

RULE BOOK OF PAKITAN MERCANTILE EXCHANGE LIMITED (PMEX)

Ref.	CHAPTER I: DEFINITIONS
1	<p>Preamble</p> <p>Scope, Applicability and Jurisdiction:</p> <p>The Pakistan Mercantile Exchange Limited is licensed as a Futures Exchange under the Futures Market Act, 2016;</p> <p>And whereas, the Exchange in exercise of its powers conferred under Section 7 of the Futures Market Act, 2016, hereby makes these Regulations to be known as the Pakistan Mercantile Exchange Limited Regulations (the “Regulations”) which shall upon approval by the Securities and Exchange Commission of Pakistan and notified in the official Gazette and shall take effect on such date as may be specified.</p> <p>These Regulations are applicable to all operations, processes, transactions of the Pakistan Mercantile Exchange Limited (the “Exchange”) including Trading, Clearing and Settlement and any other matter incidental to the conduct or control of the business of the Exchange.</p> <p>These Regulations apply to, inter alia, the Board of Directors, the employees of the Exchange, the TRE Certificate Holders of the Exchange, the Brokers of the Exchange, the employees of the TRE Certificate Holders and Brokers of the Exchange and any Customer of the Brokers.</p>
1.1	<p>Powers to Relax Regulatory Requirement(s):</p> <p>The Securities and Exchange Commission of Pakistan may, upon its own motion, or on a request of the Pakistan Mercantile Exchange Limited, relax the operation of any requirement of these Regulations for a person or a class of persons in exceptional circumstances and for reasons to be recorded in the Securities and Exchange Commission of Pakistan.</p>
1.2	<p>Severability:</p> <p>If any provision of these Regulations is rendered unlawful, void or unenforceable by reason of any statutory amendment, re-enactment, notification or any judicial decision or pronouncement by any competent court, tribunal or regulatory authority, such provision shall, to the extent required, be severed and rendered ineffective without in any way affecting the validity or enforceability of the rest of the provisions of these Regulations, which shall continue to apply with full force and effect.</p>
1.3	<p>GENERAL PRINCIPLES OF INTERPRETATION:</p> <p>In these Regulations, unless the context otherwise requires:</p>
	(a) A reference to any legislation or legislative provision includes any statutory modification or re-enactment of, or legislative provision substituted for, and any subordinate legislation under that legislative provision;
	(b) The singular includes the plural and vice versa;
	(c) A reference to an individual or a person includes, an individual, a company, corporation, firm, association of persons, trust, authority or government, any entity as the context admits or requires and vice versa;
	(d) unless there is anything repugnant in the subject or context, words importing the “masculine gender” shall include the “feminine gender / corporate entities”;
	(e) A reference to a recital, article, schedule or annexure is to a recital, article, schedule or annexure of or to these Regulations;
	(f) A recital, schedule or annexure forms part of these Regulations unless otherwise provided;
	(g) A reference to any agreement or document is to that agreement or document (and, where applicable, any of its provisions) as amended, notated, restated or

	replaced from time to time;
	(h) Where an expression is defined, another part of speech or grammatical form of that expression has a corresponding meaning;
	(i) A reference to a matter being “to the knowledge” of a person means that the matter is to the best of the knowledge and belief of that person after making reasonable inquiries in the circumstances;
	(j) The capitalized terms used in these Regulations shall have the same meaning as given to them in these Regulations. However, if a term has not been so defined in these Regulations then it shall have the same meaning as has been defined in the Companies Act, 2017, Futures Market Act, 2016, or any Rules or Regulations made thereunder or other applicable law for the time being in force;
	(k) The headings in these Regulations are for convenience only and do not affect interpretation of any provisions of these Regulations;
	(l) A construction that furthers the object or purpose of any of the provisions of these Regulations shall be preferred over any other construction of such provisions;
	(m) A reference to any power of the Exchange shall include the Board or any officer or the Committee of the Exchange so delegated by the Board;
	(n) Gregorian calendar shall be used whenever counting days, months or years mentioned in these Regulations;
	(o) The terms and phrases used herein without a specific definition shall have the meaning in accordance with current trade practice;
	(p) All existing Regulations of the Exchange shall stand repealed. However, repeal of such regulations shall not affect any act or omission committed under such regulations when they were in force. Any circular, notification, order or exemption issued, made or granted under the repealed Regulations shall have effect as if had been issued, made or granted under the corresponding provision of these Regulations. Any official appointed and anybody elected or constituted under any repealed Regulations shall continue and shall be deemed to have been appointed, elected or constituted, as the case may be, under the corresponding provision of these Regulations. Any document referring to any Regulation hereby repealed shall be construed as referring, as far as may be, to these Regulations, or to the corresponding provision of these Regulations;
	(q) Where any communication, decision, agreement, arrangement or contract is not in conformity with these Regulations, then these Regulations shall take precedence;
	(r) Where any provision of these Regulations contradicts any provisions of the SECP Rules/ Regulations for the time being in force, such SECP Rules/Regulations shall take precedence.
1.4	Definitions
(a)	Act means the Futures Market Act, 2016.
(b)	Arbitration means the mechanism of settling disputes as specified under these Regulations.
(c)	Arbitrator means a person appointed from the Panel of Arbitrators constituted under these Regulations when hearing an arbitration application.
(d)	Arbitration Committee means a Committee, constituted by the CRO in consultation with the chairman or any other member of RAC, from time to time under these Regulations.
(e)	Articles mean the Articles of Association of the Exchange and include any modification or alteration thereof for the time being in force.
(f)	Assayer means an Exchange approved and appointed agency to conduct qualitative and quantitative analysis of commodities offered for delivery for settlement of a Futures Contract.
(g)	Authorized Intermediary means a Broker who is registered with NCCPL for performing functions relating to know your customer procedures for its Customers.
(h)	Authorized Person means a person employed by a Broker who has been authorized by the Broker to access the ETS of the Exchange.
(i)	Board means the Board of Directors of the Exchange.
(j)	Books of Accounts means such records and documents that are required to be maintained by these Regulations and include records maintained in a computer or in any electronic or other form of the TRE Certificate Holder or Broker of the Exchange.
(k)	Broker means a TRE Certificate Holder of the Exchange who has been licensed by the Commission as a futures broker under Futures Brokers (Licensing and Operations) Regulations, 2018 to undertake Futures Broker activity under the Futures Market Act, 2016 and is allowed to trade on the Exchange.
(l)	Broker Regulations means Futures Brokers (Licensing and Operations) Regulations, 2018.
(m)	Buyer means and includes, unless the context indicates otherwise, the buying Exchange Broker acting either as an agent on behalf of the buying Customer or buying on its own account

(n)	Certified/Approved Warehouse/Vault means a godown or Warehouse/Vault approved by the Exchange and designated as such for making deliveries to and taking delivery of commodities from in respect of contractual obligations arising out of Futures Contracts on the Exchange.
	Replaced with TRE Certificate
(o)	Chairman means the Chairman of the Board as elected under the Articles.
(p)	CKO Regulations means Centralized Know Your Customer (KYC) Organization Regulations, 2017.
(q)	Clearing Bank means a bank that is designated or appointed to provide banking and other facilities to the Exchange, the Clearing House and Brokers of the Exchange to facilitate clearing and settlement functions.
(r)	Clearing House means the clearing house of the Exchange and includes a place where and the system by which the claims and liabilities of Brokers in respect of different Futures Contracts confirmed by the Exchange are received, adjusted, settled and paid and for the purposes of these Regulations it refers to the settlement system managed and operated by the Exchange.
	Replaced with Customer
(s)	Closing Price means the price of a Futures Contract at the end of a trading session, used for the purpose of determining the daily price fluctuation limit.
(t)	Commission means the Securities and Exchange Commission of Pakistan constituted by the Securities and Exchange Commission of Pakistan Act, 1997.
(u)	Committee means any committee constituted by the Board from time to time under these Regulations.
	Replaced with Futures Contract.
(v)	Contract Month means the month in which Futures Contracts are permitted by the Exchange.
(w)	CRO means Chief Regulatory Officer of the Exchange.
(x)	Customer means a person who is registered with a Broker and has executed an agreement with the Broker on the standardized account opening form specified by the Exchange, for dealing through such Broker in Futures Contracts permitted on the Exchange and the Broker has authorized him to access the ETS of the Exchange.
(y)	Delivery means the final settlement of a Futures Contract through the Clearing House in the manner specified by these Regulations.
(z)	Delivery Centres means the specified places with respect to each commodity at which the Brokers having net sale position shall be obliged to tender delivery.
(aa)	Delivery Period means the period during which the commodities are tendered in terms of the Futures Contracts in fulfilment of the transactions executed under these Regulations, or under the orders issued pursuant to these Regulations and includes tender days as specified by the Exchange for different contract months
(bb)	Delivery Unit means such quantity of commodity that may be permitted for tender with such tolerance limit as may be specified with respect to each commodity from time to time.
(cc)	Directors mean the Directors on the Board of the Exchange.
(dd)	Due Date/Contract Expiry Day/Contract Maturity Day means the maturity date on which a specific Futures Contract in a specific commodity expires and is not available for trading thereafter.
(ee)	Electronic Instructions/Acknowledgment/Confirmation: Request of Customers to open an account, place orders for buy/sell, fund allocation/withdrawal, gold withdrawal, balance query for gold/cash, confirmation of trade and all allied services in relation to trade in Milli Tola Contracts via Service Provider using electronic means and confirmation by PMEX of these transactions to the Service Provider/Broker/Customer, under the ambit of Electronic Transactions Ordinance 2002.
(ff)	Electronic Signature means “Electronic Signature” as defined under Section 2(n) of Electronic Transactions Ordinance, 2002 and used to validate transactions including Electronic Instructions/Acknowledgement/Confirmation in relation to Milli Tola Contracts. PMEX shall prescribe the System/Mechanism for acceptance of Electronic Signatures.
(gg)	ETS means the Electronic Trading System as may be approved by the Exchange for the purpose of automated trading, clearing and settlement, risk management, surveillance and back office systems in respect of Futures Contracts.
(hh)	Exchange means the Pakistan Mercantile Exchange Limited.
(ii)	Exchange Licensing Regulations means the Futures Exchanges (Licensing and Operations) Regulations, 2017.
(jj)	Futures Contract shall have the same meanings as assigned to it under the Act.
(kk)	Governing Law means the laws of Pakistan as in force from time to time.
(ll)	Initial Margin means the amount to be deposited by the Brokers or the Customers in their margin accounts with the Exchange before they can place orders to buy or sell

	Futures Contracts. This must be maintained throughout the time their position is open and is returnable after delivery, or closing out.
(mm)	
(nn)	Managing Director means the Managing Director of the Exchange appointed by the Board after approval from the Commission and in accordance with the Articles who shall be responsible for, inter alia, looking after the management of the Exchange.
(oo)	Margin means a deposit or payment to create or maintain a position in the Futures Contract, which shall include mark-to-market, and delivery and additional margins or such other margins, which may be specified by the Exchange from time to time.
(qq)	Replaced with TRE Certificate Holder
	Replaced with TRE Certificate Holder Dues
(pp)	Memorandum means Memorandum of Association of the Exchange.
(qq)	Milli Tola Contracts means “PMEX Milli Tola Gold Futures Contracts”.
	Removed
(rr)	NCCPL means the National Clearing Company of Pakistan Limited.
(ss)	NCCPL Regulations means National Clearing Company of Pakistan Limited Regulations 2015.
(tt)	Net Worth: Total Assets less Total Liabilities less surplus on revaluation, if any, created upon revaluation of fixed assets.
(uu)	Notice means intimation in writing by the Exchange sent either through courier, telegram or through electronic media such as email, fax, computer messages, etc.
(vv)	Open Interest for any one Futures Contract maturity month means the number of Futures Contracts, which remain to be settled on a given day prior to the maturity. Open interest of a given running Futures Contract is equal to either the number of long Futures Contracts or the number of short Futures Contracts in the commodity for that particular contract month, outstanding as of any given day.
(ww)	Open Position means an interest in the market, either long (buy) or short (sell), in the form of one or more open Futures Contracts.
	Removed
(xx)	PSX means the Pakistan Stock Exchange Limited.
(yy)	Pay in means Payment to the Exchange.
(zz)	Pay out means Payment made by the Exchange.
(aaa)	Place of Business means the office address of a TRE Certificate Holder, which is registered with the Exchange.
(bbb)	Price-time priority means that orders to buy and sell are executed at the best available price at the time the order is entered.
(ccc)	Quorum: means the minimum number of Directors of the Board who must be present for the Board meeting to conduct business.
(ddd)	RAC means Regulatory Affairs Committee constituted by the Board of the Exchange.
(eee)	RAD means a department or division of the Exchange dealing with the regulatory functions of the Exchange.
(fff)	Regulations mean these Regulations of the Exchange for the time being in force and include any modification or alteration thereof made by the Board from time to time with the prior approval of the Commission and any modifications made thereto by the Commission.
(ggg)	Retail Outlet: A facility of the Service Provider anywhere in the country to provide services to Customers/Traders for trading in Milli Tola Contracts. These services include Account opening, receiving funds, disbursing funds and any other services related to trading in the Milli Tola Contracts.
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(hhh)	Revised Account Opening Form (RAOF): The term Revised Account Opening Form means shorter version of Standardized Account Opening Form along with risk disclosure statement which is specified by the Exchange and authorized by the Commission for Customers/traders dealing exclusively in Milli Tola Contracts via Service Providers.
(iii)	Risk Management includes the method of assessing, measuring and controlling risk using statistical techniques routinely used in other technical fields
(jjj)	Seller means and includes, unless the context indicates otherwise, the selling exchange Broker acting as an agent on behalf of the selling Customer or selling on its own account.
(kkk)	Service Provider: The term Service Provider includes but is not limited to Micro Finance Banks/Commercial Banks/telecom companies etc. who agree(s) to act as Authorized Person(s) of Broker(s) for channelizing Milli Tola Contracts to their retail customers which may involve use of electronic means i.e. Electronic

	Instructions/Acknowledgement/Confirmation.
(lll)	Settlement Calendar means the delivery period specified by the Exchange for every commodity.
(mmm)	Settlement Guarantee Fund means the fund established and maintained by the Exchange pursuant to Section 26 (1) (d) of the Act by a trust deed made between the Exchange and the trustees named in the said trust deed, in whom the Settlement Guarantee Fund is vested, for the purpose of payment of the required amount(s) to the Exchange from time to time for satisfying Broker(s) obligations to the Exchange in case of the default of such Broker(s) in terms of these Regulations.
(nnn)	Settlement Price for a Futures Contract and a contract month means the price of a Futures Contract for the purpose of payment of differences pertaining to all new and outstanding positions that remain to be settled. It shall be determined in accordance with these Regulations.
(ooo)	Spot Rate means the market rate of the day for ready delivery of a commodity.
(ppp)	Supplemental Settlement Date means the additional settlement date specified by the Exchange.
(qqq)	Trading Day means a day on which the sale and purchase of Futures Contracts are permitted on the Exchange.
(rrr)	TRE Certificate means a trading right entitlement certificate issued by the Exchange in accordance with these Regulations.
(sss)	TRE Certificate Dues means amounts to be paid by a TRE Certificate Holder as per the provisions of these Regulations or any other Circular/Directives issued by the Exchange from time to time, in order to obtain TRE Certificate and for continuance thereof and shall also include administrative fines, dues towards the Exchange, and dues with respect to all other claims, etc. as may be raised against the concerned TRE Certificate Holder by the Exchange from time to time.
(ttt)	TRE Certificate Holder means a person to which a TRE Certificate has been issued by the Exchange pursuant to the provisions of these Regulations.
(uuu)	UIN means the unique identification number issued by NCCPL to a person for trading on the Exchange.
(vvv)	Variation Margin means the payment made on a daily or intra-day basis to the Exchange based on the adverse price movement between the contractual monetary value of open positions and the monetary value of the open positions determined by the Settlement Price.
(www)	Warehouse Receipt is a document issued by a Certified Warehouse in the manner and form stipulated by the Exchange from time to time which serves as a conclusive proof as to the availability of deliverable commodities for apportionment as per the delivery orders released by the Clearing House in fulfilment of contractual obligations of the Futures Contract.
(xxx)	Words importing singular number shall include plural number and vice versa.
(yyy)	Words importing masculine gender shall include feminine gender and vice versa
(zzz)	The words and expressions used but not defined in these Regulations shall have the same meaning as are assigned to them in the Act, the Securities and Exchange Commission of Pakistan Act, 1997, and the Companies Act, 2017.
CHAPTER II: GOVERNANCE	
2.1	<p>The overall management of the Exchange shall be vested in the Board. The Board shall consist of individuals, having a mix of executive and non-executive directors, including the independent directors as prescribed under the Exchange Licensing Regulations. The Board may take all such actions, as it considers necessary in its discretion to protect the integrity of trading on the Exchange and organize, maintain, control, manage, regulate and facilitate the operations of the Exchange, including its clearing and settlement functions, and of Futures Contracts by its Brokers, subject to the provisions of the Act, Broker Regulations, Regulations made thereunder, Articles or any other order or direction given by the Commission from time to time.</p> <p>The Board may from time to time delegate any of its powers not required to be exercised at a meeting of the Board to the Committees appointed by the Board as relevant for a specific purpose. Provided that the Board shall not delegate its authority relating to operational matters to any Director or Committee except the Managing Director.</p> <p>The Board of the Exchange and the management shall provide their services on best effort basis.</p>
2.2	<p>Fit and Proper Criteria</p> <p>2.2.1 The Exchange, its promoters, substantial shareholders, directors and senior management officers of the Exchange shall at all times be fit and proper persons as per the criteria stipulated under the Annexure - I of the Exchange Licensing Regulations.</p> <p>2.2.2 The appointment/renewal and removal of the Managing Director and the CRO shall be carried out after obtaining the approval of the Commission in accordance</p>

	<p>with the provisions contained under section 6(12) of the Act.</p> <p>2.2.3 The appointment, renewal of appointment and termination of the services of the senior management officers including but not limited to the Managing Director and CRO of the Exchange, as the case may be, shall be carried out in compliance with the provisions of the Exchange Licensing Regulations.</p>
2.3	<p>Code of Conduct</p> <p>2.3.1 Every director and senior management officer of the Exchange shall abide by the code of conduct formulated by Exchange in accordance with the guidelines specified in the Annexure - II of the Exchange Licensing Regulations.</p>
2.4	<p>Conflict of Interest:</p> <p>2.4.1 It is the responsibility of each director to act in the best interests of futures market and investors and to refrain from any conduct that may be considered to be adverse or contrary to futures market and interests of investors.</p> <p>2.4.2 Each director should disclose to the Board before a Board meeting, any conflict of interest with respect to any item forming part of agenda of such meeting.</p> <p>2.4.3 Director should not participate in any deliberation, decision making, proceeding, investigation or disciplinary action by the Exchange in the case of a conflict of interest.</p> <p>Explanation: A "conflict of interest" exists when a director's private interest is inconsistent with or opposed to, or gives the appearance of being inconsistent with or opposed to, futures market and investors interests. Such conflicts of interest may arise not only as a result of a direct personal interest, but also indirectly as a result of the personal interests of a member of his family or organizations affiliated with the director.</p>
2.5	<p>Powers of the Exchange:</p> <p>2.5.1 The Exchange shall have such powers as are conferred on it by or under:</p> <ul style="list-style-type: none"> (a) The Companies Act, 2017; (b) The Futures Market Act, 2016 and Regulations made thereunder; (c) The Futures Exchanges (Licensing and Operations) Regulations, 2017; (d) The Memorandum and Articles of Associations of Exchange; (e) These Regulations; (f) The decisions, notices, guidelines, clarifications and circulars issued by the Commission from time to time; or (g) Any other law for the time being in force. <p>2.5.2 Unless the contrary intention appears, powers conferred on the Exchange by or under these Regulations shall be exercised in such manner as the Board may from time to time prescribe in this behalf.</p> <p>The Exchange shall have the power to implement and amend these Regulations subject to prior approval from the Commission.</p>
2.6	<p><u>Managing Director's Powers</u></p> <p>2.6.1 The Managing Director shall have the executive powers to run, supervise and effectuate the day to day operations, administration and management of the Exchange, implement decisions and directions of the Board, enforce the Articles of Association, the Broker Regulations and Regulations of the Exchange and exercise such other powers, functions and authority as may be delegated or entrusted to him by the Board from time to time. He shall also have the general charge and control over the employees of the Exchange.</p>

	2.6.2 Subject to directions of the Board, the Managing Director shall act as the authorized representative of the Exchange before the Commission and other governmental agencies and authorities, institutions, general public and outsiders on all matters and affairs of the Exchange.
	Removed.
2.7	The Managing Director may, from time to time, issue clarifications or circulars for effective implementation of the provisions of these Regulations.
2.8	
2.9	Internal Auditor
2.9.1	The head of the internal audit function at the Exchange shall be called the chief internal auditor, who shall be appointed and removed by the Board only upon recommendation of the chairman of the audit committee, and who shall possess such qualifications and experience as are stipulated in Exchange Licensing Regulations. Provided that a director of the Exchange shall not be appointed in any capacity in the internal audit function of the Exchange to ensure independence of such function.
2.9.2	The chief internal auditor of the Exchange shall functionally report to the audit committee of the Board and administratively to the Managing Director.
2.9.3	The chief internal auditor of the Exchange shall perform such functions as are provided for in the terms of reference of internal audit function of the Exchange, as approved by the Board upon the recommendation of the audit committee of the Board.
2.10	Employees of the Exchange
2.10.1	Each employee of the Exchange shall be bound by and, adhere to, the ethics and compliance policy and code of conduct of the Exchange as approved by the Board and at all times act in a professional manner which would not place the integrity of the Exchange in jeopardy.
2.10.2	Each employee of the Exchange shall abide by the enterprise security and other policies of the Exchange at all times and in the manner as stipulated in such policies.
2.11	Dissemination of related information to other licensed entities and general public:
2.11.1	The Exchange shall, immediately, disseminate the appropriate information to the PSX, NCCPL and the Commission; relating to imposition of fine, suspension, cancellation, forfeiture of TRE Certificate, declaration of default, non-renewal or cancellation of license as a Broker by the Commission, suspension of any or all of the rights of TRE Certificate Holder including restriction and/or suspension of trading rights or any similar penal action(s) taken against such TRE Certificate Holder by the Exchange under PMEX General Regulations, for taking required actions, if any, at their end. The Exchange shall also place such information on its website for the general public.
2.12	Sharing of information amongst the Commission, Exchange, PSX and NCCPL:
2.12.1	In case of suspension, cancellation or forfeiture of TRE Certificate, default of Broker or expiry of Broker license, the Exchange may request the Commission, PSX and NCCPL to provide any relevant requisite information.
2.13	Exchange's power to take consequential actions against a UIN on its non-compliance with NCCPL Regulations:
2.13.1	Non or partial payment of Capital Gain Tax (CGT) by a Broker on its own or Customers' behalf to NCCPL under NCCPL Regulations: In case NCCPL notifies to the Exchange regarding restriction of a UIN due to default on payment of CGT, either fully or partially, the Exchange shall restrict such UIN from taking new position in market. However, squaring-up of open position(s) shall be allowed for such restricted UIN. However, upon removal of cause of action against such UIN by NCCPL and receipt of notice from NCCPL in this regard, the Exchange shall remove restriction imposed on such UIN.
2.13.2	Restriction due to non-compliance of CKO Regulations, 2017:

