulars as maybe prescribed from time to time.
- (c) A Market-making Member shall apply to be registered to the Relevant Authority before commencing Market Making operations in each relevant Bullion Contracts. If the Relevant Authority is satisfied, it shall within fifteen business days of receipt of such notification, designate the Market-making Member as a registered Market-making Member for that Bullion Contracts. A registered Market-making Member shall not commence Market Making in any relevant Bullion Contracts until one business day after notice of its registration has been disseminated through the Trading system of the Exchange.
- (d) A registered Market-making Member in any Bullion Contracts must:
  - (i) undertake to make bid and offer quotations in the Trading system of the Exchange with respect to that Bullion Contracts and to effect transactions in a minimum quantity of such other number of Bullion Contracts as may be prescribed from time to time at its quoted price per business day;
  - (ii) undertake to make market for the Bullion Contracts for as long as prescribed from time to time from the date the Bullion Contracts becomes available for trading by public in the case of a registered Market-making Members approved under Bye-Law 2(b) above.
  - (iii) undertake to execute orders for the purchase or sale of relevant Bullion Contracts at its quoted prices with Bullion Trading Members or Constituents.
- (e) A registered Market-making Member may cease Market Making in a particular Bullion Contracts any time after a minimum period as prescribed from time to time from commencement of making market in that Bullion Contracts, after having given the required notice of intention to the Relevant Authority. The required period of notice in this case shall be fifteen business days or such other

period as maybe prescribed from time to time.

- (f) A registered Market-making Member may cease Market Making in that Bullion Contracts provided formal approval has been obtained from the Relevant Authority. Such approval will normally be granted in situations where, in the opinion of the Relevant Authority, it is either impractical or undesirable for the registered Market-making Member to continue to operate on account of events beyond its control.
- 4. An obligation may be imposed on a Bullion Trading Member taking up Market Making operations in certain Bullion Contracts to take up additional Market Making operations in certain other Bullion Contracts as determined by the Relevant Authority from time to time.
- 5. Market-making Member may be allowed to de-register voluntarily from the Exchange subject to the terms and conditions agreed with the Exchange. The Exchange shall provide the list of all the members in a public notice, in such form as may be determined by the Relevant Authority/ IFSCA from time to time.

#### **Suspension and Prohibition of Market-making Members**

- 6. (a) The Relevant Authority may limit or prohibit the authority of a registered Market-making Member to display on or enter quotations into the Trading system of the Exchange or deal in the Bullion Contracts in which he is registered as a Market-making Member if:
  - (i) such Market-making Member has been or is expelled or suspended from membership of the Exchange, or is unable to comply with the Exchange's Bye-Laws, Rules and Regulations or whose registration is cancelled by the IFSCA;
  - (ii) such Market-making Member has defaulted on any transaction effected in respect of Bullion Contracts ;
  - (iii) such Market-making Member is in such financial or operating difficulty that the Relevant Authority determines that such Market-making Member cannot be permitted to display on or enter quotation into the Trading System of the Exchange with safety to Constituents, creditors, other trading members of the Exchange;
  - (iv) where such Market-making Member in the view of the Relevant Authority, ceases to meet qualification requirements for registration as Market-making Member.
- (b) Any Market-making Member which the Relevant Authority takes action against pursuant to Bye-Law 4 (a) above shall be notified in writing of such action. Such a Market-making Member shall forthwith cease to make market.
- (c) Any Market-making Member against which the Relevant Authority takes action may request an opportunity for a hearing within ten days of the date of notification pursuant to Bye-Law 4 (b) above. A request for hearing shall not operate as a stay of action.
- (d) A written decision shall be issued within one week of the date of hearing and a copy shall be sent to the Market-making Member.



- (e) On revocation of suspension or prohibition, the Market-making Member can display on or enter quotations into the Trading system of the Exchange.

**Operational Parameters for Market-making Members**

- 7. The Relevant Authority may determine and announce from time to time operational parameters for Market-making Members which registered Market-making Members shall adhere to.
- 8. The operational parameters may, inter alia, include :
  - (a) limit of spread between bid and offer rates for different Bullion Contracts, if found necessary;
  - (b) fixation of market lots, and/or minimum number of Bullion Contracts to be offered to be bought or sold;
  - (c) limit of variation within a day or between days in bid and offer prices;
  - (d) the minimum stock of Bullion Contracts which the Bullion Trading Member must maintain, below which he must intimate the Relevant Authority;
  - (e) in the event of stock of Bullion Contracts with a Market-making Member being sold out, allowing the Market-making Member to quote only purchase price offers till such time as marketable lot of Bullion Contracts is built up to recommence selling operations; and
  - (f) other matters which may affect smooth operation of trading in Bullion Contracts in which he acts as a Market-making Member, keeping in view larger interest of the public and Bullion Market.

## **CHAPTER X**

### **TRADING AND SETTLEMENTS**

1. The Relevant Authority shall be entitled to determine all matters relating to trading on the Exchange. In particular and without prejudice to the generality of the aforesaid, in consonance with circulars, guidelines, directions and parameters issued or specified by IFSCA from time to time, the Relevant Authority shall specify the various trading parameters for dealing in Bullions Contracts and other matters, including Market Making, which may affect smooth operation of trading in Bullion Contracts keeping in mind larger interest of the Bullion Market.

#### **Transactions**

##### **General guidelines for trading**

2. The Exchange shall comply with the guidelines in respect of trading/ transactions to be carried out on the Exchange, as may be required under Securities Law including the Operating Guidelines and/ or as may be prescribed by IFSCA/ Relevant Authority from time to time.

##### **Trading days, Business Hours, Holidays**

3. The business hours for dealing in the Bullion Contracts on the Exchange shall be during such time as may be decided by the Relevant Authority from time to time. The Relevant Authority may, from time to time, specify business hours for different types of deals.
4. The Relevant Authority may declare a list of holidays in a calendar year. The Relevant Authority may from time to time alter or cancel any of the Exchange holidays fixed in accordance with these provisions, or as may be specified by the IFSCA from time to time in this behalf. It may, for reasons to be recorded, close the market on days other than or in addition to holidays.

##### **Trading Session**

5. The Relevant Authority may prescribe trading sessions from time to time for trading on the Exchange and may also decide on the timing and operational requirements for the same, as it may deem fit or as may be directed by the IFSCA.

##### **Restriction / Prohibitions on trading**

6. The Relevant Authority may, from time to time, impose restrictions / prohibitions on trading in such Bullion Contracts as provided under the Bye-Laws, Rule and Regulations relating to contracts and trading on the Exchange or as may be directed by the IFSCA from time to time.

##### **Trading System of the Exchange**

7. (a) The Exchange will have a trading platform that offers trading in products related to Bullion.
- (b) Deals may be effected through order driven, quote driven (Market-making Members) or such other system as the Exchange may put in place from time to time.
- (c) Deals between Bullion Trading Members may be effected by electronic media or computer network or such other media as specified by the Relevant Authority

from time to time.

- (d) Deals may be effected on such basis as may be specified by the Relevant Authority from time to time, subject to the Securities Laws.

