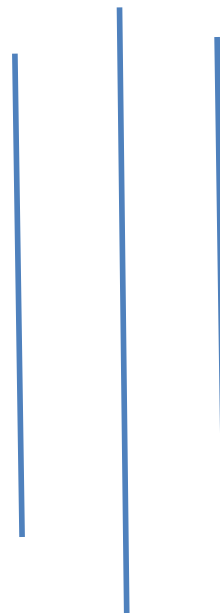




Mercantile Exchange Nepal Limited

— Where the Nation Trades —

AN ISO 9001:2015 CERTIFIED EXCHANGE



MEX

Bye-Laws

**MERCANTILE EXCHANGE NEPAL LIMITED
(BYE-LAWS)**

S. No.	Index	Page No.
1.	Preamble	1
2	Definitions	1
3	Power to frame Rules and Regulations	7
4	Power to amend Bye-laws and Rules	10
5	Management of the Exchange	10
6	Membership in the Exchange	11
7	Brokers and Sub brokers	13
8	Fees, Insurance and Bank accounts	14
9	Trading in Exchange	15
10	Use of Technology	17
11	Automated Online Trading System	18
12	Operational Parameters for Trading	18
13	Loss of access to ATS	19
14	Contingency on ATS	19
15	Trade Management	20
16	Margins	21
17	Clearing and Settlement Department	22
18	Clearing and Settlement	23
19	Closing Out	24
20	Reports and Books of Accounts	25
21	Advance Transaction Fund	26
22	Settlement Guarantee Fund	28
23	Clearing Limits	29
24	Code of Conduct	30
25	Disciplinary Actions	30
26	Suspension	31
27	Termination	32
28	Appeal	33
29	Confidentiality	33
30	Jurisdiction	34
31	Records of Evidence	34
32	Governing Language	34
33	Limitation of Liability	34
34	Protection for Acts done in Good Faith	35
35	Indemnity	36
36	Disclaimer	36
37	Severability	36
38	Force Majeure	37
39	Conciliation	37
40	Arbitration	37
41	Right to take Criminal Actions	40

1. PREAMBLE

These Bye-Laws shall be known as “the Bye-Laws of Mercantile Exchange Nepal Limited.

These Bye-Laws came in to force and is effective from 24th June, 2013 (“*Effective Date*”). These Bye Laws shall be read with any Rules, Regulations, guidelines, directions, circulars and clarification issued by the Mercantile Exchange Nepal Limited (“the Exchange”) and amendments made to the Bye Laws subsequent to the Effective Date.

2. DEFINITIONS

In these rules, unless the context otherwise requires:

- 2.1 “Arbitration” means a process for redressing any disputes in the Exchange under the provision of these Bye Laws.
- 2.2 ‘Arbitrator’ means an arbitrator appointed by the Exchange from the panel of its arbitrators.
- 2.3 “Arbitration Tribunal” means a tribunal consisting of a sole arbitrator or two or more arbitrators appointed by the Exchange to adjudicate a reference made to arbitration.
- 2.4 “Authorized Representative” means the authorized signatory of a Member to represent and act on behalf of that Member before the Exchange.
- 2.5 “Automated Trading System” (ATS) means the trading system provided online through internet by the Exchange to its members and customers to trade in Contracts. ATS shall also be the official communication medium of the Exchange to provide information to its members and customers regarding Contracts, contract specification, details of trade executed by each member and customer , guidelines, notifications or circulars issued by the Exchange. Any communication issued through ATS shall be binding on members and customers upon of its issuance. If the context so requires the ATS shall also means and include any other trading system or offline trading facility provided by the Exchange.
- 2.6 ‘Bank’ or Clearing Bank means any bank which is licensed to carry on banking business by the Central Bank of Nepal and designated by the Exchange.
- 2.7 ‘Board’ means the Board of Directors of the ‘Mercantile Exchange Nepal Limited’
- 2.8 “Books of Accounts” means the records of accounts and related documents to be maintained by a member or customer physically, in a computer or in any other electronic form under these bye laws.



- 2.9 “Buy Order” means an order to buy a contract by meeting the terms and conditions of such contract specified by the Exchange.
- 2.10 “Buyer” means a member or customer who buys a Contract permitted to trade in the Exchange.
- 2.11 “Broker” or “Sub broker” means a person or entity licensed by the Clearing Member in accordance with criteria prescribed by the Exchange.
- 2.12 “Bye-Laws” means the Bye-Laws of the Exchange including any modification or alteration made thereof, or any circulars, guidelines or notification issued by the Exchange.
- 2.13 “Chief Executive Officer” or “(CEO)” means the chief executive officer appointed by the Board of the Exchange, who shall be responsible for the management of the Exchange.
- 2.14 “Circular Trading” means trading by a Member or a customer or a group of related members and/or their customers with one or more entities of this group entering buy orders and on the other side one or more entities of the same group and/or with other unconnected entities in the market entering sell orders or vice versa with an intention to manipulate the price of a contract and/or to create artificial volumes in a contract in the Exchange.
- 2.15 “Clearing and Settlement Department ” means a department of the Exchange, which is responsible for clearing and settlement of trades, settlement of trading accounts of customers and members, keeping account of margin deposits from members and customers and maintaining and reporting the accounts related thereto and managing Segregate Account at MTM with the clearing banks.
- 2.16 “Clearing Member” means a company duly registered under the Companies Act of Nepal admitted by the Exchange as Clearing Member with rights to participate in both trading and clearing and also have the right to settle those trades through the Clearing Department of the Exchange.
- 2.17 “Client” means an individual or an entity, who is registered with a clearing member in accordance with the rules of the Exchange and thereby conferred with the right to trade in the Exchange.
- 2.18 “Committee” means any committee constituted by the Exchange to perform such functions as the Exchange may determine from time to time, including framing of Rules and Regulations.
- 2.19 “Commodities” means any kind of commodities permitted for trading on the Exchange and the Exchange shall determine the type, quality, time and quantity, of every



commodity to be traded on the Exchange, from time to time.

- 2.20 “Conciliator” means a mediator appointed by the Exchange and/or mutually agreed by the parties and approved by the Exchange to mediate any dispute among members, customers and/or the Exchange.
- 2.21 “Contracts” means any type of contracts in instruments or derivatives permitted for trading in the exchange, which includes, futures, options, spot, index and contract for differences.
- 2.22 “Contract period” means the period at which the contract is available for trading in the Exchange.
- 2.23 ‘Contract Specification’ means the specification and terms and conditions of each Contract prescribed by the Exchange.
- 2.24 “Customers” means brokers, sub brokers and/or clients registered with the Clearing Member of the Exchange.
- 2.25 “Daily price List” means a list published by the Exchange, which contains details of prices and number of contracts traded on a given day in the Exchange and any other relevant information relating thereto.
- 2.26 “Derivatives” means a contract, which derives its value from the prices, or index of prices, of underlying instrument, the trading in such contract is carried out in a manner prescribed by the Exchange.
- 2.27 “Directors” means the Directors of Mercantile Exchange Nepal Ltd.
- 2.28 “Due Date/Contract Expiry Day/Contract Maturity Day” means the date or day on which a specific contract expires and is no longer available for trading in the Exchange.
- 2.29 “Exchange” means Mercantile Exchange Nepal Limited and if the context so requires shall mean and include its Board of Directors, Share Holders, Committees , Chief Executive Officer, Management and/or staff of the Exchange, ATS and premise of the Exchange.
- 2.30 ‘Financial year’ shall mean the fiscal year followed by the Government of Nepal.
- 2.31 “Initial Margin” means the minimum Margin required from a contracting party to initiate a Position in a Contract.
- 2.32 ‘Instruments’ means any tradable asset or negotiable item permitted for trading in the Exchange, which includes but not limited to security, commodity, spot, derivative or index.



- 2.33 “Last day of trading Day” means the day on which trading ceases for a contract, and may also be known as “Expiry Date”.
- 2.34 “Limit Order Book” means the list of all unexecuted, but valid, Limit Orders to Buy and Limit Orders to Sell maintained as an electronic document on the ATS of the Exchange. Limit Orders to Buy are listed in descending order by price with the highest price listed first. Limit Orders to Sell are listed in ascending order by price with the lowest price listed first.
- 2.35 “Limit Order to Buy or Sell”; Limit Order to Buy, an order to purchase at or better the specified price. Limit Order to Sell, an order to sell at or better the specified price
- 2.36 “Long Position” means the outstanding purchase obligations of a Member or a Customer, in respect of his transactions in a contract month, at any given point of time, whose settlement is yet to be effected.
- 2.37 “Margin” means the minimum amount, prescribed by the Exchange, to enable him to buy or sell or maintain a position in a contract. The term Margin includes, initial margin, additional margin, variable margin or any other type of margin prescribed by the Exchange from time to time.
- 2.38 “Market” means the platform offered by the Exchange to its members and customers to trade in various Contracts, which may be either in the form of an online trading system or any other Trading System provided by the Exchange.
- 2.39 “Market Order” means an order for a contract to be bought or sold at the best available price prevailing on the ATS at the time of entry of the order in to the Order Book.
- 2.40 “Market Maker” means a member of the Exchange conferred with the right and obligation to quotes both buy and sell price of an instrument in pre-designed minimum quantities prescribed by the Exchange with a view to provide liquidity in the market.
- 2.41 “Member” means registered Members of the Exchange namely Clearing Member and/or Market Maker of the Exchange.
- 2.42 “Month” means a month reckoned according to the English calendar.
- 2.43 “Net Open Position” means the difference in total open long positions and total open short positions held by a Customer or Member in any Contract on a given day or at a given period of time.
- 2.44 “Order” means an offer to buy or sell a Contract from the Market at a defined price complying with the terms and condition of such Contract prescribed by the Exchange and the same is recorded in the Central Order Book.