	<p>In case NCCPL notifies to the Exchange regarding restriction of a UIN due to failure of a Broker and/or its Customer, as the case may be, to meet any requirement and/or timelines under the CKO Regulations of NCCPL, the Exchange shall restrict such UIN from taking new positions. However, only squaring-up of open position(s) in market of the Customer shall be allowed for such restricted UIN.</p> <p>However, upon receipt of intimation from NCCPL for removal of cause of action against such UIN, the Exchange shall remove restriction imposed on such UIN.</p>
<p>CHAPTER III: TRADING RIGHTS ENTITLEMENT (TRE) CERTIFICATE OF THE EXCHANGE</p>	
<p>3.1</p>	<p>Subject to the provisions of the Act and the Companies Act 2017 the rights, privileges, duties and responsibilities of a TRE Certificate Holder shall be in accordance with these Regulations.</p> <p>The Board shall have power to establish categories of TRE Certificate and to attach different rights, benefits, obligations and liabilities to each category established. Such categories may include:</p> <p>(a) specific commodity TRE Certificate which would authorize the TRE Certificate Holder to trade, upon obtaining license of a Broker, only in the specific commodity underlying Futures Contracts authorized; or</p> <p>(b) universal commodity TRE Certificate which would entitle the TRE Certificate Holder to trade, upon obtaining license of a Broker, in all commodities underlying Future Contracts on the Exchange.</p> <p>The Board may, from time to time, determine different fees payable for different categories of TRE Certificate and payable for processing applications and for such other matters as the Board may in its discretion consider appropriate. Subject to these Regulations, the Broker Regulations and the Act, a TRE Certificate Holder is entitled, after its licensing with the Commission as a Broker, to trade for its own account or on behalf of its Customers on or through the facilities of the Exchange and to enjoy the other rights and benefits from time to time provided that it may only trade whether for itself or its Customers only after it is licensed with the Commission as a Broker.</p>
<p>3.2</p>	<p><u>Application for TRE Certificate</u></p> <p>A public or private company desirous of obtaining a TRE Certificate of the Exchange must first submit an application to the Exchange. Every application for TRE Certificate shall be presented to the Exchange which may accept or refuse such application. The Exchange shall consider the applications of such companies who fulfil the following criteria and procedures:</p> <p>(a) The applicant company for TRE Certificate shall complete, sign and deliver to the Exchange an application in writing in such form as the Exchange may from time to time specify together with letters of reference and recommendation from two persons providing such information about the applicant as specified by the Exchange from time to time.</p> <p>(b) The applicant company must specify in his its application the category of TRE Certificate under which he it seeks to be registered.</p> <p>(c) The applicant company must show which individuals are the legal or beneficial owners of its share capital.</p> <p>(d) In applying for TRE Certificate or in applying to change the category of TRE Certificate under which such TRE Certificate Holder is registered, the applicant company shall follow the procedures determined by the Exchange from time to time.</p> <p>(e) The applicant company must have a minimum paid-up capital and net worth as prescribed in the Broker Regulations.</p>

	(f) The applicant, its sponsors, directors and senior management officers are fit and proper persons as per the criteria specified in Broker Regulations.
3.3	<p>Decision on TRE Certificate</p> <p>The Exchange shall decide on each application and may in its discretion require compliance with additional conditions.</p> <p>The decision as to whether or not an applicant should be admitted as a TRE Certificate Holder is entirely at the discretion of the Exchange whose decision shall be final and conclusive. If the Exchange refuses an application for TRE Certificate it shall communicate its decision in writing along with reasons for such refusal to the applicant. The decision of the Exchange regarding acceptance or rejection of the application for TRE Certificate shall be final and binding on the applicant.</p>
3.4	<p><u>Conditions:</u></p> <p>An applicant shall not be admitted as a TRE Certificate Holder unless and until it has:</p> <ul style="list-style-type: none"> (a) paid in full all fees, as determined by the Board and approved by the Commission from time to time, including any non-refundable application processing fee; (b) executed in the specified form, an undertaking to be bound by these and any other Regulations and delivered to the Exchange a certified copy of its board resolution authorizing the chief executive to sign the undertaking on behalf of the company; and (c) (d) satisfied the Exchange that there are no reasons why it should not be admitted as a TRE Certificate Holder under the provisions of any applicable law in force and that it is in compliance with all the applicable laws and not a defaulter or an absconder under any applicable laws;
3.5	<p><u>Approval:</u></p> <p>Every applicant shall be informed in writing within 30 days after its application as to whether such application is approved or refused subject to completion of all formalities</p>
3.6	<p><u>Notice of Becoming TRE Certificate Holder:</u></p> <p>A person is deemed to have become a TRE Certificate Holder on the date on which notice of approval of its application is given by the Exchange and conveyed in writing provided that it has satisfied all the requirements of admission set out in these Regulations.</p>
3.7	<p><u>Consequence of misrepresentation in the Application:</u></p> <p>Notwithstanding the provisions of these Regulations, the Board may suspend or cancel the TRE Certificate of a TRE Certificate Holder at any time, if at the time of its application for TRE Certificate, it:</p> <ul style="list-style-type: none"> (a) made any wilful or material misrepresentation; (b) suppressed any material information required of it; (c) directly or indirectly gave false particulars or information or made a false declaration; or (d) suppressed information that it had been engaging in any activity that might have been prejudicial to the interest of the Exchange, and had been subject of any investigation that might bring it into disrepute in the eyes of the general public. <p>Provided that the Board, prior to any decision in respect of such suspension or cancellation, as the case may be, shall give every TRE Certificate Holder an opportunity of a hearing.</p>
3.8	<p><u>Certificates:</u></p> <p>As soon as practicable after the date on which an applicant becomes a TRE Certificate Holder, the Exchange shall issue to each applicant a TRE Certificate signed by the Managing Director and the Company Secretary or any one or more persons authorized for this purpose by the Board. The TRE Certificate shall be conclusive as to the date of admission as a TRE Certificate Holder, and as to the category of TRE Certificate to which a person is admitted.</p> <p>Where it is proven to the satisfaction of the Exchange that a TRE Certificate is defaced, lost or destroyed, a duplicate TRE Certificate may be issued on payment of</p>

	specified fees, as determined by the Board, together with an application.
3.9	<p><u>Licensing with the Commission:</u></p> <p>The TRE Certificate Holder shall obtain license as Broker within six months from the date of issuance of such TRE Certificate and shall commence business not later than three months from the date of obtaining such license.</p>
3.10	<p><u>Registration with NCCPL as Authorized Intermediary:</u></p> <p>(a) A Broker eligible to be registered as an Authorized Intermediary shall be required to register itself with NCCPL under the provisions of the CKO Regulations meeting such requirements and within such time as may be prescribed by NCCPL from time to time;</p> <p>(b) In case where a Broker eligible to be registered as an Authorized Intermediary fails to register with NCCPL within the timeline prescribed by NCCPL, the facility to register UIN/Customer code for its new Customers shall be restricted by the Exchange till the time registration process is completed by the Broker in accordance with the CKO Regulations;</p> <p>(c) A Broker registered as an Authorized Intermediary with NCCPL shall comply with the CKO Regulations at all times.</p>
3.11	<p><u>Transfer of TRE Certificates:</u></p> <p>No TRE Certificate Holder shall assign, sell, transfer, pledge, mortgage or create any trust, charge, lien or other encumbrance over its rights, benefits or privileges as a TRE Certificate Holder. The Exchange shall not be bound or compelled in any way to recognize (even when having notice thereof) any dealing or disposition made in contravention of this Regulation. Provided that notwithstanding the foregoing restriction, a TRE Certificate Holder may apply to the Exchange to transfer its TRE Certificate upon payment of such fee as may be specified by the Board and the Exchange may, in its discretion, approve such transfer subject to such conditions (including payment of any fees) that the Board may determine from time to time.</p>
3.12	<p><u>Surrender of TRE Certificates:</u></p> <p>A TRE Certificate Holder may after giving one month's notice to the Exchange voluntarily surrender its TRE Certificate and remove itself as a TRE Certificate Holder from the Exchange. However, the Exchange may only accept a TRE Certificate Holder's voluntary removal from the Exchange after all its liabilities are satisfied and there are no claims whatsoever against it in respect of any money owed by it to any other TRE Certificate Holder/Broker or Brokers of other Securities or Futures Exchanges or the Customers. The Exchange shall invite claims from Customers and other TRE Certificate Holders/Brokers and a 90 days period shall be provided for submitting claims. Provided that in the case of an inactive TRE Certificate Holder, who is inactive in last twelve months from the date of application, the notice period shall be 30 days.</p> <p>Provided further that in case of an active TRE Certificate Holder opting for voluntary surrender of TRE Certificate, such TRE Certificate Holder shall also submit a bank guarantee or a guarantee by one of the existing TRE Certificate Holders of the Exchange, or any equivalent security in a manner as may be acceptable by the Exchange to the extent of an amount prescribed by the Exchange and valid for a period of one year from the date of surrender of TRE Certificate in order to enable the Exchange to settle all valid claims if received after the surrender of TRE Certificate. Provided that such TRE Certificate Holder shall remain liable for any genuine claims received after the abovementioned notice periods and shall give an undertaking to that effect to the Exchange.</p> <p>Upon acceptance of relinquishment request/notice as a TRE Certificate Holder by the Exchange, such TRE Certificate Holder shall cease to be a TRE Certificate Holder of the Exchange. Its name shall be removed from the register of TRE Certificate Holders and shall be communicated to the Commission accordingly.</p>
3.13	<p><u>Financial Requirements:</u></p>

	Every TRE Certificate Holder shall comply with the minimum paid up capital and net worth requirement as prescribed in the Brokers Regulations.
3.14	<p><u>Record of TRE Certificate:</u></p> <p>The Exchange shall keep an electronic and hard copy record of TRE Certificate containing the full names and addresses of each TRE Certificate Holder, particulars of the category of TRE Certificate under which each TRE Certificate Holder is registered, the date of admission of each TRE Certificate Holder and, if the Exchange has so determined in any particular case, a note of any disciplinary action to which any TRE Certificate Holder has been subject under the Act, Broker Regulations, Regulations, Articles and such other information as specified by the Commission or required by any other law from time to time.</p>
3.15	<p>General Obligations of a TRE Certificate Holder / Broker:</p> <p>The TRE Certificate Holder / Broker is the primary obligor of the Exchange and would be responsible for all its own and its Customers liabilities to the Exchange.</p> <p>TRE Certificate Holder / Brokers shall at all times have and maintain the necessary administrative and other systems, facilities, resources and expertise to ensure that;</p> <p>(i) know your customer and customer due diligence measures are in place to combat money laundering;</p> <p>(ii) they comply with all financial requirements pertaining to the relevant category of TRE Certificate.</p> <p>(iii) Any other requirement as may be specified by the Exchange from time to time.</p> <p>Each TRE Certificate Holder / Broker shall adhere strictly to and be bound by the provisions of these Regulations and any conditions stipulated in the notice of approval of its TRE Certificate given under these Regulations and shall at all times comply with the decisions, directions, determinations, findings of fact and/or interpretation of the Board, the Managing Director, the CRO and any other person or body of persons in the exercise or performance of any function, duty, obligation, power, right, privilege or discretion conferred on it by or pursuant to these Regulations for the purposes of or in connection with the application and administration thereof.</p>
3.16	Each TRE Certificate Holder / Broker will ensure that its Customers and Authorized Persons shall adhere to the provisions of the Act, Broker Regulations, Regulations, Articles and any other additional condition stipulated by the Commission or the Board, from time to time. However, the obligation of the Broker to the Exchange remains notwithstanding any non-compliance by their Customers and Authorized Persons. The TRE Certificate Holder / Brokers are the ultimate obligors of the Exchange and all and any recourse would be made to the Brokers.
3.17	Each TRE Certificate Holder / Broker must at all times remain in compliance with the applicable Regulations. The TRE Certificate Holder / Brokers shall also comply with the requirements as specified in the Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2018 and the Guidelines on Anti-Money Laundering, Countering Financing of Terrorism, and Proliferation Financing issued by the Commission and as may be amended from time to time. In case a TRE Certificate Holder / Broker is found non-compliant with the requirements, the Exchange shall refer such case to the Commission for further investigation/inspection and/or enforcement action(s) as deemed appropriate by the Commission.
3.18	Each TRE Certificate Holder / Broker shall provide any information in respect of any of its employees as and when required by the Exchange. Each TRE Certificate Holder / Broker shall also notify the Exchange in writing immediately upon any change in the particulars provided to the Exchange regarding any of its employees or any transfer or termination of employment and reasons thereof.
3.19	
3.20	Every TRE Certificate Holder / Broker will ensure that its Authorized Persons and Customers follow and comply with all the provisions of the Act, the Broker Regulations and these Regulations. Each TRE Certificate Holder / Broker shall be liable for all the actions of its Authorized Persons and Customers and shall be liable to disciplinary action in respect of any act or omission of its Authorized Persons and Customers in any of the circumstances set out in these Regulations, the Act or the Broker Regulations.
3.21	Each TRE Certificate Holder / Broker would be an independent entity engaged in clearing and settlement of transactions entered into on the Exchange and shall indemnify and keep indemnified the Exchange from and against all harm, loss, damages, and injury 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 commission or omission or violation in complying with any of the provisions of the Act, these Regulations or the Broker Regulations framed under the Act 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 TRE Certificate Holder of the Exchange as aforesaid and their Authorized Persons.
3.22	No TRE Certificate Holder or Broker or any of their Authorized Persons or Customers shall be entitled to visit or inspect any premises of the Exchange, access where to is restricted, without the prior written permission of the Exchange or to require discovery of any information with respect to any activities of the Exchange or any matter which is or may be in the nature of a trade secret, mystery of trade, secret process or any other matter which may relate to the conduct of the business and which in the opinion of the Exchange may not be expedient in the interest of the Exchange to disclose.
3.23	<p>Obligation to notify the Exchange on the happening of certain events:</p> <p>A TRE Certificate Holder or Broker shall notify the Exchange in writing immediately upon the happening of any one or more of the following:</p> <ul style="list-style-type: none"> (a) the discovery of a failure by it to comply with any of these Regulations or any of the conditions stipulated in the notice of approval of its TRE Certificate given pursuant to the Act, Broker Regulations, Regulations, Articles or any other order or direction given by the Commission; (b) the passing of any resolutions, the initiation of any proceedings, or the making of any order which may result in the appointment of a receiver, provisional liquidator, liquidator or administrator or the winding-up, re-organization, reconstruction, amalgamation, dissolution or bankruptcy of the TRE Certificate Holder or Broker or any of its shareholders, or any change in the existing shareholding pattern, or the making of any receiving order or arrangement or composition with creditors; (c) the bankruptcy of any of its directors; (d) it becoming aware of any breach of the Act, Broker Regulations, Regulations, Articles or any other order or direction given by the Commission, by any other TRE Certificate Holder or Broker; (e) it becoming aware of any matter required to be notified to the Exchange under these Regulations and the Broker Regulations; (f) the exercise of any disciplinary measure against it by any regulatory or other chartered or trade body or the refusal, suspension or revocation of any regulatory license, consent or approval required in connection with its business; (g) attachment of TRE Certificate rights by any court or authority; and (h) any other events as the Board may from time to time specify.
3.24	<p>Obligation to provide information:</p> <p>A TRE Certificate Holder or Broker shall, upon the Board's or the Managing Director's or the CRO's direction, provide the Exchange with any information which may be required.</p>
3.25	<p>Change in Name and Constitution of the TRE Certificate Holders/ Brokers:</p> <p>The TRE Certificate Holder / Broker shall carry on business in its registered company's name only and notify the Exchange if there is any change in any status or structure of its board or any other change in the information supplied to the Exchange at the time of application for TRE Certificate.</p>
3.26	<p>Termination of TRE Certificate:</p> <p>The Exchange may terminate the TRE Certificate of a TRE Certificate Holder in the event of the following:</p> <ul style="list-style-type: none"> (a) if any TRE Certificate Holder who is not a company fails to convert into a company within the time frame as specified by the Exchange with prior approval of the Commission. (b) by surrender of TRE Certificate or transfer (this would be subject to approval of Exchange and the Exchange's Jurisdiction would still be applicable until all dues of the TRE Certificate are cleared); (c) by the Board or the Managing Director, cancelling the TRE Certificate in accordance with these Regulations; (d) if the TRE Certificate Holder or Broker has failed to pay any dues payable to the Exchange; and (e) upon bankruptcy, or appointment of a liquidator for a TRE Certificate Holder or Broker.
3.27	Notwithstanding the above, the Board may withdraw or revoke any TRE Certificate Holder's or Broker's TRE Certificate if in the opinion of the Board, the TRE Certificate Holder or Broker is not suitable to remain a TRE Certificate Holder of the Exchange.

3.28	The termination or revocation of TRE Certificate shall not in any way absolve the TRE Certificate Holder or Broker from any obligations and liabilities incurred by the TRE Certificate Holder or Broker prior to such termination or revocation.
3.29	<p><u>Continued Admittance:</u></p> <p>The Board shall, from time to time, specify conditions and requirements for continued admittance to the TRE Certificate. TRE Certificate Holder/ Broker shall maintain at all times the minimum maintenance deposit, paid-up capital and net worth requirements as specified in the Broker Regulations. The Broker shall also ensure contribution to the Settlement Guarantee Fund at all times.</p> <p>Provided that:</p> <p>(a) The Broker who fails to meet the requirements of maintaining a minimum paid-up capital and net worth shall be liable for suspension. (b) The Broker who fails to fulfil the minimum deposit and contribution to the Settlement Guarantee Fund as may be liable for termination.</p>
3.30	<p><u>General Conduct in Business and Trading</u></p> <p>No TRE Certificate Holder / Broker shall take part in, be concerned with or carry out, either directly or indirectly, any transaction or activity that has or may have or is intended or calculated to have the effect of creating an artificial price for a Futures Contract or for a commodity which is the subject of a Futures Contract</p>
3.31	No TRE Certificate Holder / Broker shall create or cause to be created or do anything that is intended or calculated to create a false or misleading appearance of active dealing in Futures Contracts or a false or misleading appearance with respect to the market for, or the price of dealings in, Futures Contracts.
3.32	No TRE Certificate Holder / Broker shall, by any fictitious transaction or device, maintain, inflate, depress or cause fluctuations in the market price of any Futures Contract.
3.33	No TRE Certificate Holder / Broker shall buy or sell any Futures Contract or attempt to do so or participate in a scheme or plan to do so for the purpose of unduly or improperly influencing the market price of any Futures Contract, or for the purpose of manipulating or attempting to manipulate prices or cornering or attempting to corner any market of any commodity, or creating a market or other situation including any action in the cash market which was designed to influence the futures market, and is detrimental to the Exchange.
3.34	Each TRE Certificate Holder / Broker shall ensure that all futures business conducted by it relating to Futures Contracts shall be concluded on or through the facilities of the Exchange and that all Futures Contracts are reported and registered with the Clearing House in such manner as the Board shall from time to time specify, for clearing by the Clearing House.
3.35	<p><u>Clearing Privileges:</u></p> <p>In order to clear trades at the Exchange, a Broker must be granted clearing privileges by the Board. The Board may revoke the said clearing privileges at any time.</p> <p>Clearing privileges may be granted and retained only if and when the terms and conditions set forth below have been met.</p> <p>A Broker must deposit the minimum security deposit amounts for obtaining the clearing privileges and in such manner as may be determined by the Exchange and any other requirements that are deemed fit by the Board from time to time.</p> <p>The Board may impose any other requirement that it deems appropriate.</p>
3.36	<p><u>Audits conducted by the Exchange:</u></p> <p>Designated Exchange staff and any other person including a Chartered Accountant appointed by the Exchange for this purpose may from time to time inspect all of the books, records, accounts and documents maintained or required to be maintained by each TRE Certificate Holder and Broker in relation to its own business and its own financial position as well as the books, records, accounts, telephone recordings and documents maintained by the Broker representing the Broker's Customers activities, as required to be maintained by the Exchange, from time to time or as directed by the Commission.</p>

	<p>Such staff and other persons duly authorized by the CRO shall, for reasons, to be recorded in writing, have the right of access during normal business hours, with or without prior notice, the premises of any TRE Certificate Holder or Broker, and such TRE Certificate Holder or Broker, shall fully co-operate and make available to them all information, books and records as and when required.</p> <p>Designated Exchange staff and any other persons appointed by the Exchange for the purpose shall be entitled to interview and request confirmation from any Authorized Person, Branch Head or other person dealing with a Broker, of any balance or any other matter relating to the compliance by any TRE Certificate Holder or Broker with these Regulations.</p> <p>Each TRE Certificate Holder or Broker, and where applicable, any associated companies of a TRE Certificate Holder or Broker, shall allow the designated Exchange staff and any other persons appointed by the Exchange for the purpose to make notes from any of the records of a TRE Certificate Holder or Broker, and each TRE Certificate Holder or Broker is required to supply them, free of charge, copies of any or all documents which in their opinion are necessary to be given to the Exchange in order to facilitate any inspection of a TRE Certificate Holder's or Broker's books and records. Any notes or copies taken pursuant to this Regulation shall become the property of the Exchange.</p>
3.37	<p><u>Confidentiality:</u></p> <p>Any information obtained by the TRE Certificate Holder or Broker or its Authorized Persons in the course of its TRE Certificate in relation to the Exchange shall remain confidential except that:</p> <ul style="list-style-type: none"> (i) those persons may disclose such information to their immediate senior officer of the Exchange or to the Managing Director or to the CRO for the time being appointed or, as the context may require, their designees; (ii) such information may be disclosed to any officer or employee of the Exchange, and to any person engaged by the Exchange, who in the opinion of the Managing Director or the CRO needs to know the information; (iii) such information may be disclosed to any officer or employee of the Commission; (iv) the Exchange may disclose any information at any time: <ul style="list-style-type: none"> (1) to the Commission; (2) to any other Securities or Futures Exchange, with whom the Exchange has entered into an information sharing arrangement or any other agreement; (v) no breach of confidentiality shall arise by reason only that information shall appear in any registers and records maintained by the Exchange pursuant to these Regulations. <p>Notwithstanding the above, disclosure at the direction of the Federal Government of Pakistan, or any other Government Agency, or under the direction of the High Courts of Pakistan must be permissible.</p>
3.38	<p>Relations with Customers:</p> <ul style="list-style-type: none"> (a) Before accepting or placing orders on Customer's behalf, every Broker shall enter into an agreement with each of its Customers, in the format specified by the Exchange which would include an Account Opening Form and a Risk Disclosure Statement and the Customer shall acknowledge and accept that he has read and understood the Risk Disclosure Statement and any other documents specified by the Exchange from time to time. <p>Broker shall make the Customer aware of the precise nature of the Broker's liability for business to be conducted, including any limitations on that liability and the</p>

	<p>capacity in which the Broker acts and the Customers' liability thereon.</p> <p>The Broker shall make the Customer aware of the risk associated with the business in Futures Trading including any limitations on the liability and the capacity in which the Broker acts and the Customer's liability thereon by issuing to the Customer a copy of the Risk Disclosure Document as specified by the Exchange at the time of the opening of an account. The Risk Disclosure Document shall be duly signed by the Customer and maintained and retained by the Broker.</p> <p>(b) A Broker shall take reasonable steps to ensure that the identity, address and contact details of its Customers are known and verified.</p> <p>(c) A Broker shall ensure that the information contained in the account opening form is updated, complete and correct at all times.</p> <p>(d) A Broker shall ensure maintenance of only true and correct information/particulars of its Customers in the system and its records, and shall not change any detail provided by the Customer in the official documents/records without prior approval of the Customer and shall keep the record of such changes along with necessary documentary evidence.</p> <p>(e) The Broker shall formulate and implement effective know your customers and customer due diligence policies and procedures to determine true identity of its Customers, their source of earning and their financial capacity to trade and shall ensure compliance with all the laws regarding anti-money laundering.</p>
3.39	<p>Conflict of Interest:</p> <p>(a) <u>The Broker shall take all reasonable steps including the framing of appropriate policies and procedures to minimize conflict of interest between such Broker and its Customers or its employees.</u></p> <p>(b) Where any conflict of interest arises between the Broker and its Customer, the Broker shall immediately inform the Customer through verifiable means and not gain any direct or indirect advantage from the situation and shall act in the best interests of the Customer.</p> <p>(c) The Broker must take reasonable steps to ensure that neither such Broker nor any of its employees either offers or gives, or solicits or accepts, any inducement that is likely to conflict with any duties owed to the Customers.</p> <p>(d) The Broker shall put in place a mechanism and take steps to avoid and eliminate the misalignment of incentives due to conflict of interest between the compensation of senior management officers, employees of the Broker and interest of the Customers.</p> <p>(e) The Broker shall put in place a mechanism to resolve any conflict of interest that may arise in the conduct of business and take all reasonable steps to resolve all conflicts of interests in an equitable manner.</p> <p>(f) Where a Broker has a material interest in a transaction to be entered into with or for a Customer, or a relationship which gives rise to a conflict of interest in relation to such a transaction, the Broker shall not knowingly either advise, or deal in the exercise of discretion, in relation to that transaction unless the Broker has:</p> <p>(i) disclosed that material interest or relationship, as the case may be, to the Customer; or</p> <p>(ii) taken reasonable steps to ensure that neither the material interest nor the relationship adversely affects the interests of the Customer.</p> <p>(g) The Broker shall make appropriate disclosure to Customers of possible source or potential areas of conflict of interest which could impair its ability to render fair, objective and unbiased service.</p> <p>(h) In case of any breach of policies by its employees, the Broker shall promptly investigate, and take appropriate action against the persons responsible.</p>
3.40	<p>Customer Complaints:</p> <p>A Broker shall have internal procedures to ensure the proper handling of complaints received from Customers and to ensure that appropriate remedial action on those complaints is promptly taken.</p> <p>A Broker shall take all reasonable measures to redress Customers' grievances promptly but not later than thirty days of receipt thereof and when called upon by the Commission or the Exchange or any other regulatory body to do so it shall redress the grievances of Customers within the time specified.</p>
CHAPTER IV: CONTRACTS	
4.1	Commodities, Futures Contracts and Contract Specifications:

