

ANNEXURE 37

फ़ोन : २२८१ १२६२ / २२८१ १४२९
आ. : वायदायोग कालबादेवी
फैक्स : २२८१ २०८६

भारत सरकार
GOVERNMENT OF INDIA

वायदा बाज़ार आयोग

FORWARD MARKETS COMMISSION

उपभोक्ता मामले, खाद्य और सार्वजनिक वितरण मंत्रालय

MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION

(उपभोक्ता मामले विभाग)

(DEPARTMENT OF CONSUMER AFFAIRS)

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SPEED POST

एवरेस्ट, तीसरी मंज़िल
'EVEREST', 3RD FLOOR
१००, मरीन ड्राईव, मुंबई - ४०० ००२.
100, MARINE DRIVE, MUMBAI - 400 002.

No.7/3/2010-MKT-I/4566

Dated 23rd November, 2011

To

The Managing Director
National Spot Exchange Limited
102-A, Landmark, Suren Road,
Chakala, Andheri (East)
Mumbai - 400 093.

Sub: Regulation of National Spot Exchanges.

Sir,

I am directed to refer to the notification No.s.o. 906(E) dated 5th June, 2007 vide which one day duration forward contracts were exempted on the National Spot Exchange Ltd. under Section 27 of the Forward Contracts (Regulation) Act, 1952 (FCRA).

In terms of the conditions stipulated in the said notification, the Government has now nominated the Forward Markets Commission as the "Designated Agency" for providing oversight over all the Spot Exchanges which have been granted exemption under Section 27 of the FCRA.

As the Designated Agency of the Government of India, the Forward Markets Commission has finalized the data reporting formats for the Spot Exchanges to be reported on Weekly, Fortnightly and Quarterly basis to the Commission as indicated in the annexure. I am, therefore, to call upon you to furnish the trading and delivery data in respect of all the contracts traded on your Exchange in the enclosed formats.

The data from October, 2011 onwards may be furnished in the periodicity as indicated in respect of Fortnightly Reporting Format (Annexure 'A'), Weekly Reporting Format (Annexure 'B') and Quarterly Reporting Format (Annexure 'C'). The data from July, 2011 to September, 2011 may be furnished on a quarterly basis in respect of Annexure 'C'. However,

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the data since the exemption u/s 27 of FCRA was granted, till June, 2011 may be given together for each of the three reporting formats.

Following are the time lines for sending the reports to the Forward Markets Commission.

- a. Data from inception of the Spot Exchange to June, 2011: 15th December, 2011
- b. Quarterly data from July, 2011 onwards in respect of Annexure C: 1st December, 2011
- c. Data from July, 2011 onwards in respect of Annexure A & B: 1st December, 2011.

Subsequent reports may be sent to the Commission within a week of the end of the reporting period.

Yours faithfully,


(K.M. Shivakumar)
Director

- Encl: 1. Fortnightly reporting format – Annexure 'A'
2. Weekly reporting format – Annexure 'B'
3. Quarterly reporting format – Annexure 'C'

FORTNIGHTLY REPORTING FORMAT FOR NATIONAL SPOT EXCHANGE

Name of the Exchange:
Address:

To
The Forward Markets Commission,
Everest, 100, Marine Drive,
Mumbai - 400 002

Sub : Submission of Fortnightly Report for the fortnight ending.....

Sir,

We are submitting herewith the report relating to the activities of the Exchange for the Fortnight ending.

1. Price Statement

Date	Commodity/Unit	Open	High	Low	Close	FSP	Trade Price

2. (A) Trade and Delivery Statement

Date	Commodity	Loc ation	Unit of volu me	Volu me of Trade (single side)	Value (single side value) (Rs. in crores)	Open Positio n square d off	Total Net Open Position at close of trading	Percen tage of intraday netting	Volum e of Delive ry Effect ed	No of participants traded	No. of participants taking delivery		Volum e of delive ry failure , if any	Volume in auctions		
											Member	Client		Sellers' auction	Buyers' auction	Closing out of contract
	Agri	Non Agri														

(B) Summary of trade participation
For Retailers

[illegible]

For Farmers

[illegible]

3. Top Ten Participants

Name	Commodities		Location	Volume in (MT)	Value (Rs Lakh)
	Agri	Non-Agri			

Declarations

4. We certify having verified that the sellers had confirmed ownership of the goods being sold before the sell order was put through on the exchange platform.
5. All the physical deliveries as stated above have the effect to transfer of ownership from the seller to the buyer
6. All conditions stipulated vide Notification No. _____ dated _____ for granting exemption from Section 27 have been complied with.

(Signature)
Designation

WEEKLY REPORTING FORMAT FOR NATIONAL SPOT EXCHANGE

Name of the Exchange:
Address:

To
The Forward Markets Commission,
Everest, 100, Marine Drive,
Mumbai – 400 002

Sub : Submission of Weekly Report for the week ending.....

Sir,

We are submitting herewith the report relating to the activities of the Exchange for the week ending.

1. Margin Collection and Price volatility

Date	Contract	Settlement Cycle	Margin Collected		Price Volatility
			Initial Margin	Additional Margins, if any	

2. Stocks in Warehouses:-

Date	Commodity	Stock in Exchange accredited warehouses	Stocks in other warehouses

(Signature)
esignation

QUARTERLY REPORTING FORMAT FOR NATIONAL SPOT EXCHANGE

Name of the Exchange:
Address:

To
The Forward Markets Commission,
Everest, 100, Marine Drive,
Mumbai – 400 002

Sub : Submission of Quarterly Report for the Quarter ending.....

Sir,

We are submitting herewith the report relating to the activities of the Exchange for the Quarter ending.

Investors' grievances, if any:

No of grievances	Nature of grievances	Action taken by the Exchange to resolve them	Pending cases

(Signature)
Designation



Electronic Spot Market

Date :- 09th July 2011

National Spot Exchange Limited

The Board of Directors,
Financial Technologies (India) Ltd.,
Mumbai

Sub: Quarterly Compliance certificate for the quarter ended 30th June, 2011

As desired by the Board of FTIL, we hereby submit the Compliance certificate for the quarter ended 30th June, 2011

We hereby confirm that :

- 1.1 We have complied with provisions of the Byelaws, Rules and Regulations of the Exchange, FMC, circulars, applicable Accounting Standards and other statutes to the extent applicable to us and all returns/documents to be filed with relevant statutory authority by us has been filed in time.
- 1.2 That proper and sufficient care has been taken for the maintenance of adequate accounting records for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- 1.3 That we have adequate internal systems and controls in place to ensure compliance of all applicable laws as a nationwide electronic spot exchange.
- 1.4 That the periodical financial statements submitted to the Audit Committee/Board do not contain any materially untrue statement or omit any material fact or contain statements that may be misleading.
- 1.5 Investments of funds and business activities undertaken by the Exchange are in accordance with the authorizations by the Board of Directors/Committee and the Investment Policy of the Company.
- 1.6 All sums required to be deducted in accordance with the provisions of Section 192, 194C, 194H, 194I, 194J and 195 of the Income Tax Act, 1961 have been properly deducted. All such deductions have been duly paid or will be paid within the prescribed time to the credit of the Central Govt. in pursuance of Section 200 of the Income Tax Act, 1961.
- 1.7 The Exchange has complied with the provisions of the Central and State Sales Tax /VAT, Service Tax, Profession Tax & Commodity Transaction Tax laws.
- 1.8 The Exchange has complied with all requirements of the Foreign Exchange Management Act (FEMA), 1999, to the extent applicable to the Exchange.
- 1.9 Premiums for Insurance Policies handled by the Department payable during the quarter have been paid.
- 2.1 That all margins have been collected from all the concerned members as per the policies of the Exchange, and risks mitigating process is fully followed.
- 2.2 All the non-compliances by the Members have been adequately addressed
- 2.3 That there are no defaults from the Members in the review period
- 2.4 That there were 24 members against whom penalties were imposed in the review period.
- 2.5 That the new Members have been admitted to the Exchange after conducting appropriate due diligence and after following due process. There are 92 numbers were admitted in the review period.

National Spot Exchange Limited

102 A, Landmark Seven Road, Chakala, Andheri (East), Mumbai 400 023, India.

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ANNEXURE 38 *Continued..*



- 2.6 That the trading has been taking place without any interruption,
- 2.7 That the Exchange surveillance system found no trade aberrations during the review period
- 2.8 All the settlements were fully completed in the review period,
- 2.9 All pay in were received, both of funds and commodities as per schedule and there are no delays found.
- 2.10 That there are 21 new contracts launched in the review period and Exchange followed the required procedure while launching the contracts.
- 2.11 That there are no bad deliveries declared in the review period,
- 2.12 That there is no annulment of trades taken place in the review period.
- 2.13 That the Exchange conducted 23 auctions in the review period for nonobservance of pay-in/ pay-out schedule.
- 3.1 That there are 39 warehouses maintained by the Exchange as per the policies of the Exchange,
- 3.2 That the commodities underlying the one day forwards taking place on the Exchange are available on the said warehouses,
- 3.3 That the Exchange has the mechanism to check the availability of the stock vis-a-vis the traded commodities,
- 3.4 That warehouses are properly secured and appropriate legally binding arrangements have been made with the owners of the warehouses wherever necessary,
- 3.5 That the commodities and warehouses have been adequately insured against all risks as per standard risk policies,
- 3.6 That there is appropriate mechanism in place to assay the quality of the commodities stored in the warehouses,
- 3.7 That there are no incidents of disputes on quality and quantity of the delivered commodities
- 3.8 That there are no theft and other pilferage reported in any of the warehouses,
- 3.9 The process of creating dematerialization is being done as per law and in compliance with Depository guidelines,
- 4.1 There are no legal cases pending against the exchange.

For National Spot Exchange Limited

Anjali Sinha
Managing Director and CEO

National Spot Exchange Limited

102 A, Landmark, Suren Road, Chakala, Andheri (East), Mumbai 400 093, India.
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Electronic Spot Market

Date :-09th October, 2011

National Spot Exchange Limited

The Board of Directors,
Financial Technologies (India) Ltd.,
Mumbai

Sub: Quarterly Compliance certificate for the quarter ended 30th September, 2011

As desired by the Board of FTIL, we hereby submit the Compliance certificate for the quarter ended 30th September, 2011

We hereby confirm that :

- 1.1 We have complied with provisions of the Byelaws, Rules and Regulations of the Exchange, FMC, circulars, applicable Accounting Standards and other statutes to the extent applicable to us and all returns/documents to be filed with relevant statutory authority by us has been filed in time.
- 1.2 That proper and sufficient care has been taken for the maintenance of adequate accounting records for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- 1.3 That we have adequate internal systems and controls in place to ensure compliance of all applicable laws as a nationwide electronic spot exchange.
- 1.4 That the periodical financial statements submitted to the Audit Committee/Board do not contain any materially untrue statement or omit any material fact or contain statements that may be misleading.
- 1.5 Investments of funds and business activities undertaken by the Exchange are in accordance with the authorizations by the Board of Directors/Committee and the Investment Policy of the Company,
- 1.6 All sums required to be deducted in accordance with the provisions of Section 192, 194C, 194H, 194I, 194J and 195 of the Income Tax Act, 1961 have been properly deducted. All such deductions have been duly paid or will be paid within the prescribed time to the credit of the Central Govt. in pursuance of Section 200 of the Income Tax Act 1961.
- 1.7 The Exchange has complied with the provisions of the Central and State Sales Tax /VAT, Service Tax, Profession Tax & Commodity Transaction Tax laws.
- 1.8 The Exchange has complied with all requirements of the Foreign Exchange Management Act (FEMA), 1999, to the extent applicable to the Exchange.
- 1.9 Premiums for Insurance Policies handled by the Department payable during the quarter have been para.
- 2.1 That all margins have been collected from all the concerned members as per the policies of the Exchange, and risks mitigating process is fully followed,
- 2.2 All the non-compliances by the Members have been adequately addressed
- 2.3 That there are no defaults from the Members in the review period
- 2.4 That there were 33 members against whom penalties were imposed in the review period.

National Spot Exchange Limited

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ANNEXURE 38 *Continued..*



- 2.5 That the new Members have been admitted to the Exchange after conducting appropriate due diligence and after following due process. There are 54 numbers were admitted in the review period.
- 2.6 That the trading has been taking place without any interruption.
- 2.7 That the Exchange surveillance system found no trade aberrations during the review period
- 2.8 All the settlements were fully completed in the review period.
- 2.9 All pay in were received, both of funds and commodities as per schedule and there are no delays found.
- 2.10 That there are 14 new contracts launched in the review period and Exchange followed the required procedure while launching the contracts.
- 2.11 That there are no bad deliveries declared in the review period.
- 2.12 That there is no annulment of trades taken place in the review period.
- 2.13 That the Exchange conducted 36 auctions in the review period for nonobservance of pay-in/ pay-out schedule.
- 3.1 That there are 38 warehouses maintained by the Exchange as per the policies of the Exchange.
- 3.2 That the commodities underlying the one day forwards taking place on the Exchange are available on the said warehouses.
- 3.3 That the Exchange has the mechanism to check the availability of the stock vis-a-vis the traded commodities.
- 3.4 That warehouses are properly secured and appropriate legally binding arrangements have been made with the owners of the warehouses wherever necessary.
- 3.5 That the commodities and warehouses have been adequately insured against all risks as per standard risk policies.
- 3.6 That there is appropriate mechanism in place to assay the quality of the commodities stored in the warehouses.
- 3.7 That there are no incidents of disputes on quality and quantity of the delivered commodities
- 3.8 That there are no theft and other pilferage reported in any of the warehouses.
- 3.9 The process of creating dematerialization is being done as per law and in compliance with Depository guidelines.
- 4.1 There are no legal cases pending against the exchange.

For National Spot Exchange Limited

Anjani Sinha
Managing Director and CEO

National Spot Exchange Limited

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Electronic Spot Market

Date: 7th January, 2012

National Spot Exchange Limited

The Board of Directors,
Financial Technologies (India) Ltd.,
Mumbai

Sub: Quarterly Compliance certificate for the quarter ended 31st December, 2011

As desired by the Board of FTIL, we hereby submit the Compliance certificate for the quarter ended 31st December, 2011

We hereby confirm that :

- 1.1 We have complied with provisions of the Byelaws, Rules and Regulations of the Exchange, FMC, circulars, applicable Accounting Standards and other statutes to the extent applicable to us and all returns/documents to be filed with relevant statutory authority by us has been filed in time.
- 1.2 That proper and sufficient care has been taken for the maintenance of adequate accounting records for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- 1.3 That we have adequate internal systems and controls in place to ensure compliance of all applicable laws as a nationwide electronic spot exchange.
- 1.4 That the periodical financial statements submitted to the Audit Committee/Board do not contain any materially untrue statement or omit any material fact or contain statements that may be misleading.
- 1.5 Investments of funds and business activities undertaken by the Exchange are in accordance with the authorizations by the Board of Directors/Committee and the Investment Policy of the Company.
- 1.6 All sums required to be deducted in accordance with the provisions of Section 192, 194C, 194H, 194I, 194J and 195 of the Income Tax Act, 1961 have been properly deducted. All such deductions have been duly paid or will be paid within the prescribed time to the credit of the Central Govt. in pursuance of Section 200 of the Income Tax Act, 1961.
- 1.7 The Exchange has complied with the provisions of the Central and State Sales Tax /VAT, Service Tax, Profession Tax & Commodity Transaction Tax laws.
- 1.8 The Exchange has complied with all requirements of the Foreign Exchange Management Act (FEMA), 1999, to the extent applicable to the Exchange.
- 1.9 Premiums for Insurance Policies handled by the Department payable during the quarter have been paid.
- 2.1 That all margins have been collected from all the concerned members as per the policies of the Exchange, and risks mitigating process is fully followed.
- 2.2 All the non-compliances by the Members have been adequately addressed
- 2.3 That there are no defaults from the Members in the review period
- 2.4 That there were 52 members against whom penalties were imposed in the review period.

National Spot Exchange Limited

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ANNEXURE 38 *Continued..*



Electronic Spot Marke

- 2.5 That the new Members have been admitted to the Exchange after conducting appropriate due diligence and after following due process. There are 37 numbers were admitted in the review period.
- 2.6 That the trading has been taking place without any interruption,
- 2.7 That the Exchange surveillance system found no trade aberrations during the review period
- 2.8 All the settlements were fully completed in the review period,
- 2.9 All pay in were received, both of funds and commodities as per schedule and there are no delays found.
- 2.10 That there are 44 new contracts launched in the review period and Exchange followed the required procedure while launching the contracts.
- 2.11 That there are no bad deliveries declared in the review period,
- 2.12 That there is no annulment of trades taken place in the review period.
- 2.13 That the Exchange conducted 41 auctions in the review period for nonobservance of pay-in/ pay-out schedule.
- 3.1 That there are 58 warehouses maintained by the Exchange as per the policies of the Exchange,
- 3.2 That the commodities underlying the one day forwards taking place on the Exchange are available on the said warehouses,
- 3.3 That the Exchange has the mechanism to check the availability of the stock vis-a-vis the traded commodities,
- 3.4 That warehouses are properly secured and appropriate legally binding arrangements have been made with the owners of the warehouses wherever necessary,
- 3.5 That the commodities and warehouses have been adequately insured against all risks as per standard risk policies,
- 3.6 That there is appropriate mechanism in place to assay the quality of the commodities stored in the warehouses,
- 3.7 That there are no incidents of disputes on quality and quantity of the delivered commodities
- 3.8 That there are no theft and other pilferage reported in any of the warehouses,
- 3.9 The process of creating dematerialization is being done as per law and in compliance with Depository guidelines,
- 4.1 There are no legal cases pending against the exchange.

For National Spot Exchange Limited

Anjani Sinha
Managing Director and CEO

National Spot Exchange Limited

102 A, Landmark, Suren Road, Chakala, Andheri (East), Mumbai 400 093, India.

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Electronic Spot Market

Date :- 9th April, 2012

National Spot Exchange Limited

**The Board of Directors,
Financial Technologies (India) Ltd.,
Mumbai**

Sub: Quarterly Compliance certificate for the quarter ended 31st March, 2012

As desired by the Board of FTIL, we hereby submit the Compliance certificate for the quarter ended 31st March, 2012

We hereby confirm that :

- 1.1 We have complied with provisions of the Byelaws, Rules and Regulations of the Exchange, FMC, circulars, applicable Accounting Standards and other statutes to the extent applicable to us and all returns/documents to be filed with relevant statutory authority by us has been filed in time.
- 1.2 That proper and sufficient care has been taken for the maintenance of adequate accounting records for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- 1.3 That we have adequate internal systems and controls in place to ensure compliance of all applicable laws as a nationwide electronic spot exchange.
- 1.4 That the periodical financial statements submitted to the Audit Committee/Board do not contain any materially untrue statement or omit any material fact or contain statements that may be misleading.
- 1.5 Investments of funds and business activities undertaken by the Exchange are in accordance with the authorizations by the Board of Directors/Committee and the Investment Policy of the Company.
- 1.6 All sums required to be deducted in accordance with the provisions of Section 192, 194C, 194II, 194I, 194J and 195 of the Income Tax Act, 1961 have been properly deducted. All such deductions have been duly paid or will be paid within the prescribed time to the credit of the Central Govt. in pursuance of Section 200 of the Income Tax Act, 1961.
- 1.7 The Exchange has complied with the provisions of the Central and State Sales Tax /VAT, Service Tax, Profession Tax & Commodity Transaction Tax laws.
- 1.8 The Exchange has complied with all requirements of the Foreign Exchange Management Act (FEMA), 1999, to the extent applicable to the Exchange.
- 1.9 Premiums for Insurance Policies handled by the Department payable during the quarter have been paid.
- 2.1 That all margins have been collected from all the concerned members as per the policies of the Exchange, and risks mitigating process is fully followed.
- 2.2 All the non-compliances by the Members have been adequately addressed
- 2.3 That there are no defaults from the Members in the review period
- 2.4 That there were 42 members against whom penalties were imposed in the review period.

National Spot Exchange Limited

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ANNEXURE 38 *Continued.*



Electronic Spot Market

- 2.5 That the new Members have been admitted to the Exchange after conducting appropriate due diligence and after following due process. There are 16 numbers were admitted in the review period.
- 2.6 That the trading has been taking place without any interruption.
- 2.7 That the Exchange surveillance system found no trade aberrations during the review period
- 2.8 All the settlements were fully completed in the review period,
- 2.9 All pay in were received, both of funds and commodities as per schedule and there are no delays found.
- 2.10 That there are 13 new contracts launched in the review period and Exchange followed the required procedure while launching the contracts.
- 2.11 That there are no bad deliveries declared in the review period,
- 2.12 That there is no annulment of trades taken place in the review period.
- 2.13 That the Exchange conducted 29 auctions in the review period for nonobservance of pay-in/ pay-out schedule.
- 3.1 That there are 114 warehouses maintained by the Exchange as per the policies of the Exchange,
- 3.2 That the commodities underlying the one day forwards taking place on the Exchange are available on the said warehouses,
- 3.3 That the Exchange has the mechanism to check the availability of the stock vis-a-vis the traded commodities,
- 3.4 That warehouses are properly secured and appropriate legally binding arrangements have been made with the owners of the warehouses wherever necessary,
- 3.5 That the commodities and warehouses have been adequately insured against all risks as per standard risk policies,
- 3.6 That there is appropriate mechanism in place to assay the quality of the commodities stored in the warehouses,
- 3.7 That there are no incidents of disputes on quality and quantity of the delivered commodities
- 3.8 That there are no theft and other pilferage reported in any of the warehouses,
- 3.9 The process of creating dematerialization is being done as per law and in compliance with Depository guidelines,
- 4.1 There are no legal cases pending against the exchange.