- 2.45 “Order Book” or “Central Order Book” means an official record of all orders received and matched in the Market, maintained by the Exchange either in electronic form or manual form.
- 2.46 “Order Matching System” means the electronic process of auto-matching of all orders received in the ATS of the Exchange through any means: Any buy order is matched against outstanding sell orders with the lowest price until the buy order is completely executed. Any sell order is matched against outstanding buy orders with the highest price until the sell order is completely executed. Every executed order is transferred and reported to the Customer or Member and to the Clearing and Settlement Department of the Exchange.
- 2.47 “Participants” means a participant of trade in the Exchange such as members, customers, Clearing and Settlement Department, Warehouses or any other person or entity involved or connection with the trading in the Exchange.
- 2.48 “Pay-in” means making funds available to the Clearing and Settlement Department by the Members of the Exchange in accordance with the applicable settlement schedule notified by the Exchange.
- 2.49 “Pay-in Date” means the date and time prescribed by the Clearing and Settlement Department to the Members to perform their obligations by way of payment of funds to the Exchange.
- 2.50 “Pay-out” means release of funds by the Clearing and Settlement Department to the Member, who is entitled to receive to the extent of and upon their fulfilling their pay-in obligations, in accordance with the schedule prescribed by the Exchange.
- 2.51 “Pay-out Date” means the date and time prescribed by the Exchange that the Clearing and Settlement Department shall be required to release funds to the respective accounts of the Member.
- 2.52 “Position” means the outstanding purchase or sell obligation of a member or customer in the Exchange.
- 2.53 “Prescribed Form or Format” means the form or format prescribed by the Exchange.
- 2.54 “Publication” means any publication or communication of information by the Exchange or under the authority of the Exchange in a medium or mode prescribed by the Exchange, which includes dissemination of information through the ATS.
- 2.55 “Quote” means a ‘bid’ price or an ‘ask’ price of a Contract in the Market.
- 2.56 “Rate” means the price per unit of a Contract specified in the contract specifications.

- 2.57 “Rules”, “Regulations”, ”Circulars” means any rules, regulations, circulars or set(s) of procedures framed by the Exchange for governing the business, organization and functioning of the Exchange and responsibilities of its Members and its customers .
- 2.58 “Sell Order” means an order to sell a Contract in the ATS by meeting the terms and conditions of such contract.
- 2.59 “Seller” means a customer who sells a Contract in the Exchange.
- 2.60 “Settlement Day” means the date of expiry of a Contract fixed by the Exchange enabling the members and customers to settle their open positions.
- 2.61 “Settlement price” means the closing price of a Contract on any specific trading day. The Settlement price may be the last price at which the contract trades that day or it may be the average price at which contracts trade in some closing period of trading (e.g., one minute) as determined by the Exchange. The settlement price each day is the basis for Mark To Market Settlement (MTM). On the last day of trading, it shall be termed the Final Settlement (FS).
- 2.62 “Short Position” means the net outstanding sell obligations of a member or customer, in respect of their transactions in Contract in a contract month at any given point of time.
- 2.63 “To Match an Order” means an order to sell which matches with an order to buy, or vice versa, in terms of price, time, contract and quantity, which results in an executed trade.
- 2.64 “Trade” means the transaction for purchase or sale of a contract in the ATS.
- 2.65 “Trader Work Station” means a computer terminal maintained by a Member or a Customer, which is installed with an exchange specified and approved software for facilitating online trading and connectivity to the ATS of the exchange.
- 2.66 “Trading System” means the ATS or any other electronic or manual systems and networks approved by the Exchange for trading in the various Contracts in the Exchange.
- 2.67 “Trading Segment” means the different segments or divisions of Contracts classified by the exchange for the purpose of trading on the ATS.
- 2.68 “Trading session” means the time period prescribed by the Exchange for trading in a Contract.
- 2.69 “Underlying instrument” means the instrument with reference to which spot, futures and other derivatives contracts are permitted for trading in the Exchange.



- 2.70 “Unit of Trading” means the minimum quantity of contract that can be purchased or sold, specified by the Exchange in the contract specifications.
- 2.71 “Unit of Quotation” means the bid or offer price of a specified quantity of a Contract notified by the Exchange for a Contract
- 2.72 “Variation margin” means the difference between the contractual value of a contract and the monetary value of the contract determined at the settlement price.
- 2.73 “Working day” for the purpose of trade means a day on which trading in contract is permitted by the Exchange. For all other purpose it refers to the official working day notified by the Exchange.
- 2.74 Words imparting singular shall include plural and vice versa. Words imparting masculine gender shall include feminine gender and neutral gender and vice versa.

3. POWER TO FRAME RULES AND REGULATIONS

- 3.1 Subject to these Bye Laws, the Board may frame Rules and Regulations, or issue guidelines, circulars or notifications as may be required from time to time, with prospective or retrospective effect on any matters concerning the Exchange including norms, procedures, terms and conditions of the following:
- a. membership in the Exchange including category of memberships, criteria for admission, the membership fees, deposits, subscription charges, service charges, securities, insurance and capital requirement to be maintained by a Member, approval and rejection of membership applications, provision for appeal on rejection of membership, procedure and fee for hearing on such appeals, criteria for registration of Clients by a Member and the terms and conditions in relation to the above.
 - b. Appointment of Brokers and Sub Brokers, and criteria for appointment of Brokers and sub brokers.
 - c. Government and regulatory compliance by members.
 - d. Maintenance of books of accounts, inspection and audit of books of accounts;
 - e. Disciplinary procedures including withdrawal of trading facilities, de-activation of ATS, suspension of membership, declaration as defaulter, termination of membership, administration of penalties and fines, and institution of civil and criminal proceedings.
 - f. Conduct of business in the Exchange, Unethical Trade Practices and Code of

Conduct to be followed by members, customers and Participants of the Exchange.

- g. Dispute settlement, mediation and arbitration;
 - h. Appointment of employees, consultants and professionals to the Exchange.
 - i. Trading, clearing and settlement, including establishment and functioning of the Clearing and Settlement Department , Compliance and Surveillance Department, establishment of Members Security Fund, Settlement Guarantee Fund, Security and Collateral Deposits and Margins, Fines and penalties for non compliance.
 - j. Contracts, Contract Specification, execution of contracts, period of contracts, addition of new contracts, termination of existing contracts, procedure incidental or consequential to closing of Contracts
 - k. Scale of commission/brokerage fee for trading, Clearing and Settlement, or any other fee and commission payable by the Members, and Customers , or among the Exchange Participants;
 - l. Norms relating to working days, holidays and trading, clearing and settlement hours in the Exchange
 - m. Conducting disciplinary enquiry and/or disciplinary proceedings against member/(s) by the Exchange in its own motion or on complaints received from any government bodies or from another member or a customer or from public as the case may be and to implement any action taken thereof.
 - n. Transfer of membership, criteria for determination of inactive members, suspension and reactivation of inactive members.
 - o. Opening and maintaining bank accounts, types of bank accounts, designating banks, determination of criteria for operation of bank accounts, access of Exchange to the bank accounts of the members and transfer of funds from the accounts of members to the Exchange and vice versa.
 - p. Any other matter, in the opinion and discretion of the Exchange which is expedient for the smooth and efficient functioning of the Exchange, from time to time.
- 3.2 Exchange shall also frame or amend rules, norms and procedure of Trading, Clearing and Settlements, including:
- a. allotments of ATS to the Members and approval of the facilities and infrastructure to Members including software and other equipment to be installed at the ATS;
 - b. provision for training to Members, Clients, Staffs, Brokers and Sub Brokers;



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- c. determination of trading sessions and procedure of trading in such trading sessions;
 - d. determination of trading quotations and position limits;
 - e. accepting and placing orders in ATS;
 - f. determination of prices for each instruments to be traded in the Exchange;
 - g. the form of contracts, the time, mode, the manner of execution of contracts;
 - h. determination of Commissions, transaction charges and/or clearing fees, payable by Members, Customers, determination of fees that may be collected by the Exchange from Members, Customers, or any other persons/institutions connected with the transactions and distribution of commissions to Members and Clearing and Settlement Departments;
 - i. determination procedure for delivery of instruments, appointment of warehouse, warehousing procedure, warehousing charges or any other matter relating thereto;
 - j. inclusion and suspension of certain contracts on contingencies determination of due date and penalties;
 - k. manner of operations, determination of procedures of closing out;
 - l. determination of various types of margins, transaction funds, Special or additional margins and mode of their payment, exemption from payment of margins, lien on margin deposits, penalty for non-fulfillment and/or evasion of margin requirements, liability of customers and members to pay margins, member's responsibility to collect margins from customers;
 - m. determination of settlement prices; Procedure for mark to market;
 - n. designating and authorizing software and electronic vendors for providing software and other electronic equipments to members, clients and Exchange Participants;
 - o. any other matter, related to the trading, clearing and settlements as may be decided by the Exchange from time to time;

4. POWER TO AMEND BYE-LAWS AND RULES

- 4.1 Subject to the provisions of these Bye-Laws, the Exchange or the Committee appointed by the Exchange shall have the powers to amend these Bye – Laws and Rules and Regulations framed there-under from time to time, for the efficient functioning and operations of the Exchange. Amendments so made shall be binding on all Members, their customers, Clearing and Settlement Department, all employees, and other Participants of the Exchange.
- 4.2 The Exchange shall have the power to issue clarifications or directives, as may be required from time to time, to remove any difficulty or ambiguity in construction of any of the provisions of these Byes – Laws and Rules and regulations framed there under. Such clarification or directives shall be binding on all Participants of the Exchange.