	<p>The Exchange shall have the right to identify, determine and specify a particular commodity for Futures Contract with the approval of the Board and the Commission. The Exchange shall determine and finalize the contract specifications and modifications in respect of any Futures Contract with the prior approval of the Board and the Commission. Provided that no Future Contract shall be listed on the Exchange without being approved by the Commission in writing.</p> <p>Provided further that while obtaining approval of contract specifications of a particular Futures Contract from the Commission, the Exchange shall also provide information related to commodity, position limits and settlement mode.</p>
4.2	<p>The number, and the commencement and expiration cycles of all Futures Contracts in commodities and other contracts shall have the approval of the Exchange. Subject to the Act, the Exchange may, from time to time, with prior approval of the Commission, de-list any Futures Contract. If there are no Open Positions in the relevant Futures Contract which the Exchange wishes to de-list, any de-listing shall become effective at such time as the Exchange shall determine. If there are Open Positions in the relevant Futures Contract which the Exchange wishes to de-list, the Exchange may require that such Open Positions be cash settled immediately or restrict trading only to enable the Closing Out of those Open Positions, except to the extent that the Exchange deems such trading to be necessary for the maintenance of a fair, orderly and transparent market.</p>
4.3	<p>The Board shall have the right to determine, specify and modify the position limits with respect to the Futures Contracts permitted on the Exchange, subject to the approval of the Commission. Such position limits could differ for TRE Certificate categories and/or differ from Broker to Broker and/or Customers; and exceptions may be provided by the Board. Any increase in Position limits would require special approval from the Commission. Position limits and exceptions will be specified by the Exchange for each underlying commodity and contract month from time to time. The Exchange may, under intimation to the Commission, designate certain Futures Contracts as dormant Futures Contracts for various reasons including extended periods of illiquidity. Such dormant Futures Contracts shall not be available for trading on the Exchange but may become available for trading at a future date as may be decided by the Exchange.</p>
4.4	<p>Each Futures Contract shall be governed by these Regulations and the relevant Contract Specifications. In the event of a conflict between these Regulations and the Contract Specifications, these Regulations shall prevail.</p>
4.5	<p>The Exchange's normal trading hours for each Futures Contract are set forth in the relevant Contract Specifications. Trades may only be executed during the hours in which the Exchange is open for trading. The Exchange may determine for a Futures Contract:</p> <ul style="list-style-type: none"> (a) the duration of trading sessions; (b) the opening and closing routines; and (c) the closing range.
4.6	<p>The Exchange may modify Contract Specifications, with prior approval of the Board and the Commission, in response to market developments.</p>
4.7	<p>All transactions in Futures Contracts permitted on the Exchange shall be made only in the manner approved by the Exchange.</p>
4.8	<p>The Exchange shall have the right to specify charges for trading, clearing, delivery and any other fees and charges payable by Brokers subject to the approval of the Board and the Commission. The Exchange may also specify the maximum and minimum fees a Broker may charge its Customers.</p>
4.9	<p>Brokers shall only execute trades in Futures Contracts as are specified, permitted and in the manner approved by the Exchange or otherwise face disciplinary proceedings in accordance with these Regulations. Any Broker who infringes or attempts to infringe, or who assists in any infringement or attempted infringement of this Regulation, shall be liable to suspension and/or termination from TRE Certificate of the Exchange or any other action that the Exchange may deem appropriate under these Regulations.</p>
4.10	<p>While trading, the Broker shall specify whether such trade is on his own account or on account of a Customer. If the trade is for and on behalf of a Customer, the Broker must enter the respective Customer Code provided by the Exchange at the time of setting up the trading account.</p>
4.11	<p>Prior to a Broker and a Customer entering into any trading, or a Broker allowing the Customer to trade on the Exchange, the Customer shall be required to enter into an agreement with the Broker, an Account Opening Form and a Risk Disclosure Document. The Exchange may specify a different Account Opening Form (in physical or electronic form) for different categories of futures contract.</p> <p>All trades in Futures Contracts permitted on the Exchange shall be cleared and settled by the Clearing House and shall be subject to these Regulations</p>
4.12	<p>Fees, Duties, Taxes and Levies:</p>

	In respect of all Futures Contracts executed at the Exchange by the Brokers, it shall be the responsibility of the respective Broker and its Customers to pay all applicable statutory fee, stamp duty, service tax, taxes and levies, in respect of all deliveries as well as Futures Contracts directly to the concerned Government Departments.
4.13	Settlement All transactions in Futures Contracts permitted on the Exchange shall be settled through the Clearing House; Brokers shall be eligible and qualified to obtain directly the clearing, settlement and guaranteeing services of the Clearing House.
4.14	Only transactions in Futures Contracts for trading on the Exchange will be recognized as valid, provided the Broker has paid to the Clearing House adequate Clearing deposit and margins as determined by the Exchange. Brokers and their Customers shall pay the determined margins including variation margins for their respective outstanding transactions at all times.
4.15	Rates and/or prices for the Futures Contracts permitted for trading on the Exchange shall be quoted by the Exchange in the manner as specified in the respective contract specifications of each Futures Contract.
4.16	Unless otherwise specified in the Contract Specifications: (a) All outstanding transactions in Futures Contracts at expiration of the Futures Contract shall in general be for delivery, at any one or more delivery centres and/or warehouses. (b) All outstanding Futures Contracts not settled by giving or receiving deliveries shall be closed at the final settlement price fixed together with a fine as determined by the Exchange for those failing to give or receive delivery.
4.17	The Board shall have the right to determine, specify and modify the terms and manner of delivery of that commodity or group of commodities resulting from outstanding transactions in Futures Contracts in that commodity or group of commodities.
4.18	The Board shall determine the norms and procedures for storage and dealing in commodities stored in warehouses, delivery procedure, methods of sampling, testing, quality certification, determination of grades and validity/final expiry period, determination of quality and variety, survey, transportation, packing, weighing, applicability of deductions and allowances, and final settlement procedures.
4.19	(a) Brokers may deal only in such Futures Contracts which have been approved by the Commission under the Act; (b) Brokers shall enter into Futures Contracts only on the terms and conditions determined under these Regulations and the circulars and notices issued hereunder. (c) No Broker shall enter into a Futures Contract before trading therein has been commenced/after trading therein has ended in accordance with these Regulations.
4.20	Any Broker transacting in any Futures Contract and basis varieties that are not specified by the Exchange shall be in contravention of these Regulations and shall be subject to a disciplinary action by the Exchange.
4.21	Brokers shall maintain a record of all their transactions in all Futures Contracts permitted by the Exchange for a period of ten years or any such period as may be prescribed by the Commission. Brokers shall have separate records of all their proprietary account transactions and those of their Customers, including orders from Customers for execution of transactions in Future Contracts as well as acknowledgments thereof. For the Customers on whose behalf orders are executed by the Brokers, Brokers shall preserve the records of orders for transactions for such Customer separately with the time and date of receipt of order, details of executed transactions and books of accounts relating to the same, for a period of ten years or any such period as may be prescribed by the Commission for production whenever required by the Customer, by the Exchange or the Commission.
4.22	Transactions for Futures Contracts that are not approved by the Commission are prohibited. Any Broker who infringes or attempts to infringe or who assists in any infringement or attempted infringement of these Regulation shall be liable to suspension and/or expulsion from TRE Certificate of the Exchange or any other action that these Exchange may take under its Regulations.
4.23	The death of any party to a Futures Contract made subject to these Regulations of the Exchange shall not discharge the obligations borne by successors and legal heirs of the deceased from fulfilling the obligations under such Futures Contracts and shall in no way affect the right of any party to such Futures Contract including their successors or legal heirs of the deceased to refer any dispute or differences to Arbitration under these Regulations.
4.24	Every Broker shall segregate trading by it on its own account from that of its Customers in such manner as the Exchange may provide.
4.25	For the purpose of these Regulations, for transactions entered into on behalf of the Director or an employee of the Broker or for transactions in which the Director or employee has beneficial interest, such director or employee shall be considered as propriety trades of the Broker and margins shall be collected for each such transactions, separately.
4.26	The Broker cannot utilize the funds and commodities or any other assets of one Customer for and on behalf of another Customer or for its own account.

4.27	The Exchange may, at any time restrict conditionally or unconditionally, Broker(s) and/or their Customers from trading in Futures Contract(s) for reasons to be recorded in writing.
4.28	The Broker shall continue to be liable for all trades executed on the system for orders entered into the ETS. on its behalf. The Broker shall also be responsible for all the actions of their Authorized Persons.
4.29	Prices quoted on the Exchange shall be in the manner as specified in the respective contract specifications of each Futures Contract.
CHAPTER V: TRADING ON THE EXCHANGE	
5.1	<p>Trading Days</p> <p>The Exchange shall be open on all days including Gazetted holidays except on such holidays as the Exchange may declare in advance, at any time, or as may be specified by the Commission at any time or in a state of emergency as declared by the Exchange.</p> <p>In exceptional circumstances and for reasons to be recorded in writing, the Managing Director under intimation to the Commission, may at any time:</p> <p>(a) alter or cancel any of the holidays declared under these Regulations;</p> <p>(b) keep the ETS of the Exchange available for trading on any day notwithstanding that such day had earlier been declared as an Exchange holiday.</p>
5.2	<p>Trading Sessions</p> <p>The Exchange may determine different trading sessions for different trading segments on the ETS of the Exchange, and may also decide on the timings and operational requirements for the same, as may be provided in the relevant Regulations of the Exchange from time to time.</p>
5.3	<p>Trading with Good Decorum</p> <p>A person allowed to trade on the ETS shall be bound to observe the provisions contained in the Act, Broker Regulations, these Regulations, Articles or any other order or direction given by the Exchange and/or Commission and maintain proper decorum in his behaviour. The Exchange may, in its absolute discretion, refuse any person to trade on the ETS and may, at any time, withdraw or terminate the right of trading of any such person without assigning any reason whatever.</p>
5.4	<p>Management of the ETS</p> <p>The management of the ETS shall be under the charge of the management of the Exchange.</p>
5.5	<p>Prices</p> <p>Prices of the Futures Contracts dealt in on the ETS shall be recorded in the manner, as may be determined by the Exchange from time to time. No prices shall be recorded for any transaction done on the Exchange, unless it is made in the regular course of trading on the ETS or any other approved trading system of the Exchange.</p>
5.6	<p>Daily Official List</p> <p>A daily official list of prices shall be issued by or under the authority of the Exchange. Such daily official list of prices may be published or provided in such media, as may be decided by the Exchange from time to time, or be made available on the official website of the Exchange.</p>
5.7	<p>Trading Facility:</p> <p>5.7.1 Transactions in the ETS may be effected through order driven, quote driven or such other system as the Exchange may provide for trading in specified commodities and as specified by the Exchange through circulars and notices issued hereunder from time to time.</p> <p>No TRE Certificate Holder or Broker or any of its Authorized Person or Customer shall have any title, right or interest in the ETS or any other trading system of the Exchange, its facilities, and software and the information provided on the ETS, and no such claim shall lie against the Exchange at any time.</p> <p>The permission to use the ETS may be given to a Broker, subject to compliance with such terms and conditions as the Exchange may determine from time to time, which may, inter alia, include payment of such deposits and/or charges, as may be provided in these Regulations and circulars and notices issued hereunder from time to time.</p> <p>The price feed (from the trading System) may not be marketed by any Broker or their employees or employees of the Exchange to any person for any financial consideration or otherwise.</p>
5.8	<p>Authorized Persons</p> <p>5.8.1 Brokers shall allow only their Authorized Persons or Customers to operate the ETS.</p>

	<p>5.8.2 The Exchange may, at its discretion, restrict, withdraw or terminate the ETS access of any Authorized Person or Customer of a Broker for failure to comply with the applicable provisions of these Regulations and/or Circulars and Notices issued thereunder; but the Broker concerned shall continue to be liable for any acts of commission and/or omission prior to cancellation by the Exchange and/or loss /damage arising from those acts.</p> <p>5.8.3 Brokers may register Service Providers to act on their behalf as Authorized Persons. Brokers shall ensure compliance towards registration of Service Providers with PMEX as Authorized Persons.</p>
5.9	<p>Operational Parameters for Trading</p> <p>The Exchange may determine from time to time the operational parameters regarding transactions in Futures Contracts traded on the ETS. Such operational parameters may include:</p> <ul style="list-style-type: none"> (a) determination of functional details of the ETS, including the system design, user infrastructure, user interface and system operation. (b) determination of the procedure and norms for trading. (c) limits on trading and open positions mark to market losses, exposure, concentration and on the spread between bid and offer rates. (d) fixation of units of trading and/or minimum and/or maximum quantity of Futures Contracts or order which may be offered to be bought or sold or the limits on price fluctuations permitted in a day or period. (e) fixation of tick sizes and levels for providing alerts. (f) determination of the types of trades permitted for a Broker and for a Futures Contract. (g) specifications of different order books, types of orders, order conditions and other details related to orders and trades. (h) maintenance of recording of transactions executed and the manner of reporting transactions in the determined forms to the Exchange and Commission. (i) other matters, which may affect smooth operation of trading in Futures Contracts permitted on the Exchange. All the parameters shall be strictly adhered to by the Brokers and their Customers. The parameters, however, may vary for commodities and for different centres of delivery. (j) whatever the trading system allows will be in conjunction with or in accordance with the Chapter 4.
5.10	<p>Loss of Access to ETS:</p> <p>The Exchange shall provide its services on a best effort basis. However, the Exchange shall not be liable for failure or malfunctioning of the ETS or any other support systems and for any loss, damage, or other costs arising thereupon and/or in any way out of:</p> <ul style="list-style-type: none"> (a) failure in or errors of a telecommunication network, systems or applications including failure of ancillary, associated or third party systems, or failure or fluctuation of power, or other environmental conditions; or (b) accident, transportation, neglect, misuse, errors, fraud of the Broker or its Authorized Persons or Customers, Branch Head or any third party; or

	<p>(c) any fault in any attachments, system or equipment (either supplied by the Exchange or approved by the Exchange) which forms or does not form part of the trading workstation installation; or</p> <p>(d) act of God, fire, flood, war, act of violence, or any other similar occurrence or for any reason beyond the control of Exchange; or</p> <p>(e) any incidental, special or consequential damages.</p> <p>However, in the event of a failure or malfunctioning of and/or loss of access to the ETS, the Exchange will specify the appropriate measures to be taken by the Broker.</p> <p><u>Without prejudice to anything contained in the provisions above, such failure or malfunctioning of the ETS or loss of access to ETS shall not reduce, alter or affect the liability of a Broker or the Customers in respect of any trades, already executed by or through such Broker.</u></p>
5.11	<p>Closing-out Exchange Brokers Responsibility: The Broker shall be fully accountable for the closing out of transactions effected by the Exchange on its behalf and shall indemnify the Exchange against any loss or cost arising out of or incidental to such close-out of transactions either directly or indirectly.</p>
5.12	<p>Order Management: The conditions and procedures to be followed by a Broker or its Authorized Persons or Customers for entering, amending or cancelling orders on the ETS shall be as specified by Exchange in these Regulations or from time to time, which may, inter alia, specify details to be entered compulsorily at the time of order entry, such as, Customer code, type of order, symbol or Futures Contract code, etc. Similar procedures and conditions shall be specified for trading on any other approved trading system of the Exchange, and must be followed by a Broker, or its Authorized Person or Customer.</p>
5.13	<p>Trade Management: Trading shall be allowed on the ETS in such Futures Contracts as may be admitted to dealings on the Exchange and for such categories of TRE Certificates of the Exchange, trade types, settlement periods and for such trading hours as the Exchange may specify from time to time or as may be provided in the Broker Regulations and Regulations and Circulars and Notices issued hereunder, from time to time.</p>
5.14	<p>Liability of Brokers and Customers: A Broker shall be liable for all the trades executed on the ETS, arising out of orders entered into the system by it and its Authorized Persons or Customers. The Broker shall be solely responsible for all the acts of commission and/or omission of Authorized Persons or Customers, employees and other persons deployed by such Broker, in relation to performance of obligations arising there from, connected therewith and incidental to such acts of commission and/or omission. A Broker or its Authorized Persons or Customers shall maintain complete secrecy of their passwords/ PIN codes. Any trade or transaction done by use of any of Authorized Persons or Customers of the Broker shall be binding on such Broker and the Customer.</p> <p>A Broker shall not execute discretionary trades on behalf of its Customers in any manner. A Broker or its Authorized Persons shall not take or use the Customer login credentials and passwords on behalf of its Customers.</p>
5.15	<p>Protection from misuse of the system: No Broker shall permit itself or any other person(s) to:</p> <p>(a) Use the software provided by the Exchange for any purpose other than as approved and specified by the Exchange;</p> <p>(b) Copy, alter, modify or make available to any other person the software provided by the Exchange;</p> <p>(c) Use the software in any manner other than the manner specified by the Exchange;</p> <p>(d) Attempt directly or indirectly to de-compile, disassemble or reverse engineer the same;</p>

	<p>(e) Attempt to intentionally access software provided by the Exchange without authorization or exceed authorized access for whatever purpose;</p> <p>(f) Machine trading without prior authorization and approval of the Exchange; and</p> <p>(g) any other such prohibition as the Exchange may notify from time to time.</p>
5.16	<p>Order Validation: Orders on the ETS shall be subject to such validation checks relating to quantity, price, value etc., as may be determined by the Exchange and Circulars and Notices issued hereunder, from time to time.</p>
5.17	<p>Matching Methodology: The Exchange may from time to time specify the methodology to be applied for matching orders on the ETS, which may vary for different order books. Unless otherwise specified, the orders shall be matched on price-time priority. The Exchange is also entitled to modify or change the matching rules relevant to any market or order books with the prior approval of the Commission.</p>
5.18	<p>Use of Technology: The Exchange shall from time to time provide the necessary norms and requirements relating to the use of technology, which may include equipment, software, network, etc., to ensure safety, security and integrity of the ETS or any other trading system provided by the Exchange so as not to endanger or harm in any way the public interest and / or the interest of the Exchange. These norms shall be binding on the Brokers of the Exchange and their Customers.</p>
5.19	<p>Appointment of Authorized Person by more than one Broker:</p> <p>No person shall be appointed at any time as an Authorized Person by more than one Broker, other than Customers of Brokers.</p> <p>Provided that no Broker shall hire the services of any person who was an employee of another Broker and was terminated on account of any fraud or misconduct.</p>
CHAPTER VI: TRADING SYSTEM	
6.1	<p>6.1 Access to Trading:</p> <p>The Exchange shall provide an ETS, to the Brokers and their Customers to access and conduct trading in the Futures Contracts admitted for trading on the Exchange.</p> <p>The ETS as may be provided by the Exchange shall be called PMEX Trading System or any other name, as determined by the Exchange.</p> <p>The ETS shall be available for facilitating trading in the Futures Contracts for specified commodities permitted for trading on the Exchange and also for trading in such other Futures Contracts, which may be allowed by the Exchange with prior approval of the Commission.</p> <p>The Exchange may provide the architecture and the infrastructure related thereto, to the extent possible, to facilitate the Brokers and their Customers to establish connectivity with the ETS or any other trading system of the Exchange. The Exchange shall have absolute right to specify the maximum number of ports to access the ETS that may be allotted to a Broker at the absolute discretion of the Exchange and the conditions for such allotment. The Exchange shall also have the absolute right to restrict the installation of ports in any place.</p> <p>The Exchange may suspend or shutdown trading in the event of any crises/disaster or ETS is inoperative or inaccessible pursuant to any reason as specified in Regulation 5.10 or absence of liquidity in the Futures Contract(s) or occurrence of any other situation affecting the market in the manner prescribed in the procedures determined by the Exchange with the prior approval of the Commission from time to time.</p> <p>The Exchange may determine the specifications/descriptions of hardware, software and equipment and the specifications to carry out the required testing thereof in such manner and time as may be specified by the Exchange from time to time, which a Broker shall be required to strictly adhere to have connectivity with, or use of the ETS or any other trading system of the Exchange, to ensure compatibility and minimize/avoid technical issues arising out of incompatibility of hardware, software and equipment.</p> <p>A Broker may be authorized to appoint such number of persons as Authorized Persons, as may be allowed by the Exchange.</p> <p>The Exchange shall have the power to provide for:</p>

	<p>(a) the procedure for registration and cancellation of the registration of a person as an Authorized Person or Customer;</p> <p>(b) the conditions required to be fulfilled before a person can be registered as an Authorized Person or Customer;</p> <p>(c) the conditions required to be fulfilled before an Authorized Person or Customer may have access to the ETS;</p> <p>(d) the maximum number of persons who may be allowed to have access to the ETS on behalf of a Broker;</p> <p>(e) the procedure for provision and modification of a password/pin-code used by an Authorized Person or Customer to access the ETS; and</p> <p>(f) the circumstances in which the Exchange may refuse and/or withdraw and/or cancel the permission to an Authorized Person or Customer to have access to the ETS, either indefinitely or for a specified period or until the fulfilment of conditions, as may be specified by the Exchange from time to time.</p> <p>All the orders for purchase or sale of Futures Contracts by a Broker shall be required to be entered only through the ETS. Any attempt by a Broker to trade any Futures Contract outside of the Exchange or the ETS shall be in contravention of these Regulations and for which the Exchange shall not be liable for or under any obligation to recognise, enforce, clear or settle.</p>
6.2	<p>Surveillance, Market Monitoring System, Investigation and Broker Database: The provisions relating to surveillance, market monitoring system, investigation, any other market related activities and Brokers database shall be specified from time to time through Circulars and Notices issued hereunder.</p>
6.3	<p>Appropriation of the Customers Order: No Broker of the Exchange shall, in respect of any Futures Contract permitted for trading on the Exchange, enter into any Futures Contract on its own account, with his Customer, or with another Broker of the Exchange. Any contract entered into in violation of these Regulations shall entail disciplinary action by the Exchange. For any such contract, the Exchange shall not act as a legal counterparty under these Regulations even if the contract is settled through the Clearing House.</p>
6.4	<p>Brokers prevented from obtaining funds of Customers. No Broker can obtain and utilize the funds from its Customer in any manner.</p>
6.5	<p>Brokers liable for all Trades: The Broker shall continue to be liable for all trades executed on the ETS for orders entered into the ETS on behalf of its Customers. Broker shall be responsible for all the actions of their Authorized Persons and their Customers.</p>
6.6	<p>Broker disclosing to Exchange: The Broker shall disclose to the Exchange through the System at the time of order entry that the order is on its own account or on behalf of Customers.</p>
6.7	<p>Procedure for cancellation of order: The procedures and conditions for amendment or cancellation of orders shall be subject to such conditions as specified by the Exchange with the prior approval of the Commission from time to time. Brokers shall be solely responsible for the accuracy of details of orders entered into the ETS including orders entered on behalf of its Customers.</p>
6.8	<p>Positions Limits: An order shall be subject to validation of position limits. A position limit refers to the maximum number of Open Positions that a Broker and its Customers will be permitted to maintain/hold on the ETS. The Exchange may specify from time to time the manner in which all position limits shall apply.</p>
6.9	<p>Trades on the system: Trades generated on the system are irrevocable and 'locked in'. The Exchange may, with prior approval of the Commission, specify from time to time the manner in which trade cancellation can be effected.</p>
6.10	<p>The Exchange's right to provide access: The Exchange reserves the right to terminate the system access of a Broker or a Customer from the ETS at any time at its full discretion for reasons to be recorded in</p>

	writing and will provide periodical reports thereof to the Board and the Commission.
CHAPTER VII: CLEARING HOUSE OF THE EXCHANGE	
7.1	<p>Clearing and Settlement: All Future Contracts transacted on the Exchange shall be cleared and settled by the Clearing House, and whenever required, closed out in accordance with these Regulations.</p> <p>All Futures Contracts transacted on the Exchange will be made available by the Exchange to the Brokers for settlement in the manner specified by the Exchange through Circulars and Notices issued hereunder.</p>
7.2	<p>Brokers and Customers:</p> <p>A Broker may at its discretion discontinue clearing or settling services after closing out of outstanding Futures Contracts of any Customer with whom the Broker has an agreement to provide clearing and settlement services.</p> <p>The Broker shall communicate the reasons for discontinuing the services in writing to the Customer and also to the Exchange, affirmatively indicating if such a discontinuance of service is the result of the Broker being aware of the Customer breaching these Regulations.</p>
7.3	<p>Exchange Guarantee for Settlement: In respect of Futures Contracts, traded and cleared by the Clearing House in the manner specified in these Regulations, the Exchange shall be deemed to guarantee the settlement. The Clearing House shall act as a central counter party through novation in respect of trades accepted for clearing and settlement.</p> <p>For avoidance of doubt, the central counter party means the Clearing House when it acts in its capacity as a buyer to every seller and seller to every buyer as a result of novation in respect of trades reported to it for clearing and settlement.</p>
7.4	<p>Provisions in respect of Contracts being cleared: The following provisions shall apply in respect of Futures Contracts that are transacted in the Exchange and then cleared, settled and closed out by the Clearing House in the manner specified by these Regulations:</p> <p>Every Broker shall be fully responsible for all its commitments to the Exchange and its Customers irrespective of whether one or more Customers with whom it has dealings have defaulted. Default of any one or more Customers shall not affect the rights of other Customers with whom the Broker has dealings but who are not in default;</p> <p>A Broker carrying an account of a Customer that is required to make or accept delivery, agrees to guarantee and assume complete responsibility for the performance of all delivery requirements set forth in these Regulations. In a delivery default, the Clearing House shall seek to ensure the financial performance with respect to the delivery. In this regard, the Clearing House powers will include, but will not be limited to, the right to sell or liquidate the commodity subject to delivery and to distribute the proceeds as appropriate.</p> <p>No Broker shall fail to affect clearance, settlement or payment of margin in the manner specified by the Clearing House or, fail to pay damages to the Clearing House or, fail to effect or accept delivery merely on the ground of default of others including its Customers. In a delivery default, the Clearing House shall seek to ensure the financial performance with respect to the delivery;</p> <p>The Exchange shall be responsible for its commitments to each Broker whether the remaining Brokers with whom it has dealings have defaulted except under circumstances where improper trades not covered under the Settlement Guarantee Fund are the cause for default. Default of any one or more Brokers shall not affect the rights of the remaining Brokers who are not in default.</p> <p>The Exchange shall not be responsible for the commitments of a defaulting Broker to its Customers, with whom the Broker has an agreement as per these Regulations.</p>
7.5	<p>Clearing House: The Clearing House shall, in the manner specified by the Board, have the responsibility of receiving and maintaining margin payments in completely segregated accounts, monitoring open positions and margins, and transmission of documents, payments and Certified Vault and Warehouse Receipts amongst the Brokers of the Exchange.</p> <p>Futures contracts for specified commodities as may be determined by the Exchange from time to time, and traded and cleared by the Exchange in the manner specified in these Regulations, the Clearing House shall be deemed to guarantee the outstanding financial obligations to Brokers .</p>