For National Spot Exchange Limited

Anjali Sinha
Managing Director and CEO

National Spot Exchange Limited

Regd. Off.: FT Tower, CTS No. 256 & 257, 4th Floor, Suren Road, Chakala, Andheri (East), Mumbai - 400 093.
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ANNEXURE 38 *Continued..*



2 August 2012

Financial Technologies Limited
Doshi Towers, 1st Floor,
Flat No. 1A & B,
156, Periyar, EVR Salai,
Kilpauk,
Chennai-600 010

Dear Sirs,

Sub: Secretarial Compliances of NSEL

We hereby certify that for the first quarter ended 30th June, 2012, Company has complied with Company Law Compliances and proper record have been maintained for the same.

This Certificate has been prepared solely for the purpose of Corporate Governance and should not be used for any other purpose

For and on behalf of
National Spot Exchange Limited

N.M. Pandey



Authorised Signatory/Company Secretary,

National Spot Exchange Limited

102 A, Landmark Suren Road, Chakala, Andheri (East), Mumbai 400 093, India.
Tel: +91 22 6761 9900 | Fax: +91 22 6761 9931 | info@nationalspotexchange.com | www.nationalspotexchange.com



Date :-9th July, 2012

National Spot Exchange Limited

**The Board of Directors,
Financial Technologies (India) Ltd.,
Mumbai**

Sub: Quarterly Compliance certificate for the quarter ended 30th June, 2012

As desired by the Board of FTIL, we hereby submit the Compliance certificate for the quarter ended 30th June, 2012

We hereby confirm that :

- 1.1 We have complied with provisions of the Byelaws, Rules and Regulations of the Exchange, FMC, circulars, applicable Accounting Standards and other statutes to the extent applicable to us and all returns/documents to be filed with relevant statutory authority by us has been filed in time.
- 1.2 That proper and sufficient care has been taken for the maintenance of adequate accounting records for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- 1.3 That we have adequate internal systems and controls in place to ensure compliance of all applicable laws as a nationwide electronic spot exchange.
- 1.4 That the periodical financial statements submitted to the Audit Committee/Board do not contain any materially untrue statement or omit any material fact or contain statements that may be misleading.
- 1.5 Investments of funds and business activities undertaken by the Exchange are in accordance with the authorizations by the Board of Directors/Committee and the Investment Policy of the Company.
- 1.6 All sums required to be deducted in accordance with the provisions of Section 192, 194C, 194H, 194I, 194J and 195 of the Income Tax Act, 1961 have been properly deducted. All such deductions have been duly paid or will be paid within the prescribed time to the credit of the Central Govt. in pursuance of Section 200 of the Income Tax Act, 1961.
- 1.7 The Exchange has complied with the provisions of the Central and State Sales Tax /VAT, Service Tax, Profession Tax & Commodity Transaction Tax laws.
- 1.8 The Exchange has complied with all requirements of the Foreign Exchange Management Act (FEMA), 1999, to the extent applicable to the Exchange.
- 1.9 Premiums for Insurance Policies handled by the Department payable during the quarter have been paid.
- 2.1 That all margins have been collected from all the concerned members as per the policies of the Exchange, and risks mitigating process is fully followed.
- 2.2 All the non-compliances by the Members have been adequately addressed
- 2.3 That there are no defaults from the Members in the review period
- 2.4 That there were 41 members against whom penalties were imposed in the review period.

National Spot Exchange Limited

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ANNEXURE 38 *Continued..*



- 2.5 That the new Members have been admitted to the Exchange after conducting appropriate due diligence and after following due process. There are 33 numbers were admitted in the review period.
- 2.6 That the trading has been taking place without any interruption,
- 2.7 That the Exchange surveillance system found no trade aberrations during the review period
- 2.8 All the settlements were fully completed in the review period,
- 2.9 All pay in were received, both of funds and commodities as per schedule and there are no delays found.
- 2.10 That there are 27 new contracts launched in the review period and Exchange followed the required procedure while launching the contracts.
- 2.11 That there are no bad deliveries declared in the review period,
- 2.12 That there is no annulment of trades taken place in the review period.
- 2.13 That the Exchange conducted 36 auctions in the review period for nonobservance of pay-in/ pay-out schedule.
- 3.1 That there are 98 warehouses maintained by the Exchange as per the policies of the Exchange,
- 3.2 That the commodities underlying the one day forwards taking place on the Exchange are available on the said warehouses,
- 3.3 That the Exchange has the mechanism to check the availability of the stock vis-a-vis the traded commodities,
- 3.4 That warehouses are properly secured and appropriate legally binding arrangements have been made with the owners of the warehouses wherever necessary,
- 3.5 That the commodities and warehouses have been adequately insured against all risks as per standard risk policies,
- 3.6 That there is appropriate mechanism in place to assay the quality of the commodities stored in the warehouses,
- 3.7 That there are no incidents of disputes on quality and quantity of the delivered commodities
- 3.8 That there are no theft and other pilferage reported in any of the warehouses,
- 3.9 The process of creating dematerialization is being done as per law and in compliance with Depository guidelines,
- 4.1 There are no legal cases pending against the exchange.

For National Spot Exchange Limited

Anjan Sinha
Managing Director and CEO

National Spot Exchange Limited

02 A, Landmark, Suren Road, Chakala, Andheri (East), Mumbai 400 093, India.
tel: +91-22-6761 9900 | Fax: +91-22-6761 9931 | info@nationalspotexchange.com | www.nationalspotexchange.com

ANNEXURE 38 *Continued..*



23/10/2012

Financial Technologies Limited

Doshi Towers, 1st Floor,

Flat No. 1A & B,

156, Periyar, EVR Salai,

Kilpauk,

Chennai-600 010

Dear Sirs,

Sub : Secretarial Compliances of NSEL

We hereby state that for the Second quarter ended 30th September, 2012, Company has complied with Company Law Compliances and proper records have been maintained for the same.

This is solely for the purpose of Corporate Governance and should not be used for any other purpose

For and on behalf of

National Spot Exchange Limited

N. M. Panigrahi

Authorised Signatory

National Spot Exchange Limited

Regd. Off.: FT Tower, CTS No. 256 & 257, 4th Floor, Suren Road, Chakala, Andheri (East), Mumbai - 400 093.

Tel: +91-22-6761 9900 | Fax: +91-22-6761 9531 | info@nationalspotexchange.com | www.nationalspotexchange.com



Electronic Spot Market

Date :-9th October, 2012

National Spot Exchange Limited

The Board of Directors,
Financial Technologies (India) Ltd.,
Mumbai

Sub: Quarterly Compliance certificate for the quarter ended 30th September, 2012

As desired by the Board of FTIL, we hereby submit the Compliance certificate for the quarter ended 30th September, 2012

We hereby confirm that :

- 1.1 We have complied with provisions of the Byelaws, Rules and Regulations of the Exchange, FMC, circulars, applicable Accounting Standards and other statutes to the extent applicable to us and all returns/documents to be filed with relevant statutory authority by us has been filed in time.
- 1.2 That proper and sufficient care has been taken for the maintenance of adequate accounting records for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- 1.3 That we have adequate internal systems and controls in place to ensure compliance of all applicable laws as a nationwide electronic spot exchange.
- 1.4 That the periodical financial statements submitted to the Audit Committee/Board do not contain any materially untrue statement or omit any material fact or contain statements that may be misleading.
- 1.5 Investments of funds and business activities undertaken by the Exchange are in accordance with the authorizations by the Board of Directors/Committee and the Investment Policy of the Company.
- 1.6 All sums required to be deducted in accordance with the provisions of Section 192, 194C, 194H, 194I, 194J and 195 of the Income Tax Act, 1961 have been properly deducted. All such deductions have been duly paid or will be paid within the prescribed time to the credit of the Central Govt. in pursuance of Section 200 of the Income Tax Act, 1961.
- 1.7 The Exchange has complied with the provisions of the Central and State Sales Tax /VAT, Service Tax, Profession Tax & Commodity Transaction Tax laws.
- 1.8 The Exchange has complied with all requirements of the Foreign Exchange Management Act (FEMA), 1999, to the extent applicable to the Exchange.
- 1.9 Premiums for Insurance Policies handled by the Department payable during the quarter have been paid.
- 2.1 That all margins have been collected from all the concerned members as per the policies of the Exchange, and risks mitigating process is fully followed.
- 2.2 All the non-compliances by the Members have been adequately addressed
- 2.3 That there are no defaults from the Members in the review period

National Spot Exchange Limited

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ANNEXURE 38 *Continued..*



- 2.4 That there were 42 members against whom penalties were imposed in the review period.
- 2.5 That the new Members have been admitted to the Exchange after conducting appropriate due diligence and after following due process. There are 16 numbers were admitted in the review period.
- 2.6 That the trading has been taking place without any interruption,
- 2.7 That the Exchange surveillance system found no trade aberrations during the review period
- 2.8 All the settlements were fully completed in the review period,
- 2.9 All pay in were received, both of funds and commodities as per schedule and there are no delays found.
- 2.10 That there are 5 new contracts launched in the review period and Exchange followed the required procedure while launching the contracts.
- 2.11 That there are no bad deliveries declared in the review period,
- 2.12 That there is no annulment of trades taken place in the review period.
- 2.13 That the Exchange conducted 34 auctions in the review period for nonobservance of pay-in/ pay-out schedule.
- 3.1 That there are 99 warehouses maintained by the Exchange as per the policies of the Exchange,
- 3.2 That the commodities underlying the one day forwards taking place on the Exchange are available on the said warehouses,
- 3.3 That the Exchange has the mechanism to check the availability of the stock vis-a-vis the traded commodities,
- 3.4 That warehouses are properly secured and appropriate legally binding arrangements have been made with the owners of the warehouses wherever necessary,
- 3.5 That the commodities and warehouses have been adequately insured against all risks as per standard risk policies,
- 3.6 That there is appropriate mechanism in place to assay the quality of the commodities stored in the warehouses,
- 3.7 That there are no incidents of disputes on quality and quantity of the delivered commodities
- 3.8 That there are no theft and other pilferage reported in any of the warehouses,
- 3.9 The process of creating dematerialization is being done as per law and in compliance with Depository guidelines,
- 4.1 There are no legal cases pending against the exchange.

For National Spot Exchange Limited

A handwritten signature in black ink, appearing to read "Anjani Sinha".

Anjani Sinha
Managing Director and CEO

ANNEXURE 38 *Continued..*



21/1/2013

Financial Technologies Limited

Doshi Towers, 1st Floor,
Flat No. 1A & B,
156, Periyar, EVR Salai,
Kilpauk,
Chennai-600 010
Dear Sirs,

Sub : Secretarial Compliances of NSEL

We hereby state that for the Last quarter ended 31st December 2012, Company has complied with Company Law Compliances and proper records have been maintained for the same.

This is solely for the purpose of Corporate Governance and should not be used for any other purpose

For and on behalf of
National Spot Exchange Limited

N. M. Pandya
Authorised Signatory



National Spot Exchange Limited

ANNEXURE 38 *Continued..*



Date :-7th January, 2013

National Spot Exchange Limited

The Board of Directors,
Financial Technologies (India) Ltd.,
Mumbai

Sub: Quarterly Compliance certificate for the quarter ended 31st December, 2012

As desired by the Board of FTIL, we hereby submit the Compliance certificate for the quarter ended 31st December, 2012

We hereby confirm that :

- 1.1 We have complied with provisions of the Byelaws, Rules and Regulations of the Exchange FMC, circulars, applicable Accounting Standards and other statutes to the extent applicable to us and all returns/documents to be filed with relevant statutory authority by us has been filed in time.
- 1.2 That proper and sufficient care has been taken for the maintenance of adequate accounting records for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- 1.3 That we have adequate internal systems and controls in place to ensure compliance of all applicable laws as a nationwide electronic spot exchange.
- 1.4 That the periodical financial statements submitted to the Audit Committee/Board do not contain any materially untrue statement or omit any material fact or contain statements that may be misleading.
- 1.5 Investments of funds and business activities undertaken by the Exchange are in accordance with the authorizations by the Board of Directors/Committee and the Investment Policy of the Company;
- 1.6 All sums required to be deducted in accordance with the provisions of Section 192, 194C, 194H, 194I, 194J and 195 of the Income Tax Act, 1961 have been properly deducted. All such deductions have been duly paid or will be paid within the prescribed time to the credit of the Central Govt. in pursuance of Section 200 of the Income Tax Act, 1961.
- 1.7 The Exchange has complied with the provisions of the Central and State Sales Tax /VAT, Service Tax, Profession Tax & Commodity Transaction Tax laws.
- 1.8 The Exchange has complied with all requirements of the Foreign Exchange Management Act (FEMA), 1999, to the extent applicable to the Exchange.
- 1.9 Premiums for Insurance Policies handled by the Department payable during the quarter have been paid.
- 2.1 That all margins have been collected from all the concerned members as per the policies of the Exchange, and risks mitigating process is fully followed,
- 2.2 All the non-compliances by the Members have been adequately addressed
- 2.3 That there are no defaults from the Members in the review period
- 2.4 That there were no members against whom penalties were imposed in the review period

ANNEXURE 38 *Continued..*



- 2.5 That the new Members have been admitted to the Exchange after conducting appropriate due diligence and after following due process. There are 29 numbers were admitted in the review period.
- 2.6 That the trading has been taking place without any interruption,
- 2.7 That the Exchange surveillance system found no trade aberrations during the review period
- 2.8 All the settlements were fully completed in the review period,
- 2.9 All pay in were received, both of funds and commodities as per schedule and there are no delays found.
- 2.10 That there are 131 new contracts launched in the review period and Exchange followed the required procedure while launching the contracts.
- 2.11 That there are no bad deliveries declared in the review period,
- 2.12 That there is no annulment of trades taken place in the review period.
- 2.13 That the Exchange conducted 29 auctions in the review period for nonobservance of pay-in/ pay-out schedule.
- 3.1 That there are 114 warehouses maintained by the Exchange as per the policies of the Exchange,
- 3.2 That the commodities underlying the one day forwards taking place on the Exchange are available on the said warehouses,
- 3.3 That the Exchange has the mechanism to check the availability of the stock vis-a-vis the traded commodities,
- 3.4 That warehouses are properly secured and appropriate legally binding arrangements have been made with the owners of the warehouses wherever necessary,
- 3.5 That the commodities and warehouses have been adequately insured against all risks as per standard risk policies,
- 3.6 That there is appropriate mechanism in place to assay the quality of the commodities stored in the warehouses.
- 3.7 That there are no incidents of disputes on quality and quantity of the delivered commodities
- 3.8 That there are no theft and other pilferage reported in any of the warehouses,
- 3.9 The process of creating dematerialization is being done as per law and in compliance with Depository guidelines,
- 4.1 There are no legal cases pending against the exchange.

For National Spot Exchange Limited

A handwritten signature in dark ink, appearing to read "Anjani Sinha", is positioned above the printed name.

Anjani Sinha
Managing Director and CEO

ANNEXURE 38 *Continued..*



3/4/2013

Financial Technologies Limited
Doshi Towers, 1st Floor,
Flat No. 1A & B,
156, Periyar, EVR Salai,
Kilpauk,
Chennai-600 010
Dear Sirs,

Sub : Secretarial Compliances of NSEL

We hereby state that for the Quarter ended 31st March 2013, Company has complied with Company Law Compliances and proper records have been maintained for the same.

This is solely for the purpose of Corporate Governance and should not be used for any other purpose

For and on behalf of
National Spot Exchange Limited

N. M. Pandey

Company Secretary



National Spot Exchange Limited

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Electronic Spot Market

Date :-9th April, 2013

National Spot Exchange Limited

**The Board of Directors,
Financial Technologies (India) Ltd.,
Mumbai**

Sub: Quarterly Compliance certificate for the quarter ended 31st March, 2013

As desired by the Board of FTIL, we hereby submit the Compliance certificate for the quarter ended 31st March, 2013

We hereby confirm that :

- 1.1 We have complied with provisions of the Byelaws, Rules and Regulations of the Exchange, FMC, circulars, applicable Accounting Standards and other statutes to the extent applicable to us and all returns/ documents to be filed with relevant statutory authority by us has been filed in time.
- 1.2 That proper and sufficient care has been taken for the maintenance of adequate accounting records for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- 1.3 That we have adequate internal systems and controls in place to ensure compliance of all applicable laws as a nationwide electronic spot exchange.
- 1.4 That the periodical financial statements submitted to the Audit Committee/Board do not contain any materially untrue statement or omit any material fact or contain statements that may be misleading.
- 1.5 Investments of funds and business activities undertaken by the Exchange are in accordance with the authorizations by the Board of Directors/Committee and the Investment Policy of the Company.
- 1.6 All sums required to be deducted in accordance with the provisions of Section 192, 194C, 194H, 194I, 194J and 195 of the Income Tax Act, 1961 have been properly deducted. All such deductions have been duly paid or will be paid within the prescribed time to the credit of the Central Govt. in pursuance of Section 200 of the Income Tax Act, 1961.
- 1.7 The Exchange has complied with the provisions of the Central and State Sales Tax /VAT, Service Tax, Profession Tax & Commodity Transaction Tax laws.
- 1.8 The Exchange has complied with all requirements of the Foreign Exchange Management Act (FEMA), 1999, to the extent applicable to the Exchange.
- 1.9 Premiums for Insurance Policies handled by the Department payable during the quarter have been paid.
- 2.1 That all margins have been collected from all the concerned members as per the policies of the Exchange, and risks mitigating process is fully followed,
- 2.2 All the non-compliances by the Members have been adequately addressed
- 2.3 That there are no defaults from the Members in the review period
- 2.4 That there were 81 members against whom penalties were imposed in the review period.

National Spot Exchange Limited

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ANNEXURE 38 *Continued.*



Electronic Spot Market

- 2.5 That the new Members have been admitted to the Exchange after conducting appropriate due diligence and after following due process. There are 16 numbers were admitted in the review period.
- 2.6 That the trading has been taking place without any interruption.
- 2.7 That the Exchange surveillance system found no trade aberrations during the review period
- 2.8 All the settlements were fully completed in the review period,
- 2.9 All pay in were received, both of funds and commodities as per schedule and there are no delays found.
- 2.10 That there are 13 new contracts launched in the review period and Exchange followed the required procedure while launching the contracts.
- 2.11 That there are no bad deliveries declared in the review period,
- 2.12 That there is no annulment of trades taken place in the review period.
- 2.13 That the Exchange conducted 29 auctions in the review period for nonobservance of pay-in/ pay-out schedule.
- 3.1 That there are 114 warehouses maintained by the Exchange as per the policies of the Exchange,
- 3.2 That the commodities underlying the one day forwards taking place on the Exchange are available on the said warehouses,
- 3.3 That the Exchange has the mechanism to check the availability of the stock vis-a-vis the traded commodities,
- 3.4 That warehouses are properly secured and appropriate legally binding arrangements have been made with the owners of the warehouses wherever necessary,
- 3.5 That the commodities and warehouses have been adequately insured against all risks as per standard risk policies,
- 3.6 That there is appropriate mechanism in place to assay the quality of the commodities stored in the warehouses,
- 3.7 That there are no incidents of disputes on quality and quantity of the delivered commodities
- 3.8 That there are no theft and other pilferage reported in any of the warehouses,
- 3.9 The process of creating dematerialization is being done as per law and in compliance with Depository guidelines,
- 4.1 There are no legal cases pending against the exchange.

For National Spot Exchange Limited

Anjali Sinha
Managing Director and CEO

National Spot Exchange Limited

Regd. Off.: FT Tower, CTS No. 256 & 257, 4th Floor, Suren Road, Chakala, Andheri (East), Mumbai - 400 093.
Tel: +91 22 6761 9900 | Fax: +91-22-6761 9931 | info@nationalspotexchange.com | www.nationalspotexchange.com

ANNEXURE 38 *Continued..*



9/7/2013

Financial Technologies Limited
Doshi Towers, 1st Floor,
Flat No. 1A & B,
156, Periyar, EVR Salai,
Kilpauk,
Chennai-600 010
Dear Sirs,

Sub : Secretarial Compliances of NSEL

We hereby state that for the quarter ended 30th June 2013, Company has complied with Company Law Compliances and proper records have been maintained for the same.

This is solely for the purpose of Corporate Governance and should not be used for any other purpose

For and on behalf of
National Spot Exchange Limited

N.M. Pandey...