5. MANAGEMENT OF THE EXCHANGE

- 5.1 The Board of the Exchange is responsible for the governance of the Exchange in accordance to these Bye-Laws and terms of the Articles of Association of the Exchange.
- 5.2 The Board shall by resolution delegate necessary powers to committees or to a director of the Board, any powers or functions exercisable by it according to these Bye-Laws and the Board shall also have such powers to vary such power given to committees or Director.
- 5.3 The Board shall have powers to appoint Chief Executive Officer and he or she shall be responsible for the day to day management of the Exchange and the implementation of these Bye-Laws, Rules and Regulations of the Exchange. The Board shall prescribe the powers and duties of the Chief Executive Officer.
- 5.4 The Exchange shall appoint committees as it deem fit for the proper and efficient functioning of the Exchange and to advice on matters relating to the management and operation of the Exchange. Such Committee may include, Executive Committees, Membership Committee, Disciplinary Committee and Compliance Committee. The Exchange shall prescribe the functions and responsibilities, selection and qualification of members, powers and procedures of each committee from time to time.
- 5.5 The Chief Executive Officer shall appoint employees, staffs, consultants and also determine the procedure for selection and qualification of employees, staffs, consultants, terms and conditions of employment, duties and responsibilities of employees in its discretion, as and when required, in accordance with the law.

- 5.6 The Chief Executive Officer shall have powers to appoint advisors and experts, who have experience in the field of business, law, management or tax to aid and advise the Board. It shall also have powers to determine the criteria for such appointment, remunerations and other facilities to be provided to such advisors and experts.
- 5.7 The decision of the majority shareholders of the Exchange shall be final and binding in all matters relating to the governance, management and functions of the Exchange.

6. MEMBERSHIP IN THE EXCHANGE

6.1 The Exchange shall have the right to grant, assign, transfer, revoke or modify memberships in the Exchange. Membership in the Exchange is classified into two categories namely (a) Clearing Membership and (b) Market Maker Membership. The Exchange may create such other categories as it deem fit for the purpose of efficient functioning of the Exchange.

6.2 Clearing Membership:

- a. The Clearing Member shall have the right to participate directly in both trading and clearing in the Exchange. Clearing Membership is only granted to institutions and companies, which has the minimum capital requirement prescribed by the Exchange. Clearing Members shall also be permitted to act as Market Maker in the Exchange by meeting the collateral requirement. The collateral requirement for such Clearing Members shall be prescribed for market making by the Exchange.
- b. Clearing Member shall be permitted to introduce clients in the Exchange and shall also be permitted to clear the trades on behalf of its clients. Clearing Member shall also be responsible and liable for every trade executed by its clients in the Exchange. Every trade cleared by the clearing member shall be settled through the Clearing and Settlement Department of the Exchange.
- c. Clearing Member shall have the right to appoint brokers with prior permission from the Exchange. The clearing member is required to submit the KYC details of such broker to the Exchange before undertaking any trade of clients introduced by such brokers. Clearing member shall not permit the broker to trade on behalf of its clients, without first obtaining the power of attorney from the clients.
- d. Exchange reserves the right to grant clearing membership by imposing restrictions, limitations or conditions on the membership of a clearing member. If a clearing membership is granted with such exclusions, then clearing member shall be permitted to execute such excluded functions through other clearing members of the Exchange.

- 6.3 **Market Maker Membership:** Exchange shall grant exclusive market maker membership to high networth Individuals, financial institutions (including propriety firms), Co-operative societies, Limited Liability Companies, and Partnership firms. Market Maker member shall be required to maintain two-way markets (bid-and-offer) in their chosen contracts to ensure liquidity in the market.
- 6.4 The Exchange shall prescribe the qualification/eligibility criteria, net-worth requirement, the obligation of a member, (and if required that of brokers and sub-brokers) fees and other charges payable in each category of membership, including the admission fee, membership fee, annual subscription fee, processing fee, advance transaction funds and margin requirements.
- 6.5 The Exchange shall not approve an application for membership unless the applicant satisfies the qualification, eligibility criteria and payment of membership fees prescribed by the Exchange from time to time.
- 6.6 On approval of application for membership, the applicant shall be given time to meet the networth requirements, maintain advance security fund with the Exchange and to pay the membership fees, registration fees and other charges prescribed by the Exchange. If any applicant fails to fulfill the above requirements within the time prescribed, its approval as a Member shall be cancelled and the amount, if any, paid towards application for membership shall be forfeited by the Exchange.
- 6.7 The Exchange shall have the power to grant any concession or waive any fees or charges payable by any Member and vary the limits of networth requirement and the security fund in any category of Membership. Exchange shall also reserve the right to vary the fees, capital requirements and security funds based on the location of the place of registration and business of a Member.
- 6.8 The Exchange shall prescribe the procedure for filing an application for membership, processing of an application, approval or rejection of an application, publication of approval, issuance of certificate to the members and the format of application for membership, the agreement to be signed by the members in each category of membership.
- 6.9 Any applicant, who is declared as insolvent by a Court of Law or by the Government of Nepal or anywhere else, or any applicant convicted for moral turpitude or a criminal offence shall not be eligible to apply for membership in the Exchange. If any applicant hides the facts about the ineligibility on above grounds during filing application and obtains a membership from the Exchange, and the fact about the ineligibility on above grounds is disclosed at a later stage, the Exchange shall, after conducting an enquiry take necessary action against such members. The Exchange may also, at its discretion, initiate other legal action against such applicants.



- 6.10 **Transfer of Membership:-** Members of the exchange may sell or transfer their Membership in the Exchange subject to the provisions of these Bye-laws and Rules and with prior permission of the Exchange. The sale or transfer of a membership shall be permitted by the Exchange as long as the transferee meets the qualifications and requirements specified for such membership. The decision of the Exchange shall be final and binding in all matters relating to the sale and transfer of memberships. The Members shall also be liable to pay a fee for granting transfer of Membership, as prescribed by the Exchange.
- 6.11 **Change of Category of Membership:-** The Exchange shall permit change of membership from one category to the other provided that the member meets the requirements, qualifications, and payment of fees and capital requirements of such other category of membership. The Member shall also be liable to pay a fee for change of Membership prescribed by the Exchange.
- 6.12 If the Exchange abolishes any category of membership, such members shall be given an opportunity to change to any existing category of membership by meeting the criteria prescribed for such membership. However, in such event Exchange shall not charge any fee for change of category of membership.
- 6.13 No Members shall be permitted to carry on or involve in similar kind of business as that of the member and the Exchange without the prior permission of the Exchange. If any of the members is found violating these criteria shall be terminated forthwith from the membership and the Exchange shall forfeit its deposits with the Exchange.

7. BROKERS AND SUB BROKERS

- 7.1 Exchange shall permit the appointment of Brokers and Sub- Brokers by the Clearing Members with prior permission of the Exchange.
- 7.2 Broker and sub-broker shall register and obtain registration from Exchange. Unless obtained a registration from exchange, a broker or sub broker won't be permitted to deal for a client.
- 7.3 Registration procedure and fee shall be prescribed by exchange from time to time and it will be mandatory to be followed for registration of brokers and sub-brokers.
- 7.4 The Exchange may, at its own discretion after assigning reasons, cancel the registration of any Broker or Sub Broker of a Clearing member for failure to comply with any directions of the Exchange. However, the concerned Clearing Member shall continue to be liable for acts of commission and/or omission prior to cancellation of registration and/or loss/damage consequent to the cancellation. The Exchange shall have the power to prescribe the different levels of usage of the ATS by Members, Brokers and Sub

Brokers and prescribe norms for such usage. The Exchange may provide training and issue necessary certificates to Brokers and Sub Brokers. Brokers and Sub Brokers shall pay the necessary fee to the Exchange towards cost of training. The Exchange may also assign the responsibility of such training to a competent institution.

8. FEES, INSURANCE AND BANK ACCOUNTS

- 8.1 Exchange shall prescribe the amount and manner of payment of fee, commission and brokerage for trading in the Exchange.
- 8.2 Exchange shall prescribe the norms and procedures of Insurance to be taken by each member at its own cost in order to protect them from the risks and hazards arising from their business operations at the Exchange.
- 8.3 If a member fails to pay the fees within the time limit prescribed by the Exchange, including any extension granted by the Exchange shall be adjudged as a defaulter and shall be subject to disciplinary actions.
- 8.4 Exchange shall prescribe the types and number of bank accounts to be maintained by each member and its manner of operation, from time to time, for the protection and safeguarding the interest of its Customers. The Exchange shall also notify the names of banks approved by the Exchange through which a member shall be permitted to operate its trade with the Exchange.
- 8.5 Every Members shall strictly follow the instructions of the Exchange and its Clearing and Settlement Department in respect of operation of bank accounts, maintaining of minimum balance, segregation of Customers' fund and own fund prescribed by the Exchange. They shall also submit an irrevocable undertaking in writing enabling the Exchange or its Clearing and Settlement Department to access and operate the bank accounts including debiting and crediting the account electronically. They shall also be required to maintain such accounts adequately funded as prescribed by the Exchange, so as to enable the Exchange to recover its dues by debiting their respective bank accounts. The Exchange shall penalize any member for failing to maintain the minimum balance prescribed in each bank account.
- 8.6 The members and its customers shall also comply with the laws of anti-money laundering of Nepal, with respect to all their monetary transactions with the Exchange, between Members, Members and Customers, and Members and other Participants. If Exchange finds any instance or any attempt to commit money laundering, it reserve the right to report the matter to the concerned government authorities without issuing any prior notice to such Members or customers.