	The Exchange shall not be deemed to guarantee the financial obligations of a defaulting Broker to its Customers, who are clearing and settling through it nor shall it be liable to accept deliveries or make deliveries.
	The Exchange shall not be deemed to guarantee the financial obligations of any Broker of the Exchange to its Customers and nor shall be liable to accept deliveries or make deliveries.
	The Exchange shall not be deemed to guarantee the delivery, the title, genuineness, quality or validity of any goods or any documents passing through the Clearing House.
	The Exchange shall not be liable for obligations of a Customer of a Broker nor shall the Clearing House become liable to make deliveries to or accept deliveries from a Customer of a Broker.
	If a Broker fails to fulfil its delivery obligations as specified in these Regulations, the Exchange's sole obligation shall be to pay reasonable damages proximately caused by the default, but in no event shall the Exchange be obligated to pay any damages greater than the difference of the delivery price of the specific commodity and the reasonable market price of such commodity at the time delivery is required to be made in accordance with these Regulations.
7.6	Designated Clearing Banks "The Exchange may, with approval of the Board, notify through circular, a "scheduled bank" or a "microfinance bank" licensed by the State Bank of Pakistan, as the Clearing Bank".
CHAPTER VIII: MARGINS	
8.1	Initial Margin: In respect of Futures Contracts that are transacted on the Exchange, all buyers and sellers shall post such amount as initial margin, including special, variation and additional margin, as may be specified by the Exchange and approved by the Board from time to time.
8.2	Margin provisions: The following margin provisions, subject to margin requirements determined by applying any methodology specified by the Exchange and approved by the Board and the Commission, from time to time, shall apply in respect of Futures Contracts that are transacted on the Exchange and then cleared and settled by the Clearing House: Every Broker shall pay the appropriate margin amount to the Clearing House against the aggregate Open Positions cleared by the Broker: (i) for the Brokers' own account where applicable; and (ii) for each of its Customers, where applicable Provided a Broker may deposit margin on behalf of its Customers in the manner specified by the Exchange from time to time Every Broker executing transactions on behalf of Customers shall collect from the Customers not less than the margins specified by the Exchange from time to time, against their open positions within such time as may be specified by the Exchange; The margin to be paid shall be calculated, based on the methodology specified by the Exchange through Circulars and Notices issues hereunder, which may be on gross position basis, net position basis, or in other manner, as may be decided by the Exchange with the approval of the Board and Commission.
8.3	Variation Margin: Margin accounts of all Brokers and their Customers shall be marked to market daily by the Clearing House and the Brokers and their Customers shall be required to pay the same as may be specified by the Clearing House.
8.4	Margin from Brokers: Brokers shall deposit initial margin in cash or securities or other assets as specified under Regulation 13.8 of these Regulations and amended from time to time to fulfil the initial margin requirements in respect of open positions. Variation margin shall be paid in cash only in the manner as specified by the Exchange from time to time. The Exchange may specify the type/quantum of margin and the applicability of the same from time to time. Such margin may vary between different types of Futures Contracts and for different contract months.

	<p>The Exchange may close out the cleared open positions of a Broker and its Customers, or take any other action the Exchange may deem fit, when the call for variation margin or any other payment due is not complied with.</p>
8.5	<p>Failure to Pay Variation Margin: Failure to pay variation margin by a Customer may lead to his open position being liquidated and his account being deactivated/suspended. Failure to pay variation margin by a Broker may lead to the Broker being deactivated/suspended and declared as a defaulter by the Exchange. The Exchange may also take such other measures including disciplinary actions, against the defaulting Brokers or their Customers, as it may deem fit.</p> <p>No Broker shall directly or indirectly enter into any arrangement or adopt any procedure for the purpose of evading or assisting in the evasion of the margin requirements specified under these Regulations or any orders issued hereunder by the Exchange;</p>
8.6	<p>Margin from Customers:</p> <p>Margin deposits received from Customers in any form as specified by the Exchange shall be accounted for and maintained separately in completely segregated accounts without any commingling between Brokers' own funds and its Customers' funds, or between any of its Customer's, and shall be used solely for the benefit of the respective Customer's positions.</p> <p>Margin accounts of Customers shall be marked to market daily by the Exchange and further margin shall be collected when necessary to maintain the appropriate margin.</p> <p>Brokers of the Exchange shall post and accept margin deposits only in such form as may be permitted by the Exchange.</p> <p>The margin account of Customers shall be utilized only for settling the dues to the Broker/Exchange upon marking to market or for fulfilling the obligations resulting from their open positions.</p> <p>Brokers shall furnish to their Customers in writing such reports and at such intervals as may be specified by the Exchange.</p> <p>A Broker may close out an open position of a Customer when a margin call or any other payment due is not complied with by the Customer within the time period specified by the Exchange.</p>
8.7	<p>Brokers maintaining arrangement with Clearing Bank: Brokers shall maintain such banking arrangements with the designated Clearing Bank(s) as specified by the Exchange so as to permit the transfer of funds and to maintain funds in a segregated manner between its own funds and the funds of its Customers.</p> <p>Each Broker shall deposit initial, variation, or any additional margin or deposits with the Clearing House through the designated Clearing Bank(s), as directed by the Exchange, within the specified time and in the specified manner.</p>
8.8	<p>Additional Margin:</p> <p>The Exchange may specify such additional or special margins including delivery margins as may be considered necessary during the delivery period and emergencies.</p> <p>The Exchange may from time to time, impose upon any particular Broker, special or other margin requirement.</p>
8.9	<p>Lien on Margin: The monies paid by way of margin or other securities or assets pledged or hypothecated by a Broker or on behalf of their Customers in lieu of margin under the provisions of these Regulations shall be subject to a first and paramount lien for all sums due to the Clearing House. Margin shall be available in preference to all other claims against the Broker and/or Customer for the due fulfilment of their obligations and liabilities arising out of or incidental to any deals made subject to these Regulations.</p>

8.10	<p>Release of Margin: The Clearing House would release all margins after the payout upon receipt of Brokers' request, subject to all outstanding dues and payments being settled.</p>
CHAPTER IX: CLEARING AND SETTLEMENT	
9.1	<p>Clearing House: The Clearing House shall function in respect of trading in Futures Contracts permitted on the Exchange so as to provide clearing and settlement services for the transactions.</p>
9.2	The Clearing House shall process all transactions submitted to the Clearing House.
9.3	<p>After placement of Order: Once an Order is placed in the System, it must match on the following:</p> <ul style="list-style-type: none"> (i) Futures Contract; (ii) Contract month; (iii) Quantity; and (iv) Contract price. <p>Once it is so matched, the Exchange assumes the position of a buyer to every seller and a seller to every buyer in respect of such transactions. The daily or final settlement price shall be considered as the contract price as applicable.</p>
9.4	All outstanding transactions shall be binding upon the original contracting parties, that is, the Brokers of the Exchange who have cleared transactions until liquidated by offset or issue of delivery notice or delivery order or payment for delivery, as the case may be as specified under these Regulations.
9.5	<p>Trades and Settlement: Each trading day shall be a settlement day, unless it is declared otherwise by the Exchange.</p>
9.5.1	
9.5.2	All transactions in Futures Contracts permitted on the Exchange shall be subject to marking to market and settlement through the Clearing House, at intervals specified by the Exchange under these Regulations. The Exchange shall have the right to effect marking to market and settlements through the Clearing House more than once during the course of a working day, if deemed fit on account of the market risk and other parameters; and
9.5.3	Settlement of differences, if due to marking to market of outstanding transactions, shall be made by the Brokers through the Clearing House.
9.6	<p>Settlement Price:</p>
9.6.1	There shall be a daily settlement price in respect of each contract month and for each Futures Contract.
9.6.2	Settlement price shall be determined by the Exchange based on price quotations of transactions executed in accordance with these Regulations and other information available on the daily official list or in such other manner, as may be determined by the Exchange.
9.6.3	All transactions, after a mark to market settlement, cleared by the Clearing House shall be included in the succeeding marked-to-market settlement till the expiration of the Futures Contract.
9.7	In case of contracts coming under settlement for the first time, the difference shall be calculated between the contract rate and the settlement price. In the case of contracts coming under subsequent settlements, difference shall be calculated between the settlement prices arrived at by marking to market all open positions.
CHAPTER X: DELIVERY	
10.1	<p>Through Clearing House: After the trading hours on the expiry date, based on the available information, the matching for deliveries would take place by the Clearing House on a random basis, keeping in view the factors such as available capacity of the vault/warehouse, commodities already deposited and offered for delivery and any other factor as may be specified by the Exchange from time to time. Matching done by the process set out by the Exchange, from time to time, shall be binding on the Brokers provided that the Exchange would have already specified the marketable and nonmarketable and deliverable lot and all contract specifications would specify the amount that would be delivered and anything less than the amount specified would be subject to cash settlement. After completion of the matching process, Brokers would be informed of the deliverable/receivable positions and the unmatched positions.</p>

	<p>Unmatched positions or odd lots shall have to be settled in cash.</p> <p>The cash settlement would be only for the incremental gain / loss as determined on the basis of final Settlement Price as specified by the Exchange.</p> <p>All matched and unmatched positions shall be settled in accordance with the applicable Settlement Calendar and as specified under these Regulations.</p> <p>However, the Exchange reserves the right to allocate deliveries as it deems fit.</p>
10.2	<p>Duties of a Broker: Prior to the last day of trading, each Broker shall request evidence from the Customer for each account of the Customer on the Broker's books that all open positions which will not be offset on the last day of trading will be completed by delivery. If any Customer is unwilling or unable to provide such evidence, then the Broker must liquidate the position on or before the last day of trading.</p>
10.3	<p>Early Pay-In: The Brokers may be allowed to deliver their obligations before the Pay-in date as applicable under the Settlement Calendar.</p>
10.4	<p>Additional Credit/Debits: The Exchange may specify the parameters and methodology for premium / discount, as the case may be, from time to time for the quality/quantity differential, sales tax, taxes, government levies/fees if any. Pay in/Pay out for such additional obligations may be settled on the supplemental Settlement Date as specified in the Settlement Calendar.</p>
10.5	<p>Prices quoted on the Exchange: Prices quoted on the Exchange shall be in the manner as specified in the respective contract specifications of each Futures Contract. The applicable taxes shall be dealt as per Contract specifications. The parties to the transaction shall be responsible for the payment of any other taxes applicable under the laws of the Country.</p>
10.6	<p>Fines for Defaults: In the event of a default by the seller or the buyer in delivery of commodities or payment of the price, the Exchange may close out the Futures Contracts or take any other action as the Exchange deems fit and would impose fines on the defaulting Buyer or Seller, as the case may be, and also use the margins deposited by such Broker to recover the loss. The settlement for the defaults in delivery would be in cash within the period as specified by the Exchange together with the mark up thereon as may be decided by the Exchange from time to time.</p>
10.7	<p>Contracts Subject to Change in Settlement Procedure: In an emergency situation, the Exchange may at any time through an adequate notice amend the settlement procedure or the clearing process.</p>
10.8	<p>Clearing Days and Schedule Times: The Exchange shall from time to time fix the various clearing days, the Pay-in and Pay-out days and the scheduled time to be observed in connection with the clearing and settlement operations of trades in Futures Contracts. The Exchange may specify different schedules for any or all Brokers from time to time. The Exchange may at any time curtail, extend, alter or postpone to any other date or dates, the entire Clearing or any or all of the various clearing days, in respect of any or all Futures Contracts.</p>
10.9	<p>Clearing and Settlement Process: The Exchange shall specify the process from time to time for the functioning and operations of the Clearing House and to regulate the functioning and operations of the Clearing House, which shall be deemed to form a part of any settlement process so provided. The Exchange may specify different process and procedures for clearing and settlement for any or all Brokers from time to time.</p>
10.10	<p>10.10 Settlement Obligations Statements for Brokers: ETS shall provide to each Broker, settlement obligations statements showing the quantities of the different kinds of commodities for which delivery/ deliveries is/ are to be given and/or taken and the funds payable or receivable by in its capacity as a Broker for trades made by for which the said Broker has confirmed acceptance to settle.</p>
10.11	<p>Delivery and Receipt Statements:</p>

	Based on the settlement obligations statements, the ETS shall provide delivery statement and receipt statement for each Broker. The delivery and receipt statement shall contain details of commodities to be delivered to and received from other Brokers, the details of the corresponding buying / selling Customer and such other details as may be specified by the Exchange.
10.12	<p>Futures Contract Specification: The following specifications may be specified in the standardized contract specification approved by the Board and the Commission:</p> <p>Specified Delivery Units: The Exchange may specify from time to time the delivery units for all commodities admitted for trading on the Exchange. The Exchange may also specify from time to time the variations permissible in delivery units as per those stated in the contract specifications.</p> <p>Deliverable Grades: Deliverable grades shall be those stated in the contract specifications as specified from time to time by the Exchange.</p> <p>Assayer Certificates: The Exchange shall notify list of approved Assayers for the purpose of certification of quality, grade and any other specification pertaining to each of the commodities/Warehouses/Vaults.</p> <p>Brokers shall ensure that the Brokers and their Customers shall avail the services of approved Assayers for the purpose of certifications of the commodities as required under these Regulations and avail the services of Assayers or Warehouse or Vaults as may be specified by the Exchange for quantity and quality certification.</p>
10.13	<p>Delivery in Part: The receiving Broker shall accept such portion of the commodities as may be in order provided it is in lots of delivery unit.</p>
10.14	<p>Closing Out: If the delivering Broker fails to deliver within the period determined by the Exchange, the Exchange shall close out the said delivery at closing price or any other price as decided from time to time by the Exchange against the delivering Broker in accordance with these Regulations relating to closing-out.</p>
10.15	<p>Delivering Broker Debited: Without prejudice to the provisions contained elsewhere in this regard, the Exchange shall be entitled to debit the delivering Broker responsible for the documents which are not good delivery or are disputed deliveries by an amount equivalent to the said deliveries valued at such valuation price as the Exchange may specify from time to time in this regard.</p>
10.16	<p>Fines for Bad Delivery: The Exchange may impose a fine on a delivering Broker responsible for the delivery of commodities on its own behalf or on behalf of its Customers, which are not good delivery and such fines and other charges shall be in addition to any loss such Broker may suffer on account of closing-out.</p>
10.17	<p>Delivery Default: Notwithstanding any of the above provisions of this Chapter, the Exchange reserves the right to take any other action it deems fit, to preserve the integrity of the Market, and its Clearing House</p>
CHAPTER XI: CLOSING-OUT OF CONTRACTS	
11.1	<p>Closing out: Any transaction made subject to these Regulations of the Exchange may be closed out against a Broker and its Customer on his failure to comply with any of the provisions relating to delivery, payment and settlement of transactions or on any failure to fulfil the terms and conditions subject to which the transaction has been made. For the purpose of this Chapter a Broker who has failed to comply with any of the provisions relating to delivery, payment and settlement of trades or on any failure to fulfil the terms and conditions subject to which the trade has been made shall be referred to as “defaulting Broker”.</p>

11.2	<p>Closing against a Broker: In respect of outstanding transactions, the Exchange shall be entitled to closing out against the defaulting Broker and its Customer for the benefit of the receiving/delivering Broker or itself, as the case may be. In such cases no notice of closing-out shall be given to the Broker against whom the closing-out is to be effected.</p>
11.3	<p>Manner of Closing out: The Exchange shall affect closing out against the Broker in any manner as determined by the Exchange from time to time.</p>
11.4	<p>Save as otherwise provided, the Broker against whom the closing-out is effected by the Exchange, shall be responsible for the transaction made and no liability or responsibility shall be attached to the Exchange, its directors, representatives or its employees for any trades made in pursuance of such closing-out.</p>
11.5	<p>The Exchange may defer closing-out in any particular case if in its opinion a fair market to close-out is not available or if it determines that the default is due to the existence of a special situation, but no such deferment shall relieve the Broker in default of the obligation to pay for any resulting damages or fees to the intermediate parties of their liabilities. In such a situation the Board and the Commission shall be informed in writing.</p>
11.6	<p>The Exchange may suspend or postpone closing-out in respect of any transaction and from time to time may extend or postpone the period of such suspension or postponement when circumstances appear in the Exchange's view to make such suspension or postponement desirable in the general interest. The liability of intermediaries in respect of transactions in such commodities settled through the Clearing House, as the case may be, shall continue during the period of such suspension or postponement. In such a situation the Board and the Commission shall be informed in writing.</p>
11.7	<p>After Closing Out: When closing-out is effected as provided above and the Broker concerned is declared a defaulter, the difference arising from closing-out shall be recovered from the said Broker and distributed in accordance with these Regulations relating to default.</p>
11.8	<p>When closing-out is effected on the advice of the Exchange, the Broker against whom the closing-out takes place shall pay to the Exchange such closing out charges as the Exchange may determine, from time to time.</p>
11.9	<p>When closing-out is effected on the advice of the Exchange against a Broker failing to give or take delivery of all or any of the commodities or funds according to its obligation, the resulting difference (between the monetary value of commodities at the market price determined by the Exchange and the closing out price) due by such Broker shall be paid by the Broker forthwith to the Exchange.</p>
11.10	<p>When closing-out is effected on the advice of the Exchange against a Broker failing to give or take delivery of all or any of the commodities or funds according to its obligation, any profit (between the monetary value of commodities at the market price determined by the Exchange and the closing out price) shall be credited to the account of the Settlement Guarantee Fund or such other funds as may be set up by the Exchange from time to time to be held by the Exchange for such purposes as may be determined by it.</p>
11.11	<p>If any Broker against whom a trade is closed-out under the provisions of these Regulations, and the Broker fails to make payment of the loss arising out of the closing - out and of the damages, if any, within such time as may be stipulated by the Exchange from time to time, he may be declared a defaulting Broker by the Exchange.</p>
<p>CHAPTER XII: SETTLEMENT GUARANTEE FUND</p>	
12.1	<p>Establishment of Fund: 12.1.1 The Board shall establish a fund to be called the Settlement Guarantee Fund in respect of all Future Contracts transacted by Brokers of the Exchange to be cleared and settled by the Clearing House. The Fund shall be utilized to fulfill obligation in the event of failure of any Broker to honour its settlement obligation towards the Exchange.</p> <p>12.1.2 The Fund shall be maintained under an irrevocable trust constituted through the trust deed, approved or amended from time to time with the prior approval of the Commission. The trustees of the Settlement Guarantee Fund shall have all requisite powers and authority in respect of the management and administration of the Settlement Guarantee Fund as well as for achieving the object and purpose of the Settlement Guarantee Fund in accordance with the trust deed, these Regulations and the procedures.</p> <p>12.1.3 The Board with the prior approval of the Commission may prescribe, from time to time, the procedures, terms and conditions in relation to Settlement Guarantee Fund which may, inter alia, specify the criteria for determining the minimum amount to be maintained in the Settlement Guarantee Fund, amount of contribution to be made by the Exchange and Brokers to the Settlement Guarantee Fund, the terms, manner and mode of contributions, conditions pertaining to the reimbursement to the Settlement Guarantee Fund for maintaining the required minimum amount or any other amount to be maintained in the Settlement Guarantee Fund as otherwise determined</p>

	<p>by the Exchange or the Commission and any other operational requirements and procedures pertaining to the Settlement Guarantee Fund.</p> <p>12.1.4 The Settlement Guarantee Fund shall consist of the following:</p> <p>(a) The Exchange shall contribute an initial contribution. The Board may determine subsequent periodical contributions by the Exchange to the Settlement Guarantee Fund in amounts as may be approved by the Board.</p> <p>(b) Each Broker shall be required to initially contribute to the Settlement Guarantee Fund in an amount as determined by the Board from time to time. The Board may also specify periodic contribution to the Settlement Guarantee Fund by the Brokers from time to time.</p> <p>(c) In addition to the initial contribution outlined in Regulation 12.1.4(b) above, the Board may specify the amount of additional contributions with approval of the Commission to be made by each Broker and/or group of Brokers to the Settlement Guarantee Fund and the period in which the additional contribution shall be paid.</p> <p>(d) Any income generated from investment of assets under Settlement Guarantee Fund.</p> <p>(e) Any fines and/or other amount prescribed by the Exchange under these Regulations.</p>
	<p><u>12.2 Review of Settlement Guarantee Fund</u></p> <p>12.2.1 The Exchange shall, at regular intervals, assess the adequacy of Settlement Guarantee Fund and determine minimum amount of Settlement Guarantee Fund to meet settlement obligations arising on account of failure of any Broker(s) based on the valuation models prescribed by the Exchange with prior approval of the Commission. Such determination shall either be based on actuarial recommendations or any other method used to accurately determine the required amount of the Settlement Guarantee Fund based on risk analysis, stress-testing, determination of actual or contingent liabilities, historical market performance, history of defaults, capital adequacy of Brokers etc., or best estimate as determined by the Exchange and /or any other conditions with the approval of the Commission. Subsequent to the valuation, any alteration in the amount of the Settlement Guarantee Fund may be permissible subject to the approval of the Board and the Commission. The Exchange shall take immediate steps to ensure that the required amount of the Settlement Guarantee Fund is complied with.</p> <p>12.2.2 The Exchange and trustees of the Settlement Guarantee Fund shall endeavor to ensure that the value of the Settlement Guarantee Fund at any point of time is not less than the value as prescribed in clause 12.2.1.</p> <p>12.2.3 In case the amount in the Settlement Guarantee Fund falls below the required amount of the Settlement Guarantee Fund, the Board will forthwith takes steps to ensure that the amount available in the Settlement Guarantee Fund is increased to an amount which is not less than the required amount which needs to be maintained in the Settlement Guarantee Fund. Such steps include but are not limited to the imposition of additional contributions on all Brokers and/or by additional contributions as determined by the Board in such manner as decided with the prior written approval of the Commission.</p> <p>12.2.4 The Exchange shall, once every three years or any other frequency as may be determined with prior approval of the Commission, engage an authorized and reputable actuary for actuarial valuation of the Settlement Guarantee Fund.</p>
12.3	<p>12.3 Utilization of Settlement Guarantee Fund:</p> <p>12.3.1 The utilization of the Settlement Guarantee Fund shall be limited to the extent of the amount available in the Settlement Guarantee Fund. In the event of any shortfall, the Exchange or trustees shall endeavor to manage the shortfall in accordance with the provisions of this Chapter. Provided that utilization of the Settlement Guarantee Fund shall only be limited to settlement of all Future Contracts transacted by Brokers under these Regulations.</p> <p>12.3.2 The Settlement Guarantee Fund may be utilized for the following purposes:</p>