#### **Transaction at Best Quotation**

8. In transaction with or on behalf of Constituents, Bullion Trading Members must indicate to the Constituents the current best quotation as reflected in the Trading system of the Exchange.

#### **Operational Parameters for Trading**

9. The Relevant Authority may determine and announce from time to time operational parameters regarding dealing of Bullion Contracts on the Exchange which Bullion Trading Members shall adhere to.
10. The operational parameters may, inter alia, include :
  - (a) trading limits allowed which may include trading limits with reference to net worth and capital adequacy norms;
  - (b) trading volumes and limits at which it will be incumbent for Bullion Trading Members to intimate the Exchange;
  - (c) limit of spread between bid and offer rates for different Bullion Contracts, if found necessary;
  - (d) fixation of market lots, and/or minimum number of Bullion Contracts to be offered to be bought or sold;
  - (e) limit of variation within a day or between days in bid and offer prices;
  - (f) other matters which may affect smooth operation of trading in Bullion Contracts keeping in view larger interest of the public / Bullion Market;
  - (g) determine the types of trades permitted for a Bullion Trading Member and a Bullion Contract;
  - (h) determining functional details of the Trading system of the Exchange including the system design, users infrastructure, system operation.

#### **Segregation of Trades**

11. Every Bullion Trading Member shall segregate trades/deals executed by it on its own account from that of its Constituent in the manner provided in the Rules, Bye-Laws and Regulations or in such manner as IFSCA/ Relevant Authority may prescribe.

#### **Order Management**

12. The conditions and procedures to be followed by Bullion Trading Member or its Authorized Persons for entering, amending or cancelling orders on the Trading system of the Exchange shall be as specified in the Regulations of the Exchange from time to time. The Bullion Trading Member shall maintain in the relevant records the orders received from its Client or modifications thereof, as may be specified in the Rules and Regulations issued by the Exchange from time to time.

#### **Trade Management**

13. Trading shall be allowed on the Trading system of the Exchange in such Bullion Contracts as may be admitted to dealings on the Exchange, trade types, market types, settlement periods and for such trading hours as the Board or Relevant Authority may specify from time to time or as may be provided in the Rules and Regulations issued from time to time.

**Order Validation**

14. Orders on the Trading system of the Exchange shall be subject to such validation checks relating to quantity, price, value etc., as may be prescribed in the relevant Rules and Regulations of the Exchange issued thereunder, from time to time.

**Matching rules**

15. The Exchange may from time to time specify in its relevant Regulations the rule or principles to be applied for matching orders on the Trading system of the Exchange.

**Suspension on exceeding trading limits**

16. A Bullion Trading Member failing to restrict dealings on the Exchange to its trading limits as provided in these Bye-Laws and Regulations shall be required by the Relevant Authority to reduce dealings to within trading limits forthwith. The Relevant Authority at its discretion may suspend a Bullion Trading Member for violation of trading limits and the suspension shall continue until the Relevant Authority withdraws such suspension.

**Contract Notes**

17. Contract notes shall be issued within such period as may be specified by the Relevant Authority from time to time for deals effected with Constituents or on behalf of Constituents, and will contain such details as the Relevant Authority may specify from time to time. The contract notes shall specify that the deal is subject to the Bye-Laws, Rules and Regulations of the Exchange and subject to arbitration as provided therein.
18. Details of all deals effected, as may be specified, shall be communicated to the offices of the Exchange on the day of the transaction.
19. Unless otherwise provided in these Bye-Laws, all dealings carried out in respect of Bullion Contracts shall be subject to the Bye-Laws, Rules and Regulations of the Exchange.

**Delivery of Bullion Contracts**

20. Delivery of all Bullion Contracts, documents and papers and payments in respect of all deals shall be in such manner and such place(s) as may be prescribed by the Relevant Authority from time to time.
21. The Relevant Authority shall specify from time to time, the Bullion Contracts, documents and papers which, when delivered in prescribed manner, shall constitute good delivery. Where circumstances so warrant, the Relevant Authority may determine, for reasons to be recorded, whether or not a delivery constitutes a good delivery and such finding shall be binding on the parties concerned. Where the Relevant Authority determines that a delivery does not constitute a good delivery, the delivering party shall be required to substitute good delivery instead within such time period as maybe specified.
22. The norms and procedures for delivery with respect to market lot, minimum lot, part delivery, etc. shall be as prescribed by the Relevant Authority from time to time.

23. The requirements and procedures for determining disputed deliveries or defective deliveries, and measures, procedures and system of resolving the dispute or defect in deliveries or of consequences of such deliveries or the resolution shall, subject to these Bye-Laws, be as prescribed by the Relevant Authority from time to time.

#### **Clearing and Settlement**

24. Clearing and Settlement of deals shall be effected by the parties concerned by adopting and using such arrangements, systems, agencies or procedures as may be prescribed or specified by the Relevant Authority from time to time. Without prejudice to the generality of the foregoing, the Relevant Authority may prescribe or specify, for adoption and use by the Bullion Trading Members, participants, and other specified Constituents, such custodial and depository services from time to time to facilitate smooth operation of the clearing and settlement arrangement or system.
25. The function of the clearing house may be performed by the Exchange, or any agency identified by the Relevant Authority for this purpose. The role of the clearing house shall be to act as a facilitator for processing of deliveries and payments between Bullion Trading Members/Participants for trades effected by them on the Exchange. Settlement in the Exchange shall be either on netted basis, gross basis, trade for trade basis or any other basis as may be specified by the Relevant Authority from time to time.

#### **Clearing and Settlement through a recognized Bullion Clearing Corporation**

26. The trades executed on the Exchange, as specified by the Relevant Authority, shall be cleared and settled through a recognized Bullion Clearing Corporation in IFSC. The Exchange may avail the services of a Bullion Clearing Corporation pursuant to an agreement in writing between them in the form and manner specified by the IFSCA. In such an eventuality, the clearing and settlement of such trades shall be subject to the Rules, Bye-Laws and Regulations of the recognized Bullion Clearing Corporation. In case of a conflict between the Rules, Bye-Laws, Regulations and Circulars issued thereunder by the Exchange and the Rules, Bye-Laws, Regulations and Circulars issued thereunder by the Bullion Clearing Corporation in so far as the clearing and settlement is concerned, the Rules, Bye-Laws, Regulations and Circulars issued thereunder of the Bullion Clearing Corporation shall prevail. Where the Exchange itself carries on the function of a clearing house, the Exchange shall ensure that there is clear ring fencing of the functioning of the Exchange and its clearing house. In such an eventuality, the term "Bullion Clearing Corporation" shall be deemed to be the Exchange for the purpose of these Bye-Laws, Rules and Regulations of the Exchange.