9. TRADING IN EXCHANGE

- 9.1 The Bye-Laws and Rules of the Exchange shall govern the Trading, Clearing and Settlement in the Exchange. The Exchange shall issue Circulars or Notifications from time to time explaining various norms and procedures prescribing the conduct of trades in the Exchange, which shall be binding on members, customers and other Participants of trading in the exchange.
- 9.2 The Exchange or a Committee appointed by the Exchange shall determine the Contracts to be traded in the Exchange and its specifications. The Exchange may also modify or vary the contract specifications as and when required.
- 9.3 Members or Clients may only trade in contracts available for trading in the ATS, in the manner provided by the Exchange.
- 9.4 Each Member, while placing an order in the ATS, shall specify his Member Identification Code and, if the order is for its clients, the Client Account Number, with the order.
- 9.5 Each Member shall register their clients, broker and/or sub brokers in the manner prescribed by the Exchange. No customers shall be permitted to trade in the ATS without obtaining prior approval from the Exchange.
- 9.6 Every contract permitted for trading in the Exchange shall be cleared, registered and settled by the Clearing and Settlement Department of the Exchange.
- 9.7 Every Contract executed in the exchange shall be recorded in the ATS. If required, a contract note shall be made available to the Members or to the clients in a format prescribed by the Exchange for each transaction executed by them.
- 9.8 The Exchange may specify or vary the margins, quantity, quality, delivery period, etc for each contract traded in the exchange,
- 9.9 Exchange shall prescribe the margin deposits. Clearing members, who clear contracts, shall pay the prescribed margin deposits and variation margins for their respective outstanding transactions to remain valid.
- 9.10 Every Clearing Member and Client shall deposit the prescribed margin prior to commencing any trading in the Exchange. No trade shall be processed without sufficient margin in the accounts.
- 9.11 The Exchange shall determine the commencement and expiration date of each Contract and its specification and shall publish the same in advance. Exchange shall also have the right to modify or amend the specification of a Contract.
- 9.12 Rates and/or prices for the contracts shall be quoted in accordance to the contract

specification prescribed by the Exchange.

- 9.13 The Exchange shall determine, specify and modify the position limits with respect to the contracts. Such position limits could differ from members to members subject to the categories; and exceptions may be provided by the Exchange. The Exchange shall also determine, specify and modify the price limits with respect to each contract. Such price limits may include floor and ceiling prices for one day or for a specific period.
- 9.14 The Exchange shall have the right to specify and charge trading fee, clearing fee or any other fee from the member of the Exchange. The Exchange may also specify the maximum and minimum level of such fees that may be charged by a Member from its customers.
- 9.15 All outstanding contracts not settled on the due date shall be closed at the Due Date Rate as fixed by the Exchange.
- 9.16 Member shall execute a contracts in the ATS only by following the terms and conditions prescribed by the Exchange.
- 9.17 Any contract executed either before the commencement of or after the close of a trading session shall be invalid and not enforceable.
- 9.18 Members shall have separate records of their own account transactions and their registered clients. Members shall preserve these records for a period of three years as an evidence and for production, whenever required by the Exchange.
- 9.19 Any member who infringes or attempts to infringe or who assists in any infringement or attempted infringement of these Bye-Laws shall be liable to suspension and/or expulsion from membership or any other action that the Exchange may prescribe considering the facts and circumstances of such infringement
- 9.20 The event of the death of any party to any contract made on the Exchange shall not discharge the legal representatives of the deceased from fulfilling the obligations under such contracts and shall not in any way affect the right of any other party to such contract or legal representatives of the deceased to refer any dispute or differences to Arbitration under these Bye- Laws, Rules and Regulations and, in such event, the right to refer any dispute or differences to Arbitration shall be exercised by or against the legal representative of the deceased.
- 9.21 Exchange shall determine the trading days, trading hours and holidays of the Exchange, from time to time.
- 9.22 Exchange has the right to close the trading in any one or more, or all of the contracts, if it considers that Contract or its price is inappropriate or not in the best interest of the Participants, who take part in Exchange trading.

- 9.23 The Exchange shall keep and manage an official web site www.mexnepal.com and it shall be used as a medium to publish all official information relating to the Exchange's business and other financial news, subject to the limitations of publication of information through a website.
- 9.24 The exchange shall issue a daily list of opening and closing prices of each Contract traded on the Exchange. Such list shall be published or provided in such media, as may be decided by the Exchange, or shall be made available in the official website of the Exchange
- 9.25 Prices of both spot and future contracts traded on the ATS shall be recorded by the Clearing and Settlement Department in the manner prescribed by the Exchange.
- 9.26 The Exchange shall convey all official information to its Members via email to the Member's registered email with the exchange. All such directions contained in such mails shall be binding on all members.
- 9.27 No Member of the Exchange shall engage in any business, which may be detrimental to the interest of the Exchange. Such involvement by a Member, if proved to be detrimental to the interest of the Exchange, shall make a Member liable for disciplinary action.
- 9.28 The Exchange shall have the right to inspect the books of accounts, computer software and hardware used by a Member for accessing the ATS.

10. USE OF TECHNOLOGY

- 10.1 The Exchange shall determine the necessary norms and requirements relating to the use of technology by the Exchange, Members, Customers and Participants which include software, hardware, network, Internet Service Provider, virtual private network, with a view to provide safety, security and integrity of the ATS or Trading system of the Exchange.
- 10.2 Exchange shall have the power to authorize vendors for supply, installation and maintenance of ATS, other software, computer system, networks and other equipment required for accessing the ATS or Trading system of the Exchange.
- 10.3 The Exchange, Members and their Customers, shall only be permitted to use the services of those designated vendors for installation and maintenance of software, hardware, network or any other system required for trading in the Exchange. If any Member or Customer uses any software or hardware or services of any other vendor to access ATS other than the software and hardware prescribed by the Exchange, the membership of such Member, and his trading privileges, will be terminated.

- 10.4 Any member, clients, broker and sub broker who use the service of a designated software vendor for trading in the ATS shall pay the necessary service fee to such designated vendor or the Exchange, as may be prescribed by the Exchange.

11. AUTOMATED ONLINE TRADING SYSTEM

- 11.1 The Exchange shall provide an automated online trading system (ATS), or any other trading system, to the members and Customers to access and carry out trading in contracts made available for trading in the ATS by the Exchange.
- 11.2 The Exchange shall specify the infrastructure required for the Members and Customers to establish connectivity with the ATS or Trading Systems of the Exchange.
- 11.3 The Exchange shall prescribe the specifications/descriptions of hardware, software, bandwidth, equipment and the specifications of technology by a Member and Customers and carry out inspections, if required, thereof from time to time.
- 11.4 Every Member shall be given access to the ATS for trading in the Exchange.
- 11.5 Every Customer shall be provided with an online Trading Application Software for trading in the ATS of the Exchange.
- 11.6 Members, Clearing and Settlement Department, Customers and Exchange Participants shall use only the ATS, networks, software, internet leased line or V-Sat connectivity approved by Exchange. The Exchange prohibits use of any unauthorized or pirated software and operating systems by a Member on any of its equipment.
- 11.7 A Member declared as a defaulter or any member or person associated with a member, whose presence may be detrimental to the interest of the Exchange, then such member shall not be permitted to trade in the Exchange or use the premise of a Member for trading purpose.
- 11.8 Exchange and its Clearing and Settlement Department shall only have the administrative right to operate the ATS for the purpose of monitoring the automatic clearing and settlement of trades.

12. OPERATIONAL PARAMETERS FOR TRADING

- 12.1 The Exchange prescribes Rules and Regulations, the operational parameters regarding transactions in contracts traded on the ATS or any other trading system including the determination of functional details of the ATS, limits on trading and open positions, mark to market losses, exposure, concentration and on the spread between bid and

offer rates, trading units, quotation base value, position limits, Exposure limits, tick sizes, alert generation level and systems, types of contracts and trades, specifications of different order books, types of orders, order conditions and other details related to orders and trades, Maintenance of recording of transactions.

- 12.2 The facilities and information provided in the ATS are exclusive for Customers and Members; Members and their Customers shall not be permitted to use, publish, supply, reprocess, retransmit, store or make available to any other person the information and facilities of the ATS without the prior permission of the Exchange.

13. LOSS OF ACCESS TO ATS

In the event of suspension of membership, de-activation of connectivity to ATS , failure or malfunctioning of a member's ATS and/or loss of access to the ATS, or any other similar situation the Exchange deem it necessary, the Exchange may, at its discretion and without any guarantee, undertake on behalf of the member and its Customers, to close-out the outstanding transactions of the member on a valid request received from such member, subject to such terms and conditions as the Exchange may impose, from time to time at the sole risk of such Member . If the member fails to give a valid request, then the Exchange shall close such outstanding transactions without any prior notice to the member and for such closure and its results, the Exchange shall not be liable for any loss, if any, caused to such member and its Customers.

14. CONTINGENCY ON ATS

- 14.1 To facilitate the members to carry on trading in the event of a failure of ATS owing to failure of internet link, the Exchange shall direct the Clearing Members to provide offline trading facility as emergency order handling support, provided that no liability can be attached to the Exchange in case of failure of the system due to non-provision of contingency offline facility by any Clearing Member, even if it results into loss to the members of the Exchange.
- 14.2 Without prejudice to anything contained in the provisions above, such failure or malfunctioning of ATS or loss of access to the ATS or any failure of contingency offline facility shall not reduce, alter or affect the liability of a member or the Customers in respect of any trades, already executed by or through such member or his Brokers or sub Brokers.