	<p>(a) whenever a Broker is, or is likely to be, declared a defaulter as defined in Regulation 14.1, the Exchange may utilize the Settlement Guarantee Fund to the extent necessary to fulfill the Broker's obligations including, but not limited to, in meeting any loss or liability of the Exchange as central counter party arising from the Broker being, or likely to be, declared a defaulter;</p> <p>(b) paying for expenses and fees involved in establishing and maintaining the Settlement Guarantee Fund such as management fee prescribed with prior approval of the Commission, professional fee, applicable taxes, legal charges and all other expenses incidental to the management and administration of the Settlement Guarantee Fund out of the income of the fund;</p> <p>(c)</p> <p>12.3.3 The Exchange may also establish additional arrangements, subject to terms of availability and allied cost, including but not limited to bank facilities, policies of insurance or any other appropriate source of funds, as it may from time to time consider necessary, to minimize and limit the probability of a shortfall upon utilization of the Settlement Guarantee Fund in case of an occurrence of a default. The Exchange shall make best efforts to cover any shortfall arising after utilization of the Settlement Guarantee Fund in case of default in accordance with the applicable provisions of these Regulations.</p>
12.3	<p>Reimbursement: If a loss or liability incurred by the Exchange pursuant to Regulation 12.3.2(ba), is paid for through additional contributions by Brokers in accordance with Regulation 12.1.4(c), and subsequently funds are recovered from the defaulter Broker by the Exchange, the net amount of recovered funds shall be credited pro rata to such Brokers who paid additional contributions to the Settlement Guarantee Fund.</p>
12.4	<p>Non-Refundable: Any amounts contributed by a Broker to the Settlement Guarantee Fund shall:</p> <p>(a) subject to Regulation 12.3, be non-refundable; and</p> <p>(b) subject to Regulation 14.10, be non-transferable and non-assignable, in each case, except where the Board may otherwise determine.</p>
12.5	<p>Replenishment of the Settlement Guarantee Fund 12.5.1 At whatever time the Settlement Guarantee Fund is utilized in accordance with the provisions of these Regulations, the Exchange shall replenish deficiency of contributions made from the Settlement Guarantee Fund from the following resources:</p> <p>a) The amount realized from closing out of open positions of the defaulting Broker initiated by the Exchange in accordance with Chapter 14.</p> <p>b) Any amount realized by the Exchange from the sale of any asset of defaulting Broker under the control of the Exchange.</p> <p>c) If the proceeds received from the sources as mentioned in sub-clauses (a) and (b) above fall short of Settlement Guarantee Fund amount utilized from contributions made to the Settlement Guarantee Fund, the shortfall resulting in the Settlement Guarantee Fund shall be replenished from the Brokers as additional contribution(s) to the Settlement Guarantee Fund as determined by the Board and approved by the Commission from time to time.</p> <p>d) If the proceeds received from the sources as mentioned in sub-clauses (a), (b) and (c) above fall short of Settlement Guarantee Fund amount utilized from contributions to Settlement Guarantee Fund the shortfall in the Settlement Guarantee Fund shall be replenished from the contribution out of the reserves of the Company as determined by the Board with the prior approval of the Commission.</p> <p>e) While determining the deficient amount required to be replenished in the Settlement Guarantee Fund and the contributions to be made to remedy such deficient amount, the Exchange shall consider the contributions made by Brokers, the Exchange and by any other sources as may be determined by the Commission. The allocation of the shortfall to the Settlement Guarantee Fund shall be determined in accordance with the proportions as determined by the Board and approved by the Commission. The Exchange, after approval of its Board will accordingly submit such working to the Commission to replenish the deficient amount in the Settlement Guarantee Fund.</p>
12.6	<p>Management and Investment of the Settlement Guarantee Fund: The Settlement Guarantee Fund shall be held on trust and managed by trustees for the benefit of the Exchange. Funds in the Settlement Guarantee Fund may be invested in such investments which are permitted under the trust deed of the Settlement Guarantee Fund and under these Regulations. Any income on such investments will be deposited into the Settlement Guarantee Fund.</p>

	<p>The trustees in accordance with the provisions of the trust deed may outsource administrative work including management of funds forming part of Settlement Guarantee Fund to any entity including the Exchange.</p> <p>A summary showing opening balance, contributions made to the fund, utilization of Settlement Guarantee Fund and closing balance shall be disclosed by the Exchange at its official website and in its annual report.</p>
12.7	<p>Suspension of the Settlement Guarantee Fund</p> <p>12.6.1 The Board may, with the approval of the Commission, limit the amount to be contributed and retained in the Settlement Guarantee Fund, if at any time it becomes apparent that doing so is in the interests of the Brokers or in the interests of the and the Exchange.</p> <p>12.6.2 At the time of limiting the amount of the Settlement Guarantee Fund, the Board with the approval of the Commission shall also specify the application of such limitation ensuring the benefits of the Settlement Guarantee Fund and the Exchange.</p>
12.8	<p>Limitation of Liability:</p> <p>The Settlement Guarantee Fund shall not be utilized or otherwise be available for (i) the obligations of any party who is not a Broker; (ii) the obligations of a Broker to its Customer and any losses incidental thereto; (iii) the obligations of a Broker to another Broker, in each case, in respect of transactions which are not executed on the Exchange.</p>
CHAPTER XIII: CLEARING LIMITS	
13.1	The Exchange may specify the limits of open positions available to the Brokers based on the deposits made by them with the Exchange.
13.2	The aggregate monetary value of each Futures Contracts shall be determined on the basis of (i) the gross open positions in each of the contract months for each underlying commodity for which transactions have been cleared by the Broker and (ii) their respective settlement prices.
13.3	The maximum aggregate monetary value of all the open positions that a Broker may clear and settle shall be related to the Broker's deposits with the Exchange.
13.4	The Exchange may specify different clearing limits for Futures Contracts in different commodities.
13.5	The minimum Clearing Deposit required to be maintained by the Brokers at any point of time shall be specified by the Board. The minimum Clearing Deposit shall be paid in the form of cash only.
13.6	Brokers may enhance their clearing limits. In order to enhance they shall make additional deposits with the Exchange.
13.7	The gross open position of the Broker and the monetary value thereof in respect of each contract month shall be computed by the Exchange and then aggregated to determine the aggregate monetary value of the gross open positions of the Broker.
13.8	<p>When gross open position and the monetary value of a Broker reach the clearing limit, the Exchange shall notify the Broker. After receipt of notification the Broker shall enhance its limit by depositing with the Exchange any of the following collaterals:</p> <p>a) Cash;</p> <p>b) Gold and Treasury Bills (T-Bills) valued in accordance with the methodology prescribed by the Exchange from time to time with prior approval of the Commission;</p> <p>c) Bank guarantee in the manner specified by the Exchange with prior approval of the Commission;</p> <p>d) Any other commodity and/or security specified in accordance with the criteria prescribed by the Exchange with prior approval of the Commission.</p>
13.9	The Exchange may close-out the positions of a Broker who has failed to comply with the notification issued under Regulation 13.8 and shall be subject to any fine that may be imposed upon him by the Exchange.
CHAPTER XIV: DEFAULT	
14.1	<p>Declaration of Default:</p> <p>A Broker may be declared as a defaulter by direction / circular / intimation of the Exchange if the Broker:</p> <p>(a) is unable to fulfil its obligations; or</p> <p>(b) admits or discloses its inability to fulfil or discharge its duties, obligations and liabilities; or</p> <p>(c) fails or is unable to pay within the specified time the damages and the money differences due on a closing-out affected against it under these Regulations; or</p>

	<p>(d) fails to pay any sum due to the Exchange or to submit or deliver to the Exchange on the due date, delivery and receipt orders, statement of differences and commodities, balance sheet and such other clearing forms and other statements as may be required under these Regulations; or</p> <p>(e) fails to pay or deliver to the Exchange all monies within such time as the Exchange may specify; or</p> <p>(f) fails to abide by the arbitration proceedings as laid down under these Regulations; or</p> <p>(g) has failed to pay any margins, deposits, fines and fees or any other applicable dues to the Exchange or any other Broker as the case may be; or</p> <p>(h) has failed to effect delivery as specified under these Regulations.</p> <p>Notwithstanding the above provisions, the Exchange may declare a Broker a defaulter in any other instance as it deems appropriate. Such Broker would be referred to as a Broker in Default or a defaulting Broker.</p>
14.2	<p>Failure to Fulfil Obligations: The Exchange or a default committee constituted by the Board may order a Broker to be declared a defaulter if it fails to meet an obligation to another Broker or Customer arising out of Exchange transactions.</p>
14.3	<p>Broker's Obligation to Inform: A Broker shall be bound to notify the Exchange immediately if there is a failure by itself, or its Customers or any other Broker to discharge their liabilities in full.</p>
14.4	<p>Consequences of Default: A Broker who is declared defaulter by the Exchange shall at once ceases to be a TRE Certificate Holder of the Exchange and all its assets in control of the Exchange shall vest with the Exchange forthwith which includes but not be limited to such additional rights directly or remotely attached with TRE Certificate of the Exchange. All branches and registration of Authorized Persons of the said defaulter shall be considered as cancelled forthwith.</p>
14.5	<p>Default Waterfall: The default waterfall of the Exchange shall be in the following order:</p> <p>(a) Defaulting Broker's monies deposited with the Exchange.</p> <p>(b) Funds realized by using cash equivalent deposited by such Broker as collateral to the Exchange.</p> <p>(c) Proceeds from closing out of open positions of the defaulting Broker.</p> <p>(d) Amount received under any insurance policy obtained, where applicable/available, to satisfy shortfall in meeting the settlement obligation on account of default by a Broker subject to its availability.</p> <p>(e) Amount utilized from the Settlement Guarantee Fund in accordance with Chapter 12 of these Regulations provided that utilization of the SGF shall only be limited to settlement of Exchange trades. However, funds utilized from SGF shall be replenished in accordance with Chapter 12 of these Regulations.</p>
14.6	<p>Notice of Default to the Exchange Brokers and Participants: On a Broker being declared a defaulter a notice to that effect shall be placed forthwith on the trading system of the Exchange.</p>
14.7	<p>Restriction on Trading:</p> <p>a) A Broker who has been declared a defaulter shall not be able to trade on the Exchange.</p> <p>b) Insolvent Defaulters: Broker, who has been adjudicated as insolvent, shall be declared a defaulter and shall not be able to trade on the Exchange.</p>
14.8	<p>Defaulter's Books of Accounts: When a Broker has been declared a defaulter, the Exchange 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 Exchange.</p>
14.9	<p>Enquiry: The Exchange shall conduct a strict enquiry into the defaulter Broker's accounts and into its dealings in the market</p>
14.10	<p>Lien: The (i) monies paid by way of margin or other securities or assets pledged or hypothecated by a Broker or on behalf of their Customers in lieu of margin under the provision of Regulation 8.9; (ii) all monies deposited by a Broker towards security deposit; (iii) the proceeds from sale, auction or disposal of any TRE Certificate rights of the Exchange (subject to any deductions for expenses relating or incidental to the sale, auction or disposal, as the case may be); (iv) Proceeds from closing out of open</p>

	positions of the defaulting Broker and (v) any other amounts lying with the Exchange or in the Settlement Guarantee Fund, shall in each case be subject to a first and paramount lien and pledge (with a right of sale and set off) for all sums due to the Clearing House and/or the Exchange, as applicable, including but not necessarily limited to, the due, proper and punctual performance of any engagements, obligations and/or liabilities of a Broker or Customer arising out of or incidental to a Futures Contract or any other matters dealt with in these Regulations.
14.11	Disposal of Defaulter's Assets under Lien or Pledge: The Exchange shall dispose of all the assets of the defaulter that are under lien or pledge with the Exchange and apply the proceeds to the amounts payable by the defaulter to the Exchange, after deducting there from all costs, charges and expenses incurred for collection or disposal.
CHAPTER XV: ARBITRATION	
15.1	Arbitration Subject to the Arbitration Act, 1940: All arbitration under these Regulations shall be subject to the provisions of the Arbitration Act, 1940 (the "Act"). The provisions not included in these Regulations but included in the Act shall be applicable as if they were included in these Regulations.
15.2	The Arbitration Committee: The RAC shall constitute a permanent Panel of Arbitrators consisting of neither less than 10 nor more than 15 members, at least 50% of whom shall be industry experts i.e. capital market professionals conversant with the trading at a futures exchange or securities exchange and its rules and regulations, or having expertise in such areas like law or commodity economics, finance, commodity services and appraisal, commodity physical trade, arbitration etc. These members of the Panel of Arbitrators may include management staff of the Exchange and shall also have representation from the Brokers of the Exchange. The CRO in consultation with the Chairman or any other member of RAC, shall constitute an Arbitration Committee consisting of 4 members chosen from amongst the members of the Panel of Arbitrators, out of which 1 shall be the Broker as an advisor who shall not have any voting rights, 2 industry experts and 1 member of management staff of the Exchange as nominated by the CRO in consultation with the Managing Director. The Chairman of the Arbitration Committee shall always be the industry expert. The CRO may also constitute additional Arbitration Committees as and when required. The CRO in consultation with the Chairman or any other member of RAC shall appoint an industry expert as a Sole Arbitrator excluding Broker on case to case basis.
15.3	Reference to Arbitration: Whenever any dispute arises between Brokers inter se, or between any of the Brokers and their Authorized Persons or Customer in connection with their trading or transactions subject to these Regulations which are otherwise not settled amicably, it shall be referred to Arbitration and shall be dealt with in the following manner: (a) All claims/disputes up to Rs. 1 million shall be referred for arbitration to the Sole Arbitrator who may hear and decide the matter. (b) All claims/disputes over Rs. 1 million shall be referred to the Arbitration Committee of the Exchange for their resolution/decision.
15.4	Application for Arbitration: 15.4.1 An Applicant who wants to refer the dispute for arbitration shall: (a) pay a fee of Rupees Five Thousand as institution fee and cost of the Stamp Paper for drawing the award. The Board may from time to time revise the institution fee; (b) in case where he is not a Broker of the Exchange, give an Undertaking to abide by all these Regulations of the Exchange and shall furnish a guarantee or security for the due performance of the Award as may be asked for by the Arbitration Committee. 15.4.2 The application for arbitration may be rejected or dismissed if: (a) the applicant refuses, neglects or fails to comply with the provisions of any Regulations; or (b) the applicant refuses, neglects or fail to carry out any direction issued by the Arbitration Committee or the Sole Arbitrator; or

	<p>(c) the application is not otherwise complying with these Regulations of the Exchange or lacking the adequate documentary evidence after providing reasonable time for submission of requisite documents; or</p> <p>(d) the subject in the dispute has arisen from a non Exchange transaction or the transaction is otherwise illegal and not according to law; or</p> <p>(e) the claim is received six months after the event.</p>
15.5	<p>Arbitration Procedure:</p> <p>15.5.1 An application for arbitration shall be filed with the CRO. Any official(s) of the RAD designated by the CRO shall scrutinize the application to check whether or not it is complete in all respects and acceptable for arbitration. The CRO shall forward the application to the Sole Arbitrator or the Arbitration Committee, as the case may be. The CRO shall give both parties to the dispute not less than seven days notice of the date, time and the place appointed for the arbitration proceedings. Before arbitration or hearing of appeal, the member(s) of the Arbitration Committee or the Appellate Panel will give a declaration in writing that he has no conflict of interest in dispute under discussion.</p> <p>15.5.2 Both Parties Present: If both parties to the dispute are present at the appointed date, time and place, the Sole Arbitrator or the Arbitration Committee shall proceed to hear the reference and to give the Award.</p> <p>15.5.3 "Ex-Parte" decision on the summary disposal: If the party against whom complaint is made is not present at the appointed date, time and place for two consecutive times, the Sole Arbitrator or the Arbitration Committee may hear and decide the dispute ex-parte, and if the party making the complaint is not present at the appointed date, time and place for two consecutive times, the Sole Arbitrator or the Arbitration Committee may dismiss the reference summarily.</p> <p>15.5.4 Remedies at Law: The Committee may decline to hear the dispute or may dismiss any case and refer the parties to their remedies at law.</p> <p>15.5.5 All claims/disputes referred to the Arbitration Committee shall be resolved/decided by majority and such decision shall be deemed to be the award in the arbitration.</p> <p>15.5.6 A party to the dispute who is a member of the Arbitration Committee or the Appellate Panel shall not be present at the meeting of the said Committee, or the Appellate Panel, as the case may be, during the enquiry into the dispute or hearing of the appeal.</p>
15.6	<p>Appeal against Arbitration Award:</p> <p>15.6.1 A party to the dispute who is dissatisfied with the award of the Sole Arbitrator or the Arbitration Committee, as the case may be, may within 30 days of the announcement of the award file an appeal against that award.</p> <p>15.6.2 An appeal against the award of Sole Arbitrator or the Arbitration Committee, as the case may be, shall lie to the RAC. The Appellate Panel shall be constituted by the RAC by choosing any 3 members amongst the Panel of Arbitrators excluding the Broker.</p> <p>15.6.3 Any member of the Panel of Arbitrators who participated or was concerned with the award appealed against shall not be included in the Appellate Panel hearing that appeal.</p> <p>15.6.4 If the Appellant is a Broker, it shall deposit full amount of the Award, if any, before its appeal is accepted for hearing by the Appellate Panel.</p>
15.7	<p>Summary Dismissal and Ex-Parte Decision:</p> <p>If any party to a dispute who has appealed against any award/decision of the Sole Arbitrator or the Arbitration Committee as the case may be is not present at the time fixed for hearing the appeal for two consecutive times, the Appellate Panel may dismiss the appeal summarily if the appellant is absent or may proceed with the appeal ex-parte if the Respondent is not present.</p> <p>The Arbitration Committee or the Appellate Panel may set aside its ex-parte decision if sufficient cause is shown by a party within 7 days of the receipt of the ex-parte award.</p>
15.8	<p>Expulsion of Broker:</p> <p>Brokers who fail or refuse to submit to or abide by or carry out any award of the Sole Arbitrator, Arbitration Committee, or the Appellate Panel as the case may be, may be expelled from the Exchange by a resolution of the Board.</p> <p>An Exchange Broker, who fails or refuses to submit to or abide by or comply with any award in arbitration between Brokers of the Exchange or between an exchange Broker and a Customer, as may be provided in these Regulations shall be declared a defaulter or expelled by the Exchange, and thereupon the other party shall be entitled to institute legal proceedings to enforce the award under the Civil Procedure Code, 1908 in the same manner as if it is a decree of the court.</p>
15.9	<p>Fees and Charges:</p>

	<p>Apart from any amounts mentioned above, the fees for arbitration and the charges for submitting to and for regulating the proceedings of the reference shall be specified by the Board from time to time and shall be payable in advance and when there is a failure, neglect or refusal on the part of a party or parties to pay accordingly, the other party shall be responsible for making such payment in advance without prejudice, however, to its right, if any, to recover the same from such party or parties failing, neglecting or refusing to pay. It shall be a condition precedent to the hearing of any reference that the specified fees and charges shall have been paid in advance to the Exchange by the party or parties to the reference.</p>
15.10	<p>Jurisdiction: All parties to a reference to arbitration under these Rules and Regulations and the persons, if any, submitting claims under them, shall be deemed to have submitted to the exclusive jurisdiction of a civil court as defined in the Act.</p>
CHAPTER XVI: REPORTS	
	<p>16.1 In respect of all trades executed by the Brokers and their Customers, the Exchange will electronically make available reports to the respective Brokers, including settlement obligations relating thereto.</p> <p>16.2 The Brokers shall provide the Exchange with such reports that the Exchange or the Commission may seek from the Brokers from time to time. Details of such reports will be provided in the Regulations of the Exchange and through Circulars and Notices issued by the Exchange or the Commission from time to time.</p> <p>16.3 The Brokers of the Exchange shall provide such reports, as the Exchange, or Commission may specify.</p> <p>16.4 A Broker shall notify the Exchange of any incident, which may endanger the Brokers' financial soundness or interfere with the Brokers ability to conduct its business in the best interest of the Exchange.</p> <p>16.5 All Brokers of the Exchange shall be required to maintain such Books of Accounts, Registers, Statements and other Records, in physical form or electronically, as may be specified by the Exchange, or the Commission. All such documents and records shall be kept in good order and preserved at least for such period, as may be specified by the Commission. All such documents and records shall be made available to the Exchange or the Commission for inspection, whenever required.</p> <p>16.6 Each Broker of the Exchange shall submit itself to audit and investigation and furnish all books, records, files and such other information as required upon the direction of the Exchange or the Commission.</p> <p>16.7 In case of any dispute or difference of opinion originating from or pertaining to orders or trades due to a mismatch between the Brokers report and the Exchange's report, the report as per records of the Exchange shall be final, conclusive and binding on the Brokers.</p>
CHAPTER XVII: INVESTOR PROTECTION FUND	
17.1	<p>Establishment of Fund: The Board shall establish a fund to be called an Investor Protection Fund ("Fund") with contributions as follows:</p> <ul style="list-style-type: none"> (a) Brokers shall pay to the fund upon execution of their trades such charges as decided by the Board from time to time until the total amount of Fund is raised to an amount decided by the Board in consultation with the Commission, from time to time. (b) The Board may determine contribution by the Exchange to the Investor Protection Fund in amounts as may be approved by the Board. (c) Fines, penalties, etc. as may be collected by the Exchange under these Regulations from Brokers in respect of non-compliance of these Regulations, except for the settlement related penalties (including penalties from delivery default). (d) Any income generated from investment of the fund's assets. (e) Any monies paid by an insurer under a contract of insurance entered into for the benefit of the fund. (f) Donations/contributions from other sources, national/international, approved by the Board. (g) Recoveries made from defaulting Broker or from the Customers (where they recover dues compensated by PMEX from the delinquent/defaulting Broker). (h) Any other source or amount as may be specified by the Commission from time to time. <p>Provided that on the direction of the Commission, the Fund shall cease to exist upon the creation of a National Fund for the protection of investors through appropriate legislation.</p>
17.2	<p>Size of the Fund:</p>