#### **Closing out**

27. The payment and settlement in respect of a transaction in the Exchange and Bullion Clearing Corporation shall be determined in accordance with the bye-laws of the Bullion Clearing Corporation and the Exchange, and the agreement entered into between the relevant parties for the same. Payment and settlement in respect of a transaction between such parties, effected under the bye-laws of the Exchange or Bullion Clearing Corporation, shall be final, irrevocable and binding on such parties. When a settlement has become final and irrevocable, the right of the Exchange or Bullion Clearing Corporation, as the case may be, to appropriate any collaterals or deposits or margins contributed by a Bullion Clearing Member or by Constituents towards its settlement or other obligations in accordance with the bye-laws of the Exchange or Bullion Clearing Corporation, shall take priority over any other liability of or claim against the said Bullion Clearing Member or Constituents, as the case may be. For removal of doubts, the settlement shall be final and irrevocable as soon as the money, Bullion Contract or

other transaction payable as a result of such settlement is determined, whether or not such money, Bullion Contracts or other transaction is actually paid. Closing out of Bullion Contracts or dealings in Bullion Contracts and settlement of claims arising therefrom shall be in such manner within such time frame and subject to such conditions and procedures as may be prescribed from time to time by the Relevant Authority, and the agreement entered into between the relevant parties for the same.

28. Subject to the Regulations prescribed by the Relevant Authority from time to time, any deal in Bullion Contracts made on the Exchange may be transferred from one Bullion Trading Member to another Bullion Trading Member under such circumstances, as may be specified by the Relevant Authority from time to time.

#### **Surveillance**

29. The Exchange may, at its discretion, decide to look after the functions relating to surveillance, investigation and any other market related activities, either by itself or by a separate entity through outsourcing or by a separate and distinct entity established by it, either jointly or in collaboration with any other institution.

#### **Risk Management**

30. The Exchange may, at its discretion or as may be required under the Bullion Exchange Regulations/ Securities Law including the Operating Guidelines, provide for a sound risk management system and infrastructure for comprehensively managing risks related to trading on the Exchange.

#### **Business Continuity Plan and Disaster Recovery**

31. The Exchange may, as may be required under Securities Law including the Operating Guidelines, put in place adequate business continuity plan and disaster recovery site to maintain data and transaction integrity in the manner as may be specified by the IFSCA from time to time.

#### **Agreement with relevant members**

32. The Exchange shall enter into agreements with the relevant members such as Bullion Trading Members, Market-making Member, benchmark price fixing members (if any) etc., as may it may deem fit or as may be required under Securities Law including the Operating Guidelines

#### **Halting of trading by the Exchange**

33. The Exchange may, as may be required under Securities Law including the Operating Guidelines, put in place a procedure for any halt of trading in market or Bullion product in case of extra-ordinary circumstances for promoting fair and orderly trading.

### **Brokerage on Dealings**

#### **Brokerage agreement with Customers**

34. Bullion Trading Member shall enter into brokerage agreement with Customers and on-board the Customers based on the eligibility norms specified and as may be required under the Securities Law including the Operating Guidelines.

#### **Brokerage**

35. Bullion Trading Members are entitled to charge brokerage upon the execution of all orders in respect of purchase or sale of Bullion Contracts at rates not exceeding the official scale prescribed by the Relevant Authority from time to time.

**Underwriting Commission and Brokerage**

36. Unless otherwise determined and restricted by the Relevant Authority, a Bullion Trading Member may, in its discretion, charge such brokerage or commission for underwriting or placing or acting as a broker or entering into any preliminary arrangement in respect of any floatation or new Bullion Contracts as it may agree upon with the Constituents or with the principal underwriters or brokers engaged by such Constituent, subject to limits stipulated under the relevant statutory provisions as may be applicable from time to time.

**Sharing of Brokerage**

37. (a) A Bullion Trading Member may not share brokerage with a person who -
- (i) is one for or with whom Bullion Trading Members are forbidden to do business under the Bye-Laws, Rules and Regulations of the Exchange;
  - (ii) is a Bullion Trading Member or employee in the employment of another Bullion Trading Member;
- (b) Irrespective of any arrangement for the sharing of brokerage with any person, the Bullion Trading Member shall be directly and wholly liable to every other Bullion Trading Member with whom such Bullion Trading Member effects any deal on the Exchange.

**CHAPTER XI****RIGHTS AND LIABILITIES OF BULLION TRADING MEMBERS AND  
CONSTITUENTS****All Contracts subject to Bye-Laws, Rules and Regulations**

1. All Bullion Contracts relating to dealings permitted on the Exchange made by a Bullion Trading Member shall in all cases be deemed made subject to the Bye-Laws, Rules and Regulations of the Exchange. This shall be a part of the terms and conditions of all such Bullion Contracts and shall be subject to the exercise by the Relevant Authority of the powers with respect thereto vested in it by the Bye-Laws, Rules and Regulations of the Exchange.

**Association**

2. A Bullion Trading Member shall not be entitled to trade on the Exchange unless there is a valid and subsisting agreement in accordance with a specified format between a Bullion Trading Member and a Bullion Clearing Member as may be specified by the Relevant Authority. Provided that this Bye-Law shall not apply to a Bullion Trading Member who clears its own trades.

**Disassociation**

3. When a Bullion Trading Member wants to disassociate itself from its Bullion Clearing Member, it shall intimate the Exchange of its desire to be disassociated from such Bullion Clearing Member. Simultaneously, the Bullion Trading Member may also apply for association with a new Bullion Clearing Member with whom it desires to be associated in the future. Such application for association shall be accompanied by a letter from the new Bullion Clearing Member accepting such association. A Bullion Trading Member shall not disassociate from a Bullion Clearing Member without the approval of the Bullion Clearing Member. The Bullion Clearing Member shall not unreasonably withhold such consent. The open positions of such Bullion Trading Member (whether on its own account or on account of its Constituents) may, in the discretion of the Bullion Clearing Member, be closed out or transferred subject to such requirements as may be imposed by the Relevant Authority. The date of disassociation shall be decided by the Relevant Authority.
4. If a Bullion Clearing Member wants to disassociate itself from a Bullion Trading Member, it shall intimate the Relevant Authority of such disassociation. Upon such intimation:
  - (a) the Bullion Trading Member shall not be entitled to trade on the Exchange until it has associated with another Bullion Clearing Member in the manner mentioned in these Bye-Laws; and
  - (b) the open positions of such Bullion Trading Member (whether on its own account or on account of its Constituents) may, in the discretion of the Bullion Clearing Member, be closed out or transferred. Even after such disassociation the Bullion Clearing Member shall continue to be liable to clear and settle all open positions and trades/deals of the Bullion Trading Member, which were entered into by the Bullion Trading Member prior to the date of such disassociation."

**Bullion Trading Members not bound to accept Instructions and Orders**

5. A Bullion Trading Member may not accept instructions or orders of Constituents for purchase, sale, etc., of Bullion Contracts where circumstances appear to justify such



action or on reasonable grounds. Where such refusal is made, the same may be communicated to the Constituent. The Bullion Trading Member shall also furnish the Constituent the reasons for such refusal on a request being made by him.

### **Margin**

6. A Bullion Trading Member shall have the right to demand from its Constituent the margin deposit he has to provide under these Bye-Laws, Rules and Regulations in respect of the business done by it for such Constituent. A Bullion Trading Member shall also have the right to demand an applicable margin in cash and/or securities from its Constituent before executing an order and/or to stipulate that the Constituent shall make a margin deposit or furnish additional margin according to changes in market prices. The Constituent shall when from time to time called upon to do so forthwith provide a margin deposit and/or furnish additional margin as required under these Bye-Laws, Rules and Regulations in respect of the business done for him by and/or as agreed upon by him with the Bullion Trading Member concerned.

