

Circular No.: PMEX/MKT, BD&CSS/2017/10

June 2, 2017

**Solicitation of Public Comments on Proposed Amendments in PMEX General Regulations, 2007
relating to Settlement Guarantee Fund**

It is hereby informed to the public that the Exchange has considered making amendments to PMEX General Regulations, 2007 in respect of the Settlement Guarantee Fund.

Pursuant to Section 7(3) of the Futures Market Act, 2016, PMEX hereby solicits public comments on the proposed amendments, which are enclosed herewith as “**Annexure A**”.

All concerned are invited to submit their written comments on the proposed amendments either in hard form or through email at compliance@pmex.com.pk latest by Tuesday, June 9, 2017.

For further information and assistance, please feel free to contact our Customer Support Services by phone on 021-111-623-623, 0300-8213-324 and 0321-8756-623 or by email at support@pmex.com.pk.

Best regards,

-sd-

Syed Mumtaz Ali
Chief Compliance Officer

Encl.: As stated above.

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PROPOSED AMENDMENTS RELATING TO SETTLEMENT GUARANTEE FUND

Existing Regulation	Proposed Amendment	Rationale
CHAPTER I: DEFINITIONS		
(aaa) Settlement Guarantee Fund means the fund established and maintained by the Exchange, in accordance with these Regulations, to strengthen the financial integrity of the Exchange and which shall be used in the manner specified by these Regulations.	<u>Settlement Guarantee Fund (“SGF”) means the fund established and maintained by the Exchange pursuant to Section 26 (1) (d) of the Futures Market Act, 2016 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 Clearing Member(s)’ obligations to the Exchange in case of the default of such Clearing Members in terms of these Regulations.</u>	Amended in line with the instruction of SECP keeping in perspective that SGF shall be in trust form.
CHAPTER III: MEMBERSHIP OF THE EXCHANGE		
3.4(c) paid to the Exchange the requisite amount towards the Settlement Guarantee Fund;	3.4(c) paid to the Exchange the requisite amount towards the Settlement Guarantee Fund;	Not required at the time of grant of membership, hence deleted
3.17 Each Broker shall pay to the Exchange contributions in respect of the Settlement Guarantee Fund as is determined by the Board from time to time.	3.17 Each Broker shall pay to the Exchange contributions in respect of to the Settlement Guarantee Fund, <u>in amount(s) to be as is</u> determined by the Board, if any, from time to time.	Payment to be made to the Fund rather than the Exchange, if any
3.28 Continued Admittance: The Board shall from time to time specify conditions and requirements for continued admittance to the Membership. For Members and Brokers they must maintain at all times the minimum maintenance deposit and minimum Net Worth requirements as specified by the Exchange. For Brokers, they must also at all times maintain the minimum contribution to Settlement Guarantee Fund and Net Capital Balance.	3.28 Continued Admittance: The Board shall from time to time specify conditions and requirements for continued admittance to the Membership. For Members and Brokers they must maintain at all times the minimum maintenance deposit and minimum Net Worth requirements as specified by the Exchange. For Brokers, they must also at all times maintain the minimum contribution to Settlement Guarantee Fund and Net Capital Balance.	To exclude requirement of contribution to SGF pursuant to creation of ring fenced SGF
Provided further that:	Provided further that:	
(a) The Membership of any Broker who fails to meet the requirements of maintaining a minimum Net Capital Balance and contribution to the Settlement Guarantee Fund shall be liable for suspension.	(a) The Membership of any Broker who fails to meet the requirements of maintaining a minimum Net Capital Balance and contribution to the Settlement Guarantee Fund shall be liable for suspension.	Same as above

