

**CHITTAGONG STOCK EXCHANGE
(COMMODITY DERIVATIVES) REGULATIONS, 2025**

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NOTIFICATION

Dated: _____, 2025

In exercise of the powers conferred by Section 32A and Section 34 of the Securities and Exchange Ordinance, 1969 (Ordinance No. XVII of 1969), and Section ২৩ of the এক্সচেঞ্জস ডিমিউচুয়ালাইজেশন আইন, ২০১৩ (২০১৩ সনের ১৫নং আইন) read with Rule 64 of the Bangladesh Securities and Exchange Commission (Commodity Exchange) Rules, 2023; Chittagong Stock Exchange PLC (hereinafter referred to as CSE) makes, with prior approval of the Bangladesh Securities and Exchange Commission, the following regulations, namely:-

CHAPTER-I
PRELIMINARY

1. Short Title and Application.-

- (1) These regulations shall be called the Chittagong Stock Exchange (Commodity Derivatives) Regulations, 2025;
- (2) These regulations shall come into force from the date of publication in the official Gazette;
- (3) These regulations shall be applicable to all commodity derivatives brokers, their authorized representatives, related participants, and registered persons for providing physical facilities or systems whether electronic or otherwise for trading, clearing and settlement of commodity derivatives contracts of CSE.

2. Definitions.-

- (1) In the regulations, unless there is anything repugnant in the subject or context:
 - (a) “at the money (ATM)” means strike price of the option contract at or within such range of the underlying, as may be specified by the Exchange from time to time, which may lead to zero cashflow if it were exercised immediately;
 - (b) “base centre” refers to a specific delivery location or pricing hub used as a reference point for settling futures contracts. It is the primary location where the underlying commodity's price is determined and serves as a benchmark for pricing other delivery locations;
 - (c) “basis variety” means a specific grade, quality, or variety of a commodity that is used as a reference (or basis) for pricing commodity derivatives contracts;
 - (d) “cash settled commodity derivative contract” means settlement of transactions of commodity derivatives contracts by paying or receiving differential amount in cash instead of physical delivery of underlying commodity;

- (e) “clearing bank” means a bank that is designated or appointed to provide banking and other related services to the Exchange, the clearing house of CSE, commodity derivative brokers of CSE and clearing participants as defined in the Bangladesh Securities and Exchange Commission (Commodity Exchange) Rules, 2023 to facilitate clearing and settlement functions related to transactions of commodity derivatives contracts;
- (f) “clearing house” means the clearing house of CSE and includes a place where and the system by which the claims and liabilities of commodity derivatives brokers in respect of different commodity derivatives contracts offered by CSE are received, adjusted, settled, and paid and for the purposes of these regulations it refers to the settlement system managed and operated by CSE;
- (g) “client” means ‘customer’ as defined in the Bangladesh Securities and Exchange Commission (Commodity Exchange) Rules, 2023;
- (h) “closing price” means the price of the commodity derivatives contract at the end of every trading day, which is determined under regulation 28 (1) (a) (b) and considered as the closing price based on which the daily ‘Mark to Market’ is undertaken and the basis on which the DPL for the next day is fixed;
- (i) “commodity settlement guarantee fund (CSGF)” means a fund created by the Exchange for the purpose of risk management for providing a cushion against any residual risk to eliminate counterparty risk and guaranteeing settlement of transactions of commodity derivatives contracts;
- (j) “contract” means a commodity derivative contract as defined in the Bangladesh Securities and Exchange Commission (Commodity Exchange) Rules, 2023;
- (k) “contract cycle” means the period over which a contract is transacted and settled;
- (l) “contract duration” means the term or tenure of a commodity derivative contract from the date of its introduction to its final expiry;
- (m) “contract expiration day” means the maturity date on which a specific commodity derivative contract expires and is not available for trading thereafter;
- (n) “contract month” means the month in which the Exchange requires a contract to be settled on expiration;
- (o) “contract size” means the amount of asset that has to be traded/delivered under one contract;
- (p) “cost of carry” is the relationship between futures price and spot price which means the total cost to hold a physical commodity, such as: storage cost, financing cost, opportunity cost, etc;
- (q) “daily price limit (DPL)” means the upper and lower limit of price as specified in the contract specification, within which order is allowed to be entered on each trading day, unless otherwise relaxed by CSE through market announcement;