### **Constituent in Default**

7. A Bullion Trading Member shall not transact business directly or indirectly or execute an order for a Constituent who to its knowledge 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.

### **Closing-out of Constituent's Account**

8. (a) The Exchange may close-out open positions of a Constituent or transfer his open positions to another Bullion Trading Member under such circumstances and in respect of the Exchange as may be specified by the Relevant Authority from time to time.
- (b) When closing-out the account of a Constituent a Bullion Trading Member may assume or take over such transactions to its own account as a principal at prices which are fair and justified by the condition of the Bullion Market or he may close-out in the manner specified by the Relevant Authority and any expense incurred or any loss arising therefrom shall be borne by the Constituent. The contract note in respect of such closing-out shall disclose whether the Bullion Trading Member is acting as a principal or on account of another Constituent.
- (c) Notwithstanding anything contained in clause (a) above closing out of Participants' account shall be in such manner and subject to such stipulations as maybe prescribed from time to time.

### **Bullion Trading Member not Liable to attend to Registration of Transfer**

9. A Bullion Trading Member shall not be deemed to be under any obligation to attend to the transfer of Bullion Contracts and the registration thereof in the name of the Constituent. If it attends to such work in the ordinary course or at the request or desire or by the consent of the Constituent it shall be deemed to be the agent of the Constituent in the matter and shall not be responsible for loss in transit or for the issuer's refusal to transfer nor be under any other liability or obligation other than that specifically imposed by these Bye-Laws, Rules and Regulations. The stamp duty, the transfer fees and other charges payable, delivery, logistics, transportation, the fee for attending to the registration of Bullion Contracts and all incidental expenses such as postage incurred by the Bullion Trading Member shall be borne by the Constituent

### **Closing-out/ transfer by Constituent on Failure to perform a Bullion Contract**

10. If a Bullion Trading Member fails to complete the performance of a Bullion (fulfillment of contractual obligation) Contracts by delivery or payment in accordance with the provisions of these Bye-Laws, Rules and Regulations the Constituent shall, after giving notice in writing to the Bullion Trading Member and Exchange, close-out such contract through any other Bullion Trading Member of the Exchange or make an application to the Exchange for transfer of Bullion Contracts to another Bullion Trading Member as soon as possible and any loss or damages sustained as a result of such closing-out or transfer, as the case may be, shall be immediately payable by the defaulting Bullion Trading Member to the Constituent. If closing-out or transfer be not effected as provided herein, the damages between the parties shall be determined on such basis as specified by the Relevant Authority from time to time and the Constituent and the Bullion Trading Member shall forfeit all further right of recourse against each other.

**No Lien on Constituent's Bullion Contracts**

11. If a Bullion Trading Member is declared a defaulter after delivering Bullion Contracts on account of its Constituent, the Constituent shall be entitled to claim and on offering proof considered satisfactory by the Relevant Authority, and in the absolute discretion of the Relevant Authority, receive from the Exchange accordingly as the Relevant Authority directs either such Bullion Contracts or the value thereof subject to payment or deduction of the amount if any due by him to the defaulter.

**Complaint by Constituent**

12. When a complaint has been lodged by a Constituent with the Relevant Authority that any Bullion Trading Member has failed to implement his dealings, the Relevant Authority shall investigate the complaint and if it is satisfied that the complaint is justified it may take such disciplinary action as it deems fit.

**Relationship between Bullion Trading Member and Constituents**

13. Without prejudice to any other law for the time being in force and subject to these Bye-Laws, the mutual rights and obligations inter se between the Bullion Trading Member and its Constituent shall be such as may be prescribed by the Relevant Authority from time to time.
14. The Relevant Authority shall constitute a Grievance Redressal Committee in such manner and with such composition as may be prescribed by the IFSCA.

**CHAPTER XII****ARBITRATION**

All claims, differences or disputes between the Bullion Trading Members inter se and between Bullion Trading Members and Constituents or between such other parties as specified by the Relevant Authority from time to time, arising out of or in relation to dealings, contracts and transactions made subject to the Bye-Laws, Rules and Regulations of the Exchange or with reference to anything incidental thereto or in pursuance thereof or relating to their validity, construction, interpretation, fulfillment or the rights, obligations and liabilities of the parties thereto and including any question of whether such dealings, transactions and contracts have been entered into shall be referred to and decided by arbitration, mediation and other dispute resolution mechanisms offered by such International Arbitration Centres in IFSC as specified by the Relevant Authority from time to time.

**CHAPTER XIII****DEFAULT**

## Declaration of Default

- (1) A Bullion Trading Member may be declared a defaulter by direction / circular / notification of the Relevant Authority if-
- (a) it is unable to fulfill its obligations; or
  - (b) it admits or discloses its inability to fulfill or discharge its duties, obligations and liabilities; or
  - (c) it fails to pay any sum due to the Bullion Clearing Corporation or delivery to the Bullion Clearing Corporation within the specified time under these Bye-Laws, Rules and Regulations; or
  - (d) it fails or neglect to pay subscription, security deposit or any other levies / fees payable to the Exchange, as determined/ required by the Relevant Authority, for a continuous period of six (6) months; or
  - (e) it fails to pay any sum due to the Exchange or to submit or deliver to the Exchange on the due date, delivery and receive orders, statement of differences and Bullion Contracts, balance sheet and such other clearing forms and other statements as the Relevant Authority may from time to time prescribe; or
  - (f) if it fails to pay or deliver to the Defaulters' Committee, all monies, securities and other assets due to a Bullion Trading Member who has been declared a defaulter within such time of the declaration of default of such Bullion Trading Member as the Relevant Authority may direct; or
  - (g) the Bullion Trading Member defaults on any other obligation or compliances under these Bye-Laws and the Regulations made thereunder and the Rules of the Exchange which, is capable of being remedied, but is not remedied to the satisfaction of the Relevant Authority within the time specified by the Relevant Authority for such rectification; or
  - (h) if it fails to abide by the arbitration proceedings / dispute resolution mechanism as made applicable to the IFSC or laid down by the IFSCA; or
  - (i) if it, files a petition before a court of law / tribunal for adjudication of itself as insolvent or for its winding up or for corporate insolvency resolution process, as the case may be; or
  - (j) if it fails to pay, fulfill or discharge its duties, obligations and liabilities to its clearing member, or
  - (k) any other event which, in the opinion of the Relevant Authority, materially impacts or may materially impact the Bullion Trading Member in meeting its obligations under these Bye-Laws, Regulations and the Rules.

(2) Action against Associate in case of declaration of default

On a Bullion Trading Member being declared a defaulter in a Bullion Exchange at India (outside IFSC) or in a foreign jurisdiction, the Relevant Authority may take appropriate action against the associates of such defaulter Bullion Trading Member who is a Bullion Trading Member of the Exchange and is registered with the IFSCA. For the purpose of these Bye Laws, the term “associate/s” shall have such meaning as assigned to the term in Bullion Exchange Regulations, as amended from time to time.