Company Secretary



National Spot Exchange Limited

Regd. Off: FT Tower, CTS No. 256 & 257, 4th Floor, Suren Road, Chakela, Andheri (East), Mumbai - 400 093
Tel: +91-22-6761 9900 | Fax: +91-22-6761 9931 | info@nationalspotexchange.com | www.nationalspotexchange.com

ANNEXURE 38 *Continued..*



Date :-9th July, 2013

National Spot Exchange Limited

The Board of Directors,
Financial Technologies (India) Ltd.,
Mumbai

Sub: Quarterly Compliance certificate for the quarter ended 30th June, 2013

As desired by the Board of FTIL, we hereby submit the Compliance certificate for the quarter ended 30th June, 2013

We hereby confirm that :

- 1.1 We have complied with provisions of the Byelaws, Rules and Regulations of the Exchange, FMC, circulars, applicable Accounting Standards and other statutes to the extent applicable to us and all returns/documents to be filed with relevant statutory authority by us has been filed in time.
- 1.2 That proper and sufficient care has been taken for the maintenance of adequate accounting records for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- 1.3 That we have adequate internal systems and controls in place to ensure compliance of all applicable laws as a nationwide electronic spot exchange.
- 1.4 That the periodical financial statements submitted to the Audit Committee/Board do not contain any materially untrue statement or omit any material fact or contain statements that may be misleading.
- 1.5 Investments of funds and business activities undertaken by the Exchange are in accordance with the authorizations by the Board of Directors/Committee and the Investment Policy of the Company.
- 1.6 All sums required to be deducted in accordance with the provisions of Section 192, 194C, 194H, 194I, 194J and 195 of the Income Tax Act, 1961 have been properly deducted. All such deductions have been duly paid or will be paid within the prescribed time to the credit of the Central Govt. in pursuance of Section 200 of the Income Tax Act, 1961.
- 1.7 The Exchange has complied with the provisions of the Central and State Sales Tax /VAT, Service Tax, Profession Tax & Commodity Transaction Tax laws.
- 1.8 The Exchange has complied with all requirements of the Foreign Exchange Management Act (FEMA), 1999, to the extent applicable to the Exchange.
- 1.9 Premiums for Insurance Policies handled by the Department payable during the quarter have been paid.
- 2.1 That all margins have been collected from all the concerned members as per the policies of the Exchange, and risks mitigating process is fully followed.
- 2.2 All the non-compliances by the Members have been adequately addressed
- 2.3 That there are no defaults from the Members in the review period
- 2.4 That there were 133 members against whom penalties were imposed in the review period.

ANNEXURE 38



Electronic Spot Market

- 2.5 That the new Members have been admitted to the Exchange after conducting appropriate due diligence and after following due process. There are 12 numbers were admitted in the review period.
- 2.6 That the trading has been taking place without any interruption.
- 2.7 That the Exchange surveillance system found no trade aberrations during the review period
- 2.8 All the settlements were fully completed in the review period.
- 2.9 All pay in were received, both of funds and commodities as per schedule and there are no delays found.
- 2.10 That there are 12 new contracts launched in the review period and Exchange followed the required procedure while launching the contracts.
- 2.11 That there are no bad deliveries declared in the review period.
- 2.12 That there is no annulment of trades taken place in the review period.
- 2.13 That the Exchange conducted 30 auctions in the review period for nonobservance of pay-in/ pay-out schedule.
- 3.1 That there are 119 warehouses maintained by the Exchange as per the policies of the Exchange.
- 3.2 That the commodities underlying the one day forwards taking place on the Exchange are available on the said warehouses.
- 3.3 That the Exchange has the mechanism to check the availability of the stock vis-a-vis the traded commodities.
- 3.4 That warehouses are properly secured and appropriate legally binding arrangements have been made with the owners of the warehouses wherever necessary.
- 3.5 That the commodities and warehouses have been adequately insured against all risks as per standard risk policies.
- 3.6 That there is appropriate mechanism in place to assay the quality of the commodities stored in the warehouses.
- 3.7 That there are no incidents of disputes on quality and quantity of the delivered commodities
- 3.8 That there are no theft and other pilferage reported in any of the warehouses.
- 3.9 The process of creating dematerialization is being done as per law and in compliance with Depository guidelines.
- 4.1 There are no legal cases pending against the exchange.

For National Spot Exchange Limited

Anjani Sinha
Managing Director and CEO

National Spot Exchange Limited

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ANNEXURE 39

MINUTE BOOK

PAGE 1

DATE

ON

TIME

Minutes of the meeting of the Board of Directors of National Spot Exchange Limited held on 30th July 2013, at 3.00 p.m. at Exchange Square, 5th floor Board Room.

Present.

Mr. Shankerlal Guru	Chairman
Mr. Jignesh Shah	Vice Chairman
Mr. Shreekanth Javalgekar	Director
Mr. Joseph Massey	Director
Mr. B D Pawar	Director
Mr. R Devarajan	Director
Mr. Anjani Sinha	Managing Director & CEO

By Invitation:

Mr. Shashidhar Kotian - Chief Financial Officer

Mr. Seshachalam -

In Attendance:

Nirav Panda - Company Secretary

Leaves of Absence:

All the members were present at the Board Meeting.

Quorum

The Chairman Mr. Shankerlal Guru noted that the required quorum was present and called the meeting to order.

Update and Status on the clarification sought by the Ministry of Consumer Affairs

Mr. Anjani Sinha - Managing Director & CEO apprised the Board on the following:

- 1.1. NSEL has been functioning as a nationwide electronic spot exchange and Government of India had granted us exemption from operation of PC(R) Act, 1953
- 1.2. NSEL has made several representations to FMC, Ministry and WDRA to formally recognise NSEL as an entity under their regulation and grant appropriate registration and recognition under law. NSEL has made specific application to FMC for registration under section 14A of

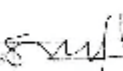
CONFIRMED
INITIAL

[Signature]

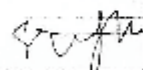
ANNEXURE 39 *Continued..*

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	the FCRA. However, no decision was taken on any of the representations and the application for recognition is also pending.		
1.3.	Pending the application for recognition under Section 14A of FCRA, NSEL received a Show Cause Notice dated 27 th April, 2012 from the Ministry alleging that from the data obtained from NSEL, FMC has reported certain discrepancies.		
1.4.	The show cause notice dated 27 th April 2012 referred to above contained two allegations. They are:		
i.	NSEL is running contracts with more than 11 days delivery period thereby we are conducting NTSD contracts not permissible under the notification; and		
ii.	NSEL does not have mechanism to check the short sales and balances to ensure that the short sales do not take place on the Exchange.		
iii.	Therefore, NSEL violated the terms of the notification S.O No. 906 (E) dated 5 th June, 2007.		
1.5.	In view of the above, Government had directed NSEL to explain as to why action should not be initiated against them for violation of the conditions of the Notification dated June 5, 2007 within 15 days of the receipt of the letter failing which the exemption granted thereunder may be withdrawn without any further communication.		
2.1.	NSEL had filed a detailed reply to the said Show Cause Notice vide its letter dated May 23, 2012 and a further letter dated August 11, 2012. NSEL had explained in detail as to how the trading activities are within the legal framework of the exemption granted to NSEL vide S.O No. 906 (E) dated 5 th June, 2007. NSEL had given a detailed justification as to how the contracts that are introduced on the Exchange are not in violation of the said notification and how there are no short sales happening on the Exchange platform.		
3.	As the Show Cause Notice is pending for a long time, NSEL had communicated with the officials of Ministry and also the FMC.		
3.1.	We have followed up with the Government with further correspondence dated August 11, 2012, July 8, 2013 and July 12, 2013. We are under the <i>bonafide</i> impression that the government is satisfied with our replies since we had not received any written communication from the		

ANNEXURE 39 *Continued.*

MINUTE BOOK		PAGE
HELD AT	OR	TIME
Government thereafter. We continued with the existing contracts and trading, maintaining status quo.		
3.2.	In this regard we had received letter dated 12 th July 2013, drawing reference to the show cause notice dated 27 th April 2012 and our reply dated 23 rd May, 2012, directing us to submit an undertaking to the fact that:	
	i. No further/ fresh contracts shall be launched till further instructions from concerned authority	
	ii. All the existing contracts will be settled on the due dates	
3.3.	Upon receipt of the said direction, we have obtained a legal opinion from former Chief Justice of India, Justice V N Khare and the same was placed before the Board. The matter was first time brought to the notice of the Board on 21 st July, 2013, for the first time informing about the said show cause notice and the replies given by us and the implication of the said direction and the legal opinion of Justice (Rtd.) VN Khare.	
3.1.	Pursuant to the discussion in the Board, we vide our letter dated 22 nd July, 2013 informed the Government that, as a bonafide and compliant corporate, with a view to dispel the ill-founded apprehensions of the Government which are based on the misinterpretation of law and facts, we did the following with immediate effect.	
	i. To reduce delivery, payment and settlement period of all contracts traded on the Exchange to less than 11 days (T+10 or less), wherever settlement schedule was extending beyond 11 days;	
	ii. All the trades that take place in one day-forward contracts (excepting denat delivery based e-series contracts) will be settled "trade for trade".	
3.2.	We had further given the following undertaking to the Government	
	i. <u>not to launch any further/ fresh contracts in new commodities and/ or at new places till further instructions from concerned authority</u>	
		CHAIRMAN'S INITIAL 

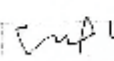
ANNEXURE 39 *Continued..*

MINUTE BOOK	PAGE 4
ROLL NO	DATE
<p>ii. that we shall settle all the contracts traded on the Exchange on their respective settlement due dates, as per contract specification notified by the Exchange.</p> <p>3.3. In view of the above, we are under the bonafide impression that both the charges in the 'show cause notice' stand addressed and the directions contained in the letter dated 17th July, 2013 stands complied with.</p> <p>4. Mr. Sinha further informed that we have however been witnessing a clear dampening in the sentiments of the market in view of the said direction by the Government. As we see from the trading that is happening, the volumes have come down significantly and there is a possibility of an imminent default by the buying Members who are plant owners.</p> <p>5. Mr. Sinha further informed that since, declaration of defaults of certain Members may arise, we propose to do the following as per the Bye-laws and rules and regulations of NSEL:</p> <p>5.1. Declare the members who failed to honour their pay-in commitments with immediate effect;</p> <p>5.2. Pay the amounts received from the said auctions, as and when conducted, to the selling members;</p> <p>5.3. We may announce a payment schedule to this effect to the market;</p> <p>5.4. The difference between the auction amount and the pay-out will be recovered from the defaulting Member by depositing the post-dated cheques received from the members. Thereafter, the short fall if any will be recovered from the Members as per the bye-laws.</p> <p>5.5. We are hopeful that the entire process of pay-out can be completed within a period of six months.</p> <p>5.6. In the meanwhile, we may suspend the trading and settlement in the Exchange till we complete the process of pay-out as above.</p> <p>6. NSEL has been functioning as a demutualised exchange where the ownership, Management and trading is separate and distinct, without any conflict and Mr. Sinha further confirmed that.</p> <p>6.1. All the activity undertaken by the NSEL is legitimate, in full compliance with all applicable laws and carried out at the sole responsibility of the professional management team, including MD & CEO.</p>	

ANNEXURE 39 *Continued..*

MINUTE BOOK

PAGE 5

HELD AT	ON	TIME
6.2.	We are of the considered view that the contracts introduced were one day forwards as stated in the exemption notification and there were no short sales since all the trades were resulting in the delivery.	
6.3.	Management team assures the Board that all the necessary KYC norms and Risk management measures have been followed from the inception.	
6.4.	The underlying commodities are available in the warehouses accredited to the Exchange.	
6.5.	Adequate margins have been collected from the Traders and all risk management systems are in place.	
6.6.	Warehouses are safe and have been adequately insured and necessary security guards & systems are in place.	
<p>Mr. Sinha further informed that he had addressed a letter to Government requesting for a clarification today. He said that after exhausting all the necessary steps including dialogue / communication with Government, it is better to suspend the trading and settlement for two to three weeks till the Government clarifies on the issues and reschedule the pay-out for a period of 15 days, which is within the framework of Byelaws and Rules of NSEL.</p> <p>After providing the update and status on the issues and challenges and on the proposal put forward, by Mr. Sinha, the following questions were raised by the members and Mr. Sinha replied accordingly which are:</p> <p>On query raised by Mr. Jignesh Shah on (a) whether NSEL has necessary underlying stocks in case of exigencies, (b) what additional security NSEL has other than the Commodities (c) What about deficit? In reply to that Mr. Sinha tabled the statement of stocks and confirmed that all the necessary stocks are available and in the warehouses accredited to the Exchange. Mr. Sinha further informed that the stock statement will be circulated to all the members. Mr. Javalgekar advised to circulate the statement which shall include name of the Commodity, location, quantity, current rate and the total value. Mr. Sinha confirmed to send the same. On reply to additional security, Mr. Sinha informed that NSEL has entered into agreement with the parties and also obtained postdated cheques for the full amount. Mr. Sinha informed that the deficit, if any will recover through their PDC. Mr. Shah also suggested appointing an independent assayer to check the quality & quantity of the available stocks. Mr. Shah also informed Mr. Sinha to share the opinion sought by him. Mr. Sinha informed that it will be circulated the same immediately.</p>		
<div>CHAIRMAN'S </div>		

ANNEXURE 39

MINUTE MEETING

PAGE 6

DATE: / /

On query raised by Mr. Joseph Massey on Insurance, Mr. Sinha replied that NSEL is been adequately insured however Mr. Sinha informed that the same will be verified again.

Mr. U D Pawar informed the direction has shaken the confidence of the members and therefore to discuss with the Government and request to issue clarification on the same. Mr. Pawar further enquired that whether all contracts are as per Rules and Bye laws? In reply to that Mr. Sinha confirmed that all contracts issued are as per Bye-laws and rules and regulations.

Enquiring on the proposal by Mr. Sinha regarding suspension of trading etc., Mr. Joseph Massey enquired whether NSEL is empowered to go for the suggestions made by Mr. Sinha, in reply to that Mr. Sinha confirmed that the provision is available in the Bye-laws and rules and regulations. Mr. Sinha was asked to declare suspension of trading in case of extreme exigency and such an action should be within the framework of the Bye-laws and Rules of the Exchange.

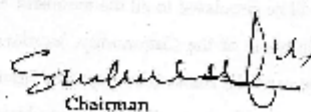
Mr. Joseph Massey also informed that proper process of auction, delivery and pay-in and pay-out should be in place. Mr. Sinha agreed on the same and suggested to go with specialized expert auction group.

Mr. Pawar suggested to submit / circulate status report regularly to the Board Members and keep apprised on the same. Mr. Pawar further informed that if the situation arise of close out, the process should be kept confidential and to be send to all the members in a sealed envelope and auction can be carried out on the basis of commodity profile.

Vote of thanks:

As there was no other business the meeting ended with a vote of thanks to the Chair.

Place: Mumbai
Date:


Chairman

ANNEXURE 40

From: Anjani Sinha/NSEL/CEO
Sent: Sunday, August 04, 2013 11:46 AM
To: 'dd1.fmc@nic.in'
Subject: FW: stock details

Dear Sir,
Enclosed please find the list of warehouse and stock value, as required.

Regards

Anjani Sinha

CASTOR SEED	928	33,912,188.57	THE SARDAR CO-OPERATIVE MARKETING AND PROCESSING SOCIETY LTD. SURVEY NO-5, THAVAR GAM GODAWN, AT & PO-THAVAR, TEHSIL -DHANERA, DISTRICT - BANASKANTHA -385310.	GUJARAT
CASTOR OIL	7,553	558,951,600.00	BS-2, S-2, S-3, M/S. N K INDUSTRY. 745 KADI THOR ROAD, NR, RAILWAY CROSSING, KADI - 382 715, DIST - MEHSANA.	GUJARAT
CASTOR SEED	96,581	3,529,544,422.38	BS-2, S-2, S-3, M/S. N K INDUSTRY. 745 KADI THOR ROAD, NR, RAILWAY CROSSING, KADI - 382 715, DIST - MEHSANA.	GUJARAT
CASTOR SEED	558	20,388,455.50	VILLAGE JAGNA, TALUKA PALANPUR, DIST. BANASKANTHA	GUJARAT
CASTOR SEED	1,274	46,544,881.44	GODOWN NO -1, M/S. RAJFNA AGRO PVT LTD., AT SEDRANA, OPP.GOKUL REF. OIL, PALANPUR HIGHWAY, SIDDHPUR, DIST-BANASKANTHA	GUJARAT
CASTOR SEED	900	32,882,642.83	THAKKAR PUSHPA PRAVINBHAI NEAR GODLUCK WEIGHBRIDGE. KHALI CHAR RASTA, VILLAGE- KHALI TA- SIDDHPUR, DIST- PATAN	GUJARAT
CASTOR SEED	1,635	59,754,364.05	TIRUPATI 17 KHALI CHAR RASTA, VILLAGE- KHALI TA- SIDDHPUR, DIST- PATAN	GUJARAT
JEERA	931	111,734,880.00	KHALI CHAR RASTA, VILLAGE- KHALI TA- SIDDHPUR, DIST- PATAN	GUJARAT
COTTONWASH OIL	89,766	5,657,940,264.90	TANK NO-W7, TANK NO-W8, M/S. N K PROTIENS, PLOT NO - 880, OPP SINFONY, SANAND KADI ROAD, THOR. DIST - MEHSANA	GUJARAT
JEERA	313	37,554,000.00	ARPITA WAREHOUSE, 11, NEAR GARNARA, NEAR RAILWAY INF UNIHA-384170 (GUJARAT)	GUJARAT
JEERA	281	33,759,000.00	ISHWARI LAL KHUSHALDAS PATEL, NEAR BUS STAND, MUKTUPUR, DIST MEHSANA - 384170	GUJARAT
JEERA	115	13,851,600.00	MANOJ KUMAR BAJORIA, WAREHOUSE 1-A, SURVEY NO 1283, UNIHA - UNAVA HIGHWAY GUJARAT.	GUJARAT
JEERA	190	22,800,000.00	MARTIN WAREHOUSE, PATEL BHARATBHAI JOITARAM, SHIVGANGA ESTATE, NEAR MARTIN ENG. CO, HIGHWAY ROAD, UNIHA - 384170, GUJARAT	GUJARAT
JEERA	450	53,948,400.00	NARSANGA V R NAGDERI, OPP.CNG PETROL PUMP, UNIHA- MUKTUPUR HIGHWAY, MUKTUPUR	GUJARAT
JEERA	168	20,178,000.00	RENU BAJORIA, SURVEY NO 1283, UNIHA - UNAVA HIGHWAY GUJARAT.	GUJARAT
JEERA	204	24,512,400.00	SHIV GANGA ESTATE, OPP.UNAVA APMC, UNIHA-UNAVA HIGHWAY, GUJARAT	GUJARAT
CASTOR SEED	466	17,022,661.00	THE VADGAM TALUKA SALES & PURCHASE UNION LTD, LALJIMAMIA MARKET YARD, VADGAM - 385520 GUJARAT	GUJARAT
CASTOR SEED	413	15,102,769.43	GUJARAT STATE WAREHOUSING CORPORATION. APMC MARKET YARD, VISNAGAR GUJARAT.	GUJARAT
SUGAR	68,374	2,323,348,520.00	WAREHOUSE NO - 1, YATHURI ASSOCIATES, C/O NARAINGARH SUGAR MILL LTD, NARAINGARH ROAD, DIST - AMBALA - 134202, HARYANA	HARYANA
SUGAR	78,890	2,680,682,200.00	WAREHOUSE NO - 2, YATHURI ASSOCIATES, C/O NARAINGARH SUGAR MILL LTD, NARAINGARH ROAD, DIST - AMBALA - 134202, HARYANA	HARYANA
SUGAR	1,500	5,097,000,000.00	GODOWN AT NH 1, POST OFFICE - MOULLI, SHAHBAD AMBALA ROAD, DIST. AMBALA - 134202, HARYANA	HARYANA

ANNEXURE 40

Continued..