- (r) “daily settlement price (DSP)” means the closing price as defined under clause 28 (1) (a) (b);
- (s) “delivery centre (DC)” means the location identified and selected for physical delivery of commodities., where settlement of a commodity derivative contract is done through such delivery;
- (t) “delivery period” means the period during which the commodities are placed in terms of the commodity derivative contracts in fulfilment of the transactions executed under these regulations and includes tender days as specified by CSE for different contracts;
- (u) “delivery unit” means such quantity of commodity that is permitted for tender with such tolerance limit as specified in the contract specification with respect to each commodity derivative contract;
- (v) “due date rate (DDR)” means the final settlement price of a contract calculated on the final trading day (contract expiry day) for the purpose of settlement of commodity derivative contract, where all positions are kept open until the expiry shall be settled at DDR;
- (w) “exercise of an option contract” means invocation of the right of option, in accordance with and subject to the regulations of the Exchange, by the holder of such right, which may include delivery of the underlying;
- (x) “exercise style” of an option means the price at which and/or time as to when the option is exercisable by the holder;
- (y) “Exchange or commodity Exchange” means the commodity derivatives segment of Chittagong Stock Exchange PLC (herein after referred to as CSE) in these regulations which may include its subsidiary exclusively formed for the purpose of operation of commodity derivative segment of CSE;
- (z) “far month contract” includes all contracts, other than the ‘near month’ and ‘next month’ contracts;
- (za) “final settlement price (FSP)” means the price at which any commodity derivatives contract is settled on its expiry under these regulations;
- (zb) “funds pay-in” in respect of transactions done on CSE, means making available of funds /securities/underlying or such other assets by the respective commodity derivatives brokers with clearing rights or by the commodity professional clearing participants to CSE/clearing house, or its accredited or recognized agencies in accordance with the applicable settlement schedule notified by CSE/clearing house separately for each commodity derivative contract;
- (zc) “funds pay-out” in respect of transactions done on CSE, means the release of funds/securities by CSE/clearing house to the respective commodity derivatives brokers with clearing rights or to the commodity professional clearing participants, who become entitled to receive them to the extent of and upon fulfilling their respective pay-in obligations into CSE/clearing house, in accordance with the applicable settlement

- schedule notified by CSE/clearing house separately for each commodity derivative contract;
- (zd) “futures price” means the price at which the futures contracts are traded in the commodity derivatives market;
 - (ze) “initial margin” is a proportion of the value of the commodity derivatives contract based on which the position is desired to be taken and paid upfront, and such margin shall be specified in the contract specification;
 - (zf) “in the money (ITM)” means an option contract that would lead to a positive cashflow to the holder if it were exercised immediately;
 - (zg) “liquidity enhancement scheme (LES)” means a scheme for market making initiated by CSE, for generating liquidity in illiquid or newly-launched commodity derivative contracts;
 - (zh) “margin period of risk (MPOR)” means the interval between last margin collection and close out of positions in the event of default in settlement of a contract and is also lookahead period required for liquidation of a client’s position;
 - (zi) “mark to market (MTM)” means the daily adjustment of the value of an open position of a futures contract to reflect its current market price to calculate the profit or loss based on the difference between the contract price and the market price;
 - (zj) “near month contract” means a contract whose expiry date is the nearest out of multiple commodity derivative contracts on the same commodity with different expiry dates;
 - (zk) “next month contract” means the immediate next commodity derivative contract of the same commodity which expires after the expiry of the near month contract;
 - (zl) “option (American style)” means an option contract which may be exercised at any time upto the expiration date;
 - (zm) “option (European style)” means an option contract which may be exercised only on the expiration day;
 - (zn) “option holder/buyer” means a person who has bought an option contract;
 - (zo) “open position” means an interest in the market, either long or short position, in the form of one or more open commodity derivatives contracts;
 - (zp) “option premium” means the predetermined price paid to acquire the right of the commodity options contract within a specified timeframe;
 - (zq) “option seller” means a person who has sold an option contract;
 - (zr) “out of the money” means an option contract that would lead to a negative cashflow if it were exercised immediately;
 - (zs) “pay in” means payment to CSE;