	<p>(a) The Exchange shall, once every three years and/or as and when directed by the Commission, appoint an independent expert approved by the Commission or based on valuation by the Exchange, determine minimum size of the fund with the approval of the Commission.</p> <p>(b) The independent expert or the Exchange shall use a methodology which may include stress testing, actuarial valuation or any other internationally recognized method to determine minimum size of the fund.</p> <p>(c) In case size of fund is smaller than the minimum size determined in 17.2(b) above or at any time falls below the minimum size, the Exchange shall, with the approval of the Commission, specify the manner and replenishment of the fund, to meet minimum size of the fund, from Brokers and such other persons as determined by the Exchange.</p> <p>(d) The Exchange shall endeavor to obtain default insurance cover of an appropriate amount to contribute towards the obligations of the fund and the premium for the default insurance cover shall be paid out of the fund.</p>
17.3	<p>Utilization of the Fund:</p> <p>The IPF may be utilized for the following purposes:</p> <p>(a) To protect and safeguard the interest of investors/Customers, in respect of eligible claims arising out of default of the Broker of the Exchange.</p> <p>(b) To impart investors/Customer education, awareness, research or such other programmes as may be decided by the Exchange from time to time of the interest earned on investments of the fund.</p> <p>(c) To utilize the fund in any other manner as may be prescribed/ permitted by the Commission in the interest of investors.</p>
17.4	<p>Eligibility of Claims:</p> <p>All claims of Customers arising out of transactions entered into as per these Regulations or Circulars of the Exchange and approved by the Board/Committee constituted by the Board of the Exchange would be eligible for consideration.</p>
17.5	<p>Procedure for Settlement:</p> <p>(a) In the event of default of a Broker, in addition to any surplus after distribution of losses as per the procedure set out by the Exchange for recovery from a Broker in cases of default, an amount as decided by the Trustees of the Investor Protection Fund from time to time, shall be set aside out of the Fund to satisfy the claims of the Customers against the defaulting Broker. Provided that the compensation paid in respect of eligible claims of Customers against each defaulter Broker shall not exceed the amount as may be determined by the Exchange, from time to time with the prior approval of the Commission.</p> <p>(b) A Customer may submit a claim to the Exchange arising out of dealings with the defaulter Broker as per the provisions of the Act, rules and any regulations made or direction or circulars issued thereunder.</p> <p>(c) The Exchange shall, in accordance with its Regulations, invite Customer claims and after verification of such claims inform the Customers of the decision to admit or otherwise the claims against the defaulter Broker.</p> <p>(d) If the total amount of admitted claims is less than the amount realized by the Exchange from deposits and other assets of the defaulter Broker, the entire amount of admitted claims shall be paid and remaining amount, if any, shall be transferred to the fund.</p> <p>(e) In cases where eligible claims of Customers determined against the defaulting Broker exceed the amount available for settlement; such claims of Customers shall be satisfied on pro-rata basis.</p> <p>(f) The claims remaining unsatisfied after pro-rate sharing under 17.5(e) above shall be paid from the Investor Protection Fund upto a maximum limit of Rs. 200,000/- per claimant whose claim has been admitted by the Exchange or actual amount of verified claim, whichever is lower.</p> <p>(g) Notwithstanding anything contained hereinabove, the Board may, with prior approval of the Commission, in the event of default of a Broker where proceeds of assets of such Broker as prescribed in the relevant Regulations, are not immediately available, for any reason whatsoever, in the interest of the Customers, allow settlement of Customers' admitted claims first from the Investor Protection Fund to the extent of the maximum permitted amount under 17.5(f) above. However, where the proceeds of such assets become available subsequently, then after satisfaction in full of all Customer claims, any amount remaining unutilized out of the sale proceeds of such assets, shall be deposited in the Investor Protection Fund in accordance with these Regulations.</p>

17.6	<p>Management of the Fund. The Management of the Fund shall be vested in the Trustees as provided in the Pakistan Mercantile Exchange Investors’ Protection Fund Trust Deed.</p> <p>A summary showing opening balance, contributions made to the fund, utilization of fund and closing balance shall be disclosed by the Exchange at its official website and in its annual report.</p>
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CHAPTER XVIII: DISCIPLINARY ACTIONS AGAINST TRE CERTIFICATE HOLDERS

18.1	<p>Disciplinary Matters and Violations</p> <p>Disciplinary Jurisdiction: The Exchange may exercise any power including but not limited to expulsion or suspension and/or imposition of any Administrative fine and/or penalization under censure and/or withdrawal all or any of the TRE Certificate rights of a TRE Certificate Holder or Broker if it is guilty of any acts of violation mentioned hereunder but not limited to the same except in cases of non-financial violations where the power rests with the Board</p>
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18.2	<p>Circumstances giving rise to violations: Any of the following would be deemed a violation by the Exchange and the TRE Certificate Holder or Broker participating in the same shall be deemed a violator:</p> <p>(a) contravening, disobeying, disregarding or wilfully evading of any of these Regulations or Act, Broker Regulations, Articles or the laws made by the Commission, or any other order or direction given by the Commission or any resolutions, orders, notices, directions, decisions or rulings of the Board, the directions, decisions, orders, notices of the Managing Director or the CRO or any officer of the Exchange or for any disreputable or fraudulent transactions or dealings or method of business which the Board or the CRO deems unbecoming a TRE Certificate Holder of the Exchange or inconsistent with just and equitable principles.</p> <p>(b) Misconduct, un-businesslike conduct or unprofessional conduct as provided herein.</p> <p>Misconduct</p> <p>(a) Conduct of business without registration: If without registration as a Broker the TRE Certificate Holder transacts any business on the Exchanges;</p> <p>(b) Fraud: If it is convicted of a criminal offence or commits fraud or a fraudulent act which in the opinion of the Board or the CRO/RAC renders him unfit to be a TRE Certificate Holder or Broker;</p> <p>(c) Improper Conduct: If in the opinion of the Board or the CRO/RAC it is guilty of dishonourable or disgraceful or disorderly or improper conduct on the Exchange or of wilfully obstructing the business of the Exchange, or of coercing, harassing or influencing by means of bribery, any employee of the Exchange;</p> <p>(d) Breach of Regulations: If it shields or assists or omits to report any TRE Certificate Holder or Broker whom it has known to have committed a breach or evasion of any Regulation or of any resolution, order, notice or direction there under of the Board or the CRO of the Exchange authorized in that behalf;</p> <p>(e) Failure to comply with Resolutions: If it contravenes or refuses or fails to comply with or abide by any resolution, order, notice, direction, decision or ruling of the Board or the CRO of the Exchange or other person authorized in that behalf under these Regulations;</p> <p>(f) Failure to testify or give information: If it neglects or fails or refuses to submit to the Commission or the Board or the CRO or an officer of the Commission or the Exchange authorized in that behalf, such books, correspondence, documents and papers or any part thereof as may be required to be produced or to appear and testify before or cause any of its, attorneys, agents, authorized representatives or employees to appear and testify before the Commission or the Board or the CRO or officer of the Commission or the Exchange or other person authorized in that behalf;</p> <p>(g) Failure to submit Returns: If it neglects or fails or refuses to submit to the Board or the CRO or to the officer so authorized by it, within the time notified in that behalf special returns in such form as the Exchange may from time to time specify, together with such other information as it may require whenever circumstances arise which in the Exchange’s opinion make it desirable that such special returns or information should be furnished by any or all the TRE Certificate Holders;</p> <p>(h) Failure to submit Audited Accounts: If the Broker neglects or fails or refuses to submit its audited accounts to the Exchange or the Commission within such time as may be specified by the Exchange and the Commission from time to time;</p> <p>(i) False or misleading Returns: If the Broker neglects or fails or refuses to submit or makes any false or misleading statement in its clearing forms or returns required to be submitted to Exchange under these Regulations;</p> <p>(j) Vexatious complaints: If the Broker or its Authorized person brings before the Board or the CRO or an officer of the Exchange or other person authorized in that behalf</p>
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	<p>a charge, complaint or suit which in the opinion of the Exchange is frivolous, vexatious or malicious;</p> <p>(k) Failure to pay dues and fees: If it fails to pay its subscription, fees, arbitration charges or any other money which may be due by it or any fine imposed on it;</p> <p>(l) Call for information: Failure to provide any information, as requested by the Exchange for any purpose under these Regulations.</p> <p>Un-businesslike Conduct:</p> <p>A Broker shall be deemed guilty of un-businesslike conduct for any of the following or similar acts or omissions namely:</p> <p>(i) Fictitious Names: If it transacts its own business or the business of its Customer in fictitious names or if it carries on business in the Exchange under fictitious names;</p> <p>(ii) Circulation of rumours: If it, in any manner, circulates or causes to be circulated, any rumours;</p> <p>(iii) Unwarrantable Business: If it engages in reckless or unwarrantable or un-businesslike dealings in the market or effects purchases or sales for its Customer's account or for any account in which it is directly or indirectly interested which purchases or sales are excessive in view of its Customer's or its own means and financial resources or in view of the market for such commodity;</p> <p>(iv) Compromise: If it connives at a private failure of another Broker or accepts less than full and bona fide money payment in settlement of a debit due by a Broker arising out of a deal in Future Contracts or securities;</p> <p>(v) Dishonoured Cheque: If it issues to any other Broker or to its Customers or to the Exchange a cheque which is dishonoured on presentation for whatever reasons;</p> <p>(vi) Failure to carry out transactions with Customers: If it fails in the opinion of the Board to carry out its committed transactions with its Customers;</p> <p>Unprofessional Conduct</p> <p>A Broker shall be deemed guilty of unprofessional conduct for any of the following or similar acts or omissions namely:</p> <p>(i) Business for defaulting Customers: If it deals or transacts business directly or indirectly or executes an order for a Customer who has within its knowledge failed to carry out engagements relating to Future Contracts and is in violation to another Broker unless such Customer shall have made a satisfactory arrangement with the Broker who is his creditor;</p> <p>(ii) Business without permission when under suspension: If without the permission of the Board it does business on its own account or on account of a principal with or through a Broker during the period it is required by the Board to suspend business on the Exchange;</p> <p>(iii) Business for or with suspended, expelled and defaulter Brokers: If without the special permission of the Commission it shares brokerage with or carries on business or makes any deal for or with any Broker who has been suspended, expelled or declared a defaulter;</p> <p>(iv) Business for Employees of other Brokers: If it transacts business directly or indirectly for or with or executes a deal for an Authorized Person of another Broker without the written consent of such employing Broker;</p> <p>(v) Evasion of Margin Requirements: If it wilfully evades or attempts to evade or assists in evading the margin requirements specified in these Regulations;</p> <p>(vi) Clearing Fees: If it wilfully evades or attempts to evade or assists in evading these Regulations relating to clearing fees.</p> <p>(vii) Advertisement: If it advertises for business purposes or issues regularly circular or other business communication to persons other than its own Customers, without the inclusion of the Exchange specified disclaimer, as specified by the Exchange from time to time.</p>
18.3	<p>Notwithstanding the above, the CRO, the Board, or the Commission may term any other act as a violation.</p> <p>The CRO, the Board or the Commission, after declaring a TRE Certificate Holder or Broker a violator by due notice and after giving it an opportunity of hearing, may suspend a TRE Certificate Holder or Broker and/or require a Broker to suspend its business, or expel the TRE Certificate Holder or Broker or withdraw any or all of the TRE Certificate rights and privileges, or impose any fines for any act of the TRE Certificate Holder or Broker which would be deemed a violation by the Exchange or under these Regulations or any other law administered by the Commission.</p> <p>Provided that the Board may delegate its general disciplinary actions powers to the CRO which may include following:</p> <p>(i) Issue a warning in writing to a TRE Certificate Holder or Broker to act more carefully and vigilantly;</p> <p>(ii) Reprimand in writing that the conduct warrants censure;</p> <p>(iii) Impose a fine;</p> <p>(iv) Impose any one or more conditions or restrictions;</p>

	<ul style="list-style-type: none"> (v) Mandate educational qualification, training or such other program as may be determined by the Board or the Commission to be undertaken or implemented by the Broker for its employees; (vi) Direct to take remedial actions to rectify the breach including appropriate action(s) against any of its employees or Authorized Persons concerned behind such breach, whether directly or indirectly; and/or take such other action as the Board or the Commission may deem appropriate; (vii) Restrict or suspend trading rights after obtaining confirmation of the RAC or the Commission; and (viii) Take any other action as the Board may delegate to the CRO.
18.4	<ul style="list-style-type: none"> (a) A Broker whose rights are suspended in full or in part for any reason: <ul style="list-style-type: none"> (i) shall remain liable for any payments, fees and charges owing or due by the Broker to the Exchange under these Regulations, as if the suspension had not occurred; (ii) subject to these regulations, shall be prohibited from trading in any or all Markets, handling Customer orders and transacting futures business on behalf of a Customer, except as may otherwise be permitted by the Exchange; (iii) shall be barred from access to and/or using any or all of the Exchange’s facilities, except as may otherwise be permitted by the Exchange; (iv) shall remain liable for any agreement, transaction or arrangement in relation to any Futures Contracts held by the Broker before suspension; (v) shall, in accordance with the directions of the Exchange, instruct and appoint another Broker to close out any open positions held by the Broker on its own account or on behalf of its Customers at the date of suspension or to effect the transfer to another Broker of all open positions of any Customer together with the money or security standing to the credit of that Customer’s account in respect of those open positions and shall notify the Exchange in writing of such appointment or transfer immediately; and (vi) shall remain bound by the Act, Broker Regulations, Regulations, Articles or any other order or direction given by the Commission. (b) Where a Broker is required by the Exchange to close out or transfer any open positions held by the Broker, the Exchange shall be entitled to f or transfer, on behalf of the Broker, such open positions. Such Broker shall indemnify and hold the Exchange harmless in respect of any costs or other expenses arising by reason of such closing out or transfer and shall indemnify the Exchange in respect of any loss suffered by the Exchange in respect of such closing out or transfer. (c) A Broker whose rights are suspended may at any time thereafter apply to the person or body which imposed the suspension for the lifting of such suspension by submitting to such person or body such information including any information as to the financial condition of the Broker as such person or body may require in order for it to be satisfied that it is proper in all the circumstances to lift the suspension. Any suspension of a Broker’s rights may be lifted conditionally or unconditionally by the Exchange.
18.5	<ul style="list-style-type: none"> (a) Upon declaration of a violation, the authorized officer of RAD of the Exchange would prepare a report (“Report”) outlining the circumstances of the violation of the TRE Certificate Holder or Broker and shall provide a copy of this Report to the TRE Certificate Holder or Broker as well as to the CRO, the RAC, the Board, and the Commission as required. (b) Upon receipt by the TRE Certificate Holder or Broker of the Report, the TRE Certificate Holder or Broker may, within such period as may be specified in the Report, make any submissions and provide documentary evidence to the authorized officer of RAD in respect of the matter(s) specified in the Report. (c) The authorized officer of RAD may at any time request the production of such documents as he deems appropriate to any paper or oral hearing. (d) The CRO shall adjudicate the disciplinary matter on the basis of the Report. (e) At any paper or oral hearing, a legal counsel of the Exchange may attend for the purpose of giving legal advice to the CRO. (f) If the CRO decides that it is inappropriate for a disciplinary matter to be adjudicated by way of a paper hearing, the CRO shall fix a date and time for an oral hearing and notify the TRE Certificate Holder or Broker of the date and time of the hearing. At any oral hearing, the TRE Certificate Holder or Broker or anyone authorized to represent the TRE Certificate Holder or Broker, CRO and an authorized officer of RAD, shall have the right to attend and make submissions. (g) The CRO may at any time request the attendance of such persons as he deems appropriate at any oral hearing. (h) If the TRE Certificate Holder or Broker or any other person(s) requested by the CRO to attend an oral hearing fails to appear at the oral hearing, the CRO may, upon proof of service on the TRE Certificate Holder or Broker or the other person of the notice of the hearing, proceed to hear and determine the proceedings in its/his absence. (i) The CRO shall, on the basis of the Report, or further submissions or documentary evidence which may be provided by the TRE Certificate Holder or Broker, any other documents which may be requested to be produced by the CRO and any evidence as may be given by any persons whom may be requested to attend an oral hearing by the CRO, adjudicate the matter(s) specified in the Report and recommend such sanctions on the TRE Certificate Holder or Broker as he considers appropriate.

	The CRO shall submit his findings to the Board through RAC with its recommendations which may specify any sanction to be imposed on the TRE Certificate Holder or Broker. The CRO shall, after receipt of the Board's decision, notify the same to TRE Certificate Holder or Broker in writing.
18.6	Co-operation During the course of any disciplinary proceedings or appeals, the TRE Certificate Holder or Broker concerned shall offer its fullest co-operation to the Exchange.
18.7	Settlement At any time prior to the issuance of a decision by the CRO, the TRE Certificate Holder or Broker that is the subject of the disciplinary matter may submit an offer of settlement to the CRO. If the CRO accepts the offer of settlement, he shall forward the case to the Board.
CHAPTER XIX: AUDIT AND OTHER ALLIED MATTERS	
19.1	Appointment of Auditors and related matters: 19.1.1 The Exchange shall appoint the Auditors in accordance with the requirements stipulated under the Exchange Licensing Regulations. The Auditor so appointed shall have responsibilities and powers conferred upon them under above stated regulations including all other applicable rules and regulations pertaining to appointment of Auditors. 19.1.2 The Auditor's report shall state all the matters as are required to be stated in accordance with the requirements of the Companies Act, 2017 and additionally must state with respect to the matters stipulated under Exchange Licensing Regulations.
19.2	Audited financial statements / annual report 19.2.1 The Exchange shall submit its audited financial statements and annual report to the Commission within the period prescribed and containing such information prescribed under the Act and the Exchange Licensing Regulations. Additionally, the Exchange shall also place the annual report on its website as prescribed under the Act and the Exchange Licensing Regulations.
19.3	Annual operational & regulatory Audit / special Audit 19.3.1 The Exchange shall appoint an Auditor with the prior approval of the Commission to carry out an annual operational, regulatory and system Audit in accordance with the terms of reference prescribed under the Annexure – III of the Exchange Licensing Regulations. 19.3.2 The Commission may appoint an Auditor to carry out a special Audit of the Exchange with respect to all or any specific matter as specified in Annexure – III of the Exchange Licensing Regulations or any matter specified by the Commission at the time of appointment of the Auditor. The Audit shall be carried out for such period as the Commission may direct at the time of appointing the Auditor.
19.4	Maintenance of accounting records 19.4.1 The Exchange shall maintain such accounting records and in such manner as are prescribed under the Exchange Licensing Regulations.
19.5	Submission of information and returns 19.5.1 The Exchange with the approval of its Board shall submit such information and returns as prescribed under the Act and the Exchange Licensing Regulations.
19.6	Information Security 19.6.1 The Exchange shall put in place necessary controls and safeguards to ensure cyber security, unauthorized access to confidential information and alteration, destruction, disclosure or dissemination of records and data without authority.
19.7	Financial resource requirement

	19.7.1 The Exchange shall maintain the financial resource requirement in terms of the net worth as determined under the Exchange Licensing Regulations.
CHAPTER XX: SYSTEM AUDIT (REGULATORY COMPLIANCE) REGULATIONS	
20.1	<p>Definitions:</p> <p>The terms used in this chapter shall have the following meanings:-</p> <p>b) “Audit” means the System Audit of Brokers conducted as per these Regulations;</p> <p>c) “Auditor(s)” means the Auditor(s) selected, in accordance with the criteria approved by the Board on the recommendation of RAC with the prior approval of the Commission as per these Regulations or alternatively, the Commission may communicate to the Exchange minimum criteria to be adhered to for selection of the panel of auditors;</p> <p>f) “Report” means the compliance report submitted by the Auditor under this chapter;</p> <p>20.1.2 Words and expressions used in this chapter in singular shall include plural and vice versa, words importing masculine gender shall be taken to include the female gender and words importing natural persons shall be taken to include the artificial legal person(s).</p> <p>20.1.3 Words and expressions used but not defined in this chapter shall, unless there is anything repugnant in the subject or context, have the same meanings as assigned to them in the Articles, these Regulations, Futures Market Act, 2016 and the Companies Act, 2017 and Regulations made there-under.</p>
20.2	<p>Panel of Auditors</p> <p>20.2.1 The RAD shall declare from time to time, the panel of auditors that shall be eligible to conduct Audit of the Brokers. The panel would consist of at least 10 Auditors and would fulfill the following prerequisites:</p> <p>a) The Auditors shall be a firm of chartered accountants within the meaning of the Chartered Accountants Ordinance, 1961; and</p> <p>b) The Auditors shall satisfy the criteria devised by the RAC from time to time in accordance with Regulation 20.1.1(c) of these Regulations.</p> <p>20.2.2 The RAD shall annually review the panel of auditors to ensure ongoing eligibility of auditors on the panel in line with the criteria.</p> <p>20.2.3 No Auditor shall be appointed to conduct the Audit of a Broker, if that Auditor has conducted the statutory audit or other assignment of such Broker, at any time during the past two years immediately preceding from the date of balloting in which such Broker is selected for the Audit.</p> <p>20.2.4 An officer of RAD designated by the CRO shall liaise with the Broker(s) and the Auditor(s) conducting the Audit of the Brokers.</p> <p>20.2.5 The list of Auditors eligible to conduct the Audit shall be placed on the website of the Exchange and the same shall be updated as and when required.</p>
20.3	<p>Eligibility for Audit</p> <p>A Broker who has operational track record of at-least one year preceding the ballot may be selected for Audit under these Regulations. The decision of the RAD through the ballot shall be binding on all the Brokers.</p>
20.4	Selection of Brokers

	<p>20.4.1 The selection of Brokers for the Audit shall be through random balloting. All eligible Brokers, as defined in Regulation 20.3 above, shall be audited once in each ‘cycle’ of two-year period. The selection shall be made through biannual balloting to be held in every calendar year latest by 31st January and 31st July. The RAD shall determine the total number of Brokers becoming eligible for audit at the ballot date in the remaining ballots of a cycle by dividing the number of Brokers still to be audited in the cycle with the remaining ballots of the cycle to arrive at the optimum number of Brokers to be audited in a ballot. Provided the Brokers audited in the last two ballots of a cycle shall not be included in initial two ballots of the next cycle.</p> <p>Explanation: If the total number of eligible Brokers at the first ballot of the cycle is 80. These shall be divided by 4 [number of ballots in 2 years]. Hence, 20 Brokers will be selected in the first ballot. At the next ballot date, assume that total eligible Brokers have been reduced to 70, then the number of Brokers selected shall be 17 [70 less 20 audited in previous ballot of a cycle divided by the 3 remaining ballots of a cycle].</p> <p>20.4.2 The RAD shall intimate latest by 31st January and 31st July of each year to the selected eligible Brokers of their selection for Audit and for appointment of an Auditor from the approved panel.</p> <p>20.4.3 Within 30 days of intimation thereof, such Broker shall appoint an Auditor and submit the Auditor’s declaration to the Exchange in the format prescribed by the Exchange from time to time.</p> <p>20.4.4 If the Broker fails to appoint an Auditor within the time specified in these Regulations, the CRO shall appoint the Auditor for such Broker within 14 days after expiry of the requisite time period and may impose a fine not exceeding Rs. 50,000/-.</p>
20.5	<p>Scope of Audit</p> <p>The Auditor shall carry out the Audit to ensure compliance with requirements of the Futures Market Act, 2016, the Futures Brokers (Licensing and Operations) Regulations, 2017 as well as the directives and/or circulars issued by the Commission and with these Regulations and Articles of the Exchange as well as the directives and/or circulars issued by it from time to time. However, the scope of Audit shall, inter alia, include the minimum activities as specified in “Annexure A” to these Regulations.</p>
20.6	<p>Audit Procedure and Status of Compliance</p> <p>20.6.1 The Audit period shall be preceding twelve months as specified by the RAD.</p> <p>20.6.2 The Auditor shall provide in its report the basis and rationale for selection of sample of information to be audited.</p> <p>20.6.3 The Auditor shall also ensure that the Broker has rectified non-compliances identified in the previous Report and specify the areas along with the reasons where Broker has continued the non-compliance(s), if any.</p> <p>20.6.4 The Broker shall direct the Auditor to submit its Report as per the format prescribed by the Exchange directly to the CRO within 60 days from the appointment of the Auditor. The Auditor shall also forward a copy of the said report to the Broker.</p> <p>20.6.5 The CRO shall forward to the Commission copies of the Reports of the Brokers audited, along with the views, counter views and comments of the Broker and the CRO on the discrepancies/observations, within 45 days of submission of the Reports.</p> <p>Provided that, if the Report highlights any material non-compliance by the Broker, such Report shall be immediately forwarded to the Commission.</p> <p>20.6.6 The Broker shall provide required access to the information and documents needed by the Auditor for the Audit and co-operate with the Auditor for timely and smooth completion of the Audit.</p> <p>20.6.7 If the Report contains any non-compliance(s), the Broker shall rectify the same immediately and such Broker shall be subject to limited scope audit in the following year to confirm that such Broker has now rectified the non-compliances reported by the Auditor. The period for limited</p>