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CHAPTER XII: SETTLEMENT GUARANTEE FUND		
12.1 The Exchange to maintain Settlement Guarantee Fund:	12.1—The Exchange to maintain Settlement Guarantee Fund: <u>12.1 Establishment of Settlement Guaranteed Fund:</u>	
12.1.1 The Exchange shall maintain a Settlement Guarantee Fund, either separately or jointly, in respect of different Commodity Futures Contracts of the Exchange for such purposes, as may be determined by the Board, from time to time.	12.1.1 The Exchange shall maintain a Settlement Guarantee Fund, either separately or jointly, in respect of different Commodity Futures Contracts of the Exchange for such purposes, as may be determined by the Board, from time to time.	
12.1.2 The Board may determine from time to time the norms, procedures, terms and conditions governing each Settlement Guarantee Fund which may, inter-alia, specify the amount of deposit or contribution to be made by each Broker to the relevant Settlement Guarantee Fund, the terms, manner and mode of deposit or contributions, conditions of repayment of deposit or withdrawal of contribution from the Settlement Guarantee Fund, coverage and exclusion of Settlement Guarantee Fund, charges for utilization, fines and disciplinary actions for non-performance thereof.	12.1.2 The Board may determine from time to time the norms, procedures, terms and conditions governing each Settlement Guarantee Fund which may, inter alia, specify the amount of deposit or contribution to be made by each Broker to the relevant Settlement Guarantee Fund, the terms, manner and mode of deposit or contributions, conditions of repayment of deposit or withdrawal of contribution from the Settlement Guarantee Fund, coverage and exclusion of Settlement Guarantee Fund, charges for utilization, fines and disciplinary actions for non-performance thereof.	
12.1.1	<u>The Board shall establish a fund to be called the Settlement Guarantee Fund with contributions as follows:</u> <u>(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.</u> <u>(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 determine the terms, manner and mode of contribution to the Settlement Guarantee Fund as well, as any fines and/or disciplinary actions including suspension of the broker (under Chapter III of these Regulations) with respect to a Broker’s failure to contribute as required to the Settlement Guarantee Fund.</u> <u>(c) In addition to the initial contribution outlined in Regulation 12.1(b) above, the Board may specify the amount of additional contributions to be made by each Broker and/or group of Brokers to the Settlement Guarantee Fund and the period in which the additional</u>	To define the creation and contributions towards the ring fenced settlement guaranteed fund

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	<p>contribution shall be paid. <u>Provided that the Settlement Guarantee Fund shall at all times have a balance sufficient to meet the requirements of the Exchange as may be determined by the Board.</u></p>	
12.2 Contribution to and Deposits with Settlement Guarantee Fund:	<p>12.2 Contribution to and Deposits with Settlement Guarantee Fund: <u>12.2 Utilization of Settlement Guarantee Fund:</u></p>	
12.2.1 Each Broker shall be required to contribute to and provide a minimum security deposit, as may be determined by the Board from time to time, to the Settlement Guarantee Fund. The Settlement Guarantee Fund shall be held by the Exchange. The money in the Settlement Guarantee Fund shall be applied in the manner, as may be provided in these Regulations and notices and orders issued hereunder from time to time by the Board.	<p>12.2.1 Each Broker shall be required to contribute to and provide a minimum security deposit, as may be determined by the Board from time to time, to the Settlement Guarantee Fund. The Settlement Guarantee Fund shall be held by the Exchange. The money in the Settlement Guarantee Fund shall be applied in the manner, as may be provided in these Regulations and notices and orders issued hereunder from time to time by the Board.</p>	Deleted
12.2.2 The Board may specify the amount of additional contribution or deposit to be made by each Broker and/or category of Brokers, which may, inter alia, include the minimum amount to be provided by each Broker.	<p>12.2.2 The Board may specify the amount of additional contribution or deposit to be made by each Broker and/or category of Brokers, which may, inter alia, include the minimum amount to be provided by each Broker.</p>	Deleted
12.2.3 The total amount of security deposit, margins and additional deposits, deposited and maintained by the Broker with the Clearing House, in any form as specified herein, shall form part of the Settlement Guarantee Fund.	<p>12.2.3 The total amount of security deposit, margins and additional deposits, deposited and maintained by the Broker with the Clearing House, in any form as specified herein, shall form part of the Settlement Guarantee Fund.</p>	Deleted
12.2.1 New Clause	<p>a) The Exchange, with prior approval of the Board, shall determine the minimum amount to be retained in the SGF, based on the valuation carried out by the Exchange from time to time in accordance with Regulation 12.2 (d). The minimum amount to be retained in the SGF pursuant to a determination shall be communicated to the trustees of the SGF and the Exchange shall take immediate steps to ensure that the determined minimum amount of the SGF is complied with.</p> <p>b) The Exchange and trustees of the SGF shall endeavor to ensure that the value of the SGF at any point of time is not less than the value as prescribed in clause 12.2 (a)</p> <p>c) If the amount in the SGF falls below the minimum amount which</p>	To align with requirements stipulated in NCCPL’s SGF Regulations