- (zt) “pay out” means payment made by CSE;
- (zu) “physical delivery” means the mode of final settlement of a commodity derivatives contract where the actual commodity (underlying commodity) is delivered to the buyer upon expiry of the contract in manner specified under these regulations;
- (zv) “position limit” means the maximum open interest/position allowed by CSE to its commodity derivatives broker or its client at any point of time in a commodity derivatives contract as specified in the contract specification;
- (zw) “reference price” means prices available for comparable commodity or commodity derivative contracts in domestic or international reference market/exchange;
- (zx) “regulations” means the Chittagong Stock Exchange (Commodity Derivatives) Regulations, 2025;
- (zy) “spot price” means price of a commodity in the spot or benchmark market as recognized by CSE;
- (zz) “spot price polling participants” refers to the value chain or physical market stakeholders from where or from whom CSE shall collect the updated spot or physical market price as per the mechanism mentioned in chapter IX of these Regulations;
- (zza) “square off” means taking a trade position opposite to an existing position in a given commodity derivatives contract so as to exit or lower the existing position;
- (zzb) “staggered delivery” means the practice of settlement through physical delivery over multiple days prior to expiry of any commodity derivatives contract and the duration of staggered delivery period as specified in the contract specification of the respective commodity derivatives contract, if applicable;
- (zzc) “strike price/exercise price” means the price at which the underlying asset of the options contract can be bought or sold;
- (zzd) “tender days” means the staggered delivery period of a commodity derivatives contract settled by physical delivery, when buyers and sellers may give intention for taking/ giving delivery or CSE may mark buyers and sellers for delivery;
- (zze) “underlying” means the base commodity with reference to which commodity derivative contracts are permitted to be traded by the Exchange from time to time. This is the asset whose price movements determine the value of a commodity derivative contract;
- (zzf) “unique client code (UCC)” means a unique number of a client (i.e. NID/TIN for individuals, BIN for companies, passport for foreign individuals etc.) used during the creation of client code allotted to every client who is on-boarded at CSE by a commodity derivative broker;
- (zzg) “value at risk (VAR)” is a statistical measure to quantify the risk of potential losses of client’s commodity derivatives portfolio over a given time horizon at a confidence level as specified in the contract specification;

(zzh) “warehouse receipt” is a document issued by a warehouse accredited by CSE which serves as a conclusive proof of the availability of deliverable commodities for apportionment as per the delivery orders released by the clearing house in fulfilment of contractual obligations of the commodity derivatives contract.

- (2) Unless otherwise repugnant for any purpose, words and expressions used herein and not defined, but defined in the Securities and Exchange Ordinance, 1969 (Ordinance No. XVII of 1969), Bangladesh Securities and Exchange Commission Act, 1993 (Act No. XV of 1993), ডিপজিটরি আইন, ১৯৯৯ (১৯৯৯ সনের ৬ নং আইন), এক্সচেঞ্জের ডিমিউচুয়ালাইজেশন আইন, ২০১৩ (২০১৩ সনের ১৫নং আইন), বাংলাদেশ সিকিউরিটিজ এন্ড এক্সচেঞ্জ কমিশন (ক্লিয়ারিং এন্ড সেটলমেন্ট) বিধিমালা, ২০১৭, Bangladesh Securities and Exchange Commission (Exchange Traded Derivatives) Rules, 2019, Bangladesh Securities and Exchange Commission (Commodity Exchange) Rules, 2023, ব্যাংক-কোম্পানী আইন, ১৯৯১ (১৯৯১ সনের ১৪ নং আইন), কোম্পানী আইন, ১৯৯৪ (১৯৯৪ সনের ১৮ নং আইন) [the Companies Act, 1994 (Act No. XVIII of 1994)], ফাইন্যান্সিয়াল রিপোর্টিং আইন, ২০১৫ (২০১৫ সনের ১৬নং আইন) or Financial Reporting Act, 2015 (Act No. XVI of 2015)]; shall have the same meanings as are respectively assigned to them in the said Ordinance or Act and Rules or Regulations made thereunder.