National Spot Exchange Ltd. Details of Stock as on 31st July 2013

COMMODITY	QTY IN MT	VALUE OF COMMODITY (RS.)	WAREHOUSE ADDRESS	STATE
SUGAR	4,005	123,522,210.00	NCS SUGARS LIMITED, LAKSHMI THIRUMALA LATCHAYYAPETA, SEETHANAGARAM MANDAL, VIA BOBBILI VIZIANAGARAM - 535573, ANDHRA PRADESH.	ANDHRA PRADESH
COTTON	4,137	425,248,985.29	SPIN COT TEXTILES PVT LTD, NH-5, OPP PEARL BEVERAGES LTD MARRIPALEM, UNNAVA MANDAL, GUNTUR DIST	ANDHRA PRADESH
RED CHILLY	1,667	95,385,740.00	C/O SRI RAMA COLD STORAGE, BHADRACHALAM, THALLADA, KHAMMAM, ANDHRA PRADESH - 507167	ANDHRA PRADESH
STEEL	89,930	3,564,375,550.00	SREE BALAJEE TMT ROD MILLS PVT LTD, ASWATHAPURUM (VILLAGE), LAKSHMIPURAM - B. O. A/W, ULINDAKONDA - S.O, KURNOOL DIST - 518218, ANDHRA PRADESH	ANDHRA PRADESH
REF. PALMOLEIN OIL	14,990	775,507,650.00	SARDA AGRO OILS LTD TANK R 4, SURVEY NO. 287, NEAR LIGHT HOUSE, TAMMAVARAM, KAKINADA - 533005 ANDHRA PRADESH	ANDHRA PRADESH
FERRO CHROME	18,420	1,460,337,600.00	SURVEY NO.64, RAVIVALASA VILLAGE, TEKKAL MANDAL, SRIKAKULAM DIST., A.P	ANDHRA PRADESH
PADDY	8,993	125,722,140.00	BALAJI AGROTECH SEED PROCESSING, SURVEY NO. 321/B, VILL & MDL, HANSPARTHY, WARANGAL.	ANDHRA PRADESH
MAIZE	40	422,844.00	THANE ROAD, POST OFFICE AND POLICE STATION, SULTANGANJ, BHAGALPUR - 813213, BIHAR	BIHAR
COPPER CATHODE	74	29,842,956.00	PLOT NO.3, PWD LANE, ALIPUR, DELHI	DELHI
LEAD	50	5,457,980.00	PLOT NO.3, PWD LANE, ALIPUR, DELHI	DELHI
ZINC	61	8,105,153.00	PLOT NO.3, PWD LANE, ALIPUR, DELHI	DELHI
SUGAR	54,510	1,838,077,200.00	KHASRA NO - 106/251, KHERAKALAN	DELHI
SUGAR	40,130	1,355,206,800.00	KHASRA NO - 106/255, KHERAKALAN	DELHI
SUGAR	40,890	1,378,810,800.00	KHASRA NO - 106/99, KHERAKALAN	DELHI
SUGAR	124,706	4,205,086,320.00	KHASRA NO 106/102,103, KHERA KALAN	DELHI
SUGAR	48,492	1,635,150,240.00	KHASRA NO 106/319, KHERAKALAN	DELHI
SUGAR	15,840	534,124,800.00	NATIONAL SPOT EXCHANGE LTD, KHASRA NO -398/2, VILLAGE - HAMEEDPUR, DELHI -36.	DELHI
COPPER CATHODE	24	9,535,383.00	KHASRA NO.78/157 MIN (0-05) EXTENDED LA. DORA VILL., BAKOLI, PIN CODE-110036	DELHI
CASTOR SEED	694	25,350,608.69	SMIT TRADERS, GANJ BAZAR, BHABHAR, GUJARAT	GUJARAT
CASTOR SEED	28,625	1,046,113,050.30	SWASTIK OVERSEAS - DEESA, C/O. SHAH SEVENTIAL MANILAL, KHETAJI MAFAJI MALI, MURLIDHAR COLD STORAGE, RTO CROSS ROAD, NEW DEESA, DIST.- BANASKATHA, GUJARAT	GUJARAT

ANNEXURE 40 Continued..

PADDY	8,505	247,903,740.00	LATHER PLINTH NO.1, NEAR CWC COMPLEX, BAZIDA ROAD, DIST - KARNAL - 132001 HARYANA	HARYANA
PADDY	5,535	161,334,180.00	RAJESH KR OPEN PLINTH, NEAR CWC, BAZIDA, JATTAN ROAD, DIST - KARNAL - 132001, HARYANA	HARYANA
PADDY	3,435	125,181,705.00	DHUDIYAWALI OPEN PLINTH, SRI JAWAN NAGAR - 125075 SIRSA - HARYANA	HARYANA
PADDY	3,465	126,274,995.00	FACTORY OPEN PLINTH - EAST SIDE, SRI JAWAN NAGAR - 125075 SIRSA - HARYANA	HARYANA
PADDY	180	6,559,740.00	FACTORY OPEN PLINTH - WEST SIDE, SRI JAWAN NAGAR - 125075 SIRSA - HARYANA	HARYANA
PADDY	8,581	297,846,510.00	FACTORY OPEN PLINTH - EAST SIDE, SRI JIWAN NAGAR - 125075 SIRSA - HARYANA	HARYANA
PADDY	1,944	66,951,360.00	FACTORY OPEN PLINTH - WEST SIDE, SRI JIWAN NAGAR - 125075 SIRSA - HARYANA	HARYANA
PADDY	2,664	82,317,600.00	FACTORY OPEN PLINTH - WEST SIDE, SRI JAWAN NAGAR - 125075 SIRSA - HARYANA	HARYANA
CHANA	3,011	90,333,990.00	M/S. SHAKUNTALAM WAREHOUSE, JIWAJIPUR, BETOLI, GANJ BASODA.	MADHYA PRADESH
CHANA	180	5,412,600.00	NATIONAL BULK HANDLING CORPORATION LTD, NEAR INDIAN GAS GODOWN, TYONDA ROAD, MEWALI, GANUBASODA - 464211, MADHYA PRADESH	MADHYA PRADESH
CHANA	492	14,760,210.00	M/S. KARAN WAREHOUSING CORPORATION, GODOWN NO -2, LASHKARPUR ROAD, VIDISHA, MADHYA PRADESH -464001,	MADHYA PRADESH
CHANA	3,453	103,581,330.00	M/S. SIDDHARTH WAREHOUSING CORPORATION, GODOWN NO -2, NEAR BY ITC CHOPAL, SAGAR GANJ BASODA ROAD, VIDISHA, MADHYA PRADESH -464001,	MADHYA PRADESH
CHANA	27	823,260.00	NATIONAL BULK HANDLING CORPORATION LTD, BETWA PULSES & WAREHOUSE PVT.LTD,GRAM MIRZAPUR, SAGAR ROAD, VIDISHA - 464001, MADHYA PRADESH	MADHYA PRADESH
HR COILS	12,640	500,265,920.00	CHAMPION STEEL INDUSTRIES PVT LTD. C-9/2, MIDC, TALOJA INDUSTRIAL ESTATE, TALOJA, TAL : PANVEL, DIST : RAIGAD : 410208	MAHARASHTRA
HR COILS	9,310	368,471,180.00	AKSHATA MERCANTILE PVT. LTD. C-9/2, MIDC, TALOJA INDUSTRIAL ESTATE, TALOJA, TAL : PANVEL, DIST : RAIGAD : 410208	MAHARASHTRA
HR COILS	17,197	680,622,866.00	REALM SERVICES, PLOT NO. 8 & 9, MOUZA, NAGIARI, TALOJA, TAL : PANVEL, DIST : RAIGAD : 410208	MAHARASHTRA
HR COILS	8,650	342,349,700.00	VILLAGE - HEDAVALI, KHOPOLI PALI ROAD, TAH-SUDHAGAD, DISTRICT- RAIGAD, MAHARASHTRA	MAHARASHTRA
PADDY	260,262	8,934,789,310.50	LEAF KHAMANON, CHANDIGARH - LUDHIANA NATIONAL HIGHWAY, KHAMANON, DIST - FATEHGARH SAHIB - 140801 PUNJAB	PUNJAB
NICKEL	17	20,969,300.00	SINGHANIA CHEMICALS GODOWN NO. 577/8-A, VISHWAKARMA STREET, GILL ROAD LUDHIANA - 141003, PUNJAB	PUNJAB

PADDY	23,673	865,129,785.00	C/O MADHAV ARCADE PVT LTD, CH-1- A, DHAND ROAD, KACHWA, DIST - KARNAL - 132001 HARYANA	HARYANA
PADDY	5,745	209,951,025.00	DUNAR PLINTH NO.1, NEAR CWC COMPLEX, BAZIDA ROAD, DIST - KARNAL - 132001 HARYANA	HARYANA
PADDY	2,895	105,797,775.00	JAI HANUMAN RICE MILL, KAMLA ROAD, GHARAUNDA, KARNAL, HARYANA-132001.	HARYANA
PADDY	17,730	647,942,850.00	LATHER PLINTH NO.1, NEAR CWC COMPLEX, BAZIDA ROAD, DIST - KARNAL - 132001 HARYANA	HARYANA
PADDY	17,760	649,039,200.00	RAJESH KR OPEN PLINTH, NEAR CWC, BAZIDA, JATTAN ROAD, DIST - KARNAL - 132001, HARYANA	HARYANA
PADDY	855	31,245,975.00	SILLO NO.- 3, M/S. DUNAR FOOD LIMITED, NEAR CWC, BAZIDA, JATTAN ROAD, DIST - KARNAL - 132001 HARYANA	HARYANA
PADDY	855	31,245,975.00	SILLO NO.- 4, M/S. DUNAR FOOD LIMITED, NEAR CWC, BAZIDA, JATTAN ROAD, DIST - KARNAL - 132001 HARYANA	HARYANA
PADDY	990	36,179,550.00	SILLO NO.- 5, M/S. DUNAR FOOD LIMITED, NEAR CWC, BAZIDA, JATTAN ROAD, DIST - KARNAL - 132001 HARYANA	HARYANA
PADDY	990	36,179,550.00	SILLO NO.- 7, M/S. DUNAR FOOD LIMITED, NEAR CWC, BAZIDA, JATTAN ROAD, DIST - KARNAL - 132001 HARYANA	HARYANA
PADDY	870	31,794,150.00	SILLO NO.- 8, M/S. DUNAR FOOD LIMITED, NEAR CWC, BAZIDA, JATTAN ROAD, DIST - KARNAL - 132001 HARYANA	HARYANA
PADDY	19,474	672,593,012.00	C/O MADHAV ARCADE PVT LTD, CH-1- A, DHAND ROAD, KACHWA, DIST - KARNAL - 132001 HARYANA	HARYANA
PADDY	3,675	126,927,150.00	DUNAR PLINTH NO.1, NEAR CWC COMPLEX, BAZIDA ROAD, DIST - KARNAL - 132001 HARYANA	HARYANA
PADDY	12,795	441,913,710.00	DUNAR PLINTH NO.2, NEAR CWC COMPLEX, BAZIDA ROAD, DIST - KARNAL - 132001 HARYANA	HARYANA
PADDY	4,305	148,686,090.00	JAI HANUMAN RICE MILL, KAMLA ROAD, GHARAUNDA, KARNAL, HARYANA-132001.	HARYANA
PADDY	21,420	739,803,960.00	LATHER PLINTH NO.1, NEAR CWC COMPLEX, BAZIDA ROAD, DIST - KARNAL - 132001 HARYANA	HARYANA
PADDY	22,680	783,321,840.00	MANN OPEN PLINTH, NEAR CWC, BAZIDA, JATTAN ROAD, DIST - KARNAL - 132001, HARYANA	HARYANA
PADDY	165	5,698,770.00	SILLO NO.- 6, M/S. DUNAR FOOD LIMITED, NEAR CWC, BAZIDA, JATTAN ROAD, DIST - KARNAL - 132001 HARYANA	HARYANA
PADDY	5,848	170,457,504.00	C/O MADHAV ARCADE PVT LTD, CH-1- A, DHAND ROAD, KACHWA, DIST - KARNAL - 132001 HARYANA	HARYANA
PADDY	15,270	445,089,960.00	JAI HANUMAN RICE MILL, KAMLA ROAD, GHARAUNDA, KARNAL, HARYANA-132001.	HARYANA

ANNEXURE 40

PADDY	17,311	597,887,318.00	WHITE WATER, BARMALIPUR ROAD(ADJ) C/O V.I.R FOODS LTD, GODOWN NO-1, PAYAL, LUDHIANA, PUNJAB -141 001	PUNJAB
RAW WOOL	5,701	4,087,828,550.00	ARK IMPORTS PVT. LTD. (SECTION I) VILLAGE PURBA, TEHSIL SAMRALA, DISST. LUDHIANA	PUNJAB
RAW WOOL	5,490	3,936,879,000.00	C/O ARK IMPORTS PVT. LTD. GODOWN NO 5, VILLAGE - SEERAH, RAHON ROAD, LUDHIANA - 141001 PUNJAB	PUNJAB
RICE	6,601	411,374,320.00	WHITE WATER, BARMALIPUR ROAD(ADJ) C/O V.I.R FOODS LTD, GODOWN NO-3, PAYAL, LUDHIANA, PUNJAB -141 001	PUNJAB
SOYBEAN CRUDE OIL	280	19,068,000.00	VIMLA DEVI AGRO TECH LTD, NH 76 VILLAGE, POLLAIKALAN, KOTA - RAJASTHAN	RAJASTHAN
SOYBEAN DOC	7,330	2,469,843,500.00	VIMLA DEVI AGRO TECH LTD, NH 76 VILLAGE, POLLAIKALAN, KOTA - RAJASTHAN	RAJASTHAN
BLACK PEPPER	821	285,534,000.00	SHRI KRISHNA COLD STORAGE AND FOODS JANTA ROAD, HARETI, IN FRONT OF CWC WAREHOUSE, SAHARANPUR - 247001, UTTAR PRADESH.	UTTAR PRADESH
RED CHILLY	845	70,118,100.00	SHRI KRISHNA COLD STORAGE AND FOODS JANTA ROAD, HARETI, IN FRONT OF CWC WAREHOUSE, SAHARANPUR - 247001, UTTAR PRADESH.	UTTAR PRADESH
	304,657	69,267,077,375.86		

ANNEXURE 41

Secretary to Anjali Sinha/NSEL/Juliana Fernandes

From: yadav.renu@nic.in on behalf of Renu Yadav <yadav.renu@nic.in>
Sent: Tuesday, November 27, 2012 6:25 PM
To: Anjali Sinha/NSEL/CEO
Subject: presentation by national spot exchange before the Commission-Reg.
Attachments: Letter to NSEL for list.doc; Spot Exchange Meeting Minutes.doc

Sir,

kindly find attached a letter regarding the presentation made by you before the Commission on the regulation of spot Exchanges and a record of discussion on the same.

regards
Renu Yadav
Assistant Director
Forward Market Commission
Department of Consumer Affairs
Ministry of Consumer Affairs, Food & Public Distribution
Mumbai
Ph: 022-22795369
website: www.fmc.gov.in
e-mail id for any feedback : contact.fmc@nic.in

ANNEXURE 41 *Continued..*

Vstj % 2281 1262 @ 2281
Qksu 1429
rkj % ok;nk;ksx
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2281 2086

Hkkjr ljdkj
GOVERNMENT OF INDIA

Telephone : 2281 1262/ 2281 1429
Telegram : FORMARDOM-KALBADEVI
Fax : 2281 2086
E mail : fmc@bom5.vsnl.net.in
Website : www.fmc.gov.in

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FORWARD MARKETS COMMISSION

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MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION
(miHkksDrk ekeys foHkkx)
(DEPARTMENT OF CONSUMER AFFAIRS)

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100, MARINE DRIVE, MUMBAI - 400 002.

F. No. 7/3/2010-MKT-I

Date: 27th November, 2012

To
The Managing Director
National Spot Exchange Limited
102-A, Landmark, Suren Road,
Chakala, Andheri (East)
Mumbai-400093

Sub: Presentation made by MD, NSEL on 08.11.2012 on regulatory model for
Electronic Spot Exchanges - Reg.

Sir,

Kindly find enclosed the record of discussions held on the presentation made by you before the Commission on regulatory model for Electronic Spot Exchanges on 8th November, 2012 at 1600 Hrs. The Exchange may send its comments on the record of discussion by 30th November, 2012 to the Commission. Further it is to inform that the Commission is planning to hold a meeting with the stakeholders of the Electronic Spot Exchanges during the month of December, 2012. In this regard, National Spot Exchange Limited is requested to send a list of top 10 participants each on the buyer and seller side in each of the top 10 traded contracts on the Exchange platform during last 3 months to the Commission latest by 30th November, 2012.

Yours sincerely,

Encl: As stated above

(V.C. Chaturvedi)
Director

**FORWARD MARKETS COMMISSION
MUMBAI**

**PRESENTATION OF NATIONAL SPOT EXCHANGE LTD. (NSEL) ON
REGULATORY MODEL FOR ELECTRONIC SPOT EXCHANGES
HELD ON 8TH NOV., 2012 AT 4.00 P.M.**

1. A presentation was made by Sh. Anjani Sinha, MD & CEO of National Spot Exchange Ltd (NSEL) before the Commission on regulatory model for Electronic Spot Exchanges on 8th November, 2012 at 1600 Hrs. List of representatives of the Exchange and the officials of the Commission is enclosed.

2. (a) During the presentation Sh. Anjani Sinha citing the proviso (1), (2) and (3) of Sec. 2(i) of Forward Contracts (Regulation) Act, 1952 stated that all the spot contracts traded on Electronic Spot Exchanges are actually "forward contracts" since delivery is given by transfer of document of title which make these contracts forward contracts under Proviso (1) to Sec 2 (i). Thus, according to them, spot Exchanges are actually "Delivery Based forward Exchange".

(b) According to him, a few Regional Commodity Exchanges recognized under FCRA are facilitating physical trade in commodities.

(c) Sh. Anjani Sinha gave an example of LME model where one day forward contracts with different dates of maturity are traded and based on this model, even in India the electronic spot Exchanges can also be regulated under Forward Contracts (Regulation) Act, 1952 by granting recognition under Section 6 of the FCRA 1952. This could however be subject to the condition that the spot Exchanges would not be allowed to have fixed date maturity contracts i.e. they would not be trading in futures contracts.

A copy of the presentation made by the Exchange is enclosed.

3. After the presentation, the representatives of the Exchange had discussions with the Commission and the officials of the Commission. Since MD, NSEL had stated that only forward contracts were being traded in NSEL, and that all spot contracts are in fact forward contracts, he was asked about the nomenclature of the Exchange which indicated that it was a spot Exchange. Sh. Anjani Sinha agreed that the name spot Exchange is misleading and did not convey the reality of actual trading at the Exchange. Based on the presentation it became clear that the word spot Exchange is misleading and the Exchange had all along been having forward contracts which was agreed to by the MD, NSEL.

4. Member, FMC queried that if the Exchange wants to get recognition under the Sec 6 of FCRA 1952 whether it intends to do futures trading as well. MD, NSEL replied that futures' trading is not intended. However, the Exchange has been and would like to continue to facilitate seller-specific contracts which are likely to benefit big organisations like FCI etc.

5. A point was raised by Sh. S.K Parida stating that the object of the FCRA, 1952 is that price risk management and price discovery facilities are provided on the Exchanges and the Forward contracts of one day duration do not provide the said facilities. For the purpose of recognizing an Exchange under Sec 6 of the said Act, there has to be a public interest in terms of the said facilities which does not get served and thus the case of regulating electronic spot Exchanges under FCRA is not justified. The FCRA does not envisage regulating a market which does not provide the aforesaid two facilities. Besides, entry 48 of the Union List in the 7th Schedule of the Constitution of India has specified the expression "futures markets". Therefore, applying the doctrine of harmonious construction and logical interpretation, the FCRA essentially provides for the regulation of futures markets so that the aforesaid two facilities can be provided effectively to the hedgers, including farmers.

6. Smt. Usha Pol raised the point that when specific buyers and sellers are dealing with each other in the spot Exchange then how does it lead to price discovery. MD, NSEL agreed that no price discovery is taking place at the spot Exchange and the Exchange is only facilitating sale or purchase of commodities as per the requirements of the buyers and the sellers.

7. Sh. V. C. Chaturvedi queried that the seller-specific contracts which could be top-sided much in favour of the specific seller would not create open market situation and asked about the purpose for which such contracts are being traded at the spot Exchange. Citing an example of sale of wheat by FCI to the buyers who are empanelled with FCI, he asked the Exchange to clarify as to how such contracts serve the purpose of price discovery. MD, NSEL informed that the purpose of such contracts is basically to earn transaction charges for the Exchange and have been carried out in the past. On a specific query that equal volumes on both sides are being observed in the contracts being run at the Exchange MD, NSEL agreed to the same. The Exchange has also been asked to clarify on a number of issues pertaining to trading at NSEL to which MD, NSEL agreed to send a reply at the earliest.

8. Smt. Usha Suresh mentioned that when Exchange is running merchandising contracts and such contracts which do not carry any risk element, then the need for recognition to the Exchange under Sec 6 is not justified as FCRA deals only with the derivatives contracts. Smt Usha Suresh also asked why the Exchange is undertaking such activities as procuring wheat on behalf of FCI which do not carry any risk and why simultaneously short duration and long duration contracts have been launched in the same commodities at the Exchange. Smt. Usha Suresh suggested that a meeting with the stakeholders who are likely to benefit from forward trading proposed by NSEL should be held to ascertain their views.

9. Smt. Nutan Raj asked when did NSEL realize that the spot contracts are in fact forward contracts? Sh. Anjani Sinha said that the Exchange realized the same in 2006 and the Exchange applied for exemption u/s 27.

ANNEXURE 41

10. Chairman, FMC, specifically referring to a complaint with the Commission, asked the Exchange as to whether a NBFC type of operation is being carried out by them. MD, NSEL informed that the modus-operandi of the Exchange is that the sellers at the Exchange make a sale transaction in a shorter duration contracts (e.g. T+1, T+2) and then that sell position is taken by the investors in the longer duration contracts (T+25, T+36) who ultimately facilitate buying by actual processors etc. For this finance facility provided by the investors, there is always a gap between the short duration contract and the long duration contract by 18% to 24% annualized.

10. Sh. Chalapati Rao asked why there are only two types of contracts i.e. one long duration contract and another short duration contract for each agri-commodity. MD, NSEL informed that it is as per the requirement of the participants and farmers.

11. Smt. K.K. Parte asked what is the need for providing a period of T+7, T+15, T+20 etc. if the deliveries are taking place in demat form. NSEL, MD replied that at present only in e-gold and e-silver contracts deliveries are taking place in demat form and for other commodities deliveries are taking place through warehouse receipts. The period has been provided as per requirement of trade.