- (3) Without prejudice to the foregoing, if a Bullion Trading Member or a person who controls (for the purposes of these Bye Laws, the term “control” shall have such meaning as assigned to the term in Bullion Exchange Regulations, as amended from time to time) is either expelled or declared a defaulter by any other recognised stock exchange or Bullion Exchange of domestic or foreign jurisdiction on which it is a member or if the registration certificate is cancelled by the IFSCA or any other regulatory authority of foreign jurisdiction, the said Bullion Trading Member may be expelled from the Exchange after providing an opportunity of being heard to such Bullion Trading Member. Notwithstanding anything contained in this Bye-Law, the trading facility of the Bullion Trading Member shall be withdrawn immediately after the receipt of information of expulsion / default by any other stock exchange/ Bullion Exchange or cancellation of its registration certificate by the IFSCA or any Regulatory Authority of foreign jurisdiction.

Failure to fulfill Obligations

- (4) The Relevant Authority may order a Bullion Trading Member to be declared a defaulter if it fails to meet an obligation to the Exchange or to a Bullion Trading Member or Constituent arising out of Exchange transactions or under the Securities Laws. In such cases, without prejudice to the rights of the Exchange under these Bye-Laws, Rules and Regulations or under Securities Law, the Relevant Authority shall be empowered to initiate any proceedings in a court of law against the defaulter Bullion Trading Member for the purpose of recovering any amounts due from the defaulter Bullion Trading Member. The Relevant Authority may at its discretion, initiate suitable actions for liquidating the assets (movable and immovable) of the defaulter Bullion Trading Member including that of debit balance clients (to the extent of debit balance) for recovery of the assets not in possession of the Exchange, before appropriate court of law.

Trading member leading to default (potential default):

- (5) In case where Exchange is of the view that a Bullion Trading Member is likely to default in meeting its obligations to the Exchange and/or repayment of funds or Bullion Contracts to the Constituents, it shall act in accordance with the circulars issued by IFSCA.
- (6) The Exchange shall instruct the concerned bank (s) to freeze the bank accounts maintained by the Bullion Trading Member, for all debits/withdrawal by the Bullion Trading Member in the event of potential default by the Bullion Trading Member in meeting its obligations to the Exchange / Bullion Clearing Corporation and/or repayment of Bullion Contracts / securities/funds to his/its Constituents. For this purpose, the Bullion Trading Members of the Exchange shall submit an undertaking to the Exchange, as per prescribed format, within such time as prescribed by Exchange/IFSCA from time to time, for authorizing the Exchange to instruct the

concerned bank (s) to freeze the bank account(s) for all debits /withdrawal from such accounts.

#### Insolvent a Defaulter

- (7) A Bullion Trading Member has been ordered to be wound up / liquidation / corporate insolvency resolution process by a Court of Law / tribunal in the petition filed by any of its creditors / eligible person, shall be declared a defaulter although it may not have at the same time defaulted on any of its obligations on the Exchange provided however the time for preferring an appeal against such order under the applicable law, if any, has expired.

#### Bullion Trading Member's Duty to Inform

- (8) A Bullion Trading Member shall be bound to notify the Exchange immediately if there be a failure by any Bullion Trading Member to discharge its liabilities in any manner.

#### Compromise Forbidden

- (9) A Bullion Trading Member guilty of accepting from any Bullion Trading Member anything less than a full and bona fide money payment in settlement of a debt arising out of a transaction in Bullion Contracts or entering into a compromise / arrangement other than to fulfil the required obligations with respect to debt arising out of a transaction in Bullion Contracts shall be suspended for such period as the Relevant Authority may determine.

#### Notice of Declaration of Default

- (10) On a Bullion Trading Member being declared a defaulter a notice to that effect shall be placed forthwith on the Trading system of the Exchange.

#### Defaulter's Book and Documents

- (11) When a Bullion Trading Member has been declared a defaulter, the Defaulters' Committee shall take charge of all its books of accounts, documents, papers and vouchers to ascertain the state of its affairs and the defaulter shall hand over such books, documents, papers and vouchers to the Defaulters' Committee.

#### List of Debtors and Creditors

- (12) The defaulter shall file with the Defaulters' Committee within such time of the declaration of its default as the Relevant Authority may direct a written statement containing a complete list of its debtors and creditors and the sum owing by and to each.

#### Defaulter to give Information

- (13) The defaulter shall submit to the Defaulters' Committee such statement of accounts, information and particulars of its affairs as such Committee may from time to time require and if so desired shall appear before the Committee at its meetings held in connection with its default.

#### Inquiry

- (14) The Defaulters' Committee shall enter into a strict inquiry into the accounts and dealings of the defaulter in the market and shall report to the Relevant Authority anything improper, unbusiness like or unbecoming a Bullion Trading Member in connection there with which may come to its knowledge.

#### Vesting of assets in the Exchange

- (15) The Defaulters' Committee shall call in and realise the security deposits in any form, other amounts lying to the credit of and Bullion Contracts deposited by the defaulter

and recover all moneys, securities and other assets due, payable or deliverable to the defaulter by any other Bullion Trading Member in respect of any transaction or dealing made subject to the Bye-laws, Rules and Regulations of the Exchange and such assets shall vest ipso facto, on declaration of any Bullion Trading Member as a defaulter, in the Exchange for the benefit of and on account of any dues of the Exchange, relevant Bullion Clearing Corporation, IFSCA, other Bullion Trading Members, Constituents of the defaulter, approved banks and any other persons as may be approved by the Defaulter's Committee in the manner provided in these Bye-laws and/or as may be prescribed by IFSCA from time to time.

(16) Consequences of Declaration of Defaulter

- a) Cessation of membership of the Exchange at once: A Bullion Trading Member of the Exchange who is declared a defaulter/deemed defaulter shall at once cease to be a Bullion Trading Member of the Exchange and as such ceases to enjoy any of the rights and privileges of membership of the Exchange but the rights of his creditors, arising out of or incidental to the transactions, against him shall remain unimpaired as provided herein.
- b) Lapse of right of membership of the Exchange: The right of Bullion Trading Member of the Exchange shall lapse or forfeit to and vest in the Exchange if so facto upon such member of the Exchange being declared a defaulter.
- c) **Prohibition to Re-admission:** No person who was a Bullion Trading Member of the Exchange and declared a defaulter or expelled by the Exchange shall be readmitted to the membership of the Exchange only after the expiry of the minimum period as may be prescribed by the Relevant Authority under the Bye-laws, Rules and Regulations of the Exchange from time to time.

No person who was a Bullion Trading Member of the Exchange or any other exchange and who has been declared a defaulter or expelled by the other exchange shall be admitted as a Bullion Trading Member of the Exchange.

- d) Right to membership of the Exchange shall lapse and vest in the Exchange immediately after he is declared as a defaulter. On the declaration as defaulter he shall at once cease to be a Bullion Trading Member of the Exchange and as such cease to enjoy any of the rights and privileges of membership of the Exchange but the rights of the Exchange and his creditor Bullion Trading Members of the Exchange against him shall remain unimpaired.