CHAPTER-II COMMODITY DERIVATIVE BROKER

3. Eligibility.- No entity shall be eligible in effecting transactions in commodity derivatives contracts, unless:

- (1) it has complied with the provisions of the বাংলাদেশ সিকিউরিটিজ অ্যান্ড এক্সচেঞ্জ কমিশন (ট্রেডিং রাইট এনটাইটেলমেন্ট সার্টিফিকেট) বিধিমালা, ২০২০;
- (2) it has obtained the Trading Right Entitlement Certificate under the administration of চট্টগ্রাম স্টক এক্সচেঞ্জ (অ্যাডমিনিস্ট্রেশন অব ট্রেডিং রাইট এনটাইটেলমেন্ট সার্টিফিকেট) প্রবিধানমালা, ২০২০:

Provided that substantial shareholder (holder of 10% or more shares) or strategic investor of CSE or connected person of such shareholder or partner shall not have any trading right as a commodity derivative broker;

- (3) it is registered as a commodity derivatives broker under the Bangladesh Securities and Exchange Commission (Commodity Exchange) Rules, 2023;
- (4) it is enrolled as a commodity derivative broker under these regulations.

4. Conditions for Enrolment.-

- (1) A TREC holder shall apply in Form-1 for enrolment at CSE as commodity derivatives broker.
- (2) The applicant shall submit details about technical resources, (e.g. back-office software, order management system, risk management system etc.) human resources and other necessary infrastructure for smooth functioning in the commodity derivatives segment.

- (3) The applicant shall have at least two qualified and trained commodity authorized representatives and a compliance officer having trained in commodity derivatives operation:

Provided that the commodity authorized representative and compliance officer shall have training in any certification course on commodity derivatives market operation as recognized by CSE.

- (4) Consideration of the application submitted under sub regulation (1) shall be reviewed and decision thereon is as follows:
- (a) on receipt of the application, CSE shall examine it, and if it is satisfied that all the requirements are fulfilled, CSE shall accord consent in writing to enrol the applicant as commodity derivatives broker within 30 (thirty) working days of receipt of the application;
 - (b) if CSE finds that the application does not fulfil any requirement, it may, within 20 (twenty) working days of receipt of the application, request the applicant to fulfil the requirements within such time as CSE may determine, and on fulfilment of such requirements, CSE shall accord consent of enrolment in writing within 30 (thirty) working days of such fulfilment;
 - (c) CSE may call for further information, if it deems necessary;
 - (d) if CSE finds that the application does not fulfil all the requirements, it may reject the application, stating the reasons therefore within 30 (thirty) working days of final submission.

5. Enrolment Fee, etc.- The commodity derivatives broker who has enrolled under sub-regulation (4) of regulation 3 shall have to pay the following fees in addition to the fees payable under বাংলাদেশ সিকিউরিটিজ এন্ড এক্সচেঞ্জ কমিশন (ট্রেডিং রাইট এনটাইটেলমেন্ট সার্টিফিকেট) বিধিমালা, ২০২০, Bangladesh Securities and Exchange Commission (Commodity Exchange) Rules, 2023 and চট্টগ্রাম স্টক এক্সচেঞ্জ (অ্যাডমিনিস্ট্রেশন অব ট্রেডিং রাইট এনটাইটেলমেন্ট সার্টিফিকেট) প্রবিধানমালা, ২০২০:

- (1) an amount of Tk. 2 (two) crore shall be paid as enrolment fee to CSE which is non-refundable;
- (2) an amount of Tk. 1 (one) Lakh shall be paid to CSE as annual fee within 30 (Thirty) days of end of each financial year; failing of which shall pay an additional amount of Tk. 25 (twenty five) thousand as penalty for each year:

Provided that failure of payment of annual fees for the two consecutive years shall be considered disqualified to continue its enrolment as commodity derivative broker;

- (3) CSE may fix supplementary fees and charges for providing technological platform to any commodity derivative broker;
- (4) a refundable Base Minimum Deposit (BMD) shall be deposited for the purpose of settlement of claims of the client etc. as mentioned in the sub-regulation (2) of regulation 22 of these regulations;

(5) apart from the above, a commodity derivative broker having clearing rights shall be required to pay 'margin deposit' as specified by CSE from time to time from where all tradeable margins shall be deducted:

- (a) exposure shall be given on margin deposit;
- (b) CSE may stipulate differential 'margin deposit' for different classes of commodity derivative brokers from time to time;
- (c) the 'margin deposit' is the minimum deposit stipulated for every class of commodity derivative broker;
- (d) all classes of commodity derivative brokers may choose to place additional security deposits for enhanced trading or clearing limits.