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	<p>needs to be maintained in the SGF, the Board will <u>immediately notify and the SECP and</u> forthwith take steps to ensure that the amount available in the SGF is increased to an amount which is not less than the minimum amount which needs to be maintained in the SGF. 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>d) The Exchange shall, at such regular intervals as may be determined with the prior approval of the Commission, review and determine the minimum amount of the SGF in the light of procedures and valuation models prescribed by the Exchange with the approval of the Commission. Such reviews and determination shall either be based on actuarial recommendations or any other method used to accurately determine the required amount of the SGF 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. Following such review, any alteration in the amount of the SGF may be permissible subject to the approval of the Board and the Commission.</p>	
<p>12.2.2 The amount deposited by any Broker towards the security deposit shall be refundable, subject to such terms and conditions as may be specified by the Board from time to time. Any amount deposited or paid by the Broker may be refunded provided further that such amount is in surplus and there is no actual / crystallized or contingent liability or a claim from any Client or the Exchange to be discharged by the Broker.</p>	<p>12.2.4 The amount deposited by any Broker towards the security deposit shall be refundable, subject to such terms and conditions as may be specified by the Board from time to time. Any amount deposited or paid by the Broker may be refunded provided further that such amount is in surplus and there is no actual / crystallized or contingent liability or a claim from any Client or the Exchange to be discharged by the Broker</p> <p><u>The Settlement Guarantee Fund may be utilized for the following purposes, in order of priority:</u></p> <p><u>(a) paying for expenses and fees involved in establishing and maintaining the Settlement Guarantee Fund;</u></p> <p><u>(b) 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</u></p>	<p>To define the manner in which the SGF may be utilized</p>

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	<p><u>loss or liability of the Exchange arising from the Broker being, or likely to be, declared a defaulter;</u></p> <p><u>(c) to cover any shortfall necessary (as determined by the Board) to maintain the strength and financial integrity of the Exchange;</u></p> <p><u>(d) any other purpose, as may be specified by the Board with the approval of the Commission, from time to time.</u></p>	
<p>12.3 Form of Contribution or Deposit:</p>	<p>12.3 — Form of Contribution or Deposit:</p> <p><u>12.3 Reimbursement:</u></p>	
<p>The Exchange may, in its discretion, permit a Broker to contribute to or provide the deposit to be maintained with the Settlement Guarantee Fund, in the form of either cash, bank guarantees or in such other form or method, and subject to such terms and conditions, as may be specified by the Board, from time to time.</p>	<p>The Exchange may, in its discretion, permit a Broker to contribute to or provide the deposit to be maintained with the Settlement Guarantee Fund, in the form of either cash, bank guarantees or in such other form or method, and subject to such terms and conditions, as may be specified by the Board, from time to time.</p> <p><u>If a loss or liability incurred by the Exchange pursuant to Regulation 12.2(b), is paid for through additional contributions by Brokers in accordance with Regulation 12.1(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.</u></p>	<p>To define reimbursement from the SGF subsequent to recovery from the defaulter broker</p>