Payment to Defaulters' Committee

- (17) (a) All monies, securities and other assets due, payable or deliverable to the defaulter must be paid or delivered to the Defaulters' Committee within such time of the declaration of default as the Relevant Authority may direct. A Bullion Trading Member violating this provision shall be declared a defaulter.
- (b) A Bullion Trading Member who shall have received a difference on account or shall have received any consideration in any transaction prior to the date fixed for settling such account or transaction shall, in the event of the Bullion Trading Member from whom it has received such difference or consideration being declared a defaulter, refund the same to the Defaulters' Committee for the benefit and on account of the creditor members. Any Bullion Trading Member who shall have paid or given such difference or consideration to any other Bullion Trading Member prior to such settlement day shall again pay or give

the same to the Defaulters' Committee for the benefit and on account of the credit or Bullion Trading Member in the event of the default of such other Bullion Trading Member.

- (c) A Bullion Trading Member who receives from another Bullion Trading Member during any clearing a claim note or credit note representing a sum other than a difference due to it or due to its Constituent which amount is to be received by it on behalf and for the account of that Constituent shall refund such sum if such other Bullion Trading Member be declared a defaulter within such number of days as prescribed by the Relevant Authority after the settling day. Such refunds shall be made to the Defaulters' Committee for the benefit and on account of the creditor members and it shall be applied in liquidation of the claims of such creditor members whose claims are admitted in accordance with these Bye-Laws, Rules and Regulations.

#### Distribution

- (18) The Defaulters' Committee shall at the risk and cost of the creditor members pay all assets received in the course of realisation into such bank and/or keep them with the Exchange in such names as the Relevant Authority may from time to time direct and shall distribute the same as soon as possible pro rata but without interest among creditor members whose claims are admitted in accordance with these Bye-Laws, Rules and Regulations.

#### Accounts of Defaulters' Committee

- (19) The Defaulters' Committee shall keep a separate account in respect of all monies, Bullion Contracts and other assets payable to a defaulter Bullion Trading Member which are received by it and shall defray therefrom all costs, charges and expenses incurred in or about the collection of such assets or in or about any proceedings it takes in connection with the default.

#### Report

- (20) The Defaulters' Committee shall every six months present a report to the Relevant Authority relating to the affairs of a defaulter Bullion Trading Member and shall show the assets realised, the liabilities discharged and dividends given.

#### Inspection of Accounts

- (21) All accounts kept by the Defaulters' Committee in accordance with these Bye-Laws, Rules and Regulations shall be open to inspection by any creditor Bullion Trading Member.

#### Scale of Charges

- (22) The charges to be paid to the Exchange on the amounts transferred to the Defaulters' Committee account shall be such sum as the Relevant Authority may from time to time prescribe.

#### Application of Assets

- (23) The Defaulters' Committee shall apply the net assets remaining in its hands after defraying all such costs, charges and expenses as are allowed under the Rules, Bye-laws and Regulations to be incurred by the Exchange, in satisfying the claims in the order of priority provided hereunder:-

- (a) Dues to the Exchange, relevant Bullion Clearing Corporation and IFSCA



The payment of such subscriptions, debts, fines, fees, charges and other moneys due to the Exchange, relevant Bullion Clearing Corporation, IFSCA in the order in which their names appear herein;

- (b) Dues to other Bullion Trading Members and to Constituents and to Authorised Persons

The payments as may be admitted by the Defaulters' Committee, as being due to other Bullion Trading Members and Constituents and Authorised Persons for debts, liabilities, obligations and claims arising out of any Bullion Contracts made by the defaulter Bullion Trading Member subject to the Rules, Bye-laws and Regulations of the Exchange, shall, if the amount is insufficient, be distributed pro rata amongst other Bullion Trading Members, all the Constituents and Authorised Persons of the defaulter Bullion Trading Member. The other Bullion Trading Members in turn share the amounts so received with their Constituents on pro rata basis.

- (c) Dues to reimburse and/or compensate the Consumer Education and Protection Fund for any payments made there from
- (d) Dues to the Approved Banks and claims of any other persons as approved by the Defaulters' Committee

After making payments under Clause (c) above, the amounts remaining, if any, shall be utilised to meet the claims of the approved banks and of any other person as may be admitted by the Defaulters' Committee. The claims of the approved banks should have arisen by virtue of the Exchange or relevant Clearing Corporation invoking any bank guarantee issued by the bank concerned to the Exchange or relevant Clearing Corporation as the case may be on behalf of the defaulter to fulfill its obligation of submitting bank guarantee, guaranteeing discharge of obligations under the Bye-Laws, Rules and Regulations of Exchange / relevant Clearing Corporation. The claims of other persons should have arisen out of or incidental to the transaction done on the Exchange or requirements laid down by the Exchange, provided that if the amount available be insufficient to pay all such claims in full, they shall be paid pro rata, and

- (e) Dues to any other recognised Bullion Exchange:

After meeting the claims under (d) above, the remaining amounts, if any, shall be disbursed to any other recognised Bullion Exchange for the purpose of meeting the obligations of the defaulter Bullion Trading Member as a member of that exchange. If the defaulter is a member of more than one recognised Bullion Exchange, then the remaining amounts shall be distributed amongst all such recognised Bullion Exchanges and if the remaining amount is insufficient to meet the claims of all such Bullion Exchanges, then the remaining amount shall be distributed pro rata among all such Bullion Exchanges.

- (f) Surplus assets:

Surplus assets, if any, may be released to the defaulter after a period of at least one year from the date of declaration of the Bullion Trading Member as defaulter or after satisfying the claims falling under Bye-law 20, whichever is

later.

Certain claims not to be entertained

- (24) The Defaulters' Committee shall not entertain any claim against a defaulter Bullion Trading Member:

- (a) which arises out of a Bullion Contracts dealings in which are not permitted or which are not made subject to Bye-Laws, Rules and Regulations of the Exchange or in which the claimant has either not paid himself or colluded with the defaulter in evasion of margin payable on bargains in any Bullion Contracts;
- (b) which arises from any arrangement for settlement of claims in lieu of bona fide money payment in full on the day when such claims become due;
- (c) which is in respect of a loan with or without security;
- (d) which is not filed with the Defaulters' Committee within such time of date of declaration of default as may be prescribed by the Relevant Authority.

Claims against Defaulting Representative Bullion Trading Member

- (25) The Defaulters' Committee shall entertain the claim of a Bullion Trading Member against a defaulter Bullion Trading Member in respect of loss incurred by it by reason of the failure of the Constituents introduced by such defaulter Bullion Trading Member to fulfill their obligations arising out of dealings which are permitted on the Exchange and made subject to the Bye-Laws, Rules and Regulations of the Exchange provided the defaulter Bullion Trading Member and the claimant Bullion Trading Member had duly recorded such arrangements in writing.

Claims of Defaulters' Committee

- (26) A claim of a defaulter Bullion Trading Member whose estate is represented by the Defaulters' Committee against another defaulter Bullion Trading Member shall not have any priority over the claims of other creditor Bullion Trading Members but shall rank with other claims as provided in Bye-Law 20 (b) above.