	<p>scope audit shall not be less than 3 months ensuring the discrepancies identified in the Report are rectified and the Broker has remained compliant during the said period. The limited scope audit may be conducted by the RAD itself, which shall not alter or affect the Broker's normal selection process or timing through random balloting. The CRO shall also provide a copy of such report of limited scope audit to the Commission within 15 days of conclusion of the same.</p>
20.7	<p>Enforcement Actions</p> <p>(1) If the Report identifies any non-compliance(s) including that of the Articles, Rules, Regulations and directives/notices/circulars/guidelines of the Commission and/or Exchange, the CRO may, after giving the Broker an opportunity of being heard and considering the severity and materiality of the non-compliances, take appropriate enforcement action including issuing warnings, imposing fines, suspension of membership rights with the approval of the Board etc. The CRO may by order, direct the broker to pay a fine amounting to not less than Rs. 10,000/- but not exceeding Rs.200,000/- per instance of non-compliance, in addition to the specific penalty/enforcement action as provided in the relevant law, rules and regulations.</p> <p>If a broker fails to co-operate with the Auditor, the CRO shall upon receiving a written complaint from the Auditor, call a hearing of the broker and the Auditor and may issue a warning letter or may impose a fine not exceeding Rs.100,000/- on the said broker. If the broker, subsequent to the imposition of the said fine fails to cooperate with the Auditor or fails to pay the fine, the CRO shall refer the matter to the RAC for initiation of disciplinary actions under the General Regulations of the Exchange.</p> <p>If the Broker fails to appoint an Auditor within the time specified in these Regulations, the CRO shall appoint the Auditor for such Broker within 14 days after expiry of the requisite time period and may impose a fine not exceeding Rs.50,000/-.</p> <p>If the Broker fails to pay the audit fees and charges within the specified time, the CRO may impose a penalty on such Broker as it may deem fit.</p> <p>If the Auditor who has been appointed under these Regulations to conduct system audit fails to discharge his duties or does not carry out the system audit in accordance with the scope of the audit, the CRO shall, upon giving an opportunity of hearing, remove the Auditor from the panel. Additionally, the CRO shall refer the case to the Commission to initiate such action against the auditor as deemed appropriate by the Commission in the interest of the capital market.</p> <p>Where the CRO neglects or otherwise fails to take necessary action against a Broker, the Commission may suo-moto or on receiving any complaint after giving due opportunity of hearing to the Broker, impose penalties as provided under clauses 20.7.1, 20.7.2, 20.7.3 and 20.7.4 and take such other necessary action as it may deem fit.</p>
20.8	<p>Costs</p> <p>The Broker who is being audited shall pay all the fees, charges and costs of the Auditors. The said fees, charges and costs shall be deposited with the Exchange on the date the auditor is appointed by the said broker, for onward payment to the Auditor.</p>
20.9	<p>Special Audits / Investigations</p> <p>The RAD in addition to the Audits conducted under these Regulations, may at any time, have a Broker audited/inspected/investigated or itself conduct audit/inspect, with expanded, restricted or different scope or period of audit given in these Regulations.</p> <p>Such audits/inspections/investigations, including but not limited to a financial audit and a regulatory compliance audit, shall be at the cost of the Broker</p>
	<p>SCOPE OF AUDIT</p> <p>1. Customer level compliance:</p> <p>Check the complete trail of following for selected Customers.</p>

- 1.1 The standardized Account opening Form (SAOF) and Risk Disclosure Document are in compliance with the requirements of the General Regulations and any provisions thereof are not in contravention of the terms and conditions laid down by the Exchange.
- 1.2 Check that the Broker entered into an agreement with each of its Customers, before allowing trading to these Customers and that such agreements specified the minimum condition specified by the Board.
- 1.3 Confirm that the Broker made the Customer aware of the risk associated with the business in Futures Trading including any limitations on the liability and the capacity in which the Broker acts and the Broker's liability thereon by issuing to the Customer a copy of the Risk Disclosure Document as specified by the Exchange. Also confirm that the Risk Disclosure Document has been duly signed by the Customer and maintained and retained by the Broker.
- 1.4 Check that the Broker took reasonable steps to ensure that the identity, address and contact details of its Customers are known and verified.
- 1.5 Check that the Broker ensured that the information contained in the account opening form is updated, complete and correct at all times.
- 1.6 Check that the Broker ensured maintenance of only true and correct information/particulars of its Customers in the system and its records, and shall not change any detail provided by the Customer in the official documents/records without prior approval of the Customer and shall keep the record of such changes along with necessary documentary evidence.
- 1.7 Check that the Broker has developed and maintained effective "know your customers" and "customer due diligence" policies and procedure to determine true identity of its Customer, their source of earning and their financial capacity to trade and shall ensure compliance with all the laws regarding anti money laundering.
- 1.8 Check that the Broker issued trade confirmation for each and every online transaction undertaken by it on behalf of Customers within 24 hours in the format specified by the Exchange and acknowledgments thereof are also kept in record.
- 1.9 Check that the Broker has not executed discretionary trades on behalf of its Customers in any manner.
- 1.10 Check that the Broker or any of its employees has not taken or used the password on behalf of its Customers.
- 1.11 Check that the Broker has not utilized funds of Customers for and on behalf of another Customer or itself. Also ensure that the Broker has appropriate systems and controls in place to prevent from using funds of its Customers.
- 1.12 Check that the Broker deposited such amount as initial margin, including special, variation and additional margin on behalf of Customers, as specified by the Exchange.
- 1.13 Confirm that the Broker furnished to his selected Customers in writing such reports and at such intervals as specified by the Exchange.
- 1.14 Check that the Broker closed out an open position of a Customer when a margin call or any other payment due is not complied with by the Customer within time period specified by the Exchange.
- 1.15 The minimum suggested sample size for Customer level compliance is:
50% or 100 Customers whichever is less, out of which there must be 50% new Customers (customers registered in last 12 months); and
minimum 5 random orders at 5 different dates of each selected customer are checked/confirmed with complete trail of steps from placement of order till settlement of futures contracts in their respective accounts.

2. Broker Level Compliance:

Check the following for selected Customers.

- 2.1 Check that the Broker has maintained separate records of all its proprietary account transactions and those of its Customers, including orders from Customers for execution of transactions in all Future Contracts as well as acknowledgement thereof for ten years. For the Customers on whose behalf orders are executed by the Broker, the Broker has preserved the records of orders for transactions for such Customer separately with the time and date of receipt of order, details of executed transactions and books of accounts relating to the same, for a period of last ten years.
- 2.2 Check that the Broker is compliant with the minimum paid-up capital and net worth requirement.
- 2.3 Check that the Broker has maintained the necessary administrative and other systems, facilities, resources and expertise as required under Regulation 3.13 of the PMEX General Regulations of 2007.
- 2.4 Check that the Broker has complied with the conditions stipulated in the notice of approval of its TRE Certificate and/or the certificate of registration as Broker.
- 2.5 Confirm that the Broker has provided any information in respect of any of its key employees as required by the Exchange as and when applicable.
- 2.6 Check that the Broker has not accepted any money from a Customer on a promise of predetermined or guaranteed return.

- 2.7 Confirm that the Broker immediately notified the Exchange in writing upon happening of any of the instances as mentioned in Regulation 3.23 of the PMEX General Regulations.
- 2.8 Check that the Broker is carrying on the business under its own name only.
- 2.9 Check that the Broker has deposited the minimum security deposit amounts for obtaining the clearing privileges and in such manner as determined by the Exchange and any other requirements. Confirm that in respect of all Futures Contracts executed by the Brokers, it paid all applicable statutory fee, stamp duty, service tax, taxes and levies, in respect of all deliveries as well as Futures Contracts directly or indirectly to the concerned Government Departments.
- 2.10 Check that the Broker has not entered into a Futures Contract before trading therein had been commenced or after trading therein had been ended.
- 2.11 Confirm that the Broker has maintained a record of all its transactions in all Futures Contracts for ten years. Further, that it has separate records of all proprietary account transactions and those of the Customers including orders from Customers for execution of transactions in Futures Contracts as well as acknowledgements thereof.
- 2.12 Check that for the Customers on whose behalf orders are executed by the Broker, it preserves the records of orders for transactions for such Customer separately with the time and date of receipt of order, details of executed transactions and books of accounts relating to the same, for a period of ten years.
- 2.13 Check that the Broker has segregated trading by it on its own account from that of its Customers in such manner as the Exchange has provided.
- 2.14 Confirm that for transaction entered into on behalf of the Director or an employee of the Broker or for transactions in which the Director or employee has beneficial interest, have been considered as proprietary trades of the Broker and margins were collected for each such transaction separately.
- 2.15 Confirm that the Broker has remained compliant with such terms and conditions as the Exchange has determined for granting permission to use the ETS.
- 2.16 Check that the Direct Feed (from the trading system) is not marketed by the Broker or its employees to any person for any financial consideration or otherwise.
- 2.17 Check that the Broker has allowed only its Authorized persons to operate ETS.
- 2.18 Check that the Broker and its Authorized persons have ensured to maintain complete secrecy of their passwords/pin codes.
- 2.19 Check that the Broker and its Authorized persons have ensured complete safety against misuse of the software provided by the Exchange.
- 2.20 Check that the Broker has not appointed a person as Authorized person who is already appointed in this capacity by any other Broker.
- 2.21 Check that the Broker is compliant with the specifications/descriptions of hardware, software and equipment and the specifications to carry out the required testing thereof in such manner and time as specified by the Exchange from time to time, which a Broker is required to strictly adhere to have connectivity with, or use of the ETS or any other trading system of the Exchange, to ensure compatibility and minimize/avoid technical issues arising out of incompatibility of hardware, software and equipment.
- 2.22 Confirm that the Broker has not entered into any Futures Contract on his own account, with its Customer, or with another Broker of the Exchange.
- 2.23 Check that the Broker has not collected the margins from the Customers not less than specified by the Exchange against their open positions within such time as may be specified by the Exchange.
- 2.24 Confirm that the Broker maintained such banking arrangements with the designated clearing banks as specified by the Exchange.
- 2.25 Check that the Broker obtained written request in advance from the Customer for each account of such Customer on the Broker's books that all open positions are to be completed by delivery which were not offset on the last day of trading. If any Customer is unwilling or unable to provide such evidence, then the Broker liquidated the position on or before the last day of trading.
- 2.26 Confirm that the Broker notified the Exchange of any incident, which may have endangered the Brokers' financial soundness or interfere with the Brokers ability to conduct its business in the best interest of the Exchange.
- 2.27 Confirm that the Broker maintained such Books of Accounts, Registers, Statements and other Records, in physical form or electronically, as specified by the Exchange, or the Commission. All such documents and records are kept in good order and preserved at least for such period, as specified by the Commission.
- 2.28 Review that the Broker's correspondence/contract notes relating to the transactions of business bear the name of the Broker along with address of principal place of business.
- 2.29 Check that the Broker has not, without the special permission of the Commission, shared brokerage with or carried on business or made any deal for or with any Broker who had been suspended, expelled or declared a defaulter.
- 2.30 Confirm that the Broker has not transacted business directly or indirectly for or with or executed a deal for an Authorized person of another Broker without the written consent of such employing Broker.
- 2.31 Check that the Broker has not advertised for business purposes or issued regularly circular(s) or other business communication to persons other than its own Customers, without the inclusion of the Exchange specified disclaimer, as specified by the Exchange from time to time.

2.32 Confirm that the Broker has either designate or appoint a compliance officer, fulfilling the fit and proper criteria and responsible for monitoring compliance of the Broker with the applicable regulatory framework.

3. Risk Management:

3.1 Check that the Broker has paid to the Investor Protection Fund upon execution of its trades such charges as decided by the Board.

3.2 Check that the Broker deposited initial, variation, or any additional margin or deposits with the Clearing House/Exchange through the designated Clearing Bank(s), as directed by the Exchange, within the specified time and in the specified manner.

4. Recording of Orders through telephone:

4.1 Customers' orders received and/or confirmed via telephonic (landline) communications are recorded in the manner specified by the Exchange.

4.2 Where orders are received by mobile phones, an appropriate and reliable recording of the time of receipt and order details are being maintained.

4.3 Effective procedures are in place to ensure the integrity, reliability and security of the telephone recording system and timely detection of any malfunctioning therein.

4.4 Adequate compliance monitoring is exercised over the office staff that is responsible for recording the telephone order instructions.

4.5 Telephone Recordings are being retained for a minimum period of two years or any other period specified by the Exchange and/or Commission. Further, in case of any complaint lodged by an investor, the Broker has retained the record of such investor till the resolution of the complaint.

4.6 All telephone lines under use of the traders, agents, dealers and authorized persons who are involved in trading, are connected to the telephone recording system of the Broker.

5. Branch Offices:

In case the Broker has any branch office:

5.1 Check that the Broker has obtained certificate of registration for all of its branch offices from the Exchange.

5.2 Check that the Broker has kept and maintained all the customers' related records/information of the Office/Branch Office at the Head Office.

5.3 Check that printed stationery of the Broker including confirmation/contract notes/cash memo/any other document is issued only in the name of Broker along with address of principal place of business.

5.4 Check that addresses of all offices/branches are clearly stated on such printed stationery.

5.5 Check that name of the Broker is prominently displayed outside the branch.

5.6 Check that registration certificate of Office/Branch Office is prominently displayed at the Office(s)/Branch Office(s).

5.7 Obtain list of all Branch Offices from the Broker and check that Broker properly maintained the register (manual or electronic form) of accounts of all Branch Offices.

5.8 Check that the list of Branch Offices matched with list appearing in the records/ on website of the Exchange

5.9 Verify the transactions to ensure that the Branch Head does not deal with Customers in his own name.

5.10 Review the authority given to the Branch Head or his employee to perform all acts on behalf of the Broker.

5.11 Review the scope of authority and responsibilities of the Broker and its Branch Head.

5.12 Check that the business being done at the branch office is in the name of the Broker

5.13 Check that the remedies available to investors and procedures for dispute resolution and arbitration in case of non-resolution of complaints are displayed at all times at a conspicuous location at the reception/front office of the Office(s)/Branch Office(s).

5.14 Check that the accounts for all customers of the Broker are properly maintained or electronically accessible at the branch offices.

	<p>6. Sampling Technique</p> <p>6.1 While selecting a sample for the verification, the Auditor shall use random sampling technique to ensure that the selected sample is true representative of the population and its result can reasonably be used to draw conclusion for the whole population.</p>
<p>CHAPTER XXI: MARKET MAKING REGULATIONS</p>	
<p>21.1</p>	<p>I - Definitions</p> <p>In this chapter, unless inconsistent with or repugnant to the subject or context hereof, the following words and expressions shall have the meanings as assigned hereunder:</p> <p>a) "Applicant" means Broker that is desirous to act as Market Maker.</p> <p>b) "Exchange" means the Pakistan Mercantile Exchange Limited.</p> <p>c) "Market Maker" means the Broker, that undertakes to make available both bids and offers, as the case may be, in ETS for buying and selling Futures Contract(s) on a regular and continuous basis at a publicly quoted price within an agreed spread.</p> <p>d) "Market Making" means the submission of both bid and offer prices, as the case may be, in ETS for Futures Contract(s) on a regular and continuous basis in accordance with the requirements stipulated by the Exchange in these Regulations.</p> <p>e) "Designated Contract" means a Commodity Futures Contract listed on the Exchange and declared eligible for market making by the Exchange.</p> <p>f) "Market Making Agreement" means an agreement entered into between the Exchange and designated Market Maker setting out the roles and responsibilities to perform market making activities in pursuance of these Regulations.</p> <p>g) "Spread" means the maximum difference, as may be specified by the Exchange from time to time, between the offer price and the bid price that are quoted by the Market Maker for each Designated Contract.</p> <p>h) "Market Making Period" means the Exchange shall enumerate market making period within normal trading hours for each market maker at Market Making Agreement.</p>
<p>21.2</p>	<p>The words and expressions used but not defined in this chapter shall have the same meanings as are assigned to them in the Futures Market Act, 2016, the Futures Brokers (Licensing and Operations) Regulations, 2018 and the Pakistan Mercantile Exchange Limited General Regulations ("the General Regulations"), as amended from time to time. Words importing singular number shall include plural number and vice versa. Words importing masculine gender shall include feminine gender and vice versa. Words importing individual shall include reference to a company and vice versa.</p>
<p>21.3</p>	<p><u>Criteria to Act as Market Maker</u></p> <p>An Applicant shall fulfill the following requirements to be eligible to act as Market Maker:</p> <ol style="list-style-type: none"> (1) possess, at the time of applying to act as Market Maker and at all times thereafter, minimum paid-up capital and net worth requirement of the Exchange; (2) in addition to other margin requirements, deposit with the Exchange Rs. 2.5 million that shall remain in control of the Exchange for the purposes of risk management; (3) possess adequate experience of trading in the underlying commodity of the Futures Contract in which it intends to act as Market Maker;

	<p>(4) have in place facilities and personnel, to the satisfaction of the Exchange, adequate for the expeditious and orderly Market Making and have in place proper supervisory program and a system of internal controls to ensure the following:</p> <ul style="list-style-type: none"> (i) proper undertaking of risk management; (ii) internal security, backup for IT system, price feed & offsetting of trades, related issues, operational measures; (iii) systems, facility and operational capability; (iv) proper management for avoiding any conflict of interest; and (v) compliance with the General Regulations. <p>(5) submit an undertaking confirming possession of understanding and requisite knowledge about Market Making and various risks associated thereto.</p>
21.4	<p><u>Appointment of Market Maker</u></p> <p>(1) The Exchange shall invite applications from the Applicants.</p> <p>The Applicant shall provide to the Exchange the following along with the application under (1) above:</p> <ul style="list-style-type: none"> (i) application for appointment as Market Maker as per Form-I; (ii) undertaking, as may be specified by the Exchange, to comply with these Regulations and to adhere to the Market Making Agreement; (iii) evidence of compliance with paid-up capital and net worth requirement; (iv) Market Making Agreement; (v) Name(s), address(es), qualification(s) and contact detail(s) of staff members having at least three years of relevant capital market experience; (vi) most recent audited annual accounts; and (vii) any other information as may be required by the Exchange. <p>(2) The Exchange, if it is satisfied that the Applicant is eligible to carryout Market Making in terms of Regulation 3 and the requisite documents including Market Making Agreement have been submitted as required under these Regulations, may appoint such Applicant as Market Maker for such period as may be specified by the Exchange, which may be renewable in accordance with Regulation 3 and 4, and communicate the same in writing to the Market Maker specifying the date and time of commencement of its term as Market Maker and any other conditions as it may deem fit.</p> <p>(4) The decision of the Exchange in respect of the acceptance or rejection of application of an Applicant shall be final and conclusive. The permission by the Exchange to act as Market Maker shall be non-exclusive, nontransferable and subject to such conditions as may from time to time be prescribed by the Exchange.</p>
21.5	<p><u>Suspension and Resignation of Market Maker</u></p> <p>(1) A Market Maker may resign after a minimum period as prescribed by the Exchange from time to time three months of from commencement of its term by providing the Exchange at least two-month prior written notice of such period as specified by the Exchange along with the reasons for resignation and specifying the effective date of resignation, provided that a substitute Market Maker in the Designated Contract acceptable to the Exchange is ready to take the outgoing Market Maker's role and responsibilities for the remaining period of the said term.</p> <p>(2) In case of exceptional circumstances affecting the market, which result in significant order imbalance, the Exchange on the written request of the Market Maker and for reasons to be recorded in writing, may allow suspension of Market Making in the Designated Contracts for the requested period. The Market Maker shall be obligated to ensure availability of bids and offers in the Designated Contract till the written approval of the Exchange.</p> <p>Provided that the Exchange shall promptly communicate to the Commission the decision to suspend market making, along with all related information and detailed rationale in support of its decision.</p>

21.6	<p>A Market Maker shall, -</p> <ol style="list-style-type: none"> (1) be liable to discharge his functions, clearing and settlement, financial obligations and other contractual obligations related to Market Making and regulatory requirements as laid down herein and under the General Regulations and to fulfill certain additional terms and conditions as may be set out from time to time for Market Makers by the Exchange or by the Commission. (2) be liable to provide continuous liquidity, depth to the market and continuity of trading in the Designated Contract for which it is appointed as Market Maker. (3) undertake Market Making through such trading accounts having separate UIN and designated by the Exchange specifically for Market Making and also maintain separate ledger account for the same. (4) provide continuous orders/quotes all the time during the Trading Days in each of their Designated Contracts. Unless, otherwise permitted by the Exchange in exceptional circumstances, the orders/quotes shall be provided by the Market Maker(s) in such a way that the two way orders/quotes (bids and offers) are not absent from the Exchange on any Trading Day. In case, the Market Maker is absent from the Exchange to provide Market Making either due to any technical reason, force majeure or any other reasonable ground, no claim against him of any party shall be entertained by the Exchange only on such ground. (5) replenish its orders/quotes within ninety seconds following full execution, withdrawal, expiration or any change in the price of either bid or offer. (6) provide continuous bids and offers within the range of Spread specified by the Exchange as per the criteria devised by the Exchange. (7) maintain sufficient and appropriate risk management control procedures for its Designated Contract. (8) perform Market Making only for Designated Contract for which it is appointed. (9) pay such trading and other fee(s) as specified by the Exchange from time to time. The Exchange may subject to satisfactory performance of the Market Maker reserves the right to allow such Market Maker reasonable discounts, partial or complete waiver of trading and other fee(s) or share its trading income from counter parties with Market Maker in respective Designated Contracts. <p>Provided that the Market Maker cannot claim waiver or discount(s) in trading and other fees as a matter of his right. Provided further that such discount or waiver shall not be applicable in case of regulatory levies or government dues which the Exchange is bound to pay to the concerned authorities or to the Government.</p>
21.7	<p><u>Market Making Agreement</u></p> <p>The activities of a Market Maker shall be governed by these regulations and Market Making Agreement that shall, inter-alia, include the following:</p> <ol style="list-style-type: none"> (i) rights and obligations of the Market Maker in the Designated Contract; (ii) duration of the Market Making Agreement and renewals thereof; (iii) conditions under which Market Making Agreement may be terminated; (iv) time window during Trading Day that the Market Maker shall be obliged to ensure presence on the order book;

	<p>(v) the maximum spread between the bid and offer price that Market Maker may maintain for the Designated Product determined in accordance with the criteria devised by the Exchange under Regulation 10(6) of these Regulations; and</p> <p>(vi) the applicable trade fee etc.;</p> <p>(vii) indemnity available to the Exchange;</p> <p>(viii) limitations on liability of the Exchange.</p>
21.8	<p><u>Other Matters related to Market Maker</u></p> <p>(1) Market Maker shall be subject to regulatory framework as envisaged for a TRE Certificate Holder/Broker in the General Regulations, the Broker Regulations, and directions from the Securities & Exchange Commission of Pakistan and on such decisions/procedures/guidelines as may be prescribed by the Governing Board or by the Managing Director from time to time.</p> <p>(2) A Market Maker may compete with other Market Makers for better orders/quotes to the investors/market participants with the prior approval of the Exchange.</p>
21.9	<p><u>Powers and Functions of the Exchange</u></p> <p>The Exchange shall,-</p> <p>(1) regulate, for the purposes of monitoring transactions trades and clearing and settlement operations of the transactions/trades, under relevant laws and the General Regulations.</p> <p>(2) take no responsibility in case any loss occurred to any Market Maker on account of any malfunctioning of ETS where the Exchange has taken all reasonable steps to mitigate such risk.</p> <p>(3) subject to prior approval from the Board, accept following collateral which includes, interalia, the following against margin/clearing limit requirements from the Market Makers, -</p> <p>(i) Gold</p> <p>(ii) Cash</p> <p>(iii) T-Bills</p> <p>(iv) Any other commodity/instrument as decided by the Governing Board with prior approval of the Commission.</p> <p>(4) The Exchange may appoint any number of Market Makers in any of Designated Contracts at the Exchange. The Exchange may increase or decrease number of Market Makers at its discretion. The Exchange also reserves the right to limit number of Market Makers appointed for a particular Designated Contract due to system constraint or for any other reason.</p>
21.10	<p><u>Obligations of the Exchange</u></p> <p>The Exchange shall, -</p>