15. TRADE MANAGEMENT

- 15.1 The Exchange shall have the power to set conditions and procedures to be followed by a Member for entering, amending or canceling orders on the ATS. Such conditions shall be as specified in the relevant Rules and Regulations of the Exchange, which may, inter alia, specify details to be entered compulsorily from an approved ATS at the time of order entry, such as, client code, type of order, symbol or contract code.
- 15.2 Every Member and customer shall enter, amend or cancel orders on the ATS in accordance with the Rules of the Exchange. Every Member shall maintain, in its records, the details of orders received from its customer or modifications made thereof in accordance in the manner prescribed by the Exchange.
- 15.3 A Member shall be accountable for all of its trades and trades done by its Clients and the act of its brokers and sub brokers.
- 15.4 Any cancellation or withdrawal of the trades made by a Client shall be final and binding on that Member. The Member shall be held accountable for closing out contracts opened by itself or on behalf of its clients. The Member shall indemnify the Exchange against any loss or liability arising out of or incidental to such closing-out of contracts.
- 15.5 The Exchange shall specify the procedures to be applied for matching orders on the ATS or Trading System. Unless specified, the orders shall be matched on price-time priority basis.
- 15.6 Orders placed in the ATS shall be subject to such validation to available margin, quantity, price, value etc., under the rules, bye-laws and regulations of Exchange.
- 15.7 An order to buy or sell will become a matched transaction and cleared when it is matched in the ATS or Trading System unless the Clearing and Settlement Department found that to be invalid for not complying with the margin requirement and other terms and conditions of such contract.
- 15.8 All open contracts on the Exchange shall be marked to market (MTM), at that contract's settlement price, by the Clearing and Settlement Department, at the end of a trading day or at such intervals specified by the Exchange. The Exchange shall have the right to affect marked-to-market more than once during the course of a working day, if it is deemed necessary because of market risk or other relevant parameters.
- 15.9 Every contract shall have a settlement at the end of each trading day, unless it is declared otherwise by the Exchange. The Exchange shall publish a daily settlement price in the ATS for each contract. The settlement price shall be determined by the Exchange based on the prices traded or quoted during the closing range of that contract.

- 15.10 All contracts outstanding at the end of the last trading day of the contract month of the maturing contract shall be closed out by the Clearing and Settlement Department at the final settlement price/due date rate fixed by the Exchange.
- 15.11 If the Exchange, on its own motion, found that any contracts executed on the ATS or Trading System have been done so in a fraudulent manner and/or with an intention to defraud the Exchange, or found to be detrimental to the interest of the Exchange, the Exchange shall cancel such trades and take action to recover the loss, if any, sustained by the Exchange and/or any Member or Customer and shall initiate disciplinary action against such Members or Customers involved in such unacceptable and unethical trade practices.

16. MARGINS

- 16.1 Exchange shall determine requirements of margin deposits for all contract, their variances and manner of payment from time to time. Such margin requirements may vary based on the underlying commodities or financial derivatives and their contracts and contract periods and, if the need arises due to volatility or other factors, Exchange may also introduce variable margin or increased margin in the interest of the clients and Exchange participants.
- 16.2 The Exchange may prescribe additional or special margins during the contract period of any contract. The Exchange has the right to effect upward or downward revisions in the margin for each contract and such revisions may be effected with prior short notice in order to protect the interests of the trading participants.
- 16.3 Exchange on its own discretion may formulate and prescribe a margin rule book and rules contained in such rule book shall be binding on all members, customers and participants of trading in the exchange
- 16.4 Every member shall pay the appropriate margin amount with the Clearing and Settlement Department of the Exchange against the aggregate open positions cleared by the member (i) for the member's own account where applicable (ii) for other members of the Exchange with whom the Member has an agreement and; (iii) clients, where-ever applicable.
- 16.5 Every members of the Exchange executing transactions on behalf of clients shall collect from the clients or its Brokers and sub brokers as the case may be, the margins specified from time to time, against their open positions within such time as may be prescribed by the Exchange.
- 16.6 Accounts of all Members and customer shall be marked to market daily by the Clearing and Settlement Department and, accordingly, all Members and customer shall

be directed to make up any shortfall in margins as prescribed by the Clearing and Settlement Department. Failure to make up such margin by Members and/or customer within the specified time frame may lead to the closure of open positions, deactivation or suspension of trading terminals, and declaration as a defaulter by the Exchange.

- 16.7 Members and Customers shall deposit advance transaction fund, initial margin and/or variation margin in Demand Draft/cheque or through electronic transfer or any other mode allowed by the exchange to their designated bank accounts in the manner prescribed by the Exchange. Members shall enter in to agreement with the designated bank(s) as specified by the Exchange so as to permit the transfer of funds and to maintain margins in a segregate manner.
- 16.8 Margin deposits received by the members from their customer in the above form shall be accounted for and maintained separately in segregate accounts and shall be used solely for the purpose of settling the trade of client.
- 16.9 The Funds contained in the Segregate account of members shall be utilized by Clearing and Settlement Department for settling the dues of the member upon mark-to-market or for fulfilling the obligations resulting from their open positions and members shall furnish their clients in writing such reports and at such intervals as may be specified by the Exchange.
- 16.10 The Exchange may specify the type/quantum of margin and the applicability of the same from time to time. Such margin may vary from instruments to instruments and for different contract periods.
- 16.11 A member may close out an open position of a client when the call for further margin or any other payment due is not paid by the client;
- 16.12 The Clearing and Settlement Department may close out the open positions of a Member, when the call for further margin or any other payment due is not complied with by the Member.

17. CLEARING AND SETTLEMENT DEPARTMENT

- 17.1 Clearing and settlement of all trades on various contracts in the exchange shall be a transparent process and such process shall be managed by Clearing and Settlement Department, a separate department and division of the Exchange. Clearing and Settlement Department shall be responsible to formulate policies and to monitor all activities relating to clearing and settlement of the trade.
- 17.2 The Exchange shall also formulate separate rules and procedures with respect to the Clearing and Settlement Department, including the functioning of the Clearing and



Settlement Department. The Clearing and Settlement Department shall be made liable to accept and abide by all bye-laws, rules, notifications and circulations wherever they may apply to the Clearing and Settlement Department.

- 17.3 The Clearing and Settlement Department of the Exchange shall be responsible for ensuring proper management of trading accounts, maintaining margins of Members and Customers.
- 17.4 All members of the Exchange are permitted to take opposite position against client's position to mitigate their risk. Members are permitted to clear its positions taken in the markets through other members, provided all these trades and clearing shall be executed through the ATS.
- 17.5 Apart from Market Makers, Clearing Members are also permitted by the exchange to function as market makers with a view to provide liquidity in the market. Exchange may designate special lead market makers for providing liquidity for newly launched products for a certain period of time.
- 17.6 For the purpose of clearing and settlement of trades, Members shall maintain sufficient liquidity with Clearing and Settlement Department as prescribed by the Exchange and the Clearing and Settlement Department.
- 17.7 A Clearing and Settlement Department may at its discretion discontinue clearing or settling services after closing out the outstanding contracts of Member. Clearing and Settlement Department shall communicate the reasons for discontinuing the services in writing to the member and also to the Exchange;
- 17.8 The Exchange shall not guarantee and be liable for the financial obligations of any member to its customers.
- 17.9 Every member shall be fully responsible for all his commitments to the Exchange and Customers irrespective of whether one or more customers with whom he has dealings have defaulted. Default of any one or more customer shall not affect the rights of other customer with whom the member has dealings;
- 17.10 The Clearing and Settlement Department shall have the responsibility of receiving and maintaining margin payments, monitoring open positions and margins, and transmission of documents and payments amongst the members of the Exchange.

18. CLEARING AND SETTLEMENT

- 18.1 Once a contract is matched and marked to market by the Clearing and Settlement Department, the Member shall be substituted as counter party for all net financial

liabilities of the members and customer.

- 18.2 A member shall be liable for its outstanding transactions until liquidated or offset.
- 18.3 All transactions in contracts traded on the Exchange shall be subject to marked to market and settlement through the Clearing and Settlement Department, at intervals specified by the Exchange, except on holidays when there is no trading and clearing. The Exchange shall have the right to affect marked to market and settlements through the Clearing and Settlement Department more than once during the course of a working day, if deemed fit on account of the market risk and other Parameters; and Settlement of differences due on outstanding transactions shall be made by the Clearing and Settlement Department.
- 18.4 Each trading day shall be a settlement day, unless it is declared otherwise by the Exchange at its discretion. There shall be a daily settlement price in respect of each contract and for each underlying instrument, and it shall be determined by the Exchange.
- 18.5 All transactions, after a mark-to-market and settlement, cleared by the Clearing member through the Clearing and Settlement Department shall be included in the succeeding marked-to-market settlement.
- 18.6 In case of contracts coming under settlement for the first time, the procedures of settlement price shall be decided by Exchange.
- 18.7 All contracts outstanding at the end of the last trading day of the contract month of the maturing contract shall be closed-out by the Clearing and Settlement Department of the Exchange at the due date rate as fixed by the Clearing and Settlement Department of the Exchange.

19. CLOSING-OUT

Every Member and customer shall be liable to close all open positions on or before the maturity date specified by the Exchange for every contract traded on the Exchange. If a Member/customer fails to close any open positions on the maturity date, the Exchange shall effect the closure of such open positions on such maturity date and such Members/customers shall be liable to bear all and every loss sustained by any or all Participants in such an event. Every Member/customer shall indemnify the Exchange and any other participant against any loss or cost arising out of or incidental to such close out of transactions by the exchange either directly or indirectly to such member/customer.