ANNEXURE 42

Jay. K. Bhatia

LL.M (USA)

Advocate

Qnr 401/A, 4th floor, Fort Chambers, Ambala Doshi Marg, Fort, Mumbai-400 023

• Tel: (022) 329-130-35 •

Dated: 01/01/2014

- To
- 1) Tarun Amarchand Jain HUF,
5, Sanskar Jyoti Chitrangan Road,
2nd Floor, Vile Parle (E),
Mumbai 400 057.
 - 2) Ashish Dhiraajal Seth HUF,
4 AB And Kanj Building, 2nd Floor,
S. Keer Road, Behind Ashray Hotel Shilvaji Park,
Mahim, Mumbai 400 016.
 - 3) The National Spot Exchange Ltd,
FT Tower, 4th Floor,
Suren Road, Chakala,
Andheri (E),
Mumbai 400 093.
 - 4) Futura Technologies (India) Ltd,
FT Tower, 4th Floor,
Suren Road, Chakala,
Andheri (E), Mumbai 400 093.
 - 5) Indian Bulk Market Association
1st Floor, Makani Chambers,
Off Nehru Road, Near Hotel Orchid,
Vile Parle (E), Mumbai 400 090.

no. 3. J. Sagar Associates
Advocates.
Vakils Hinge, 18 Sports Road,
Belted Estate, Mumbai
RECEIVED
SAGAR ASSOCIATES
ADVOCATES & SOLICITORS
82 JAN 2014
TIME: 17.15
BY: [Signature]

Sir,

IN THE HIGH COURT OF JUDICATURE AT BOMBAY
ORDINARY ORIGINAL CIVIL JURISDICTION
WRIT PETITION (Lodge) No. 2343 OF 2013

Tarun Amarchand Jain HUF & Another ... Petitioner
Versus
Forward Markets Commission & Others ... Respondents

Please refer to the directions of their Lordships Justice Shri A. S. Oka and Justice Shri S. G. Gupta, dated 24/12/2013, wherein the Respondent No.3, i.e., Ministry of Consumer Affairs were permitted to file their reply in the above matter in the department. The said reply has been filed

fact that NSEL was found lacking in fulfillment of the conditions 2(i) and (ii) of the Notification of exemption dated 05.06.2007 as intimated by FMC as well as the fact that the reply from NSEL was not forthcoming. The NSEL instead of adhering to the conditions of exemption, quoted practical difficulties and also contended that the exemption is not confined to any specific section of FCRA, rather it extends to all provisions of FCRA was taken into account. Also the fact which emanated from FMC's communication that the other exchange that is, NCDEX Spot exchange, which was also granted exemption under Section 27 of the FCRA are violating the conditions of the exemption order, it was contemplated to withdraw the exemption granted to all the three exchanges (NSEL, NCDEX Spot Exchange and National Agriculture Produce Marketing Co. of India) in the public interest. This was considered in view of the several public representations and complaints in this regard as well as in view of clause (vi) of the exemption which mentions the exigency, thus addressing the concerns of regulatory gap as raised by Department of Economic Affairs and RBI. It was also considered to have a legal advice for taking appropriate action.



29. It is respectfully submitted that, however, considering these above facts and pending legal advice with respect to withdrawal of exemption granted under section 27 of the FCR Act, the answering respondent on 12.07.2013 directed the NSEL to give an undertaking to the fact that:

- (i) No further/ fresh contracts shall be launched by your exchange until further instructions from concerned authority; and

Handwritten signature and stamp of the Ministry of Agriculture, Government of India, dated 12.07.2013.

ANNEXURE 42 *Continued.*

(ii) All the existing contracts will be settled on the due dates.

It is respectfully submitted that NSEL gave the undertaking to the answering respondent on 22nd July 2013. The copy of the undertaking as given by NSEL is annexed hereto and marked as Annexure R12.

30. It is further submitted that the issue of seeking further opinion and advice of FMC was desired by the answering respondent before the appropriate legal advice could be taken. In accordance to that, vide letter dated 15.07.2013 opinion of the FMC was sought with respect to the issue whether the exemption granted to NSEL under Section 27 of the FCR Act is confined only for specific sections of FCRA or it extends to all. Also opinion was sought regarding the control over the National Spot Exchange by FMC being the designated agency what further conditions can be added to the notification dated 5th June, 2007. It is important to mention herein, that the answering respondent is not an expert body on such technical matters and had to rely upon FMC for their opinion and advice on matters arising on these complex issues. A copy of the letter dated 15.07.2013 is annexed hereto and marked as Annexure R13.

31. The FMC in its detailed response dated 19.07.2013 had stated that the Gazette Notification issued by the Government granting exemptions under section 27 to the three spot exchanges provide for exemption from operation of the provisions of the said Act and are silent whether the exemption is applicable to all or specific provisions of the Act. FMC further stated that since the

ANNEXURE 42 *Continued..*

Speed Post/Confidential

F. No. 12/3/2003-IT (Vol.II)
Government of India
Ministry of Consumer Affairs, Food & Public Distribution
Deptt. of Consumer Affairs
IT Desk

Shastri Bhawan, New Delhi
Dated: 15.07.2013

To,

The Chairman,
Forward Market Commission,
"Everest" 3rd Floor,
100, Marine Drive,
Mumbai.

Subj: Exemption to National Spot Exchange Limited (NSEL) under Section 27 of the Forward Contracts (Regulation) Act, 1958 (FCRA) vide notification S.O. No. 906 (E) dated 5th June, 2007.

Sir

In continuation to our letter of even number dated 12.07.2013 and further discussions Secretary (CA) had with Chairman, FMC, I am directed to request you to send your comments on the following observations made by MoS (CA) for Consumer Affairs, Food & Public Distribution.

(a) Whether the exemption granted to the National Spot Exchanges Ltd. under Section 27 of the FCR Act is confined only for specific sections of FCRA or whether such exemption extends in respect of all provisions of FCRA.

(b) In the light of notification dated 5th June, 2007 and 6th February 2012, the status and powers of Forward Markets Commission as a 'designated agency' with regard to control over the National Spot Exchange.

(c) Whether the Government is competent to add any condition and if so, what conditions can be added to the notification dated 5th June, 2007 granting exemption to the Exchanges under Section 27 of the FCR Act, 1952, to protect the interest of investors.

Yth. S. Shastri M. A. Chaudhary
Joint Secretary
Ministry of Consumer Affairs,
Food & Public Distribution
New Delhi, 110011
Date: 15.07.2013
Sd/-
15.07.2013



Attention please copy
Joint Secretary
New Delhi
15.07.2013

ANNEXURE 42

2. The above response may be sent urgently to enable this Department to prepare a Note to be sent to the Department of Legal Affairs for advice.

Yours faithfully

(D.C. Devgune)

Under Secretary to the Government of India

Tel. No. 23387359

[illegible]

ATTESTED PHOTO COPY
Commissioner
New Delhi

संकेत: 12/3/2013-IT
तारीख: 12/3/2013
कॉड: 12/3/2013

भारत सरकार
GOVERNMENT OF INDIA

Telephone: 2331 1262 / 2331 1263
Telegram: FORWARD/COM/ALB/ADEN
Fax: 2331 1265
E-mail: fmc@nic.nic.in
Website: www.fmc.gov.in

वामदा बाजार आयोग

FORWARD MARKETS COMMISSION

उपभोक्ता मामले, खाद्य और सार्वजनिक वितरण मंत्रालय

MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION

(उपभोक्ता मामले विभाग)

(DEPARTMENT OF CONSUMER AFFAIRS)

एवरेस्ट, तारक मंदिर
EVEREST, 3RD FLOOR
500, मरीन ड्राइव, मुंबई - 400 002,
500 MARINE DRIVE, MUMBAI - 400 002

स्पीड पोस्ट / SPEED POST

SPEED POST / CONFIDENTIAL

F.No.73/2013-MKT-I

Dated 19th July, 2013

To,

Smt. D.C. Desai
Under Secretary (II)
Ministry of Consumer Affairs,
Food and Public Distribution,
Department of Consumer Affairs,
Shastri Bhavan,
New Delhi - 110 011

Sub: Issues relating to exemption of Spot Exchanges
Under Section 27 of FCRA and need for their regulation

Sir,

I am directed to refer to Ministry of Consumer Affairs, Food & Public Distribution Dept. of Consumer Affairs letter no. F. No. 12/3/2013-II (Vol. II) dtd. 15th July, 2013 and to furnish the comments of the Commission on the observations made by MoS (I/C) for Consumer Affairs, Food & Public Distribution:-

of Whether the exemption granted to the National Spot Exchanges Ltd, Under Section 27 of the FCRA Act is confined only for specific sections of FCRA or whether such exemption extends in respect of all provisions of FCRA.

Comments: The Government of India, Ministry of Consumer Affairs, Food and Public Distribution, Department of Consumer Affairs in exercise of powers conferred to it under section 27 of the Forward Contracts (regulation) Act, 1952 had exempted through separate notifications all forward contracts of one day duration for the sale and purchase of commodities traded on three spot Exchanges, National Spot Exchange of India Limited (NSEI), NCDEX Spot Exchange Ltd and National AFMC from operation

Dr. S. M. A. Ghaffar
Joint Secretary
Ministry of Consumer Affairs,
Food and Public Distribution,
Department of Consumer Affairs,
Shastri Bhavan,
New Delhi - 110 011



ATTESTED PHOTO COPY
Date Commissioned
New Delhi
17 July 2013

ANNEXURE 42 *Continued.*

of the provisions of the said Act. The exemption granted to the NSFL and other two exchanges were subject to the following conditions:-

- i) No short sale by members of the Exchange shall be allowed.
- ii) All outstanding positions of the trade at the end of the day shall result in delivery.
- iii) The National Spot Exchange Ltd / NCDEX Spot exchange Ltd / National Agriculture Produce Marketing Company (National APMC) shall organize spot trading subject to regulation by the authorities regulating spot trade in the areas where such trading takes place.
- iv) All information or returns relating to the trade as and when asked for shall be provided to the Central Government or its designated agency.
- v) The Central Government reserves the right to impose additional conditions from time to time as it may deem necessary and.
- vi) In case of exigencies, the exemption will be withdrawn without assigning any reason in public interest.
- vii) National Commodities Derivatives Exchange Ltd, (NCDEX) shall not take any responsibility for any act of omission or commission by the NCDEX Spot Exchange nor shall its infrastructure, software or human resources, the two being separate and independent entities. (Applicable for NCDEX Spot Exchange Ltd).

2. In this regard, it is further submitted that Section 27 of the Forward Contracts (Regulation) Act, 1952 reads as follows:- *The Central Government may, by notification in the Official Gazette, exempt, subject to such conditions and in such circumstances and in such areas as may be specified in the notification, any contract or class of contracts from the operation of all or any of the provision of this Act.*

3. The Gazette notifications issued by the Government granting exemption under section 27 to the three spot exchanges provide for exemption from operation of the provisions of the said Act and are silent whether the exemption is applicable to all or specific provisions of the Act.

b) In the light of notification dated 5th June, 2007 and 6th February, 2012 the status and powers of Forward Markets Commission as a 'designated agency' with regard to control over the National Spot Exchange.



DR. H. K. SINGH, M. A. CHANDRAN
Joint Secretary (Legal)
Forward Markets Commission
New Delhi, India
2012

ANNEXURE 43

टेलिफोन : २२७९ ५२००
 तार : वायसयुक्त फलवाकरी
 फैक्स : २२७९ २००५

भारत सरकार
GOVERNMENT OF INDIA

Telephone : 2279 5300
 Telegram : FORMARCOM-KALBADER
 Fax : 2281 2085
 E-mail : contact.fmc@nic.in
 Website : www.fmc.gov.in

वायस बाजार आयोग

FORWARD MARKETS COMMISSION
 उपभोक्ता मामले, खाद्य और सार्वजनिक वितरण मंत्रालय
MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION
 (उपभोक्ता मामले विभाग)
(DEPARTMENT OF CONSUMER AFFAIRS)

स्पीड पोस्ट / SPEED POST

'EVEREST', 3RD FLOOR
 100, MARINE DRIVE, MUMBAI - 400 002.
100, MARINE DRIVE, MUMBAI - 400 002.

No. 7/3A/2010-MKT-I

Date: 22nd February, 2012

To

The Chief Executive Officer,
 National Spot Exchange Ltd.,
 102-A Landmark, Surta Road,
 Chakala, Andheri (E), Mumbai 400 093.

o/c

Sub: Fulfillment of conditions stipulated under Notification S.O. No. 906(E)
 dated 5.6.2007

Sir,

I am directed to refer to the fortnightly reports submitted by you in the prescribed format to the Commission for the fortnights ended 30th November, 2011 and 15th December, 2011. It is seen from the reports that there are 55 contracts offered for trade on NSEL with settlement period exceeding 11 days. As per the definition given in the Forward Contracts (Regulation) Act, 1952, (FCRA), "a forward contract is a contract for delivery of goods and which is not a ready delivery contract". A ready delivery contract can provide for delivery of goods and payment of price therefor, either immediately or within such period not exceeding eleven days". Therefore, all contracts traded on NSEL which provides settlement schedule for a period exceeding 11 days are forward contracts. Even if such contracts result in delivery, they are not outside the purview of FCR Act. They are NTSD contracts, the control of business in which is subject to the provisions under section 14A of the FCR Act. The Government has not granted any exemption to NSEL in respect of settlement period. Nor has it granted any exemption to NSEL in respect of NTSD contracts. Therefore, prima facie, it appears that all contracts traded on NSEL with settlement period exceeding 11 days are in violation of the provisions of FCR Act.

2. Your attention is further drawn to the notification dated 5th June, 2007 whereby the Central Government exempted all forward contracts of one day duration on the sale and purchase of commodities traded on NSEL from the operation of the provisions of FCR Act, subject to the following, among other conditions, namely;

- (i) No short sale by Members of the Exchange shall be allowed.
- (ii) All outstanding positions of the trade at the end of the day shall result in delivery;

ANNEXURE 43

However, it is seen that Annexure 4 to Circular dated 19.9.2009 issued by the Exchange specifies that;

"The commodity should reach the designated warehouse latest by 5.00 pm of T+1, in order to have hassle free delivery of commodity."

The Bye-law No. 10.5 and 10.15 of the NSEL provide that,

The Relevant Authority may prescribe penalty on sellers with outstanding positions who fail to issue delivery orders and the Exchange may conduct auction to ensure delivery to the buyers. In case of any failure by seller of commodity to deliver the quantity as per his net sale position, such net sale position shall be closed out by buying in auction and the seller shall be required to pay the difference.

"A seller of commodity shall deliver the quantity as per his net sale position in the commodity during the period specified in the Rules, Business Rules and Regulations of the Exchange and notices and orders issued thereunder from time to time for the specified commodity, which should conform to the quality specified by the Exchange in the contract specification. In case of any failure to do so, such net sale position shall be closed out by buying in auction and the seller shall be required to pay the difference, as determined by the Clearing House and penalty in addition thereto."

The aforesaid provisions are not in consonance with the conditions stipulated by the Government that "no short sale by members of exchange shall be allowed".

3. It is also not clear as to what are the systems/mechanism put in place by NSEL to ensure that:-

- i. The seller has actually deposited goods in the warehouse before he takes a short position through a Member of the Exchange.
- ii. The goods deposited in the warehouse in respect of which a short position has been taken is delivered to the original buyer.
- iii. The goods deposited in the warehouse in respect of which a short position has been taken is not used again to take short position on the subsequent transactions.

4. The Annexure All of the reporting format for the fortnight ending December 15, 2011 shows 'total net open position at the close of the trading'. It also shows the 'volume of delivery effected' which is equal to the total net open position at the close of trading. However, number of participants taken delivery is nil. It is not clear as to how delivery effected can be indicated before expiry of the settlement period.

5. In some contracts, there are 'sellers auction' shown in the reports. In E-contracts, delivery is through Demat. Still, there are Sellers Auction in such contracts too. This may mean that members/clients can sell without depositing goods.

6. In view of the above, I am directed to request you to furnish clarification on all the points mentioned above at the earliest but not later than 29-02-2012.

Yours sincerely,

(K.M. Shivakumar)
Director

जारी किया गया / ISSUED
बहुलमनको सहित / ISSUED WITH
माकी किया गया / ENCLOSURES

ANNEXURE 44

From: Anjani Sinha/NSEL/CEO
Sent: Wednesday, February 29, 2012 9:38 PM
To: 'yadav.renu@nic.in'
Cc: HB Mohanty/NSEL/Market Operations
Subject: RE: Fulfillment of conditions stipulated under Notification S.O. No. 906(E) dated 05.06.2007
Attachments: clarification letter.doc

Dear Madam,
Enclosed please find the clarification on the points raised in your letter under reference.

Warm Regards

Anjani Sinha

From: yadav.renu@nic.in [mailto:yadav.renu@nic.in]
Sent: Tuesday, February 28, 2012 11:21 AM
To: Anjani Sinha/NSEL/CEO
Subject: Fulfillment of conditions stipulated under Notification S.O. No. 906(E) dated 05.06.2007
Importance: High

Kindly furnish the clarifications sought in the attached letter urgently. The same has also been sent by speed post on 22.02.2012.

regards
Renu Yadav
Assistant Director
Forward Market Commission
Department of Consumer Affairs
Ministry of Consumer Affairs, Food & Public Distribution
Mumbai
Ph: 022-22795369
website: www.fmc.gov.in
e-mail id for any feedback : contact.fmc@nic.in

ANNEXURE 44 *Continued..*

**NSEL/FMC /2011-12/1360
February 29, 2011**

Shri K. M. Shrivkumar,
Director,
Forward Markets Commission,
Everest, 3rd Floor, 100, Marine Drive
Mumbai- 400 002

**Ref: Your letter No. 7/3A/2010-MKT- I/1018 dated 22nd February, 2012
received on 27th February, 2012**

**Sub.: Fulfilment of conditions stipulated under Notification S.O. No. 906
(E) dated 5.6.2007**

Dear Sir,

With due respect, we hereby submit clarification on all the points specified in the letter under reference for your kind perusal in the enclosed note.

We have submitted the required explanation under these parts, which are as follows:

PART I: Contracts resulting into delivery or payment beyond 11 days

PART II: Short Sale

PART III: Other points raised in the captioned letter

We hope the enclosed note will clarify all the points. We can submit further explanation on any of the points elaborated herein, if required.

Thanking you.

Yours faithfully,
For National Spot Exchange Limited

Anjani Sinha
MD & CEO
Encl as above

ANNEXURE 44 *Continued..*

CLARIFICATION IN RESPECT OF POINTS SPECIFIED IN THE LETTER NO 7/3A/2010-MKT-I/ 1018 dated 22nd February, 2012.

PART I: CONTRACTS RESULTING INTO DELIVERY OR PAYMENT BEYOND 11 DAYS

1. Business perspective:

In physical trade, especially in agricultural commodities, there is always a credit period involved. A trader, who supplies physical stock to a processor, does not get payment immediately. Such credit mechanism in physical market is un-organized and informal. In order to map such physical market practices in an organized manner, NSEL has designed the contracts, which meets the requirement of physical market. In absence of such contracts, it is not possible to develop spot contracts in agricultural commodities on immediate payment basis, because physical market practices are totally different.

2. Legal perspective:

- a. At the outset, we would like to draw your kind attention towards the operative part of the said notification dated 5.6.2007, which reads as follows:

Quote:” the Central Government hereby exempts all forward contracts of one day duration for the sale and purchase of commodities traded on the National Spot Exchange Ltd. from operation of the provisions of the said Act.....”

- b. It is evident that the Notification under reference exempts National Spot Exchange from all the provisions of FCRA provided they are one day duration forward contracts for the sale and purchase of commodities. In other words, the exemption is not confined to any specific Section of FCRA, rather it extends to all the provisions of FCRA. Hence, it is apparent that the Government has granted exemption to National Spot Exchange also with respect to Section 14 A of FCRA.
- c. We appreciate your view that contracts traded on NSEL, which provides settlement schedule for a period exceeding 11 days are forward contracts. But, at the same time, we also submit that even those contracts traded on NSEL, which are settled by delivery and payment within 11 days period, are forward contracts by virtue of the provisos to Section 2 (i) of FCRA. As per these provisos, a contract which provides for netting of transactions, squaring off transaction and settlement of net outstanding position is a forward contract. Hence, there is no doubt that most of the contracts traded on National Spot Exchange are "forward contracts" as defined under FCRA. Some of these contracts are forward in nature, because they result into delivery or payment beyond 11 days period, while a number of other contracts are forward in nature because they provide for netting of positions.
- d. FCRA regulates all types of forward contracts, whether they are forward contract due to netting feature or due to period of delivery/

ANNEXURE 44 *Continued..*

payment. If an entity wants to conduct trading in forward contracts, it has got three options under FCRA: (i) to seek recognition under Section 6 of FCRA, or (ii) to seek registration under Section 14 B, or (iii) to seek exemption under Section 27 of FCRA. If an entity seeks neither of these three, it cannot conduct trading in forward contract. On the other hand, if an entity obtains either of these three, it can conduct trading in forward contracts.

- e. We fully agree with your view that "all contracts traded on NSEL which provide settlement schedule for a period exceeding 11 days are forward contracts". We also agree with your view that "even if such contracts result in delivery, they are not outside the purview of FCR Act." You have rightly observed that "They are NTSD contracts, the control of business in which is subject to the provisions under Section 14 A of the FCR Act." However, as a matter of fact, the Government has granted exemption to NSEL in respect of these contracts and therefore, trading in these contracts on NSEL are not in violation of the provisions of FCR Act.