	<p>(1) Ensure that the list of Designated Contracts for which a Market Maker is available shall be published along with names of market makers at website of the Exchange for public information;</p> <p>(2) give at least ninety-day prior notice to the market participants before excluding any Designated Contract from the list of Designated Contracts. Provided that the Exchange may at any time include a Futures Contract in the list of Designated Contracts.</p> <p>(3) discourage Market Making in those Designated Contracts where sufficient liquidity is already available at the Exchange;</p> <p>(4) restrict any Market Maker from acting in a manner which is prejudicial to the interest of the Exchange and investors;</p> <p>(5) devise the criteria for fixing contract wise spread with the prior approval of the Commission. Provided that the Exchange reserves the right, with the prior approval of the Commission, to revise the spread limits in case exceptional circumstances or emergency exist in the market;</p> <p>(6) take into account and comply with the requirements by screening the Applicant as per Regulation 3 of these Regulations;</p> <p>(7) evaluate the performance of Market Makers on continuous basis on account of respective risk management efficiency and Market Making in effective manner, systems and connectivity, customer service and compliance with spread requirements etc.;</p> <p>(8) initiate disciplinary action under the General Regulations and these Regulations against a Market Maker in case it fails to fulfill its contractual obligations (other than clearing and settlement and risk management financial obligations) as a Market Maker for more than two consecutive Trading Days without any cogent reason; and</p> <p>(9) not take any responsibility for any loss which may occur to the Broker or their Customer(s) during the currency of Market Making consequently, any such claim of the Broker or their Customer(s) either for compensation or damages or by any other way shall out rightly be rejected.</p>
21.11	<p><u>Powers of the Managing Director</u></p> <p>Notwithstanding anything contained in these Regulations, the Managing Director in exercise of his powers and for effective risk management may impose, restrict, allow, review, expand, vary, by-pass and or relax the limits of the following for the Market Makers:</p> <p>(i) position limits where the Market Maker has off-setting positions in underlying commodity at any other regulated foreign commodity exchange;</p>
21.12	<p><u>Exchange Facilities</u></p> <p>The Market Makers may at their risk avail such facilities as may be provided by the Exchange particularly but not limited to especially designed trading engine (a risk management tool developed by the Exchange for Market Makers to off-set their trades in foreign commodity exchanges against any position which they may take during market making process at the Exchange). In case Market Maker suffers any loss on account of malfunctioning of trading engine or due to any of the facilities which the Exchange may offer to the Market Makers, Exchange shall take no responsibility whatsoever.</p>
21.13	<p><u>Disciplinary Action by the Exchange</u></p> <p>(1) In addition to any other powers conferred to the Exchange by these Regulations and/or any other directives, ruling or guidelines issued by the Exchange and the Commission from time to time, the Exchange may suspend or terminate a Market Maker or restrict Market Making by it, upon happening of all or any of the following events and may take any other action against a Market Maker as enumerated under these Regulations in the manner stipulated by the Exchange:</p>

	<ul style="list-style-type: none"> (i) where there is a breach or likelihood of breach of any provisions of these Regulations; (ii) where the execution of transactions may lead to or is likely to lead to the commission of any of the offences under these Regulations and as defined under the Broker Regulations or any other applicable laws; (iii) where Market Maker fails to provide liquidity to the market during the Market Making Period as stipulated under Market Making Agreement; and (iv) where Market Maker makes an attempt to increase spreads unreasonably or tries to enforce the terms for Market Making unilaterally. <p>(2) Pursuant to Regulation 13(1) above, the Exchange may suspend or terminate a Market Maker or restrict his Market Making and or imposition of fine, restrictions or conditions on permitted transactions and any other action as may be deemed fit by the Exchange in case of happening of all or any of the following or as mentioned above:</p> <ul style="list-style-type: none"> (i) if the court has issued the orders for winding up of Market Maker or has filed an application for voluntary winding up; (ii) if a receiver and manager, provisional liquidator or liquidator has been appointed for the Market Maker; (iii) if the Market Maker fails to fulfill any of the requirements under these Regulations and terms and conditions setout under Market Making Agreement; (iv) if the Market Maker is convicted of any offence in or any disciplinary action is taken against it for breaches involving dishonesty or fraud etc.; <p>Provided no such action shall be taken by Exchange except after giving the Market Maker an opportunity of being heard. However, in case where it is necessary in the opinion of the Exchange to take an emergent action in the best interest of market, the Exchange may, after giving a notice in writing, immediately suspend Market Making by a Market Maker.</p> <p>However, subsequent to such suspension the Exchange shall provide the Market Maker with an opportunity of being heard in accordance with procedures and take appropriate action as may be stipulated by the Exchange.</p> <p>(3) In case of suspension, expulsion, default or restriction on trading rights of a Broker acting as Market Maker, the Exchange shall immediately restrict the Market Maker to perform Market Making.</p> <p>(4) If appointment of Market Maker is restricted, suspended or cancelled for any reason in accordance with these Regulations or Market Making Agreement, then the suspended/terminated Market Maker may carry out all other trading activities as a Broker.</p> <p>The Exchange will inform the Market Maker in writing of any suspension or termination or restriction of market making activity under these Regulations.</p> <p>(5) In the event that the Exchange undertakes any of the actions under these Regulations, against a Market Maker such actions shall also be applicable against any person who is the agent, nominee or acting in concert with that Market Maker, as the case may be.</p> <p>(6) Where an action has been taken a Market Maker may make representations to the Exchange for the discontinuance of the action taken. The Exchange may after the representations were made, discontinue the action taken. However such discontinuance shall not be construed as an omission or error of any kind on the part of the Exchange in undertaking the regulatory action.</p>
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CHAPTER XXII: REGULATIONS GOVERNING SHARI'AH COMPLIANT TRADING PLATFORM FOR MURABAHA

22.1	<p>Definitions:</p> <p>In this chapter, unless the subject or context otherwise requires the following words and expressions shall have the meanings as assigned hereunder:</p> <ul style="list-style-type: none"> a) Constructive Possession means the right to take physical delivery through transfer of ownership along with risk and reward by virtue of issuance of ETS Certificate b) Delivery means delivery of goods in physical form or having Constructive Possession through ETS Certificate. c) ETS Certificate means the certificate representing the ownership and Delivery as per the inventory ledger of the Participant maintained with PMEX. d) Exchange for Physical (“EFP”) means immediate/real time settlement of contracts through Delivery. e) Murabaha means a sale transaction where the seller expressly mentions the cost of the commodity sold, and sells it to the buyer by adding some profit thereon. f) Murabaha Contract means a Commodity Contract in which the payment against purchase of commodity may be deferred by the buyer but Delivery will be made at the time of sale. The cost price and profit are disclosed at the time of sale.
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	g) PMEX Shari'ah Compliant Trading Contract means all Shari'ah compliant commodity contracts approved by Shari'ah Advisor / Shari'ah Board, PMEX Board and SECP for trading at Shari'ah Compliant Trading Platform.
	h) Primary Seller means the Participant who initially makes the commodity available for trade on Shari'ah Compliant Trading Platform in the manner as prescribed under Regulation 5 (a) whereas the same Participant holds the commodity on behalf of its owner until commodity has been physically delivered / dispatched.
	i) Shari'ah means divine guidance as given by the Holy Qur'an and the Sunnah of Holy Prophet Muhammad صلى الله عليه وسلم and embodies all aspects of the Islamic faith, including beliefs, practices, rules and principles as per the interpretation of the Shari'ah Advisor / Shari'ah Board of PMEX.
	j) Shari'ah Advisor / Shari'ah Board means a Shariah Advisor/Shariah Board as specified by the Commission.
22.2	Commodities Eligible For Trading
	<p>The following commodities shall be eligible for trading on PMEX Shari'ah Compliant Trading Platform as per the procedure approved by the Shari'ah Advisor / Shari'ah Board.</p> <ol style="list-style-type: none"> a. High Speed Diesel b. Petrol c. Gasoline d. Palmolien e. Furnace oil f. Rice g. Sugar h. Wheat i. Cotton j. Any other commodity approved by the Commission <p>Provided that following conditions related to the underlying Commodity are met:</p> <ol style="list-style-type: none"> i) The parties must be legally competent to enter into sale/purchase transaction. ii) The Underlying Commodity must be halal and exist at the time of sale. iii) The Underlying Commodity must be in the ownership of seller at the time of sale. iv) The price of the Underlying Commodity must be certain. v) The Underlying Commodity must be in physical or constructive possession of the seller at the time of sale. vi) The sale must be unconditional, instant, and absolute and it must not be attributed to a future date or a sale contingent on a future event, as such sale is void. vii) The Commodity must be specifically known, quantified and identified to the buyer. viii) The delivery of the Underlying Commodity to the buyer must be certain and it should not be based on chance or contingency. ix) The underlying transaction should not adversely affect the sanctity of Maqasid e Shariah at any cost. <p>Provided further that PMEX shall ensure the following:</p> <ol style="list-style-type: none"> 1) The information regarding the commodity's existing location and quantity in a manner like tank location, total inventory in each tank and inventory available for sale. 2) The sale of the commodity is done without any condition to re-sell it to ultimate buyer to avoid conditional sale and without any prior agreement with the first seller to avoid Bai Inah 3) No netting off transaction between first seller and the subsequent buyers has been carried out. 4) PMEX with the consent of Shari'ah Advisor / Shari'ah Board and shall prescribe the minimum time for holding the delivery by buyer before onward selling it to the seller and modify its system accordingly to conclude the transaction efficiently, transparently and in Shari'ah compliance manner. 5) Compliance of all relevant provision of AAOIFI's Shari'ah Standards No.8, 20 and 30, especially the compliance of clause 3/3 of AAOIFI' Shari'ah Standard No.20 as per the guidelines of Shari'ah Advisor / Shari'ah Board 6) The trading platform is able to carry out spot transaction in compliance of Shari'ah principles. 7) Submit quarterly report on Shari'ah compliance of Shari'ah compliant trading transaction duly verified by its Shari'ah Advisor / Shari'ah Board.

	Shari'ah Advisory Board of SECP reserves the right to withdraw their approval if the conditions mentioned in the Shari'ah Approval are not duly satisfied or met at any point in time.
22.3	Shari'ah Compliant Trading Platform Participants (Participants)
	The following participants will be eligible to trade at Shari'ah Compliant Trading Platform: (a) All Brokers of the Exchange and their clients (b) All Islamic and conventional Banks (c) All entities who own commodity available for sale in any of the commodities eligible for Shari'ah Compliant Trading Contracts under Regulation 2 above and are willing to trade in such Contract. All Participants will be pre-approved by the Exchange.
22.4	Transmission of Information
	Participants will provide information in relation to Shari'ah Compliant Trading Contract by disclosing all pre-requisites applicable for such transactions in the manner as prescribed by the Exchange: (a) Participants who want to act as Primary Sellers of a commodity in the Shari'ah Compliant Trading Platform will provide commodity information in the manner as prescribed by the Exchange from time to time. (b) The Exchange will transmit information on executed trades to the respective Participants in real-time.
22.5	Rights & Obligations of Participants
	(a) All participants are required to open account with PMEX through a registered broker of the Exchange. (b) Brokers and their clients would be allowed to perform their respective functions subject to these Regulations. (c) In accordance with the General Regulations, a Broker shall be responsible for the clearing and settlement obligations of all trades executed by the Participants. (d) Participants will be assigned UINs before they can participate in the Shari'ah Compliant Trading Platform.
22.6	Trading Days and Hours of Shari'ah Compliant Trading Platform
	The Exchange shall announce the Trading Days and Hours in advance. The Exchange may extend, advance or reduce Trading Hours by notifying to all Participants through a notification.
22.7	Risk Management of Trades in Shari'ah Compliant Platform
	All trades in Shari'ah Compliant Trading Contracts under these regulations shall be subject to a pre-verification as prescribed by the Exchange. Participants who are offering commodity for trading will be liable to provide delivery to purchasing Participants until the purchasing Participants receive physical delivery of commodity. Primary selling Participant must ensure that they have adequate arrangements for safety such as Takaful of their product on behalf of ETS Certificate holder.
22.8	Trading, Clearing & Settlement Procedures
	(a) All trades in Shari'ah Compliant Trading Platform shall have its settlement based on respective specifications of Shari'ah Compliant Trading Contracts. (b) Transfer of ownership/constructive possession of the underlying commodity and funds shall be done through the Clearing House of the Exchange. (c) Trades at the Shari'ah Compliant Trading Platform will be settled in real time through EFP. (d) PMEX shall maintain bank account(s) that shall be used for the clearing of transactions carried out at Shari'ah Compliant Trading Platform with either full-fledged Islamic Bank(s) / Islamic Banking window(s) of conventional bank(s) or as approved by the Shari'ah Advisor / Shari'ah Board of PMEX.
22.9	Trading Fee, Storage Fee etc.
	The Exchange shall prescribe, from time to time, trading fee, storage fee, etc. payable by such Participants for services provided by the Exchange or Primary Seller.
22.10	Murabaha Contract Settlement Default
	In case a Murabaha Contract has been used for financing between participating institutions and a buying institution is unable to settle their obligations with the selling institution within the prescribed time, PMEX will not assume any liability due to such default. Deferred payment and financial settlement between buying and selling institutions is outside the ambit of these Regulations.

22.11	Settlement Default
	Except in so far as highlighted in Regulation 10 above, in case a Participant is unable to tender delivery or make payment or fulfill its obligations for any reason whatsoever, against PMEX Shari'ah Compliant Trading Contract, the same shall be considered as default of such Participant and PMEX will settle Participant's obligations from its Cash or equivalent available with PMEX without creating any rights and obligations on any of the Participant in the Shari'ah Compliant Trading Platform & on PMEX.
22.12	Transactions by Participants
	Participants must ensure that they have requisite internal and external approvals on their part to undertake Murabaha with other banks as well as participation in the Shari'ah Compliant Trading Platform at PMEX.
22.13	Market Disruption / Force Majeure
	If the Shariah Complaint trading platform gets disrupted due to regulatory requirements, the Exchange reserves the right to cancel and reverse any or all trades on the PMEX Shariah Complaint Trading platform between participants which will be immediately referred to Shariah Advisor / Shari'ah Board for his ratification/ guidance.
CHAPTER XXIII: BROKERS' BRANCH OFFICE REGULATIONS	
23.1	DEFINITIONS: In this chapter, unless there is anything repugnant in the subject or context: (a) Branch Head means a permanent employee of a Broker appointed or authorized to operate, manage and supervise the Branch Office in accordance with these Regulations of the Exchange. (b) Branch Office means an office/branch opened and maintained by a Broker for conducting the business and trading of Futures Contracts registered on the Exchange. (c) Certificate means a Certificate of Registration of the Branch Office issued by the Exchange.
23.2	ELIGIBILITY CRITERIA FOR OPENING BRANCH OFFICE(S): Only a Broker complying with the following conditions shall be eligible to open Branch Office(s): (a) Any significant disciplinary action has not been taken against the Broker by the Commission, the Exchange during the last 3 years for any material violations in relation to misuse or unauthorized use of customers' assets or segregation of customers' funds or where it has been found that an unauthorized person was involved in dealing with customers on commission basis for trading through the Broker; (b) Any sponsor, director, or senior management officer of the Broker has not been engaged in the capacity of sponsor, director or senior management officer with any other Broker declared defaulter by the Exchange or whose TRE Certificate has been forfeited or cancelled by the Exchange due to non-compliance of any applicable rules, regulations, notices, procedures, guidelines, etc.; (c) The Broker should not be a party in litigation with the Commission or the Exchange in respect of any criminal offence or a matter relating to non-payment of customer claims or in any other manner prejudicial to interests of customers and the general public; (d) The general compliance history and past track record of the Broker in dealing with complaints and arbitration award(s) must be to the satisfaction of the Exchange. EXPLANATION: For the purpose of this clause, the term 'significant disciplinary action' shall mean the following: (a) Fine has been imposed; (b) Trading rights have been suspended by the Exchange;

	(c) TRE Certificate has been suspended.
23.3	<p>PROCEDURE FOR OPENING OF BRANCH OFFICE:</p> <p>A Broker may open its Branch Office(s) for conducting the business and trading of Futures Contracts registered on the Exchange in accordance with these Regulations as well as the law applicable in this behalf subject to prior approval of the Exchange in writing and completion of the following formalities:</p> <ul style="list-style-type: none"> (a) making of an application on the form specified by the Exchange; (b) an undertaking on the form specified by the Exchange; (c) list of services to be offered at the new branch; (d) system of supervision and controls employed at the new branch; (e) detail of payment of Registration fee per branch as prescribed by the Exchange from time to time; (f) copy of the documents evidencing ownership of the Branch Office and/or agreement with owner of the Branch Office, if that Branch Office is not owned by the Broker; (g) name of the Branch Head, his/her residential and permanent addresses, copy of CNIC, two latest photographs and detailed profile; (h) branch-wise list of employees, along with their CNIC copy and residential and permanent addresses. <p>Provided that the Broker shall complete and submit above information to the Exchange at least 30 days prior to the proposed date of opening of its Branch Office.</p>
23.4	<p>ELIGIBILITY FOR THE PERSON TO BE APPOINTED AS BRANCH HEAD OF THE BROKER'S BRANCH OFFICE:</p> <p>The person to be appointed as Branch Head of the Branch Office shall fulfill the following conditions:</p> <ul style="list-style-type: none"> (a) He is not less than 21 years of age. (b) He has not been convicted of any offense, involving fraud or breach of trust. (c) He has passed at least graduation or equivalent examination and possesses at least three years' experience in the capital markets or one year's experience as trader in a brokerage house. (d) He has not been adjudicated as insolvent or has suspended payments or has compounded with his creditors. (e) NOC from his previous employer.
23.5	<p>GRANT OF CERTIFICATE OF REGISTRATION:</p> <p>On completion of all requirements, an officer of the Exchange shall visit the Branch Office to confirm that the Branch Office fulfills the regulatory requirements including sufficient infrastructure, appropriate number of qualified personnel, sufficient systems for transmitting customers' records to Head Office and additional eligibility requirements being mentioned herein. Upon its satisfaction, the Exchange shall grant a Certificate of Registration of Branch Office in the form prescribed by the Exchange.</p>
23.6	<p>OBLIGATIONS OF A BROKER WITH RESPECT TO BRANCH OFFICE:</p> <p>23.6.1 DISPLAY OF NAME OF BROKER: The Broker desirous of opening branch must prominently display its name outside the Broker's Branch Office.</p> <p>23.6.2 MAINTENANCE OF PROPER BOOKS OF ACCOUNTS, RECORDS ETC.: The Broker shall keep and maintain all the customer related record/information of the Branch Office at the Head Office/Registered Office and shall make necessary arrangements to provide at all reasonable times respective information/record to their Customers dealing through such Branch.</p> <p>23.6.3 DISPLAY OF INFORMATION AT BRANCH OFFICE: The Broker shall keep displaying at all the times at a visible location at the reception/front office of the Branch Office(s) the following information:</p>

Certificate of Registration of Branch Office.

Names of persons and their signatures authorized by the Broker to deal with the Customers.

The standard text provided by the Exchange after due approval of the Commission, disclosing the remedy and process as to how to approach the Exchange in case of non-resolution of complaints.

Standeers about the products, the Broker is selling and the procedures of how investments can be made therein as per the specimen provided by the Exchange.

Any change in email address, mobile number, office phone number, mailing address, registered/ permanent addresses or other related information should be intimated immediately to the Broker.

Provided that the information mentioned in this clause shall also be prominently displayed at the official website and all social media platforms of the Broker

23.6.4 A BOARD AT A CONSPICUOUS PLACE AT THE RECEPTION/FRONT OFFICE WHICH SHOULD CONTAIN:

Name of the person authorized to deal with the customers.

A warning that the branch cannot deal in cash, except as provided in the SAOF.

That nobody is authorized to take deposit money on fixed profits which is illegal.

23.6.5 PUBLICATION:

The Broker shall at the time of change of Branch Head of its Branch Office, publish a public notice in two (English and Urdu) newspapers having wide circulation in the province(s) where registered office and Branch Office(s) is situated. The said notice should also be displayed at visible place in Branch Office(s).

23.6.6 STATIONERY:

The Broker shall ensure that all stationery, i.e. confirmation/contract/cash memo/any other document is issued only in its name. The Broker(s) will also be required to clearly state on the printed stationery the addresses of all its offices/branch offices simultaneously.

23.6.7 STAFF, SECURITY ARRANGEMENTS AND CUSTOMER SUPPORT:

The Broker shall ensure the following with respect to their Branch Office(s):

It shall employ any person who has not been convicted of any non-compliance and violation by the Exchanges, Commission and/or any other competent authority;

Properly trained staff/human resources;

Security arrangements including installation of CCTV cameras for the safety of staff and record;

Proper arrangement for guidance and customer support for filling up of SAOF and completion of documentation;

Drop box facility for collection of complaints;

Product information related to various products/services being offered by the Broker at the Branch Office through printed brochure for the information of potential/existing customers.

23.6.8 OTHER OBLIGATIONS:

The Broker shall ensure the following:

All the dealings at the Branch Office(s) shall be subject to these Regulations;

The Broker shall be fully responsible for all the dealings at the Branch Office(s), acts of Branch Heads/employees in accordance with these Regulations, the Act, the Broker Regulations and shall be liable thereof;

Status of Branch Office(s) including their closure or change of Branch Head shall be notified along with reasons of closure in writing to the Exchange within 24 hours for updating the status of Branch Office(s) on its website;

The Compliance Officer of the Broker shall conduct periodic visit/inspection of the Branch Office(s) of the Broker to ensure its compliance with the regulatory framework;

	<p>In addition to regular monitoring, the Compliance Officer of the Broker shall confirm to the Exchange on a bi-annual basis that the Branch Office(s) of the Broker is/are in compliance with the applicable regulations of the Commission and the Exchange. In case of any non-compliance, the Compliance Officer shall report the same to the Broker, Exchange and Commission; and The premises for its Branch Office(s) may be used only to carry out business activities as Broker and any other regulated market activity for which the Broker is duly licensed under the Act.</p>
23.7	<p>BRANCH OFFICE(S) OF A BROKER:</p> <p>A Broker while opening Branch Office(s) shall also comply with all the above regulations and shall provide the necessary information to the Exchange duly supported by the Board Resolution.</p>
23.8	<p>SUSPENSION AND CANCELLATION OF REGISTRATION/TRE CERTIFICATE BY THE EXCHANGE:</p> <p>If the Broker fails to comply with any of the provisions or requirement of these Regulations, the Exchange can take action against such Broker(s) including suspension of registration of a particular branch and/or suspension of its TRE Certificate.</p>
23.9	<p>SUSPENSION OR SHIFTING/CLOSURE OF BRANCH OFFICE(S) BY THE BROKERS:</p> <p>The Broker may temporarily suspend business activities at the Branch Office(s) with a one month prior notice in writing to the Exchange and all its Customers. However, the Broker will ensure that the Branch Office(s) remain open for a period of at least one month thereafter for disposal of pending matters.</p> <p>(a) In case of permanent closure of any Branch Office, the Broker shall:</p> <p>(i) give 90 days prior notice to the Exchange and all its Customers for closure of any of its Branch Office along with the specific reason thereof;</p> <p>(ii) visibly display notice for closure of its Branch Office at the respective location at least 30 days prior to closure of such Branch Office;</p> <p>(iii) publish of closure at least 30 days prior to closure of Branch Office in two (English and Urdu) newspapers having wide circulation in the province(s) where its Head Office and Branch Office(s) is situated;</p> <p>(iv) submit copy of the published notices of closure to the Exchange and the Commission within two days of their publication; and</p> <p>(v) inform its customers in writing about future correspondence address/mechanism, names and contact details of relevant contact person(s) and transfer of their relevant record to their Head Office or nearest Branch Office as deemed appropriate.</p> <p>(b) Submit a final statement at least 15 days prior to the closure of Branch Office to the Exchange The Broker may relocate its existing Branch Office within nearby vicinity of 15 KM provided the Broker shall:</p> <p>(i) report the same to the Exchange 15 days prior to shifting.</p> <p>(ii) inform its Customers in writing about the new location; and</p> <p>(iii) visibly display the information for shifting of Branch and such display shall be at the respective Branch Office at least 15 days prior to its relocation.</p>
23.10	<p>INSPECTION OF RECORDS AT BRANCH OFFICE(S) AND OFFSITE MONITORING:</p> <p>(a) The Exchange:</p> <p>(i) shall conduct periodic visit/inspection of the Branch Office(s) on an annual basis; and</p> <p>(ii) shall conduct periodic offsite monitoring of the Branch Offices and take further appropriate actions in case of any violation/non-compliance of these Regulations.</p> <p>(b) The Exchange may ask for any information or documents and/or appoint one or more of its employees to undertake inspection of books of accounts, other accounts and documents of the Branch Office(s) maintained either at the Head Office or any other Branch Office(s) and the Broker shall ensure to provide such information/documents and assistance which may be required.</p> <p>(c) The Exchange shall ensure that an appropriate investors' grievance redressal system /mechanism is in place at all Branch Office(s) for prompt and effective resolution of investors' complaints.</p>