Assignment of Claims on Defaulter's Estate

- (27) A Bullion Trading Member being a creditor of a defaulter Bullion Trading Member shall not sell, assign or pledge its claim on the estate of such defaulter Bullion Trading Member without the consent of the Relevant Authority.

Proceedings in the Name of or against the defaulter Bullion Trading Member

- (28) The Defaulters' Committee shall be empowered to
- (a) initiate any proceedings in a court of law either in the name of the Exchange or in the name of the defaulter Bullion Trading Member against any person for the purpose of recovering any amounts due to the defaulter
  - (b) to initiate any proceedings in a court of law either in the name of the Exchange or in the name of the creditors (who have become creditors of the defaulter Bullion Trading Member as a result of transactions executed subject to Bye-Laws, Rules and Regulations of the Exchange) of the defaulter Bullion Trading Member against the defaulter Bullion Trading Member for the purpose of recovering any amounts due from the defaulter Bullion Trading Member. The defaulter Bullion Trading Member as well as the creditors of the defaulter

Bullion Trading Member shall be deemed to have appointed the Exchange as their constituted attorney for the purpose of taking such proceedings.

Payment of Defaulters' Committee

- (29) If any Bullion Trading Member takes any proceedings in a court of law against a defaulter Bullion Trading Member whether during the period of its default or subsequent to its re-admission to enforce any claim against the defaulter's Bullion Trading Member estate arising out of any transaction or dealing in the market made subject to the Bye-Laws, Rules and Regulations of the Exchange before it was declared a defaulter Bullion Trading Member and obtains a decree and recovers any sum of money thereon it shall pay such amount or any portion thereof as may be fixed by the Relevant Authority to the Defaulters' Committee for the benefit and on account of the creditor Bullion Trading Members having claims against such defaulter Bullion Trading Member.
- (30) The Defaulters' Committee for the purpose of this Chapter shall be a Committee as may be constituted by the Board of Directors from time to time. The composition of Defaulters' Committee shall be such as may be prescribed by IFSCA.
- (31) Clearing Member responsible for dues of Bullion Trading Members  
Notwithstanding that a Bullion Trading Member is suspended or declared a defaulter, the Bullion Clearing Member who has agreed to clear such Bullion Trading Member's trades/contracts shall be liable to satisfy the obligations/liabilities of the defaulter Bullion Trading Member arising out of dealings/transactions done on the Exchange and or such other amounts as may be specified by the Relevant Authority.
- (32) Charge on defaulter's Bullion Trading Member's assets  
For the purpose of satisfying the liabilities/obligations of a defaulter Bullion Trading Member under the Rules, Bye-Laws and Regulations, the Exchange shall have a first charge on all assets and properties of the defaulter Bullion Trading Member, wherever situated and of whatsoever nature, as security for the repayment of such money /obligation and the payment of interest thereon.
- (33) Notwithstanding anything to the contrary contained in this Chapter, where any Bullion Contracts are lodged for rectification or otherwise against a defaulter Bullion Trading Member, the Exchange or relevant Clearing Corporation shall, after satisfying itself about the bonafides of the receiving Bullion Trading Members/ client of the receiving Bullion Trading Member, acquire the Bullion Contracts in its own name for the benefit of or in trust for the receiving Bullion Trading Member / client of the receiving Bullion Trading Member. The Exchange/ Clearing Corporation may upon payment of such charges as it may prescribe, sell or otherwise dispose of the Bullion Contracts so acquired or transfer the Bullion Contracts to the receiving Bullion Trading Member / client of the receiving Bullion Trading Member, in full and final satisfaction of the claim; Provided that the Exchange/ relevant Bullion Clearing Corporation shall be free to require such receiving member/ client of the receiving member to indemnify the Exchange and relevant Bullion Clearing Corporation in such form and manner as it may prescribe, as a condition precedent; Provided further that such payment of sale proceeds or transfer of Bullion Contracts to the receiving Bullion Trading Member / client of the receiving Bullion Trading Member shall discharge the claim completely and no further claim shall lie against the defaulter Bullion Trading Member on any ground whatsoever.

## **CHAPTER XIV**

### **CONSUMER EDUCATION AND PROTECTION FUND**

1. In respect of the Exchange as may be prescribed by the IFSCA under the Bullion Exchange Regulations /Exchange, an Consumer Education and Protection Fund (“CEPF”) to be held in trust (“Trust”) shall be maintained to make good claims for compensation which may be submitted by a Bullion Trading Member’s Constituent who suffers loss arising from the said Bullion Trading Member being declared as a defaulter by the Exchange under Chapter XIII. No claim of a claimant, who is a Bullion Trading Member of the Exchange or an associate of a Trading Member, shall be eligible for compensation from the CEPF unless he has acted as a Constituent of the said Bullion Trading Member to the extent permitted by the Exchange.
2. Subject to this Part, the amount which any claimant shall be entitled to claim as compensation shall be the amount of the actual loss suffered by him less the amount or value of all monies or other benefits received or receivable by him from any source in reduction of the loss.
3. The amount that may be paid under this Part to a claimant shall not exceed such amount as may be decided by the Trust from time to time. The Trust shall disburse the compensation to the claimants as and when claims have been crystallised against the defaulter and admitted for payment by the Trust based on the recommendations, if any, of the Defaulters’ Committee and such compensation shall not be more than the maximum amount fixed for a single claim.
4. The Trust shall have the power to utilise corpus and interest earned on the corpus of the CEPF for meeting expenses or claims relating to services provided to Constituents as stipulated by IFSCA or Board from time to time.
5. Notwithstanding anything contained in any other Bye-Law, the Trust shall have the power to utilise the interest income earned on the investments made out of CEPF, either in part or whole, for educating Constituents, creating awareness among the Constituents community at large and for any research connected therewith or incidental thereto.
6. The Exchange shall publish on its website, a notice specifying a date not being less than 3 months after the said publication, on or before which claims for compensation shall be made in relation to the defaulter specified in the notice. The notice shall contain the specified period, the maximum compensation limit for a single claim of a claimant, etc. The Exchange may decide other publication modes in its discretion, from time to time.
7. A claim for compensation in respect of a default shall be made in writing to the Exchange on or before the date specified in the said notice and any claim which is not so made shall be barred unless the Trust otherwise determines. The Exchange shall process the claims in accordance with procedures as may be laid down by Defaulters’ Committee and if the assets of the defaulter are insufficient to meet the approved claims, it shall forward the claims along with the recommendations of the Defaulters’ Committee to the Trust. However, the Trust need not wait for the realization of the assets of the defaulter before the disbursement towards claims.