- 3. **Test of conditions:** In this context, it is also relevant to test whether such forward contracts traded on NSEL are in compliance with all the conditions specified by the Government in the Gazette Notification dated 5th June, 2007. An analysis of the features of these contracts vis a vis the conditions specified in the Gazette Notification is given below:

- a. **Condition: All forward contracts of one day duration are exempted:**

NSEL contracts are forward contracts of one day duration only. For instance, castor oil T + 25 contract is a one day duration contract. In this contract, buyers can buy and sellers can sell today, with the stipulation that delivery and payment will happen on T + 25th day. However, today's buy position cannot be squared off tomorrow. All outstanding positions at end of today must result into delivery on T+ 25. Hence, duration of the contract is one day only. It is not a futures contract. Futures contracts are based on Account based settlement in which participants can keep on buying and selling in the same contract for a long period ranging upto six months. In a futures contract, a person can buy today, sell tomorrow and again buy day after tomorrow without affecting deliveries. That is not possible in NSEL contract, because these are single day duration contracts.

- b. **Condition: Contracts should be "for sale and purchase of commodities traded on the National Spot Exchange Ltd."**

All contracts under reference are for sale and purchase of commodities only and all these commodities are traded on National Spot Exchange Ltd.

- c. **Condition: No short sale by members of the Exchange shall be allowed.**

ANNEXURE 44 *Continued..*

The Exchange does not allow short sale by the members or their clients in these contracts. The trade and delivery data pertaining to these contracts show that almost 100 % of the trades in these contracts have resulted into delivery. There has not been any shortage of delivery in these contracts.

- d. **Condition: All outstanding positions at the end of the day shall result in delivery.**

All outstanding positions at the end of day result into delivery. There is no way a member can avoid giving delivery. He cannot square it off by reversing his position next day. If a participant has any outstanding position at end of day, he can settle it only and only by giving/ taking delivery, as the case may be.

- e. **Condition: The National Spot Exchange Ltd shall organize spot trading subject to regulation by the authorities regulating spot trade in the areas where such trading takes place:**

National Spot Exchange Ltd has obtained licenses under State APMC Act in all the states, where it is conducting spot trading in agricultural commodities.

It is evident from above that the contracts launched by National Spot Exchange as referred to above are fully in compliance with the conditions imposed by the Government under the Gazette Notification dated 5th June, 2007.

4. Difference between NSEL contracts resulting into delivery beyond 11 days period and futures contracts:

- a. Futures contracts are standardized contracts, where any person can buy or sell, but the trades can be netted off or squared off during the entire life cycle of the futures contract. For instance, a person can buy a futures contract today, sell it after 1 week and settle the contracts by paying or receiving the difference amount. In such case, there is no question of effecting any physical delivery. In a futures contract, delivery happens only at the time of maturity of the futures contract, which is generally once in a month only.
- b. Futures contracts do not provide any guarantee to the buyer whether he will get delivery of any specific material. It even does not guarantee that delivery will be offered to him, because the seller may chose to settle at Due date rate by paying penalty and not offering delivery.
- c. Futures contracts are hedge instruments, which are best suited for price risk management. Though they offer delivery of goods, but buyers do not have any choice about choosing the place of delivery or quality or make. He has to accept whatever is offered by the seller, if it is within the general parameters of the futures contract.
- d. The contracts offered at NSEL are totally linked with delivery. If a person has bought today, it is 100 % sure that he will get delivery. A person cannot avoid delivery by squaring off his position through

ANNEXURE 44 *Continued..*

an offsetting contract next day. These contracts are meant for delivery and not for price risk management. All these contracts are compulsory delivery contracts and there is no contract under "Seller's option or "Both option" category. Seller does not have any choice to pay penalty and avoid effecting delivery. In these contracts, delivery happens on daily basis as per the delivery and settlement calendar. Before entering into the contract, the buyer is fully aware about the quality and place of delivery he will get towards settlement of his obligation. Hence, these contracts serve the delivery related requirement of physical trade, while futures contracts serve the hedging related requirements of the physical trade.

It is apparent from above that the contracts traded on NSEL with settlement period exceeding 11 days are in compliance with the provisions of FCR Act.

PART II: SHORT SALE

1. **Definition of Short Sale:** Short sale implies a trade to create a sale position and to hold such position by carrying it forward or rolling it over in a commodity, with the intention of making profit out of price fall in near future. The basic intention is neither to give delivery nor to immediately square off the position, rather to hold the sale position. The motive behind short sale is to earn money by holding sale position in anticipation of price fall in near future.
2. **Features of Contracts traded on NSEL:**
 - a. All contracts traded on NSEL are compulsory delivery contracts.
 - b. NSEL does not have any contract, which is "seller's option" contract or "Both Option contract".
 - c. NSEL does not allow roll over or carry forward of position from one day to next day. If a person has outstanding position at end of day, he is compelled to settle the same by delivery only. He cannot square it off next day by entering into offsetting contract.
 - d. At NSEL, there is no concept of Due date rate. There is no mechanism for settling the position at Due date rate plus penalty. In a futures exchange, short sale is possible, because delivery is not compulsory, while on NSEL, it is compulsory.
 - e. NSEL treats every day as a separate contract. Trades executed today cannot be mixed up with trades executed tomorrow. The delivery obligation of one day cannot be mixed up with delivery obligation of next day.
 - f. NSEL has clearly specified in its circulars that all contracts are compulsory delivery contracts. It has also specified that all outstanding positions must result into delivery.
3. **Stipulation relating to delivery:** In order to map the physical market practices, NSEL has launched different contracts, specifying the terms pertaining to delivery and payment. If a contract is T + 1, its implication is that the seller has to tender delivery of warehouse receipts on T + 1 before the scheduled pay-in time. A seller, who chooses to sell in such contract, clearly understands that he is under obligation to deliver valid warehouse receipts representing quality matching as specified in the contract, in physical or demat form, as the case may be, before the scheduled delivery pay in time. In this context, there could be following scenarios:
 - a. The seller has deposited goods in the warehouse in advance and is holding warehouse receipts. After sale takes place, he tenders warehouse receipts towards discharge of his obligation.
 - b. After executing the sale transaction, the seller sends his material to the Exchange warehouse as per the delivery/ settlement schedule and completes his pay in obligation.

Both these cases are genuine sale transactions and there is no short sale involved.

ANNEXURE 44 *Continued..*

4. **Whether depositing goods in the warehouse prior to execution of sale transaction is compulsory:**

It is evident from the Gazette notification that short sale is not allowed. However, there is no condition that goods must be deposited in the warehouse prior to execution of sale transaction. In fact, these are two different things altogether. This can be explained through the following tests:

- (a) A member deposits goods in the warehouse and obtains a valid warehouse receipt. Thereafter, he executes a sale transaction on the Exchange. But, he does not tender the warehouse receipt to the Exchange at the time of delivery pay in due to any reason, such as, prices went up and he is not willing to deliver or he misses the time line inadvertently. In all such cases, it will be treated as a Short Sale by the Exchange, irrespective of the fact that he is in possession of a valid warehouse receipt. In fact, goods deposited at the warehouse are owned by the depositor. It cannot be appropriated by the Exchange without an explicit tendering of document and surrender of warehouse receipts. Hence, deposit of goods in the warehouse is not the conclusive evidence to hold that there is no short sale.
- (b) A member has not deposited goods in advance in the Exchange warehouse. Firstly, he executes a sale transaction on the Exchange. Thereafter, he delivers stock at Exchange warehouse prior to scheduled delivery pay in day. In this case, the member fulfils his delivery obligation in full. Hence, there is no short sale.

It is evident from above that depositing goods in the warehouse prior to execution of sale transaction is not a test to determine whether it is a short sale or not. Hence, depositing goods in the warehouse prior to execution of sale transaction is not compulsory.

5. **Physical market practices:** A spot exchange organizing delivery based trading in commodities is compelled to map the physical market practices. If the business model adopted by a spot exchange is devoid of physical market realities, it cannot function successfully. Physical trade is huge and spot exchange is just a miniscule part of it. On the other hand, there is no compulsion for people to trade on spot exchange. If they want to buy or sell a commodity, they can buy or sell anywhere in the physical market. Therefore, spot exchange cannot function in isolation, rather it has to adopt the practices of physical trade to attain success. On the other hand, futures exchanges have a regulatory support, because of the fact that futures contracts can happen only at recognized futures exchanges and so, anybody who wants to trade in futures, has to go to any one of the futures exchanges only. Therefore, NSEL has designed all the trading and delivery norms after detailed study of the physical market. But, at the same time, NSEL complies with all the conditions specified by the Government in the Gazette notification as well as various conditions imposed by the State Governments while granting license under State APMC act. In order to explain the realities of physical trade, an analysis of various business practices with respect to various market participants is given below:

a. **Farmers:**

- i. Most of the farmers bring their stock to the APMC market yard, whenever they want to sell. In the APMC, it is usually sold through open auction system, where licensed traders

ANNEXURE 44 *Continued..*

quote their buying price. Before coming to the APMC, farmer is not aware what would be the price that day. Even if the prices are lower, he is virtually compelled to sell at that price, because if he decides to go back to his village and come again, he will incur huge transportation cost.

- ii. Most of the farmers are not willing to incur warehousing cost. They prefer to keep their stock at their village, because it does not involve any storage cost, fumigation cost or insurance cost. They bring the stock to the mandi, only when they wish to sell.
- iii. If we insist that farmers must deposit goods in our warehouse in advance before selling the same, they will be required to bear storage charges. In such case, they would prefer not to use spot exchange facilities, because it would be unviable for them.
- iv. If we insist that farmers must bring the goods first to our centre and then only they can execute sale order, then they would be compelled to sell at whatever be the price prevailing on NSEL on that day. If NSEL prices are lower that day, they would not be able to move the goods back to their village, because they will lose transportation cost to and fro as well as cost of labour, etc. In such case, they would face the same problem what they face in APMC and then there would be no USP in NSEL model. Further they would not be able to get the benefit of existing alternative markets and would feel cheated. In such case, they would blame NSEL for the lower price on the ground that they could have realized higher price, if they could have gone to mandi yard instead of coming to NSEL.
- v. If we insist that farmers must bring the goods first to our centre and then only they can execute sale order, they would not have any alternative market. They would be compelled to sell at whatever be the price on NSEL. If for any reason, the mandi prices are higher than NSEL on that day, they would feel cheated.
- vi. In order to empower the farmers, NSEL has adopted farmer friendly practices. NSEL sends free sms two times in a day to all the registered farmers informing them about price prevailing on NSEL for that commodity. They are able to compare NSEL price with price prevailing on other markets such as mandi yard or e - choupal or other buyers. If they find our prices better, they can lock their transaction by selling it through mobile phones or calling up our member and thereafter, they can bring the goods to our warehouse. In such case, since the price is already locked, there is no risk for the farmer. He gets flexibility to bring goods to our centre any time after execution of trade till the scheduled delivery pay in time.
- vii. In order to help the farmers, NSEL has kept the delivery lot as 1 bag in all the farmers' contracts. NSEL has also designed various contracts as per farmers' requirement such

ANNEXURE 44 *Continued.*

as T + 0 contract, where delivery happens on the same day or T + 1 contract, where delivery happens on the next day and so on.

- viii. In general, farmers do not have holding capacity. They are not interested to store the commodities for a longer period. Most of them are interested to just sell their produce and get the proceeds immediately after sale. If spot exchange insists that they must deliver in advance, obtain a warehouse receipt and thereafter tender the warehouse receipts towards delivery, it would discourage them to access spot exchange platform.

b. Traders:

- i. In agriculture commodities, Traders are such intermediaries, who buy from farmers in the mandi auction or otherwise and then keep stock with them. In general, they have their own storage space, which is generally outside their shops. They do not use professional warehouses, unless they need bank finance.
- ii. For selling such stock, they keep on negotiating with different buyers. They are not dedicated to one buyer only. They sell to the buyer, who offers them the highest price. In general, such deals are negotiated on phone. After concluding the deal, the trader sends the stock to the buyer's destination.
- iii. Such traders use NSEL as an alternative platform, where buyers are available. If they observe that on NSEL terminal, buyers are offering good price, they sell their stock through NSEL terminal. If the sale is executed, they despatch the material to NSEL warehouse.
- iv. Such traders are located at various mandi locations. NSEL provides them a mechanism to sell their stock electronically, even if they are located at any other location. For instance, NSEL has launched a traders' contract at Kota. In this contract, usually the processors having their factory at Kota are the buyers. Traders located even in other parts of Rajasthan are able to see ex Kota buy price offered on NSEL terminal. If they find the prices lucrative, they are able to sell in this contract. Once sale transaction is executed, they despatch stock to NSEL warehouse at Kota. If we insist that firstly the traders should deposit goods in our warehouse and then only they can sell, they would not deal on NSEL. They will not keep any dedicated stock for NSEL purpose, rather they would like to sell their stock wherever they get the highest price. If a local processor is offering a higher price, while they have deposited goods at NSEL Kota warehouse, they would feel trapped.
- v. In order to facilitate such trades, NSEL has launched various contracts such as T + 3, T + 5, T + 7, etc. This implies that delivery is due on the *n*th day from the date of trading. If a trader despatches his goods by truck after execution of trade, it reaches our warehouse on T + 2 or T + 3 day, depending upon the distance. This enables the traders located at other centres also to access our market to sell

ANNEXURE 44 *Continued..*

their stock after factoring the time involved in transportation of goods.

- vi. In a number of commodities such as cotton, quality testing process takes at least 3-4 days. In such commodities, the Exchange fixes the delivery schedule after factoring the period involved in quality testing. For instance, we have handled physical delivery of around 9 lac cotton bales, where the contract was T + 9. The reason was that testing of cotton bales through surveyors took around 4-5 days. In such cases, if we insist that traders must deposit stock in our warehouse first before selling the stock, it would not be viable for them, because if they deposit the stock today and we initiate the process of quality testing but in the meantime the price crashes, traders would suffer huge loss. On the contrary, if they have bought the stock in mandi and sold on NSEL, they have locked the price on both sides. If they despatch the stock after locking the price, they are not concerned even if quality testing takes 4-5 days or they get payment on 9th day from the date of trade, as their profit margin is secured.

c. Processors/ Producers:

- i. Hindustan Zinc uses our platform to sell silver. But, they also sell silver to the users directly outside NSEL market. Their inventory policy is such that they keep minimum stock in hand. Whatever silver is produced, they sell regularly. If physical market offers higher price, they sell it in physical market. However, if NSEL prices are higher, they sell on NSEL. NSEL contract is settled by delivery on T+2. So, whatever quantity is sold on NSEL, they despatch to NSEL vault immediately after sale. In this manner, they efficiently manage their inventory and idle stock in their custody is minimal. If we insist that they must deposit silver bar in our vault before selling it, they would not use our platform. The reason is that their funds would be blocked in such inventory, if they do not find good buy offers on our platform.
- ii. Similarly, there are a number of big sugar mills, which are members of NSEL. They sell sugar on NSEL platform, but despatch goods to our warehouse only after selling the same on our platform. In fact, they face two issues in despatching goods before selling the same, which are as follows:
 - 1. As per excise law, goods can move out of their factory only after paying excise duty. Excise duty can be paid only after execution of sale transaction. Hence, they are not able to despatch goods, unless sale transaction is executed.
 - 2. Sugar mills have multiple channels to sell their stock. They sell on NSEL, but they also sell through brokers. Besides, they also deal with bulk buyers directly. Moreover, if they have unsold stock at end of the month, it is taken by the Government under levy sugar. Hence, the mills cannot afford to keep stock in our warehouse. They can despatch goods to our warehouse, only after execution of sale transaction.

ANNEXURE 44 *Continued..*

d. Government agencies:

- i. A number of Government agencies are our members. This includes FCI, MMTC, STC, PEC, Cotton Corporation of India, etc. Besides, a number of marketing federations are our members. This includes Nafed, Hafed, APMARKFED, RAJFED, etc. Such Government agencies have their own mechanism for storage. For instance, FCI uses our platform for auction of wheat, but they do not despatch goods to our warehouse. They issue delivery order from their depot only. We have handled around 1.5 lac MT of wheat for FCI. If we insist for moving the goods to our warehouse, they have to incur huge cost on transportation, loading, unloading, etc.
- ii. Some of these Government agencies have to follow CAG norms relating to storage of goods. As per these norms, they can store goods only in CWC or SWC warehouses. For instance, Nafed sold huge quantity of cotton through NSEL. But, they were not ready to move stock to our warehouse. Their entire stock was lying in CWC or SWC warehouse and they issued delivery order from those warehouses only.

6. **Provision for auction:** The Exchange does not allow the members to do short sale in any commodity. It does not allow them to skip from making delivery on any pretext. It is also evident from our actual trading and delivery data that in almost 100 % cases the net outstanding position has resulted into delivery. Still, the Business rules have to provide for settlement of trade under any exigencies. Sometimes it may happen that a genuine seller fails to complete delivery pay in, because of any of the following reasons:

- a. The seller was in possession of goods, but when he despatches goods to reach NSEL warehouse, it could not be delivered in time.
- b. The seller despatches goods in good faith, but goods are rejected at NSEL warehouse because of inferior quality.
- c. The seller inadvertently sells more stock than available in his possession. For instance, instead of punching order for 10 MT, he punches order for 100 MT.
- d. The seller inadvertently sells in a different contract. For instance, we conduct trading in various contracts in the same commodity. If the seller was willing to sell in Mustard seed Kota contract, but he wrongly sold in Mustard seed Hissar contract, he may fail in delivery obligation because of distance and time involved in transportation.

In order to ensure that buyer does not suffer due to any failure on the seller's part, the Exchange provides for auction. The auction procedure ensures that the buyer gets delivery in time, while somebody else holding stock sells in that contract and the defaulting seller is required to pay the difference amount. Such difference amount may be huge, because physical market is not so liquid and it does not offer any fine spread. Hence, the provision for auction has two outcomes:

- It ensures that buyer does not suffer and he gets delivery in time.
- It discourages sellers from selling without holding stock, because they may have to suffer huge loss due to price difference in auction.

7. Test to identify short sale:

- a. In stock market, the total stock issued by a company is known to the stock Exchange. Record pertaining to folio wise holding of stock is also known. Hence, it is easier to identify whether a person executing a sale transaction on NSE is holding demat stock in his name or not. Still, NSE does not have any mechanism to check whether an investor selling some stock is actually in possession of such stock or not.
- b. Even In most developed Exchanges in the world including NYSE or NASDAQ, there is no provision to check whether a person selling stock is in possession of those shares or not. All Exchanges function on this premise that seller is under obligation to deliver as per scheduled delivery day and if he fails, the Exchange will conduct auction or close out the position. The provision for such auction discourages the seller to sell without holding stock.
- c. The reason is that depository and Exchange trading servers are not connected on real time basis. The Exchange does not have any mechanism to enter into NSDL system to find out the stock position to validate the sale orders. Trade matching is conducted at Exchange server. Based on obligation of various buyers and sellers, the Exchange sends a batch file to NSDL/ CDSL to carry out demat transfers. NSDL/ CDSL carries out such instruction and reports back to the Exchange in case of any short delivery. Based on such report, the Exchange conducts auction or closes out the positions.
- d. On the other hand, in physical market of commodities, the actual stock position is not known to any Exchange or regulator. Even the Government agencies do not know precisely how much stock of a commodity is available in the country. Most of the stocks kept by the traders are outside the professional warehousing storage. Even stock lying in professional warehouses is not available at any central server/ web site in public domain. The Exchange does not have any access to database to ascertain how much stock is lying with which trader or farmer. In such case, If the Exchange wants to verify whether the seller is in possession of stock or not, it will not be able to do it. On the other hand, if the Exchange asks the members to deposit the goods in advance, it would not be viable for them as explained above.
- e. Hence, the only way to avoid short sale is to ensure that the seller does not get any window to roll over or carry forward his position. Further, short sale is also prevented by not allowing offsetting of position between day 1 and day 2. Moreover, the auction procedure also discourages short sale, because seller's auction may result into huge loss to the defaulting sellers.
- f. Hence, the real test to observe whether short sale is happening on NSEL or not is to analyze the data pertaining to short delivery auction or seller's auction over last 3 years. If such auctions are taking place frequently, it means that members are indulging into short sale. But, if the magnitude of short delivery auction is less than 0.1 %, then it proves that short delivery does not take place at NSEL due to in built checks and balances and rigid settlement procedures followed by NSEL.

It is evident from above that no short sale by the members of the Exchange is allowed. The same is also established by analyzing the actual delivery and short delivery data for last 3 years.