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12.4 Replacement of Deposit:	12.4 — Replacement of Deposit: 12.4 Non-Refundable:	New Clause
<p>By giving a suitable notice to the Exchange and subject to such conditions, as may be specified by the Exchange, from time to time, a Broker may withdraw bank guarantees given to the Exchange, representing the Brokers contribution or deposit towards the Settlement Guarantee Fund, provided that the Broker prior to such withdrawal, has deposited cash or bank guarantees with the Exchange or made contribution through such other mode, as approved by the Board from time to time, to meet his required contribution or deposit.</p>	<p>By giving a suitable notice to the Exchange and subject to such conditions, as may be specified by the Exchange, from time to time, a Broker may withdraw bank guarantees given to the Exchange, representing the Brokers contribution or deposit towards the Settlement Guarantee Fund, provided that the Broker prior to such withdrawal, has deposited cash or bank guarantees with the Exchange or made contribution through such other mode, as approved by the Board from time to time, to meet his required contribution or deposit.</p> <p><u>Any amounts contributed by a broker to the Settlement Guarantee Fund shall:</u></p> <p><u>(a) subject to Regulation 12.3, be non-refundable; and</u></p> <p><u>(b) subject to Regulation 14.8, be non-transferable and non-assignable,</u></p> <p><u>in each case, except where the Board may otherwise determine</u></p>	<p>To ensure that no subsequent claims can be made against the contributions made to the SGF</p>
<p>12.5 Investment of Settlement Guarantee Fund:</p> <p>Funds in the Settlement Guarantee Fund may be invested in approved highly liquid securities and/or other avenues of investments, as may be provided for by the Board from time to time. The income on such investments will also become part of the Settlement Guarantee Fund.</p>	<p>12.5 — Investment of Settlement Guarantee Fund: 12.5 Management and Investment of the Settlement Guarantee Fund:</p> <p>Funds in the Settlement Guarantee Fund may be invested in approved highly liquid securities and/or other avenues of investments, as may be provided for by the Board from time to time. The income on such investments will also become part of the Settlement Guarantee Fund.</p> <p><u>The Settlement Guarantee Fund shall be held on trust and managed by trustees for the benefit of the Exchange. The Settlement Guarantee Fund may be invested in highly liquid securities and/or other avenues of investments, as may be provided for by the Board from time to time.</u></p> <p><u>Any income on such investments will be deposited into the Settlement Guarantee Fund.</u></p>	<p>To define the management and investment of the ring fenced SGF</p>

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12.6 Administration and Utilization of Settlement Guarantee Fund:	12.6 Administration and Utilization of Settlement Guarantee Fund: <u>12.6 Limitation of Liability:</u>	New Regulation
12.6.1 The Settlement Guarantee Fund may be utilized for such purposes, as may be provided in these Regulations, which include:	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 his Client and any losses incidental thereto; (iii) the obligations of a Broker to another Broker, in each case, in respect of transactions to which the Exchange is not a counterparty or where the Exchange withdraws as a counterparty on account of fraud or fraudulent transactions. 12.6.1 The Settlement Guarantee Fund may be utilized for such purposes, as may be provided in these Regulations, which include:	
(i) defraying the expenses of creation and maintenance of Settlement Guarantee Fund;	(i) defraying the expenses of creation and maintenance of Settlement Guarantee Fund;	Deleted
(ii) temporary application of Settlement Guarantee Fund to meet shortfalls and deficiencies arising out of the clearing and settlement obligations of Brokers in respect of such transactions, as provided in these Regulations;	(ii) temporary application of Settlement Guarantee Fund to meet shortfalls and deficiencies arising out of the clearing and settlement obligations of Brokers in respect of such transactions, as provided in these Regulations;	Deleted
(iii) meeting any loss or liability of the Exchange arising out of clearing and settlement operations of such transactions, as provided in these Regulations;	(iii) meeting any loss or liability of the Exchange arising out of clearing and settlement operations of such transactions, as provided in these Regulations;	Deleted
(iv) repayment of the balance amount to the Broker pursuant to the provisions regarding the repayment of deposit after meeting all obligations under the Regulations of the Exchange, when such Broker ceases to be a Broker; and	iv) repayment of the balance amount to the Broker pursuant to the provisions regarding the repayment of deposit after meeting all obligations under the Regulations of the Exchange, when such Broker ceases to be a Broker; and	Deleted
(v) any other purpose, as may be specified by the Board with the approval of the Commission, from time to time.	iv) repayment of the balance amount to the Broker pursuant to the provisions regarding the repayment of deposit after meeting all obligations under the Regulations of the Exchange, when such Broker ceases to be a Broker; and	Deleted