20. REPORTS AND BOOKS OF ACCOUNTS

- 20.1 In respect of all trades done by the members of the Exchange, the Clearing and Settlement Department electronically forward reports to the respective members, including settlement obligations relating thereto. All such reports and obligations shall be binding on the members of the Exchange unless disputed within three days from the date of its issue.
- 20.2 The members of the Exchange shall provide the Exchange with such reports that the Exchange may seek from the members from time to time. Details to be provided in such report shall be prescribed by the Exchange by notifications from time to time.
- 20.3 A member shall notify the Exchange of any incident, which may endanger its financial strength or interfere with the member's ability to conduct its business in the best interests of the Exchange.
- 20.4 All members of the Exchange shall be required to maintain such Books of Accounts, Registers, Statements and other Records, in physical form or electronically, as may be specified by the Exchange. All such documents and records shall be kept in good order and preserved at least for such period, as may be specified by the Exchange and/or under the laws of Nepal. All such documents and records shall be made available to the Exchange for inspection, whenever required.
- 20.5 Member shall submit itself to audit and investigation and furnish all books, records, files and such other information as required upon the direction of the Exchange. The audit and investigation shall be restricted to the affairs of the members as providers of trading and/or clearing and settlement services to their Customers. (a) Every member shall submit a certificate showing its net worth in the prescribed form certified by a qualified auditor once in every financial year (b) Certificate showing net worth for the period 15th July to 14th July each financial year shall be submitted on or before 14th October of the corresponding year. (c) Notwithstanding clause 5 (a) and 5 (b) above, Exchange reserves the right to direct any member to submit either audited or unaudited net worth certificate as and when required by the Exchange. If any such direction is issued, member shall submit the net worth certificate as per the direction of the Exchange. (d) Non submission of net worth certificates by a member shall be a violation of bye law and it shall invoke a fine of 500 NPR per day until it's submitted finally to the Exchange. (e) Such fine shall be recovered by the Exchange from the member from his available deposits with the Exchange. Maximum fine which can be recovered from a member under this head shall not exceed 7500 NPR for a single violation. Continuous non submission of Net worth certificates for 2 consecutive financial years shall be a violation which shall make the member liable for suspension from membership. (f) A member shall be liable to submit net worth certificates even if he is under suspension by the Exchange.

- 20.6 In case of any dispute or difference of opinion originating from or pertaining to orders or trades due to a mismatch between the member's report and the Exchange's report, the report of the Exchange shall be final, conclusive and binding on the members.

21. ADVANCE TRANSACTION FUND

- 21.1 The Exchange prescribes norms, procedures, terms and conditions of Advance Transaction Fund to be collected from the Members.
- 21.2 Each member shall be required to contribute to and provide a minimum security amount, as may be determined by the Exchange, to the Advance Transaction Fund. The Advance Transaction Fund shall be held by the Exchange. The money in the Advance Transaction Fund shall be applied in the manner, as may be provided in these Bye-Laws, Rules and Regulations of the Exchange and circulars and guidelines.
- 21.3 Unless otherwise specified by the Exchange, Exchange shall compute the amount of minimum security to be deposited based on the approved turn over limit (in value) of each member. Approved turn over limit is the maximum turn over limit approved by the Exchange for a member for any given period of time. This includes members own turn over as well as a sum of his Customers turnover. In case if the member reaches his approved limit he shall request with the Exchange for increasing such maximum limit. Based on the request Exchange shall review the terms and shall consider for such increase. At any given circumstances Exchange reserves the right to increase such limit.
- 21.4 The amount deposited by any member towards the advance transaction fund shall be refundable, subject to such terms and conditions as specified by the Exchange.
- 21.5 The Exchange, in its discretion, shall decide mode/forms of deposits, replacement and withdrawal procedures of Advance Transaction fund.
- 21.6 The Advance Transaction Fund may be utilized for such purposes, as may be provided by the Exchange from time to time, which may include:
- a. to meet the margin requirements of the members;
 - b. to meet shortfalls and deficiencies arising out of the clearing and settlement obligations of members in respect of such transactions, as may be provided in these Bye-Laws, Rules and Regulations of the Exchange; and
 - c. to meet any loss or liability of the Exchange arising out of clearing and settlement operations of such transactions, as may be provided in these Bye-Laws, Rules and Regulations of the Exchange.

- 21.7 Whenever a member fails to meet his settlement obligations to the Exchange arising out of his trading and/or clearing and settlement operations in respect of its transactions, as may be provided in these Bye-Laws, Rules and Regulations of the Exchange, the Exchange may utilize the Advance Transaction Fund and other moneys lying to the credit of the said member to the extent necessary to fulfill his obligations under such terms and conditions, as the Exchange specifies.
- 21.8 Whenever a member fails to meet his settlement obligations to the Exchange arising out of the transactions, as may be provided in these Bye-Laws, Rules and Regulations of the Exchange, or whenever a member is declared a defaulter, the Exchange shall utilize the Advance Transaction Fund and norms and procedures relating to such utilization shall be decided by Exchange.
- 21.9 If the cumulative amount under all the above heads is not sufficient, the balance obligations shall be assessed against all the members in the same proportion as their total contribution and deposit towards security deposit, and the clearing members shall be required to contribute or deposit the deficient amount in the Advance Transaction Fund within such time, as the Exchange specifies in this behalf from time to time.
- 21.10 If a pro-rata charge is made as mentioned in Bye-Law against a member's actual contribution or deposit, and as a consequence, the members remaining contribution towards the Advance Transaction Fund falls below his required contribution, the clearing member shall contribute towards the shortfall in the Advance Transaction Fund within such time as the Exchange specifies.
- 21.11 Where any member, who is required to contribute fails to do so, as specified by the Exchange. The Exchange shall declare such member as a defaulter and shall take appropriate action as it deems fit.
- 21.12 Each member's contribution and deposit towards the Advance Transaction Fund shall be allocated by the Exchange among the various segments of trading or clearing, which are designated as such by the Exchange and in which the member may participate, in such proportion as the Exchange decides. The Exchange shall retain the right to utilize the fund allocated to a particular segment of trading to match the losses or liabilities, incidental to the operation of that segment or for any other segment, as may be decided by the Exchange at its discretion.
- 21.13 The liability of the Exchange resulting from the deemed contracts of member with the Exchange and to losses in connection there from shall be limited to the extent of contributions made to the Advance Transaction Fund. No further liability shall arise to Exchange.

22. SETTLEMENT GUARANTEE FUND

- 22.1 The Exchange or the Clearing Corporation shall maintain Settlement Guarantee Fund(s), either separately or jointly, in respect of different clearing segment(s) for such purposes, as may be prescribed by the Exchange from time to time.
- 22.2 The Exchange may prescribe from time to time the norms, procedures, terms and conditions governing each Settlement Guarantee Fund which may, inter-alia, specify the amount of deposit or contribution to be made by each clearing member to the relevant Settlement Guarantee Fund, the terms, manner and mode of deposit or contributions, conditions of repayment of deposit or withdrawal of contribution from the Settlement Guarantee Fund, charges for utilization, penalties and disciplinary actions for non-performance thereof.
- 22.3 Clearing member shall be required to contribute to and provide a deposit, as may be determined by the Exchange from time to time, to the relevant Settlement Guarantee Fund. The Settlement Guarantee Fund shall be held by the Exchange. The money in the Settlement Guarantee Fund shall be applied in the manner, as may be prescribed by the Exchange from time to time.
- 22.4 The Exchange may specify the amount of contribution or deposit to be made by each clearing member and/or category of clearing members which may, inter alia, include the minimum amount to be provided by each clearing member towards Settlement Guarantee Fund from time to time to form part of the Settlement Guarantee Fund.
- 22.5 The Settlement Guarantee Fund may be utilized for such purposes, as may be provided in these Bye-Laws and Rules and subject to such conditions as the Exchange may prescribe from time to time, which may include:
- a. temporary application of Settlement Guarantee Fund to meet shortfalls and deficiencies arising out of the clearing and settlement obligations of clearing members of such transactions.
 - b. meeting any loss or liability of the Exchange arising out of clearing and settlement operations of such transactions.
 - c. any other purpose to protect the market integrity, as may be specified by the Exchange, from time to time.
- 22.6 Whenever a clearing member fails to meet his settlement obligations to the Clearing Department of the Exchange arising out of his clearing and settlement operations of his transactions, the Exchange may utilize the Settlement Guarantee Fund and other moneys lying to the credit of the clearing member to the extent necessary to fulfill his obligations under such terms and conditions, as the Exchange may specify from time to time.



- 22.7 The liability of the Exchange resulting from the deemed contracts of clearing members with the Exchange and to losses in connection there from shall be limited to the extent of contributions made to the Settlement Guarantee Fund. The Settlement Guarantee Fund of the Exchange or the Clearing Corporation shall not be available for obligations of broker, obligations of a clearing member to a broker, obligations of a clearing member to another clearing member of the Exchange towards transactions to which the Exchange is not a counter party or where the Exchange withdraws as a counter party on account of fraud or fraudulent transactions as provided in the relevant Bye-laws and Rules from time to time or obligations to a sub-broker or a client by a Broker, and to losses arising there from or in connection therewith or incidental thereto.
- 22.8 Any contribution made to the Settlement Guarantee Fund is non refundable to the Clearing Member and shall be forfeited by the Exchange upon the termination or cancellation of Membership by the Clearing Member. The amount so forfeited shall be used by the Exchange for any of the purpose mentioned above.

23. CLEARING LIMITS

- 23.1 The Exchange may specify the limits of open positions applicable to the members of the exchange based on the amount deposited towards the Advance Transaction fund/margin fund or any other fund established by the Exchange.
- 23.2 The Exchange may specify different clearing limits for different instruments. Members may make additional deposits to the Advance Transaction fund/margin fund or to other fund/s specified by the Exchange.
- 23.3 The net open position and the monetary value thereof in respect of each contract period shall be computed by the Exchange and then aggregated to determine the aggregate monetary value of all the net open positions.
- 23.4 When the clearing limit of a member reaches the upper limit, the Exchange shall notify the member. After receipt of notification the member shall not present or cause to present any further transactions that would increase the aggregate monetary value of net open positions until he has paid additional monies to enhance its limit.
- 23.5 The Exchange may close-out the positions of member, who has failed to comply with the notification issued by the Exchange in this regard.
- 23.6 The aggregate monetary value of contracts shall be determined on the basis of (i) the net open positions in each of the contract months for each underlying instrument for which transactions have been cleared by the clearing member and (ii) the respective settlement prices.