ANNEXURE 44

PART III: OTHER POINTS RAISED IN FMC LETTER

1. **Clarification on point no 3 (ii) :** The Exchange has launched two types of contracts from settlement mechanism point of view: trade to trade contract and netting of contract. In case of trade to trade contract, each contract is settled in isolation and therefore, the warehouse receipt of the original seller is allocated to the respective buyer with whom he has traded. In other words, there is no netting of trades between different buyers and sellers and so, delivery is settled between respective parties on one to one basis. However, In case of netting of contracts, the settlement is made on net obligation basis. Therefore, the allocation of warehouse receipt is based on the final delivery obligation created at end of the day by the Exchange. In other words, delivery is given by the ultimate seller to the ultimate buyer.
2. **Clarification on point no 3 (iii):** The possibility of short selling against a warehouse receipt by a member or his constituent is nil, because a person would not get any pecuniary gain by indulging into such transaction. This is because the seller knows that his sale position would result into compulsory delivery and his warehouse receipt has to be allocated against his delivery obligation. In case he sells on the next day against the same warehouse receipt, he will not be able to meet his delivery obligation and hence would suffer loss arising out of auction.
3. **Clarification on point no 4 of letter under reference :**
 - (a) Since the settlement is not concluded during the reporting period due to longer settlement cycle in some contracts, volume of delivery effected is shown as same as the delivery obligation. If Exchange would take figure of actual delivery effected during the relevant reporting period, there would be mismatch due to difference between trading period and delivery period.
 - (b) Further, the Exchange delivers commodities to members based on their entire clients obligations and not to the clients directly, the client wise details are not available with the Exchange and hence, not given.
4. **Clarification on point no 5 of letter under reference :** In E -contracts, delivery is through Demat. A member is allowed to deliver only in demat form. All such deliveries happen on T + 2 basis. But, sometimes, delivery failure happens due to a delay at DP (Depository participant's) end or at member's end or at client end. When a client sells in demat form, he has to give a demat transfer slip to his DP. DP is required to process it, so that stock is transferred from client beneficiary account to Member's pool account. This process must be complete before 12 noon on T + 2. Any delay at DP's end or client's end may result into failure of such instruction. Sometimes, failure may also happen due to inadvertent signature mismatch on the DP slip. Failure may also happen due to system error or connectivity error. In all such cases, the position may result into short delivery. For settling such short delivery, the Exchange conducts auction on the screen, so that the buyer gets delivery in time, while the defaulting seller suffers the difference amount due to his failure.

ANNEXURE 45



NCDEX Spot Exchange Limited

Circular to all Trading and Clearing Members of NCDEX Spot Exchange Limited

Circular No: NCDEX SPOT/TRADING/008/2013/008

Date : 24th January, 2013

Subject : Contract Specifications & Special Terms and Conditions of Refined Sugar, Grade M 30 (A + 60 days Auction)

Location: Haldia, West Bengal

Trading & Clearing members are hereby requested to take note of the contract specifications & special terms and conditions of Refined Sugar, Grade M 30 (A + 60 days Auction) to be launched at Haldia, West Bengal. The contract specifications & special terms and conditions are effective from 24th January, 2013.

For and on Behalf of
NCDEX Spot Exchange Limited

Praveen Hiremath

Vice President - Products & Business Development Group

For Further Information / Clarifications, Please Contact:

1. Customer Service Group on Phone: 022 6647 3154/3153.
2. Praveen Hiremath - Products & Business Development Group: 022-6640 6047

ANNEXURE 45 *Continued..*



Contract Specifications of Refined Sugar M 30 offered by Shree Renuka Sugars Ltd (A + 60 days Auction)

Description	Auction of Refined Sugar Grade M 30 by Shree Renuka Sugars Ltd ('SRSL') through Auction Platform of NCDEX Spot Exchange Limited ('NCDEX Spot').
Symbol	RS60M30HD
Name of Commodity	Refined Sugar Grade M 30
Basis	Ex- Haldia on "As is where is" basis inclusive of Excise Duty, Sales Tax/VAT, Mandi Cess and other taxes/levies, if applicable.
Minimum Auction Lot	50 MT
Minimum Delivery Unit	1 MT
Quotation/base value	□ per quintal
Tick size	□ 1 per quintal
Initial down payment for buyers participating in the auction	2 % x (bid price) x (bid quantity).
Additional Initial Down payment for successful buyers in the Auction	4% x (winning Bid price) x (bid quantity)
Additional subsequent buyer down payment for a price drop in multiples of (equal or more than 5% of the winning bid price)	(Winning Bid Price– Current Price) x Bid Quantity Less: Down Payment Already Made
Payment by Buyer	Any time between 61 st to 68 th day from the date of auction
Lifting of Goods	Before 75 th day from date of auction
Delivery Centre	Refinery of SRSL situated at Haldia
Transportation	Buyer has to arrange and pay for transportation charges ex-Haldia factory of SRSL.

ANNEXURE 45 *Continued..*



Auction Timings	Monday to Friday. 03:00 pm to 04.00pm The auction would be conducted based on availability and /or planned availability of refined sugar as intimated by SRSL. Multiple auction sessions can be defined within the same day and will be communicated to the buyers by NCDEX Spot. There may be multiple auctions within the specified time period.
Seller/Buyer pre-requisites	SRSL is the only auctioneer. Buyers shall make prescribed down payment before placing their bids. The buyer may check the commodity sample at the factory warehouse before placing their bids.
Price Limits	No price Limits
Transaction Charges	Buyer shall pay transaction charges to NCDEX Spot. The transaction charges are 0.25% of bid value plus applicable service tax.
Applicable terms and conditions	All transactions shall be subject to special terms and conditions as annexed herewith and all parties shall be deemed to have agreed to the above terms and the special terms and conditions. Any of the above terms or the special terms and conditions may be modified by SRSL. Any such modification will be notified by NCDEX Spot and all participants shall be bound by such modifications.

Disclaimer: This contract is being offered by SRSL and not by NCDEX Spot. NCDEX Spot is only a facilitator who provides services of technology platform and collection of sale proceeds to enable SRSL to invite bids for sale of refined sugar. SRSL is responsible for ensuring the sale of refined sugar as per terms and conditions of this contract.



Special Terms and Conditions for Auction of Refined Sugar M 30 Grade offered by SRS� through Auction Platform of NCDEX Spot.

Terms and conditions:

It is clearly understood by all the participants that the sugar is being sold by SRS� by means of auction on NCDEX Spot and the role of NCDEX Spot is only that of a facilitator who provides services of technology platform and collection of sale proceeds to enable SRS� to invite bids for sale of sugar. SRS� shall have the right to reject any successful bid within 15 minutes of closure of each auction. SRS� has undertaken to give delivery of refined sugar to the successful bidder as per terms of the auction unless such bid is rejected within 15 minutes after closure of the auction session. Therefore, for all purposes, the sale of refined sugar shall be between SRS� and the buyers/successful bidders. NCDEX Spot shall not be responsible in any manner whatsoever for quality or quantity of refined sugar offered for sale through such auctions.

1. The location for delivery pursuant to auctions shall be at SRS�'s refinery situated at Haldia, West Bengal.
2. Only registered members of NCDEX Spot can participate in the said auction. The bidders who are not registered as members of NCDEX Spot may trade by registering as a client through a registered member or by becoming a registered member of NCDEX Spot.
3. The members can give bids on their own behalf or on behalf of clients for different quantities during the auction period.
4. SRS� shall define offer price(s) and quantity (ies) and the buyer shall provide bid prices and quantity (ies), on the auction platform.
5. The Auction platform would match bid and offer prices and quantities. While matching, the priority would be given to **Price-Time (P.T)** in that order.



6. Winning bidders shall pay for and lift the quantity at the traded price.
7. Bids and offers may be modified till end of the auction session.
8. An initial down payment amount of 2 % of the bid value will have to be deposited by the buyer with NCDEX Spot on behalf of SRSI as earnest money to participate in the auction. The details of the account where the earnest money and down payments is to be deposited is as follows:
A/c Name - NCDEX Spot Exchange Ltd; Bank – HDFC Bank;
Bank A/c no. - 00990690013043; Branch - Fort Branch, Mumbai;
IFSC Code – HDFC0000060 by way of RTGS or electronic fund transfer, well in advance i.e. at least one day before the scheduled date of auction in which the registered members propose to participate.

The successful buyers shall make additional down payments at the rate of 4 % when the bid is successful and is not rejected by SRSI within 15 minutes of the close of auction. Such additional down payments will be collected within one full working day by NCDEX Spot on behalf of SRSI. Buyers shall bring further additional subsequent down payments in case prices were to drop in multiples of 5% (ex 5% , 10%, 15% etc) of the winning bid value as per the current price determined in ready delivery contract traded on NCDEX Spot of same grade and location. Buyers will be informed by NCDEX Spot of additional down payment requirements and would be allowed a period of one full working day to make the down payments.

9. NCDEX Spot will collect additional down payment equivalent to (winning bid price – current price) x (bid quantity) less the down payments already made whenever the prices drop more than 5% of the current price. The principle will be applicable for every multiples of 5% drop in prices with respect to prevailing current prices.

ANNEXURE 45 *Continued..*



10. In case the buyer fails to bring in the required additional down payment within one working day of NCDEX Spot, the earnest money deposit will be forfeited by NCDEX Spot and will be transferred to SRSL.
11. Current Price will be arrived from Sugar Ex-Haldia Ready Delivery Contract traded on NCDEX Spot of same grade of SRSL.
12. SRSL reserves the right to accept or reject any or all the bids. Unless otherwise specified by SRSL within 15 minutes of the conclusion of the relevant auction session on each day, the bids would be deemed to be accepted by SRSL. In case of rejection of any bid, the earnest money provided by the respective bidders would be released immediately.
13. **Down Payment Forfeiture :**
 - a) In case the buyer does not make additional down payment as per above contract specifications into the account of NCDEX Spot within the prescribed time limit (one working day) following intimation of additional down payment requirements, the initial down payment already made would be forfeited and SRSL would not be obliged to deliver refined sugar to the buyer.
 - b) In case the buyer fails to make the full payment by 68th working day from the auction date, all the down payments made till then will be forfeited.
14. NCDEX Spot and SRSL will not be responsible for bids not being processed or not being accepted due to technical difficulties or disruptions and shall have no liability for any interruption or delay in access to the trading site of NCDEX Spot on account of such disruption or delay.
15. Any taxes/levies imposed or increased in addition to the existing applicable taxes/levies on Ex-mill invoicing structure after the date of auction will be charged to the buyers account at the time of delivery from refinery gate.

ANNEXURE 45 *Continued..*



16. Buyer shall make full payment on or before 68th working day from date of auction and take delivery of goods within 75th working day from date of auction from the specified delivery location.
17. In case SRSL is unable to deliver the commodity within seven days of full payment by Buyer, SRSL will pay through NCDEX Spot such buyers a sum of 5.5 % of the winning bid value or part thereof which SRSL is unable to deliver. NCDEX Spot may charge an additional processing fee to the Buyer or SRSL in case of a default by such buyer or SRSL.
18. The Buyer shall mandatorily take the physical delivery of the goods once the trade is concluded. The Buyer cannot transfer the ownership of goods to third party. However the Buyer can resale the goods after taking the delivery to other entity.
19. **Arbitration**
Any dispute or difference in respect of any matter relating to or arising out of the Contract, if the same is not resolved amicably, may be referred to the dispute resolution mechanism as put in place by NCDEX Spot and shall be subject to exclusive jurisdiction of Mumbai. The award made in pursuance thereof shall be final and binding on the parties.

ANNEXURE-1

Quality Specifications

Grade : Sugar M 30

Packing : 50 kg PP bags

ICUMSA : < 150 I.U.

ANNEXURE -2

Time & Activity Flow for Settlement

ANNEXURE 45 *Continued..*



Day	Activity	Time
A	Auction hours	3 pm to 4pm
A+1 to A + 38	Additional Down Payment	Up to 05:00 pm
A+1 to A + 38	Payment by Buyer	Up to 11:30 am
A + 31 to A + 75 maximum	Lifting of Commodity after Payin	Upto 6 p.m. on A+75

ANNEXURE 45 *Continued..*



NCDEX SPOT Exchange Limited.

Circular to all Trading and Clearing Members of the Exchange.

Circular No : NCDEX SPOT/TRADING/008/2012/011

Date : 17th March, 2012

Subject : Contract Specifications & Special Terms and Conditions for Palm Star Brand of RBD Pamolein Oil from Balva.

Trading & Clearing members are hereby requested to take a note of the contract specifications & special terms and conditions effective from 17th March, 2012 for the RBD Pamolein Oil Contract to be launched at Balva.

Commodity	Symbol	Ex- Location
'Palm Star' RBD Pamolein Oil	PLMSTARRBD	BALVA

The Contract Specifications along with the Special Terms and Conditions are given in **Annexure 1.**

The contract and the transactions therein will be subject to Rules, General as well as Special Terms & Conditions, Circulars, Directives & Notices which the Spot Exchange issues from time to time.

For and on Behalf of
NCDEX Spot Exchange Limited

Praveen Hiremath
Vice President
Products & Business Development Group

For Further Information/Clarification, Please Contact:

1. Customer Service Group – 022-66473154/66473153
2. Mr. Praveen Hiremath - Products & Business Development Group: Mobile No. +91-9619128878

Regd Office: 1st Floor, Akruṭi Corporate Park, Lal Bahadur Shastri Marg, Kanjurmarg (W)
Phone: +91-22-6640 6789, Fax +91-22-6640 6899, Website: www.ncdexspot.com

ANNEXURE 45 *Continued..*



ANNEXURE 1: CONTRACT SPECIFICATIONS FOR PALM STAR RBD PAMOLEIN OIL:

Type of Contract	Spot Trading Contract	
Trading System	NCDEX SPOT Exchange Trading System	
Symbol	PLMSTARBD	
Name of Commodity	Palm Star brand of RBD Pamolein Oil	
Basis	Seller Designated Warehouse at Balva Exclusive of Sales Tax/VAT & all other taxes as applicable. VAT amount applicable is 5%.	
Unit of Trading	50 Tin Container of 15 Kg (Net Weight) (+/- 50 gms)	
Delivery Unit	50Tin Containers (+/- 50 gms)	
Quotation/Base Value	Rs. Per Tin Container of 15 Kg Net Weight (+/- 50 gms)	
Tick Size	Re 1/ Per Tin Container	
Buyer Margin %	10%	
Quality Specification	Commodity Specifications	Basis
	Moisture & Insoluble impurities (% Max)	0.1
	Color 5 1/4" cell, Lovibond Scale (Max)	3R/30Y
	Refractive Index @ 50° C	1.4550 – 1.4610
	Saponification Value	195-205
	Iodine Value (Wijs)	54-62
	Unsapoficable matter % by mass (Max)	1.2
	FFA % (Max)	0.1
	Cloud Point °C (Max)	18
	Flash Point Penske-Martin Method °C (Min)	250
Delivery Centre	Exchange Specified Warehouses at BALVA.	
Delivery Logic	All open positions at the end of the trading day will result into delivery.	
Trading Hours	Monday to Friday: 10:00 AM to 06:30 PM Saturday : 10.00 AM to 2.00 PM	

ANNEXURE 45 *Continued..*



	The SPOT Exchange may vary the above timing with due notice. The Exchange may suspend or resume trading at any time at its absolute discretion.
Seller/Buyer Pre-requisites	The Seller would need to deposit the RBD Palmolein Oil at the specified warehouse before putting a sell order. The Buyer will need to make an advance payment in the form of margin with his member before putting a buy order.
Transaction Charges	Only Seller would be charged 0.25% of the traded value as NCDEX Spot Transaction Charges.
Price Limits	Daily Price Limit will be (+)/ (-) 20%. No Trade/Order shall be permitted during the day beyond the limit of (+/-) 20%.
Type of Contracts	T+7; If the Settlement day happens to be a Saturday/Sunday or Holiday then the Settlement shall happen on the next working day, Settlement can be extended maximum up to T+30 days.
Opening of Contracts	Contracts of one day duration each shall be available for trading from Monday to Saturday.
Applicable Terms and Conditions	All transactions shall be subject to special terms and conditions annexed herewith and all parties shall be deemed to have agreed to the above contract specifications and the special terms and conditions.

ANNEXURE 45 *Continued..*



SPECIAL TERMS & CONDITIONS FOR THE SALE & PURCHASE OF PALMSTAR BRAND OF RBD PAMOLIEN OIL ON NCDEX SPOT EXCHANGE LTD.

DEFINITIONS:

- a. **AUTOMATED TRADING SYSTEM:** shall mean the computer system including hardware, software and related communication systems made available by the Exchange for online selling and buying of goods.
- b. **THE EXCHANGE:**
"The Exchange" shall mean the NCDEX SPOT Exchange Ltd.
- c. **SELLER:**
The person or entity who has offered 'Palm Star' Brand (A Registered Brand) of RBD Pamolein Oil for sale on the Exchange platform in accordance with the prescribed Rules, General and Special Terms and Conditions of the Exchange.
- d. **BUYER:**
The person or entity who has offered to purchase RBD Pamolein Oil on the Exchange platform in accordance with the prescribed terms and conditions of the Exchange.
- e. **DELIVERY CENTRE/S:**
The Exchange specified warehouses which is/are notified as the delivery centre/s. Initially, the location for delivery pursuant to trades in RBD Pamolein Oil would be at Balva, Gujarat.
- f. **COMMODITY MANAGEMENT SYSTEM:** The Commodity Management System (CMS) is a technology interface which facilitates deposit and withdrawal of holdings of commodities stored in the specified Warehouse and the Pay-In of funds towards trading in commodities on the NCDEX Spot Exchange.

ANNEXURE 45 *Continued..*



- g. **CSTRACKER:** CS Tracker is a technology interface which facilitates settlement of levies & the short/excess quantities of the traded commodities as well as premium and discount on the commodity grade if any.

Terms & Conditions:

1. All the transactions, contracts, deals and trades for sale/purchase RBD Pamolein of the brand as notified herein by the Exchange entered into through the Automated Trading System of the Exchange shall be governed by the terms and conditions stipulated herein below and any further terms and conditions as may be specified or informed by the Exchange from time to time.
2. The location for delivery pursuant to trades on the Exchange shall be at Seller designated Warehouse at BALVA Gujarat.
3. The Seller shall, through the trading member, offer and the Buyer shall, through the trading member offer, respectively, to sell and to buy 'Palm Star' brand of RBD Pamolein of quality and details as specified in the contract specifications herein on the automated trading system and the Seller as well as the Buyer shall be bound by all the terms and conditions stated herein and also by the Rules and General Terms and Conditions or Directives notified by the Exchange.
4. Trade would occur on the Exchange trading platform whereby buys and sell orders are matched on Price Time Priority and on any other parameter's put in place by the Exchange from time to time.
5. All trade positions at the end of trading hours shall have to be settled by giving and taking delivery of the commodity traded.
6. The Buyers/Sellers shall not be permitted to square-off their sell or buy positions during the trading day.

ANNEXURE 45 *Continued..*



7. The Sellers or Buyers who are not registered as members of the Exchange can trade by placing their orders through a registered TCM member or by becoming a registered member of the Exchange.
8. The members can give quotes on their own behalf or on behalf of clients for different quantities throughout the trading hours.
9. The member shall be permitted to modify the buy/sell quotes till the time of matching on the Exchange Trading Platform.
10. During the stipulated trading hours, a member shall not be allowed to put in a Sell Order in excess of his Free Commodity Balance.

Free Commodity balance is calculated by using the below formula

Quantity Locked	xx
Less: - Qty already traded	xx
Less: - Open Sell Orders	xx
Less: - Withdrawal Requests	xx
<hr/>	
Free Commodity Balance	XX

11. Margins shall be charged on the buy positions only.
12. Short selling of commodities shall not be allowed on the trading platform.
13. A margin amount of 10% of the purchase order value shall be charged from the Buyers towards buy trade position. The percentage of margin amount towards buy trade position shall be as deemed and decided by the Exchange and shall also be subject to revision at the discretion of the Exchange.
14. No margin shall be charged from the seller.
15. Time for Trading:
Monday to Friday 10:00 AM to 06:30 PM (IST)
Saturday 10:00 AM to 02:00 PM (IST)

ANNEXURE 45 *Continued..*



All timings are as per Indian Standard Time. No trading shall take place on any day which is declared as holiday by the Exchange at its absolute discretion. The Exchange reserves the right to suspend or stop trading at any time at its absolute discretion.

16. Unit of Trading & Unit for Price Quotation:

- Offers for sale & purchase can be made in Lots of 50 Tin Containers or Multiples thereof.
- The unit of price quotation shall be Rs/Tin Container of 15 Kg Net Weight.
- The Orders/Trades will be on Ex-Warehouse basis and will be quoted on the gross rate basis i.e. exclusive of all VAT & Other Taxes/Levies.

17. All unmatched outstanding orders will be cancelled at the end of the trading hours.

Seller/Depositor:

1. **Only Sun Retail Private Ltd.**, who has deposited the RBD Pamolein Oil in the Exchange specified warehouse and whose quality is in accordance with the specifications prescribed by the Exchange from time to time may sell RBD Pamolein Oil on the Exchange platform.
2. Seller needs to deposit the commodity into the Exchange specified warehouse, the same will be subject to visual inspection, inspection as to the soundness of packing etc. by the Warehouse and upon being satisfied of the nature and sound packing of the commodity, the Warehouse shall issue Deposit Acknowledgment Slip (DAS) and shall process the deposit of the commodity. Only upon the goods being certified as accepted within the specified norms of quality mentioned in the contract specification, the Warehouse shall accept the goods for storage. Commodity quantity shall be entered into CMS as Electronic Credit.
3. The details of the deposit will have to be entered into CMS (Commodity Management System) by the Warehouse Service Provider.