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<p>12.6.2 The Exchange shall have full power and authority to pledge, re-pledge, hypothecate, transfer, create a security interest in, or assign any or all of the (a) cash of the Settlement Guarantee Fund (b) securities or other instruments in which the cash amount of Settlement Guarantee Fund is invested, and (c) bank guarantees or any other instrument issued on behalf of a Broker in favour of the Exchange towards their deposit to the Settlement Guarantee Fund.</p>	<p>12.6.2 The Exchange shall have full power and authority to pledge, re-pledge, hypothecate, transfer, create a security interest in, or assign any or all of the (a) cash of the Settlement Guarantee Fund (b) securities or other instruments in which the cash amount of Settlement Guarantee Fund is invested, and (c) bank guarantees or any other instrument issued on behalf of a Broker in favour of the Exchange towards their deposit to the Settlement Guarantee Fund.</p>	<p>Deleted</p>
<p>12.7 Utilization for Failure to Meet Obligations:</p>	<p>12.7 — Utilization for Failure to Meet Obligations:</p>	<p>Deleted</p>
<p>Whenever a Broker fails to meet his settlement of obligations to the Exchange arising out of his clearing and settlement operations in respect of his transactions, as provided in these Regulations, the Exchange may utilize the Settlement Guarantee Fund and other monies lying to the credit of the said Broker to the extent necessary to fulfil his obligations under such terms and conditions, as the Board may specify from time to time.</p>	<p>Whenever a Broker fails to meet his settlement obligations to the Exchange arising out of the transactions, or whenever a Broker is declared a defaulter, the Exchange may utilize the Settlement Guarantee Fund and other monies of the Broker to the extent necessary to fulfil his obligations in the following order:</p>	<p>Deleted</p>
<p>12.8 Utilization in Case of Failure to Meet Settlement Obligations or on Declaration of Defaulter</p>	<p>12.8 — Utilization in Case of Failure to Meet Settlement Obligations or on Declaration of Defaulter</p>	<p>Deleted</p>
<p>Whenever a Broker fails to meet his settlement obligations to the Exchange arising out of the transactions, or whenever a Broker is declared a defaulter, the Exchange may utilize the Settlement Guarantee Fund and other monies of the Broker to the extent necessary to fulfil his obligations in the following order:</p>	<p>Whenever a Broker fails to meet his settlement obligations to the Exchange arising out of the transactions, or whenever a Broker is declared a defaulter, the Exchange may utilize the Settlement Guarantee Fund and other monies of the Broker to the extent necessary to fulfil his obligations in the following order:</p>	<p>Deleted</p>
<p>12.8.1 any amount that may have been paid by the defaulter Broker in the form of margin or any other money, other than bank guarantees or, deposits with or retained by the Exchange for the purpose of meeting the clearing and settlement obligations;</p>	<p>12.8.1 — any amount that may have been paid by the defaulter Broker in the form of margin or any other money, other than bank guarantees or, deposits with or retained by the Exchange for the purpose of meeting the clearing and settlement obligations;</p>	<p>Deleted</p>
<p>12.8.2 the proceeds, if any, recovered from disposal of any security deposited by the defaulter Broker, other than those deposited towards security deposit and/or additional deposit by the Broker with the Exchange,</p>	<p>12.8.2 — the proceeds, if any, recovered from disposal of any security deposited by the defaulter Broker, other than those deposited towards security deposit and/or additional deposit by the Broker with the Exchange,</p>	<p>Deleted</p>
<p>12.8.3 any contribution or deposit made by the defaulter Broker towards additional deposit to the Settlement Guarantee Fund, in the</p>	<p>12.8.3 — any contribution or deposit made by the defaulter Broker towards additional deposit to the Settlement Guarantee Fund, in the</p>	<p>Deleted</p>