24. CODE OF CONDUCT

- 24.1 Every Member of the Exchange shall act in a manner to the best interest of the Exchange and to protect and safeguard the interests of its customers trading in the Exchange. A member shall be subject to disciplinary proceedings if it is in violation of such good business practices including acting in a manner detrimental to the interest of the Exchange, any misconduct in dealing with or in relation to transactions on the Exchange or any violation of disobedience of the Bye-Laws, Rules and Regulations of the Exchange.
- 24.2 Exchange shall prescribe rules and issue guidelines, as required from time to time, regarding the code of conduct to be maintained by every member of the Exchange.
- 24.3 The Exchange may, at its discretion, conduct the surveillance, investigation and any other market related activities, either by itself or by duly empowered entity or even through outsourcing.

25. DISCIPLINARY ACTIONS

- 25.1 If the Exchange has reasonable ground to believe that the transactions in the Exchange by a member and/or customers are being conducted in a manner detrimental to the investors or trading market or any member or person associated with the trade or clearing with the Exchange has violated the code of conduct or any of the provisions of the Bye-Laws, Rules and Regulations of the Exchange, it shall at any time direct the disciplinary committee to investigate the affairs and business of such member or customer and submit a report thereon to the Exchange.
- 25.2 The Exchange shall give an opportunity for giving explanation and also an opportunity for personal hearing to such members in the manner prescribed by the Exchange before taking any disciplinary action against such member on any such report by such committee.
- 25.3 Any order passed by the Exchange in such disciplinary proceeding shall be binding on such members. The Exchange may impose fine, suspend or terminate such members considering the nature of the violation.
- 25.4 The Exchange shall prescribe norms and procedure for investigation and procedure for hearing.

26. SUSPENSION

- 26.1 Exchange shall have the right to suspend the membership and de-activate ATS of the member for the following reasons:
- a. non-compliance with the bye-laws, rules, code of conduct and / or regulation of the Exchange;
 - b. non-compliance with the payment of dues and other fees Prescribed by the Exchange within the time limit, unless the Exchange grants an extension of time for payment;
 - c. the insolvency of a member;
 - d. a member fails to comply with an arbitration award made against him from the exchange; or
 - e. any other legally appropriate reason, which the Exchange may consider appropriate for suspending the member,
 - f. Any written direction from a Court of Law or from the Government of Nepal.
- 26.2 A member shall also be suspended by the Exchange if he/it fails to meet the capital/net worth requirements prescribed by the Exchange, or if the member's financial condition is such that its continued operation would jeopardize the integrity of the Exchange.
- 26.3 A suspended member may be granted a hearing before the Disciplinary Committee on receiving a request from such member within 30 days from the date of suspension.
- 26.4 On suspension of a membership, a member's right of trading or clearing in the Exchange shall be ceased for the period of duration of suspension of the membership.
- 26.5 No suspension shall take away the member's liability or obligation to comply with any direction given or condition imposed by the Exchange pursuant to the suspension or the Bye-laws, Rules or regulations of the Exchange.
- 26.6 A member, who has been suspended, may be permitted to trade, upon obtaining permission from the Exchange to square off any existing open positions, unless directed otherwise by the Exchange.
- 26.7 Exchange shall also have the right to terminate the license of a Broker and sub broker for the reason applicable to a member in sub clause 1 above for termination and also if the Broker or Sub-Broker violates or fail to comply any directions issued by the Exchange.

27. TERMINATION

- 27.1 The Exchange shall have the power to terminate the membership of a member on account of:
- a. non-compliance with the rules, byelaws and regulations of the Exchange or the Laws of Nepal;
 - b. the Exchange receives any notification from the Government of Nepal on prohibition of performing business with the member or such notification received from a Court of law in Nepal;
 - c. the Exchange receives any decision or direction from any of the Committee of the Exchange for removal of such member;
 - d. a member is unable to perform and continue as a member of the Exchange;
 - e. a member's inability to protect the integrity of the Exchange, in the interest of other members and customers in general and in the interest of the Public in particular;
 - f. all other reasons for which a member may be suspended.
 - g. declared as insolvent by a Court of Law of Nepal.
 - h. Purposefully or otherwise publishes the details of a customer.
 - i. any acts which violates the code of conduct of trading or involved in any circular trading or doing any acts, which is against the ethics and code of conduct of the Exchange.
- 27.2 Exchange shall have the right to cancel the license of a Broker or sub broker, if the broker or sub broker for the same reason as applicable to a member under sub clause 1 above for termination. Exchange shall issue guidelines or prescribe by rules for hearing any appeal from a broker or sub broker, who is aggrieved by the termination.
- 27.3 No termination shall affect the member's existing liability or obligation to comply with the Bye-laws, Rules or regulations of the Exchange.
- 27.4 A member terminated in accordance with this rule shall be notified and he may be permitted to request for a hearing before the Disciplinary Committee of the Exchange within 30 days of such termination.

28. APPEAL

- 28.1 If a member has been suspended or terminated as result of any disciplinary proceedings or in violation of the Bye-Laws, Rules and Regulations of the Exchange may appeal to the Exchange or any Committee constituted by the Exchange in this regard in a manner prescribed by the Exchange within the time limit prescribed by the Exchange rules.
- 28.2 A member, who is aggrieved by the decision in appeal may request for a further hearing by a five member committee constituted by the Exchange to review the decision in Appeal. The decision of the five members Committee shall be final and binding on the member.
- 28.3 The Exchange shall prescribe the rules and procedure for such hearing including the fees.

29. CONFIDENTIALITY

- 29.1 No member, client, broker, sub broker or any other Participant of the Exchange shall directly or indirectly make disclosure of any confidential, financial, or other information that may come into its possession as a result of its act as a Participant of the Exchange. Any person or entity, who violates the above restriction, shall be subject to immediate suspension or termination from the membership by the Exchange.
- 29.2 A member, client, broker, sub broker or Participant of the Exchange, who attempt to cause employees of the Exchange directly or indirectly to violate or who participate with the employees of the Exchange in violating the above provision shall be guilty of misconduct and subject to immediate suspension or termination of the membership. Exchange shall also dismiss such employees upon recommendation of the Board.
- 29.3 Any employee of the Exchange, member, client, broker, sub broker or Participant of the Exchange disclose any confidential information of the Exchange including any business information, trade secrets, intellectual property rights, information regarding customer to any other person or entity either during or after its employment shall be liable for all loss and damages suffered as a result of such disclosure and Exchange and members shall have the right to take both civil and criminal actions against such person or entity irrespective of any provisions of this bye laws.
- 29.4 The Exchange shall take all necessary steps to maintain, preserve and protect the details, particulars, data or any other information with complete confidentiality and it will disclose such data and information only as per direction in writing from a court or a governmental body empowered to call for such information.

30. JURISDICTION

- 30.1 All disputes arising out of or in connection with the Exchange shall be subject to the exclusive jurisdiction of the Courts in Kathmandu irrespective of the location of the parties to the dispute or the place where the concerned transaction may have taken place.
- 30.2 For the purpose of jurisdiction, all the transactions entered or executed through the ATS of the Exchange shall be deemed to have been taken place at the city of Kathmandu and the place of contracting shall be at Kathmandu irrespective of the location at which the transaction is entered or executed.

31. RECORDS FOR EVIDENCE

- 31.1 The record of the Exchange as maintained in any register, magnetic storage units, electronic storage units, optical storage units or computer storage units or in any other manner shall constitute an authentic record in relation to any transaction entered into with the Exchange or through the online trading system of the Exchange. Such records shall constitute valid evidence for the purpose of resolving any disputes or claims between the members and the Exchange, member's inter-se and members and the customer or any other person, or entity.

32. GOVERNING LANGUAGE

- 32.1 Nepali and English shall be the governing language of the Exchange. All proceedings in the Exchange shall be recorded in English. The governing law shall be Law of Nepal in all disputes.

33. LIMITATION OF LIABILITY

- 33.1 The Exchange shall not be liable for any activities of its members or of any other person, authorized or unauthorized, acting in the name or on behalf of any member, and any act of commission or omission by any one of them, either singly or jointly, at any time shall not be in any way construed to be an act of commission or omission by any one of them, as an agent of the Exchange.
- 33.2 Save as otherwise specifically provided in these Bye-Laws and in the Rules and Regulations of the Exchange, the Exchange shall not incur or shall not be deemed to



have incurred any liability and accordingly, no claim or recourse shall lie against the Exchange, any member of the Board/or committee duly appointed by it or any other authorized person acting for and on behalf of the Exchange, in respect of or in relation to any transactions entered into through the exchange made by its members and any other matters connected therewith or related thereto, which are undertaken for promoting, facilitating, assisting, regulating, or otherwise managing the affairs of the Exchange to achieve its objects as defined in the Memorandum and Articles of Association of the Exchange.

- 33.3 The exchange will not accept or bear any liability whatsoever in respect of the operation of any exchange trading system, whether for any breach of a provision of any relevant legislation, any act or omission (whether negligent or not) damage to physical property, any direct or indirect losses including but not limited to loss of profits, loss of files, loss of contract, loss of data or use of data (including any error in information supplied or made available), loss of operation time or loss of use of equipment or process, economic loss, loss of reputation or losses or damages incidental or consequential to the installation, use or operation of the Exchange online trading systems.
- 33.4 The Exchange does not warrant or forecast that the Exchange online trading system or any component thereof or any services performed in respect thereof will meet the requirements of any user, or that operation of the Exchange online trading Systems will be uninterrupted or error – free, or that any services performed in respect of the Exchange online trading System will be uninterrupted or error –free.
- 33.5 Every exemption from liability, defense or immunity applicable to the Exchange or to which the Exchange is entitled under bye laws shall also be available and shall extend to protect the officers, agents and employees of each of the exchange , the Clearing and Settlement Department and any developer of any exchange’s online trading system.
- 33.6 Every membership granted to any member by the Exchange shall not be construed as partnership with the Exchange by a member. The exchange shall not hold liable or hold as a party for offence commission of any offence or irregularity committed by any of its member.