ANNEXURE 45 *Continued..*



4. Seller shall ensure availability of RBD Pamolein Oil equivalent to the quantity of RBD Pamolein oil to be traded, in the Commodity Management System (CMS) put in place by the Exchange prior to entering sell order through the trading platform and shall electronically lock the same in the CMS.
5. The Seller Member shall lock-in the quantity of goods intended to be sold on the Exchange in the CMS as per prescribed procedure. Such lock-in Quantity/Lots will be available for trading only on successful lock-in by the member.
6. Failure to deposit & lock in sufficient quantity of RBD Pamolein Oil as aforesaid in the Exchange delivery system would result in rejection of sell order when placed through the automated trading system. The Seller Member shall place the sell order after getting online confirmation in the CMS about the lock-in of the quantity.
7. Seller may unlock any quantity of RBD Pamolein Oil prior to execution of trade on any given day and may request release of goods if deposited in the CMS.
8. Seller may modify his price from time to time or cancel the order before any order is matched with any Buyer as per process put in place by the Exchange.
9. The warehouse shall have to be informed by the Member regarding any withdrawal of the goods.
10. The member/member's representative (whose details is created in the CMS) can take the physical delivery of the requested quantity of RBD Pamolein Oil from the warehouse on presentation of necessary proofs.
11. **Undertaking from Depositor:** Every depositor shall have to provide an undertaking in the prescribed format to the Warehouse at the time of deposit to the effect that:
 - The DAS/s issued is/are for the limited purpose of entry into CMS for trading on the Exchange platform.

ANNEXURE 45 *Continued..*



Buyer:

1. Buyers shall, before placing an order through the automated trading system, have sufficient margin balance as prescribed by the Exchange, in the settlement account for the quantity of RBD Pamolein oil proposed to be purchased. The buying member before placing an order shall ensure that funds towards such margin are transferred through payment gateway to the settlement bank account of the Exchange and allocate towards margin balances. In the event of shortage of funds, the buy orders will be rejected in the system.
2. The Buyer shall be entitled to visually inspect the stock at the specified warehouse prior to the Trading.
3. Buyer can modify quantity and price quoted or may also withdraw any buy order before the order is matched /executed on the automated trading system.
4. After the matching of quotes, the buyer shall bring 20% of the traded value & the applicable taxes if any, on T+1 day by 11:30 am.
5. The margin of the buyer will be released once the 20% pay-in is done on T+1 day.
6. The Buyer shall bring the balance purchase consideration and all the applicable taxes if any, the cut off time for payment of full consideration would be T+7th day by 11:30 am. *(pls see Annexure 2 for time & activity flow for trading & settlement)*
7. Any Buyer shall, for removal of RBD Pamolein Oil from the warehouse, contact the warehouse person and arrange for such removal / delivery.
8. The Buyer shall have to take delivery of the RBD Pamolein Oil from the specified warehouse at the delivery centre either himself or through an authorized representative in the manner given below.
9. The profile of the Buyer/Buyer's representative will have to be created by the Buyer Member in the CMS in the manner provided, prior to taking physical delivery of RBD Pamolein Oil from the specified warehouse.

ANNEXURE 45 *Continued..*



- The depositor can withdraw the goods only as per process of withdrawal through member and warehouse in the CMS.
 - The goods deposited by him are not under any lien or encumbrance.
 - The goods being deposited are owned by the depositor or the depositor has complete legal authority to sell and transfer the goods.
12. Warehouse shall issue a Lot No. to the Seller for every tradable lot which is deposited.
- For e.g.: If a depositor has brought in 300 Tin Containers of RBD Pamolein Oil, then the warehouse shall issue 6 separate E-Deposit as Lot No. to the Seller on net quantity.
13. **Withdrawal of Non-Traded Goods:** Withdrawal requests for the free balance of commodity can be placed online. If the depositor wishes to withdraw the goods from the Warehouse in any of the following stages:
- a. After electronic deposit in the CMS and before lock-in the lot in the CMS,
 - b. After lock-in of the Lot No. and till the time there is no sell order placed on the trading system of the Exchange by the member concerned on behalf of the depositor, and then the depositor shall have to follow the process for release of commodity through the CMS system only.
- Currently, as per the system put in place:
- a. the depositor has to place a "Withdrawal Request" through his Member CMS module for processing.
 - b. The depositor has to then submit his Photo Id, Signature Proof along with the CMS deposit details to the Warehouse.
 - c. Upon verification and satisfaction by the warehouse, the requested withdrawal quantity will get released through the CMS as per process put in place.
14. The seller should ensure that the RBD Pamolein Oil delivered on the exchange platform is confirming the standards as prescribed by various government agencies for selling edible oil grade of RBD Palmolive Oil.

ANNEXURE 45 *Continued..*



10. Buyer or the Buyer's authorized representative shall, on or before or after the T+7th day or such other day as may be permitted, go to the warehouse with necessary identity proof as per profile created in the CMS after intimating the warehouse. The Buyer's authorized representative shall have to carry a duly signed authorization letter of the Buyer at the time of taking delivery at the warehouse.

11. Documentary Proof (Photo Identity) to be submitted by the Buyer/Buyer's authorized representative at the time of taking delivery of the physical goods (Any one of the below)

Passport
Driving License
Voters Identity Card
PAN Card

12. Warehouse shall verify the identity proof submitted by the Buyer or his authorized representative with the proof's recorded in the CMS.

13. Buyer/Buyer's authorized representative & warehouse shall confirm physical delivery in the CMS by registering the Identity Proof's in the manner provided.

14. After T+7 days the buyer will bear the carrying cost @ 2.5% per month of the traded value till the time of final settlement. These charges would be recovered from the buyer as and when settlement happens after T+7 days.

15. After T+30 days, the seller will be free to rescind the contract and dispose of the goods at the risk & cost of the buyer without issuing any written/verbal notice to the buyer for making payment and /or lifting the cargo. In addition, non-performance compensation as decided and deemed fit by Exchange would be charged on the buyer.

16. Any reference as to contentions of difference in quality or quantity of the goods delivered shall not be entertained by the Warehouse and the Exchange once the

ANNEXURE 45 *Continued..*



goods leave the warehouse premises and no claim from the buyer will be entertained thereafter.

17. The Buyer may, through his buying member, before the matching/execution of his order, send his request for release of the funds any time through the system put in place by the Exchange and the funds will be credited to the settlement account of the buying member, unless such amount is the amount payable by such buyer/buying member.
18. Failure to bring in the balance amount (i.e. total obligation less advance payment already made) payable towards the purchase consideration shall attract non-performance compensation as decided and deemed fit by the Exchange.
19. The non-performance compensation shall be recovered from the advance payment already paid by the Buyer Member. The non-performance compensation recovered from the Buyer Member shall be utilized to compensate Exchange, the Settlement Guarantee Fund and the Seller in the below ratio:
 - a. 3% towards building a Settlement Guarantee Fund.
 - b. 2% to NCDEX Spot Exchange to cover Operational Expenses.
 - c. Seller Member - For the opportunity loss incurred by Seller, he would be compensated for the difference in the current spot market rate and the traded price along with the carrying cost up to maximum of 15% of the pay-in made.
20. There shall be penalty levied on the Buyer non-performance compensation if the Buyer client fails to collect the physical commodity within the stipulated time period. The warehouse charge as declared by NCDEX Spot would be applicable & recovered from buyer for delayed delivery.
21. Buyer shall bear the carrying cost after (T+7) as mentioned in above point no. 13, till the date of payment & actual physical delivery. These charges will be calculated on per day basis.



Other Terms & Conditions:

1. Deposit /Withdrawal of Funds:

- Deposit and Withdrawal of funds to the members settlement account can be done through any of banking channel (Cheque/RTGS/Cash/NET) available.
 - The transfer of funds from member settlement account to Exchange Settlement account can be done online through any of banking channel (Cheque/RTGS/Cash/NET) available. The Exchange would recognize only those funds balances which are transferred from member settlement account to the Exchange Settlement account.
- The buy order can be placed only if sufficient margin balances are available to the account of the concerned Buyer with the Exchange.
- The Margin Balances with the Exchange can be maintained Online.
- Request for withdrawal of funds from the Settlement a/c will be processed in the succeeding Bank pay-out run as per schedule notified.

2. Settlement:

- All trade positions at the End of Day (EOD) shall result in compulsory delivery. i.e. the Buyer shall have to take delivery and the Seller shall have to give delivery of the physical commodity.
- At the EOD, Members would receive an accurate listing of all trades done during the day based on which the member is obliged to pay/receive funds and/or commodities.
- The Buyer shall have to ensure availability of the full consideration in the designated account by or before the Exchange Cut-Off Time on T+7th day as permitted.
- Seller shall issue an invoice to the Buyer at the traded price at the time of settlement.
- The amount due towards Levies/Taxes etc., if any, shall be settled at the traded price and invoices shall be raised accordingly.

ANNEXURE 45 *Continued..*



- The time & activity flow for settlement is available in the **annexure 2**.
- Delivery and other charges at the time of deposit are to be borne by the Seller.
- Delivery and lifting charges at the time of taking physical delivery are to be borne by the Buyer.
- The Seller has to assign the locked-in Lots for the trades in the manner prescribed by or before the Exchange Cut-Off time as detailed.
- The Exchange reserves the right to assign any locked-in lots for settlement upon the failure on the part of the Seller to assign lots for settled trades.

3. Premium /Discount:

- No Premium/Discount for multiple Quality Grades is applicable.
- No Premium/Discount for Location is applicable.

4. Complaints & Dispute Redressal:

- Any dispute arising between the Seller and the Buyer may be referred to the dispute resolution mechanism as put in place by the SPOT Exchange. However such dispute shall be brought to the notice of the SPOT Exchange latest by, on or before the close of market hours of the 3rd day from the date of settlement (pay-in and pay-out) after which the SPOT Exchange shall not entertain any reference in that regard.
- No Quantity/Quality related issues will be accepted once the RBD Pamolein Oil has been taken out of the Warehouse and no reference complaining on quantity or quality shall be entertained when made after the close of market hours on the 3rd day from the date of settlement or thereafter.

ANNEXURE 45



Annexure 2:- Time & Activity Flow for Settlement:

Activity	Day	Time/Validity
Trading Day	T	10:00 AM TO 06:30 PM
Buyer for regular settlement shall provide client details through CS Tracker.	T+1	Upto 06:30 PM
Seller for regular settlement shall provide details of lots and taxes through CS tracker	T+1	Upto 06:30 PM
20% Pay-In by Buyer	T+1	Upto 12:30 AM
Funds Pay-In by Buyer	T+1 upto T+7	Upto 11:30 AM
Commodity & Funds Payout	Immediately after Funds Payin by Buyer	Upto 02:00 PM (Depends on Buyer Pay-In)
Buyer Payin for balance amount along with Interest & Warehouse Charges.	T+8 upto T+30	Upto 11:30 am on T+30th Day
Penalty & Default Settlement	T+30	After 11.30 AM on T+30th Day Or as decided by Exchange

ANNEXURE 46

टेलिफोन : २२८१ १२६९ / २२८१ १४२९
तार : वायवायु कालवादेवी
फैक्स : २२८१ २०८६

भारत सरकार
GOVERNMENT OF INDIA

वायदा बाज़ार आयोग

FORWARD MARKETS COMMISSION

वित्त मंत्रालय / MINISTRY OF FINANCE

(आर्थिक कार्य विभाग) / (DEPARTMENT OF ECONOMIC AFFAIRS)

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एवरेस्ट, तीसरी मंज़िल
'EVEREST', 3 RD FLOOR
१००, मरीन ड्राईव, मुंबई - ४०० ००२.
100, MARINE DRIVE, MUMBAI - 400 002.

F No.8/1/2013 (1)-MD-1 (1)(C)/Settlement(Vol - IV)

29th November, 2013

To

Managing Director & Chief Executive Officer,

M/s National Spot Exchange Limited,

102-A, Landmark,

Suren Road, Chakala,

Andheri (East), Mumbai 400 093.

Sub: Appointment of Monitoring cum Auction Committee at NSEL.

Ref: This office letter No.7/3A/2010-MD-1(SETT) dtd 03.10.2013.

Sir,

Please refer to the subject above.

2 The Commission had vide its letter cited reference directed NSEL to form a committee to oversee the Auction-cum-Bidding Process at NSEL. Henceforth, this committee shall be re-designated as

ANNEXURE 46 *Continued..*

Monitoring cum Auction Committee. In addition to its existing functions assigned as per letter under reference, the Committee shall assist and advise the Commission on the following matters:

- a) In ensuring that the NSEL do not dispose off, alienate, encumber, part with possession of or create any third party rights, title and/or interest in to, upon, or respect of any of its assets except for the payment of statutory dues, amounts for the preservation, maintenance and protection of their assets and wages and salaries without the written permission of the FMC and in the case of immovable properties, without the orders of the Court. In case of any ambiguity or doubt regarding nature of a specific expenditure proposed to be covered in the above exception, the payment may be kept in abeyance and the matter may be brought to the notice of the Commission, for clarification and directions.
 - b) Issues relating to VAT, distribution of VAT amount retained in the escrow account and other issues relating to VAT.
 - c) Distribution of "Utilised Margin" & "Exchange Fund Utilisation" retained in the NSEL escrow account.
 - d) Actions taken/to be taken regarding Recovery/Realization of money from borrowers or any other source by NSEL and its distribution among seller members of NSEL.
 - e) Monitoring the entire cash flows of NSEL.
 - f) Such other matters as Commission may refer from time to time
3. The Committee shall be re-constituted with the following members.
- (a) Three members of NSEL Investors Forum.
 - (b) One member each from CPAI, ANMI and BSE Brokers Forum.
4. This direction may be implemented and compliance intimated to the Commission forthwith.

Yours faithfully,

SD/-

(S. Arun Kumar)

Deputy Director

ANNEXURE 46

CC: 1. Shri Tushar Tanna,

NSEL Investor Forum

2. Shri Prakash Kacholia,

CPAI,

The Ruby, 7th Floor,

Senapati Bapat Marg,

Dadar (west),

Mumbai – 400 028.

3. Shri Sidharth Shah,

Chairman, BSE Brokers Forum,
A-Wing, Gr. Floor,

Bldg. No. 2, Kailash Ind., Complex, Parksite, Off. L.B. S. Marg,

Vikhroli (West), Mumbai 400 079.

4. Shri Hemant Majethia,

ANMI,

A-Wing, Gr. Floor,

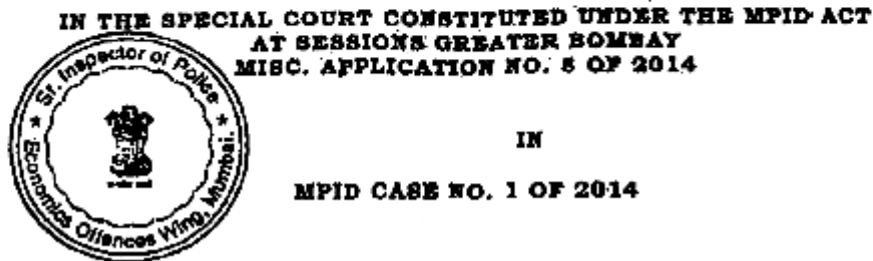
Bldg. No. 2, Kailash Ind., Complex, Parksite, Off. L.B. S. Marg,

Vikhroli (West), Mumbai 400 079.

SD/-

(S. Arun Kumar)

Deputy Director



1. Pramod Kumar Agarwal

...Applicant/Investor

Versus

The State of Maharashtra
(at the instance of Police
Station EOW, Bombay
and 4 Ors.

...Respondents.

REPLY OF RESPONDENT No.1

Respectfully submitted as under:

01. We have to state that as far as this Application is concerned no specific relief is sought against us except prayer clause(c).

02. We have filed charge sheet in the above matter on 05.01.2014. (MPID CASE No.01 / 2014). And we are continuing our investigation to recover the money from the persons who are alleged to have taken away the same. As far as this Application is concerned the Applicant wants to secure

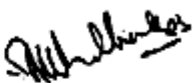
ANNEXURE 47

his amount. The NSEL provided all the requisite documents, data and knowledge and understanding about the Exchange. They setup a server at our office and provided expert staff to help us for the recovery from the borrowers. For recovery the NSEL entered into Settlement Agreements with Mohan India Pvt. Ltd., M/s. Tavishi Enterprises Private Limited, M/s. NCS Sugars Ltd and M/s Swastik Overseas Corporation.

03. We have to only state that it is the power and discretion of this Hon'ble Court to grant such reliefs to the Applicant and if this Hon'ble Court finds it fit and necessary, such reliefs may be granted or appropriate orders be granted but the payment of money to the investors ought to be ensured.

Mumbai
07-03-2014




(Arvind Wadhankar)
IO & Sr. P.I., Unit-V,
EOW, Mumbai

**Summary of discussions of the meeting of members of Board of Directors
of NSEL and Members of Monitoring & Auction Committee with the
Commission on 22-07-2014 at 3 p.m.**

A joint meeting of members of Board of Directors (Board) of NSEL and members of Monitoring & Auction Committee (MAC) with the Commission was held on 22.07.2014 at 3 pm. The list of participants is enclosed at Annexure I.

During the meeting, the members of MAC raised the following issues:-

1. MAC was of the opinion that the recovery process has gained momentum since the start of the joint meetings with NSEL Board and FMC. However, NSEL should prioritize the recovery by targeting those payments which can be recovered at the earliest.
2. The prioritized efforts for recovery of money and distribution to investors include sale of ferrochrome, receivables from NAFED, bank balances seized by ROW, VAT and Margin retained in escrow account, Sale of assets of Mohan India, ARK Imports, Shri Radhey Trading and this would amount approximately Rs.1000 crores.
3. NSEL should consider filing complaints against Chartered Accountants who have signed the Balance Sheet of defaulters.
4. NSEL should consider requesting their parent company i.e. Financial Technologies Ltd.,(FT) for financial assistance. In this regard, the members of MAC are willing to speak to the FT board, if required.
5. The sale of ferrochrome to SAIL need to be finalized immediately.
6. The NSEL should form a team to support the Competent Authority constituted by the MPID Court.
7. The Monitoring & Auction Committee (MAC) informed that the Competent Authority (CA) appointed under the MPID Act is over burdened with various other assignments also hence he was finding it difficult to spare much time to NSEL matters. With the ensuing State elections it is probable that the Officer may be assigned with more work hence it may be appropriate to request the State Chief Secretary to assign CA exclusively with the work of NSEL. MAC is planning to write to the State Chief Secretary. They requested the Commission and NSEL also to write to the State Chief Secretary on the matter.

The Members of Board of Directors and MD & CEO of NSEL gave an update on the steps being taken by them for recovery of outstanding dues from the borrowers and made the following submissions:-

ANNEXURE 48 *Continued..*

1. NESL has filed 10 applications under Section 156(3) for filing of FIR.
2. In class action suit of Modern India with the leave of the Bombay High Court NESL has issued third party notices to 15 defaulters as the amount has to be recovered from the defaulters. We have also taken a written opinion from a Senior Counsel and he has opined that these third party notices are sufficient and no further recovery suits are required to be filed. Recovery suit against P.D Agro has been filed in the Bombay High Court. However MAC had a different view on the same and was of the opinion that filing separate civil suits is more advisable. Advertisement have appeared in leading national and regional newspapers on the defaulters on 22nd July 2014.
3. NESL informed that they have obtained a legal opinion on the VAT amount retained in the Escrow account.
4. NESL had proposed for charging interest on the outstanding dues from defaulters. However, MAC members and some of the Board members of NESL was of the opinion that when the principal repayment is not forthcoming, charging interest may not be practical/advisable.

Based on the above discussions, MD & CEO NESL and the members of Board of Directors of NESL intimated that they would take the following steps to ensure speedy recovery of outstanding dues from the borrowers.

1. NESL shall file the remaining applications under section 156 (3) for filing of FIR in a week.
2. NESL Board shall give its view on the liability of the Clearing members in two weeks.
3. NESL shall file recovery suits against the top six borrowers.
4. NESL shall sort out the issue relating to the sale of ferrochrome with SAIL within a week.
5. NESL shall take steps for recovery of receivables from NAFED, release of bank balances seized by EOW, VAT and Margin retained in escrow account, Sale of assets of Mohan India, ARK Imports, Shri Radhey in co-ordination with Competent Authority.
6. NESL shall write to the Chief Secretary of Maharashtra requesting him to assign the Competent Authority exclusively with the work relating to NESL matter.

ANNEXURE 48

Annexure I

Meeting of members of Board of Directors of NSEL and Members of Monitoring & Auction Committee (MAC) and with the FMC on 22-07-2014 at 3 p.m. at the Office of FMC.

Present:

Forward Market Commission

1. Sri. Ramesh Abhishek, Chairman
2. Sri. Nagendraa Parakh Member
3. Sri. SK Mohanthy, Director
4. Sri. V.C Chaturvedi, Director
5. Sri. Sanjay Punglia, Director
6. Sri Arun Kumar , Deputy Director
7. Ms Tharthare, Assistant Director

Board of Directors of NSEL

1. Sri. Ashok K. Nag
2. Sri. Niraj Gupta
3. Sri. Vargheese Jacob
4. Dr. Amrendra Saboo
5. Sri. Saji Chcrian, MD and CEO

Members of Monitoring & Auction Committee

- | | |
|------------------------|-----|
| 1. Sri. Sharad Saraf. | NIF |
| 2. Sri. Anand Ladsaria | NIF |
| 3. Sri Sunil Sarda | BBF |
| 4. Sri. Tushar Tanna | NIF |