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form of cash or bank guarantee;	form of cash or bank guarantee;	
12.8.4 any amount that may have been paid by the defaulter Broker towards margin in the form of bank guarantees or deposited with the Exchange;	12.8.4 any amount that may have been paid by the defaulter Broker towards margin in the form of bank guarantees or deposited with the Exchange;	Deleted
12.8.5 any amount that may have been deposited by the defaulter Broker towards additional deposit in the form of bank guarantees or with the Exchange;	12.8.5 any amount that may have been deposited by the defaulter Broker towards additional deposit in the form of bank guarantees or with the Exchange;	Deleted
12.8.6 any amount that may have been deposited by the defaulter Broker towards security deposit in the form, other than bank guarantees, with the Exchange;	12.8.6 any amount that may have been deposited by the defaulter Broker towards security deposit in the form, other than bank guarantees, with the Exchange;	Deleted
12.8.7 any amount that may have been deposited by the defaulter Broker towards security deposit in the form of bank guarantees with the Exchange;	12.8.7 any amount that may have been deposited by the defaulter Broker towards security deposit in the form of bank guarantees with the Exchange;	Deleted
12.8.8 the amount lying to the credit of the defaulter with the Exchange to the extent not appropriated by the Exchange towards the obligations of the defaulter to it;	12.8.8 the amount lying to the credit of the defaulter with the Exchange to the extent not appropriated by the Exchange towards the obligations of the defaulter to it;	Deleted
12.8.9 the proceeds, if any, recovered from auctioning or disposing of the exchange membership right vested in the Exchange, subject to deduction of the expenses relating or incidental to the auction or disposal, as the case may be;	12.8.9 the proceeds, if any, recovered from auctioning or disposing of the exchange membership right vested in the Exchange, subject to deduction of the expenses relating or incidental to the auction or disposal, as the case may be;	Deleted
12.8.10 Income, if any, earned by investment or disinvestments of the Settlement Guarantee Fund that form part of the Settlement Guarantee Fund.	12.8.10 Income, if any, earned by investment or disinvestments of the Settlement Guarantee Fund that form part of the Settlement Guarantee Fund.	Deleted
12.8.11 the profits available for appropriation in the Settlement Guarantee Fund in the year in which the Broker is declared a defaulter;	12.8.11 the profits available for appropriation in the Settlement Guarantee Fund in the year in which the Broker is declared a defaulter;	Deleted
12.9 If the cumulative amount under all the above heads is not sufficient, the balance obligations shall be assessed against all the Brokers on the basis of the extent of their deposit in the Settlement Guarantee Fund at the time of utilization and Brokers shall be required to contribute or deposit the amount in the Settlement Guarantee Fund within such time, as the Exchange may specify from time to time.	12.9 If the cumulative amount under all the above heads Settlement Guarantee Fund is not sufficient, the balance obligations shall be assessed against all the Brokers on the basis of their open interest the extent of their deposit in the Settlement Guarantee Fund at the time of utilization and Brokers shall be required to contribute or deposit the amount in the Settlement Guarantee Fund within such time, as the Exchange may specify from time to time.	Deleted

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12.10 Obligation to Bring in Additional Contribution or Deposit:	12.10—Obligation to Bring in Additional Contribution or Deposit:	Deleted
12.10.1 If a pro-rata charge is made against a Broker's actual contribution or deposit, and as a consequence, the Broker's remaining contribution and deposit towards the Settlement Guarantee Fund falls below his required contribution and deposit, the Broker shall contribute or deposit towards the shortfall in the Settlement Guarantee Fund within such time as the Exchange may specify.	12.10.1 If a pro-rata charge is made against a Broker's actual contribution or deposit, and as a consequence, the Broker's remaining contribution and deposit towards the Settlement Guarantee Fund falls below his required contribution and deposit, the Broker shall contribute or deposit towards the shortfall in the Settlement Guarantee Fund within such time as the Exchange may specify.	Deleted
12.10.2 Where any Broker, who is required to contribute or deposit, as specified in Regulation 12.10.1, fails to do so, the Exchange may charge such rate of interest on the shortfall, as it may determine from time to time and also take suitable disciplinary action, including imposition of fines against the Broker. Any disciplinary action which the Exchange may take pursuant to the above provisions shall not affect the obligations of the Broker to the Exchange or his Clients.	12.10.2 Where any Broker, who is required to contribute or deposit, as specified in Regulation 12.10.1, fails to do so, the Exchange may charge such rate of interest on the shortfall, as it may determine from time to time and also take suitable disciplinary action, including imposition of fines against the Broker. Any disciplinary action which the Exchange may take pursuant to the above provisions shall not affect the obligations of the Broker to the Exchange or his Clients.	Deleted
12.11 Allocation of the Contribution or Deposit	12.11—Allocation of the Contribution or Deposit	Deleted
Each Broker's contribution and deposit towards the Settlement Guarantee Fund shall be allocated by the Exchange among the various segments of trading, which are designated as such by the Exchange and in which the Broker may participate, in such proportion as the Exchange may decide from time to time.	Each Broker's contribution and deposit towards the Settlement Guarantee Fund shall be allocated by the Exchange among the various segments of trading, which are designated as such by the Exchange and in which the Broker may participate, in such proportion as the Exchange may decide from time to time.	Deleted
12.12 Repayment to the Broker on His Cessation	12.12—Repayment to the Broker on His Cessation	Deleted
12.12.1 A Broker shall be entitled to repayment of the actual amount of deposit made by him to the Settlement Guarantee Fund provided it is not part of the application fee after-	12.12.1 A Broker shall be entitled to repayment of the actual amount of deposit made by him to the Settlement Guarantee Fund provided it is not part of the application fee after-	Deleted
(a) the Broker ceases to be an Exchange Broker on account of any reason whatsoever;	(a) — the Broker ceases to be an Exchange whatsoever; Broker on account of any reason	Deleted
(b) all pending transactions at the time the Broker ceases to be an Exchange Broker, which may result in a charge to the Settlement Guarantee Fund, have been closed and settled;	(b) — all pending transactions at the time the Broker ceases to be an Exchange Broker, which may result in a charge to the Settlement Guarantee Fund, have been closed and settled;	Deleted