34. PROTECTION FOR ACTS DONE IN GOOD FAITH

No claim, suit, prosecution or any other legal proceedings shall lie against the Exchange or any member of the Board or any Committee duly appointed by it or any other duly authorized person acting for and on behalf of the Exchange, in respect of anything which is done or intended to be done or omitted or intended to be omitted in good faith in exercise of any power under these Bye-Laws or Rules or Regulations of the Exchange or in pursuance of any

order or any other kind of communication received by the Exchange, in writing, from any court, tribunal, Government of Nepal under any law or delegated legislation for the time being in force in that behalf.

35. INDEMNITY

Each member of the Exchange, shall indemnify and keep indemnified the Exchange from and against all harm, loss, damages, injury and penalty suffered or incurred and all costs, charges and expenses incurred in instituting and/or carrying on and/or defending any suits, action, litigation, arbitration, disciplinary action, prosecution or any other legal proceedings suffered or incurred by the Exchange on account of or as a result of any act of commission or omission or default in complying with any of the provisions of these Bye-Laws or the Rules or Regulations of the Exchange or the Laws of Nepal or due to any agreement, contract or transaction executed or made in pursuance thereof or on account of negligence or fraud on the part of any member of the Exchange and their employees, servants and agents.

36. DISCLAIMER

Where any loss or damage is caused or incurred by any party or person on account of or as a result of any act of commission or omission or default in complying with any of the provisions of the Law of Nepal and the Rules framed there under or these Bye-Laws or the Rules or Regulations of the Exchange or any agreement, transaction or contract executed or made in pursuance thereof on account of negligence or fraud on the part of any member of the Exchange or their employees, servants or agents, in the event of the Exchange making good or being required to make good such loss or damages (or any part thereof) to such party or person, the Exchange shall be entitled to recover the amount so made good by it from the member of the Exchange.

37. SEVERABILITY

If any provision of these Bye-Laws or the Rules and Regulations of the Exchange is rendered unlawful, void or unenforceable by reason of any statutory amendment, re-enactment, notification or any judicial decision or pronouncement by any competent court, tribunal or regulatory authority, such provision shall, to the extent required, be severed and rendered ineffective without in any way affecting the validity or enforceability of the rest of the provisions of these Bye-Laws or the Rules and Regulations of the Exchange, which shall continue to apply with full force and effect, provided further that the action already taken earlier under such provision shall remain unaffected.

38. FORCE MAJEURE

Exchange shall not be liable to any members, customers or Exchange Participants for any failure to perform its functions, defaults, latches, or delay happens to the trading, clearing and settlement functions of the Exchange as a result of circumstances beyond the control of the Exchange or act of God. In the event that the functions of the exchange is prevented or hindered in consequence to the act of God or circumstances beyond the control of the Exchange, the functions of the exchange shall be suspended during the period of continuance of any such event. These acts may amongst other things include electrical, communication, computer system failure beyond the reasonable control of the exchange, war, invasion, riot, strike, rebellion, revolution, military or usurped power or confiscation, terrorist activities, nationalization, government sanction, embargo and natural calamities.

39. CONCILIATION

- 39.1 All claims, differences and disputes, between a member and the exchange, members inter se or member and customers, arising out of or in connection with the transactions on the Exchange including any agreements and contracts, made subject to these Bye-Laws or the Rules or Regulations of the Exchange or with reference to anything incidental thereto or in pursuance thereof or relating to their validity, construction, interpretation, fulfillment or the rights, obligations and liabilities of the parties thereof and including any question of whether such agreements, contracts and transactions have been entered into or not, the parties shall adopt conciliation proceedings, before a conciliator or a panel of conciliator appointed by the Exchange prior to referring the dispute to arbitration, subject to the provisions of this Act and the rules made there under.
- 39.2 The place of Conciliation shall be at the Arbitration and Conciliation Centre at the Exchange or any place prescribed by the Exchange.
- 39.3 The Exchange shall prescribe the norms, procedure and fees including the procedure for appointment of conciliator for such conciliation process.

40. ARBITRATION

- 40.1 If parties fail to resolve any claims, dispute or difference through conciliation, the dispute shall be referred to and decided by arbitration subject to the provisions of this

Bye Laws and rules made there under.

- 40.2 **Reference to Arbitration:** All claims, differences and disputes, between a member and the exchange, members inter se or member and customers, arising out of or in connection with the transactions on the Exchange including any agreements and contracts, made subject to these Bye-Laws or the Rules or Regulations of the Exchange or with reference to anything incidental thereto or in pursuance thereof or relating to their validity, construction, interpretation, fulfillment or the rights, obligations and liabilities of the parties thereof and including any question of whether such agreements, contracts and transactions have been entered into or not, the parties shall be submitted to arbitration in accordance with the provisions of these Bye Laws and any rules framed there under.
- 40.3 In all trade, contracts, agreements and transactions, which are made or deemed to be made subject to these Bye laws, Rules and Regulations of the Exchange, this provision of arbitration shall form and deemed to form a part of such trade, contract, agreements and transactions and parties therein shall be deemed to have entered into an arbitration agreement in writing by which all claims, differences or disputes shall be submitted to arbitration as per the provisions of these Bye Laws.
- 40.4 **Appointment of Arbitrators:** The Exchange shall prescribe by rules or notification the qualification of arbitrators. The Exchange shall also constitute a panel of not less than five arbitrators, consisting of professionals conversant with the trading in the exchange and its Bye-Laws, Rules and regulations, or having expertise in such areas like law or economics, finance, business or from any other profession approved by the Exchange.
- 40.5 **Place of Arbitration:** The place of arbitration shall be at the Arbitration and Conciliation Centre at the Exchange or any place prescribed by the Exchange.
- 40.6 **Jurisdiction and procedures:** All parties to a reference to arbitration under these Bye-Laws, Rules and Regulations and the persons, if any, submitting claims under them, shall be deemed to have submitted to the exclusive jurisdiction of the Court in Kathmandu for the purpose of giving effect to the provisions of the Act, these Bye-Laws and Rules and Regulations in force.
- 40.7 All the reference to arbitration shall be conducted including the procedures, taking of evidence, passing of award and decided in accordance with the procedure and provision of these Bye-Laws and rules framed there under by the Exchange.
- 40.8 **Language of Arbitration:** The language of arbitration shall be in English/Nepali and the proceedings conducted in English Language only. If the documents are in a language other than English, parties shall submit its true copies along with the

documents.

- 40.9 **Fees and Charges:** The Exchange shall prescribe the fees for the proceedings, charges of arbitrators and any other fees as may be required for the proceedings and the manner of payment from time to time.
- 40.10 **Set-off and Counter Claim:** On a reference to arbitration by one party, the other party or parties shall be entitled to claim a set-off or make a counter claim against the former party, provided such set-off or counter claim arises out of or relates to trades, contracts and transactions made subject to the Bye-Laws, Rules and Regulations of the Exchange and subject to arbitration as provided herein, and provided further such set-off or counter claim is presented, together with full particulars, at or before the first hearing of the reference but not afterwards unless specifically permitted by the arbitral tribunal.
- 40.11 **Award:** The award passed by the arbitrator whether interim or final shall be binding on the parties and their respective representatives, notwithstanding the death of or legal disability occurring to any party before or after the making of the award and such death or legal disability shall not operate as a revocation of the reference or award or shall not affect the rights under the award of the awardees in any manner whosoever. After the award is being passed, a signed copy of the award shall be delivered to each party.
- 40.12 **Penalty on Failure to Submit to or Abide by Award in Arbitration:** Exchange on receiving an award against a member and who fails or refuses to submit to or abide by or comply with any award in arbitration between members or between a member and a customer or exchange, as may be provided in these Bye-Laws, Rules and Regulations shall declare such member as a defaulter and suspended or terminated from its membership, and thereupon the other party shall be entitled to institute legal proceedings to enforce the award in the same manner as if it is a decree of court.
- 40.13 **Right to Appeal:** A party, who is aggrieved with the award, may appeal to the competent court of jurisdiction, within 30 days from the date of the award, in accordance with the Arbitration Act of Nepal. Provided that the aggrieved party shall deposit the amount in award with the Exchange before filing the appeal and such amount shall be kept with the Exchange in abeyance and shall be disposed of eventually as per direction of the Court.
- 40.14 **Enforceability of Award as a Decree:** When the time for preferring an appeal has been expired and no appeal has been preferred or the appeal has been preferred and the appeal has been rejected the award is enforceable as if it is a decree of court.
- 40.15 **Power to make rules:** Subject to this provision, the Exchange shall frame necessary rules and regulations regarding the procedure of arbitration, procedure for appointment

of arbitrators, procedure for making an award, fees, forms and all other procedures in relation to the conduct of arbitration, which are not specifically mentioned in these Bye Laws.

41. RIGHT TO TAKE CRIMINAL ACTIONS

If the Exchange finds or has reasons to believe that any member or any person related to a Member, Broker or Sub brokers or entity dealing with the Exchange has committed or intending to commit any fraud, misrepresentation, money laundering or cheating on the Exchange, the Exchange shall take criminal action against such members or person or entity and its directors, partners in accordance with the laws of Nepal.