6. Category of Commodity Derivative Broker.- The commodity derivative broker shall be enrolled in any of the following categories:

- (a) **Commodity Trading Broker (CTB):** it shall trade on its proprietary account or for its clients, but shall not settle trades without having affiliation with a Commodity Full Clearing Broker (CFCB) or a Commodity Professional Clearing Participant (CPCP), as the case may be;
- (b) **Commodity Trading-cum-Self Clearing Broker (CTSCB):** it shall trade and settle on its proprietary account or for its clients;
- (c) **Commodity Full Clearing Brokers (CFCB):** it shall trade and settle on its proprietary account or for its clients as well as settle trades of any other commodity trading broker (CTB):

Provided that no commodity derivatives broker shall perform as a CFCB unless it has minimum paid-up-capital of Tk. 50 (fifty) crore or any other amount as determined by the Commission from time to time.

7. Commodity Professional Clearing Participant (CPCP).- Any bank or financial institution which is registered as custodian or security custodian may perform the role of commodity professional clearing participant to settle trades, if such entity is recognized as CPCP by the Commission. Prior to that such entity shall apply to the Exchange in Form-16 for enrolment as commodity professional clearing participant subject to the payment of a non-refundable fee of Tk. 50 (fifty) Lakh in favor of CSE.

CHAPTER-III TRADING

8. Trading Days, Trading Holidays, Trading Hours, and Trading Sessions.-

(1) **Trading day:** The regulations regarding trading days and holidays shall be as follows:

- (a) trading days shall be specified in the respective contract specification or any other market announcement disseminated by CSE from time to time;
- (b) CSE shall disseminate the trading holiday list by market announcement well in advance;

- (c) CSE may close the market on trading days or open the market on any scheduled trading holidays by market announcement well in advance.
- (2) **Trading hours:** The regulations regarding trading hours shall be as follows:
- (a) trading hours shall be specified in the respective contract specifications or any other market announcement disseminated by CSE from time to time;
 - (b) CSE may extend, advance, or reduce the trading hours/sessions by market announcement as and when it deems fit, with intimation to the Commission.
- (3) **Trading sessions:** Trading sessions are periods of time during the trading day during which a defined set of trading rules apply on the commodity derivative contract to manage orders, quotes, executions, and market data which shall be divided into the following sessions:
- (a) **pre-trading session:** the pre-trading session shall be the first session that a commodity derivative contract transitions into during the course of a normal trading day. If required, CSE may perform housekeeping activities on the order-book at this time;
 - (b) **opening auction session:** opening auction session shall be used to start business for the day, allowing the market to find a proper opening price for the day. During the session, only order entry and modification of limit orders are permitted. Execution of orders shall not be done during this session. The previous day's closing price and index shall be available to the market participants during this session;
 - (c) **open price publication session:** during this session matching of orders shall be done at opening price. The opening price shall be calculated based on the orders entered into the system during the opening auction session, as well as the pending orders of the previous trading day session. The opening price of a commodity derivative contract shall be the price at which maximum number of commodity derivative contracts is matched. In the event of there being no trade for certain contract, the last closing price for the contract shall be made the opening price for the day. No order entry shall be permitted during this session;
 - (d) **regular trading session:** during this session order entry, deletion/modification of orders can be provided. Orders shall be executed during this session and if an order cannot be executed in full or in part, it shall be stored as an unfilled order. Unfilled orders from the pre-opening session shall not be carried forward to this session;
 - (e) **closing price publication:** the closing price publication allows market operations to configure a dedicated session to disseminate closing price for the day;
 - (f) **closing price trading session:** during this session, the system shall accept only 'match at closing price' order. This type of orders and all executable pending orders shall be executed in this session at closing price. If any 'match at closing price' order is not executed in whole or in part, it shall be removed from the system automatically and all other pending orders except the expired ones shall be carried forward to the following trading day;

- (g) **post-closing session:** during this session the system shall provide access to the commodity derivative broker to make enquiries, verify, and download the daily transaction details.