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(c) all obligations of the Broker towards the Exchange have been satisfied, or at the discretion of the Exchange, have been settled by the Exchange from the Broker's actual deposit;	(c) all obligations of the Broker towards the Exchange have been satisfied, or at the discretion of the Exchange, have been settled by the Exchange from the Broker's actual deposit;	Deleted
(d) all obligations of the Broker towards other Brokers by his clients have been satisfied;	(d) all obligations of the Broker towards other Brokers by his clients have been satisfied;	Deleted
(e) a suitable amount, as may be determined by the Exchange at its discretion, has been set aside for taking care of any loss/liability/obligation arising out of his past transactions; and	(e) a suitable amount, as may be determined by the Exchange at its discretion, has been set aside for taking care of any loss/liability/obligation arising out of his past transactions; and	Deleted
(f) a suitable amount, as may be determined by the Exchange at its discretion, has been set aside by the Exchange towards such other obligations, as may be perceived by the Exchange to exist or be perceived by the Exchange to arise in future.	(f) a suitable amount, as may be determined by the Exchange at its discretion, has been set aside by the Exchange towards such other obligations, as may be perceived by the Exchange to exist or be perceived by the Exchange to arise in future.	Deleted
12.12.2 The Exchange may specify norms for repayment of deposit including the manner, amount and period within which it may be repaid. The repayment amount, at no point of time, shall exceed the actual deposit available to the credit of the Broker after deducting the necessary dues or charges payable by such Broker.	12.12.2 The Exchange may specify norms for repayment of deposit including the manner, amount and period within which it may be repaid. The repayment amount, at no point of time, shall exceed the actual deposit available to the credit of the Broker after deducting the necessary dues or charges payable by such Broker.	Deleted
12.12.3 Any obligation of a Broker to the Exchange, remaining unsatisfied at the time he ceases to be a Broker, shall not be affected by the cessation of the Broker's membership, and the Exchange shall have a remedy as provided in Regulation 12.10.2.	12.12.3 Any obligation of a Broker to the Exchange, remaining unsatisfied at the time he ceases to be a Broker, shall not be affected by the cessation of the Broker's membership, and the Exchange shall have a remedy as provided in Regulation 12.10.2.	Deleted
12.13 Recovery of Loss and Re-distribution:	12.13 Recovery of Loss and Re-distribution:	Deleted
If a loss charged pro-rata to Brokers is afterwards recovered by the Exchange from the assets of the defaulter or the expelled Broker, whether directly or otherwise, other than through insurance, the net amount of recovery shall first be credited to the Brokers from whom the loss was charged in proportion to the amounts actually charged. The amount of recovery made through insurance shall be dealt with in accordance with the terms and conditions of the insurance cover obtained by the Exchange, from time to time.	If a loss charged pro-rata to Brokers is afterwards recovered by the Exchange from the assets of the defaulter or the expelled Broker, whether directly or otherwise, other than through insurance, the net amount of recovery shall first be credited to the Brokers from whom the loss was charged in proportion to the amounts actually charged. The amount of recovery made through insurance shall be dealt with in accordance with the terms and conditions of the insurance cover obtained by the Exchange, from time to time.	Deleted