8. A claimant under this Chapter must sign an undertaking to be bound by the decision of the Trust whose decision shall be final and binding.
9. The Trust in disallowing (whether wholly or partly) a claim for compensation shall serve notice of such disallowance on the claimant.
10. The Trust, if satisfied that the default on which the claim is founded was actually committed, may allow the claim and act accordingly.
11. The Trust may at any time and from time to time require the claimant to produce and deliver any Bullion Contracts, documents or statements of evidence necessary to support any claim made or necessary for the purpose of establishing his claims and in default of delivery of any such Bullion Contracts, documents or statements of evidence by such claimant, the Trust may disallow any claim by him under this Chapter.
12. Contributions shall be made to the CEPF from the sources as may be specified by the Relevant Authority from time to time.
13. The CEPF to be held in trust as aforesaid shall vest with the Trust which shall administer the same. The CEPF shall be well segregated and shall be immune from any liabilities of the Exchange.
14. The Exchange, in consultation with the Trust, shall review and progressively increase the amount of compensation available against a single claim from a Constituent every three years. The Exchange shall disseminate the compensation limit fixed and any change thereof, to the public through a Press Release and also through web site of the Exchange.
15. The Trust may seek the advice of the Defaulters' Committee as to the eligibility or otherwise of individual claims of Constituents.
16. The Exchange shall arrange to provide administrative assistance to the Trust to facilitate the processing and settlement of Constituents claims.
17. The claims of the claimants arising out of speculative transactions or which are sham or collusive shall not be eligible for compensation from the CEPF.
18. The balance of the CEPF lying unutilised with the Trust shall continue to be utilised only for such purposes as prescribed by IFSCA. In the event of winding up of the Exchange, the balance lying unutilised with the Trust shall be transferred to IFSCA. The funds will be maintained in a separate account and IFSCA would act as Trustee of these funds to be utilised for purposes of Constituents education, awareness and research.

## **CHAPTER XV**

### **SEGREGATED NOMINEE ACCOUNT PROVIDER**

Following is subject to the rules, regulations, directions prescribed by the IFSCA and Exchange:

1. Registration of Segregated Nominee Account Provider
  - (a) The criteria and the procedure for registration of Segregated Nominee Account Provider shall be as prescribed by the Relevant Authority from time to time.
  - (b) An eligible entity desirous of registering as a Segregated Nominee Account Provider shall apply to the Relevant Authority for offering segregated account services to their clients. If the Relevant Authority is satisfied, it shall register such entity as a segregated nominee account provider.
  - (c) A Segregated Nominee Account Provider in the Exchange must undertake to comply with the guidelines specified by the Relevant Authority from time to time on areas including but not limited to, end clients registration, obtaining information and furnishing their client related information to IFSCA and / or the Exchange, as and when so required.
2. Suspension and Prohibition of Segregated Nominee Account Provider
  - (a) The Relevant Authority may limit or prohibit activities of Segregated Nominee Account Provider if:
    - (i) Such Segregated Nominee Account Provider fails to fulfill the eligibility criteria as prescribed by the Relevant Authority / the Exchange / IFSCA from time to time; or
    - (ii) Such Segregated Nominee Account Provider fails to comply with the Exchange's Bye-Laws, Rules and Regulations or any other operational requirements specified by the Relevant Authority / IFSCA from time to time; or
    - (iii) Such Segregated Nominee Account Provider's registration is cancelled by the IFSCA; or
    - (iv) Such Segregated Nominee Account Provider is in such financial or operational difficulty that the Relevant Authority determines that the said Segregated Nominee Account Provider cannot be permitted to carry out the activities of providing Segregated Nominee Account Services to its clients.
  - (b) Any Segregated Nominee Account Provider which the Relevant Authority takes action against pursuant to Bye-Law 2 (a) above shall be notified in writing of such action. Such Segregated Nominee Account Provider shall cease or limit the activities as prescribed / directed by the Relevant Authority.
3. Operational Procedures for Segregated Nominee Account Provider
  - (a) The Relevant Authority may, by way of issuing a Circular / Notification, determine and announce from time to time, the operational procedures for Segregated Nominee Account Providers which registered Segregated Nominee Account

Providers shall adhere to, at all times.

- (b) The operational procedures may, inter alia, include :
  - (i) Eligibility of clients to whom segregated nominee account services may be offered;
  - (ii) Due diligence requirements;
  - (iii)Furnishing of information related to end clients;
  - (iv)Registration of Segregated Nominee Accounts;
  - (v) Execution of trades on behalf of end clients;
  - (vi)Clearing and settlement of trades on behalf of end clients; and
  - (vii) Requirements regarding funding of margins for the end clients

**CHAPTER XVI****SETTLEMENT GUARANTEE FUND**

1. Settlement Guarantee Fund means a fund established and maintained by Bullion Clearing Corporation to guarantee the settlement of bonafide trades executed on the platform of the Exchange in accordance with the framework laid down by the IFSCA.
2. The norms, procedures, terms and conditions governing the creation, maintenance, investments and utilization of the Settlement Guarantee Fund shall be in accordance with the relevant provisions of the bye-laws of the Bullion Clearing Corporation.
3. The Exchange may contribute such amount to the Settlement Guarantee Fund as may be specified by the IFSCA from time to time and/or as agreed between the Exchange and the Bullion Clearing Corporation.
4. The contribution made by the Exchange to the Settlement Guarantee Fund, shall be returned back to the Exchange in the following eventualities:
  - Discontinuation of services of the Bullion Clearing Corporation
  - Discontinuation of activities as a Bullion Exchange
  - Any other situations which according to the Exchange, renders the arrangement between the Exchange and the Bullion Clearing Corporation unviable.



**CHAPTER XVII****MISCELLANEOUS**

1. The Relevant Authority shall be empowered to impose such restrictions on transactions in one or more Bullion Contracts as the Relevant Authority in its judgment deems advisable in the interest of maintaining a fair and orderly market in the Bullion Contracts or if it otherwise deems advisable in the public interest or for the protection of Constituents. During the effectiveness of such restrictions, no Bullion Trading Member shall, for any account in which it has an interest or for the account of any client, engage in any transaction in contravention of such restrictions.
2. Any failure to observe or comply with any requirement of this Bye-Law, or any Bye-Laws, Rules or Regulations, where applicable, may be dealt with by the Relevant Authority as a violation of such Bye-Laws, Rules or Regulations.
3. Bullion Trading Members have an obligation as the Bullion Trading Members of the Exchange to inform the Relevant Authority of the Exchange and IFSCA about such information/practices as may be construed as being detrimental to the efficient operations of the Exchange and as may be required under Securities Laws.
4. Save as otherwise specifically provided in the Regulations prescribed by the Relevant Authority regarding clearing and settlement arrangement, in promoting, facilitating, assisting, regulating, managing and operating the Exchange, the Exchange should not be deemed to have incurred any liability, and accordingly no claim or recourse, in respect of, in relation to, any dealing in Bullion Contracts or any matter connected therewith shall lie against the Exchange or any authorised person(s) acting for the Exchange.
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.
6. All the records, correspondence, data, information, proceedings, minutes, decisions of the Exchange shall be confidential and the Exchange shall not be required to disclose the same to any party or person, save and except when called upon to do so by IFSCA or by under an order of any competent court/tribunal or any other competent authority.
7. Power to provide clarification: In case of any difficulty in implementing the provisions of Rules, Bye-Laws and Regulations 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.
8. The Bye-Laws, Rules and Regulations made or prescribed by the Board/ Relevant Authority/ Exchange, 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 Bye-Laws, Rules and Regulations prescribed by the Board/ Relevant Authority/ Exchange and the Bye-Laws, Rules and Regulations prescribed by the Board/ Relevant Authority/ Exchange 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.

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