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12.14 Limitation of Liability:	12.14— Limitation of Liability:	Deleted
The liability of the Exchange resulting from the deemed Commodity Futures Contracts of Brokers shall be limited to the extent of the contributions made by the Broker to the Settlement Guarantee Fund.	The liability of the Exchange resulting from the deemed Commodity Futures Contracts of Brokers shall be limited to the extent of the contributions made by the Broker to the Settlement Guarantee Fund.	Deleted
The Settlement Guarantee Fund of the Exchange shall not be available for obligations of non-Brokers, obligations of a Broker to his Client and losses incidental thereto, obligations of a Broker to another Broker, in respect of transactions to which the Exchange is not a counterparty or where the Exchange withdraws as a counterparty on account of fraud or fraudulent transactions.	The Settlement Guarantee Fund of the Exchange shall not be available for obligations of non-Brokers, obligations of a Broker to his Client and losses incidental thereto, obligations of a Broker to another Broker, in respect of transactions to which the Exchange is not a counterparty or where the Exchange withdraws as a counterparty on account of fraud or fraudulent transactions.	Deleted
12.15 Lien over Certain Property:	12.15— Lien over Certain Property:	Moved to Chapter 14 Default
The Exchange shall have a lien over the following amounts:	The Exchange shall have a lien over the following amounts:	New clause 14.8 added
(a) Margins as specified under Regulation 8.9,	(a)—— Margins as specified under Regulation 8.9,	Deleted
(b) All amounts deposited by the Broker towards security deposit,	(b)—— All amounts deposited by the Broker towards security deposit,	Deleted
(c) All contributions made by the Broker to the Settlement Guarantee Fund,	(c)—— All contributions made by the Broker to the Settlement Guarantee Fund,	Deleted
(d) The proceeds from the sale of the membership rights sold under Regulation 12.8.9,	(d)—— The proceeds from the sale of the membership rights sold under Regulation 12.8.9,	Deleted
(e) Any other amounts lying with the Exchange or the Settlement Guarantee Fund.	(e)—— Any other amounts lying with the Exchange or the Settlement Guarantee Fund.	Deleted
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 to the Settlement Guarantee Fund or any other fund established by the Exchange.	13.1 The Exchange may specify the limits of open positions available to the Brokers based on the deposits made by them to the Settlement Guarantee Fund or any other fund established by with the Exchange.	To exclude SGF for specifying the limits of open positions available to the Brokers
13.3 The maximum aggregate monetary value of all the open positions in respect of all contract months that each Broker may	13.3 The maximum aggregate monetary value of all the open positions in respect of all contract months that each a Broker may clear	Same as above

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<p>clear and settle shall be related to the sum of the Broker's contributions to the Settlement Guarantee Fund of the Exchange or any other fund specified by the Exchange.</p>	<p>and settle shall be related to the sum of the Broker's contributions to the Settlement Guarantee Fund of the Exchange or any other fund specified by <u>deposits with</u> the Exchange.</p>	
<p>13.6 Brokers may enhance their clearing limits. In order to enhance they shall make additional deposits to the Settlement Guarantee Fund or to the fund specified by the Exchange.</p>	<p>13.6 Brokers may enhance their clearing limits. In order to enhance they shall make additional deposits to the Settlement Guarantee Fund or to the fund specified by <u>with</u> the Exchange.</p>	<p>Same as above</p>
CHAPTER XIV: DEFAULT		
<p>New Clause</p>	<p>14.8 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 Clients in lieu of margin under the provision of Regulation 8.9; (ii) all monies deposited by a Broker towards security deposit; (iii) all contributions made by Brokers to the Settlement Guarantee Fund; (iv) the proceeds from sale, auction or disposal of any membership rights of the Exchange (subject to any deductions for expenses relating or incidental to the sale, auction or disposal, as the case may be); 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 Client arising out of or incidental to a Commodity Futures Contract or any other matters dealt with in these Regulations.</p>	<p>New Clause added <u>The purpose and effect is to create a security interest (by way of lien) on the brokers contributions to the SGF. This is the same as the current Regulation 12.15 but with improved drafting and more precisely applicable / relevant over the SGF.</u></p>
<p>14.8 Disposal of Defaulter's Assets under Lien or Pledge:</p>	<p>14.9 Disposal of Defaulter's Assets under Lien or Pledge:</p>	<p>No change, re-numbered</p>
<p>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.</p>	<p>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.</p>	

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14.9 Scale of Charges:	14.10 — Scale of Charges:	Deleted
The Scale of Charges to be paid to the Exchange on the assets realized shall be as follows:	The Scale of Charges to be paid to the Exchange on the assets realized shall be as follows:	Deleted
(a) 5 percent on the first Rs. 5,000 collected or part thereof.	(a) — 5 percent on the first Rs. 5,000 collected or part thereof.	Deleted
(b) 2 percent on any sum in excess of Rs. 5,000	(b) — 2 percent on any sum in excess of Rs. 5,000	Deleted