9. Order Management.-

(1) **Order types:** The commodity derivative broker may place the following types of orders:

- (a) **limit order:** a limit order is the order in which the buying price or selling price for a certain quantity of particular contract shall be specified and shall be executed only at a price that is better than or equal to price specified on order entry. If the full quantity of the order is not executed immediately, then the unfilled part of a limit order is stored in the order book of the system until it is matched or its duration expires. A commodity derivative broker may have multiple orders for the same contract at the same time;
- (b) **market order:** a market order is an order to buy or sell a certain quantity of particular contract at the best price or prices prevailing in the market at that point of time. Best price means the highest bid price or the lowest ask price. Market order derives its price in the following order:
 - (i) it gets executed at the best counter side order price;
 - (ii) if there is no counter side order, it takes the best price of same side order book;
 - (iii) if there are no order(s) on the same side, it takes the last traded price;
 - (iv) if there are no trades for the day, it takes the previous day's close price.
- (c) **day order:** day order is available for execution only on the current trading day until executed or cancelled;
- (d) **good till date order:** good till date order is available for execution till end of the date indicated in the order or till the last trading day of that commodity derivative contract month, whichever is earlier;
- (e) **good till cancel order:** good till cancel order is available for execution till maturity of the commodity derivative contract or till it is cancelled, whichever is earlier;
- (f) **good till time order:** good till time order remains active in the market until the time specified on the day in the order;
- (g) **immediate or cancel (IOC) order:** immediate or cancel (IOC) order executes on receipt and the remainder if any, is immediately expired. The order may execute partially;
- (h) **fill or kill (FOK) order:** fill or kill (FOK) Order executes the complete quantity on receipt or expires with no execution at all. Hence, does not execute partially;
- (i) **At the Opening or OPG order:** OPG order participates only in the opening auction call and expires at the conclusion of the opening auction call;

- (j) **market to limit (MTL) order:** a market to limit (MTL) order is a regular market order on entry excepting the IOC or FOK order. In the event of non-execution or partial execution of an order, the full or remaining portion shall subsequently be converted into a limit order at the dynamic reference price of the contract;
- (k) **iceberg and reserve order:** iceberg and reserve order is an order in which the commodity derivative broker has the option to specify a disclosed quantity along with the total order quantity. Only the disclosed quantity is revealed to the market/system. The disclosed quantity gets replenished only when it is executed;
- (l) **stop order or stop limit order:** a stop order is such an order which shall be active upon the price of the contract reaches to a stop price condition/particular level which allows investors to exit the market by protecting potential losses. When the order is active, it shall be considered as a market order or stop limit order and a stop limit order behaves similarly to a limit order. Stop order, also known as stop loss order, allows investors to exit the market upon if it moves in an undesirable direction. A stop loss order allows the commodity derivatives broker to place an order which gets activated only when the market price of the relevant contract reaches or crosses trigger price;
- (m) **market-if-touched (MIT) order:** a market-if-touched (MIT) order is a market order that becomes active when the price of a commodity derivative contract reaches a particular level which allows investors to exit the market booking a profit;
- (n) **quote and mass quote:** quote and mass quote enable market makers to maintain their buying and selling preferences in an order book. Dual sided quotes are used by the market makers, if allowed by the Commission, to maintain a spread in a market for continuous periods of time. Mass quote refers to the submission of multiple quotes via a single message. There is no limit to the number of quotes a mass quote may contain;

Provided that CSE may introduce Liquidity Enhancement Scheme (LES) including the incentive package, with prior approval of the Commission, for the market maker;

- (o) **match at closing price:** a 'Match at Closing Price' order allows the commodity derivative broker to specify order to be executed at closing price.
- (2) **Order validation:** orders entered into the trading system by the commodity derivative brokers shall be subject to various validation requirements as prescribed by CSE. Orders that do not meet the following validation checks shall not be accepted by the trading system:-
 - (a) minimum disclosed quantity as set by CSE;
 - (b) maximum number of days for Good Till Cancel order;
 - (c) maximum lot size;
 - (d) maximum digits for tick size;
 - (e) any other parameter set by CSE.
- (3) **Modification, rectification, and cancellation of order:**

- (a) an order active in the system may be modified, rectified, or cancelled any time before execution;
- (b) only the price, quantity, and validity date of an order active in the system may be modified before execution;
- (c) a genuine mistake in entry of client code/ID on an active order in the system may be rectified before execution;
- (d) modification of price and quantity results in requeuing the order;
- (e) rectification of client code/ID results in requeuing the order;
- (f) in case only the validity date is modified, the order position in the queue shall not be changed.

(4) Disclosed and undisclosed quantity:

- (a) an order may specify the total and disclosed quantity of commodity derivatives contracts;
- (b) disclosed quantity shall not exceed the total quantity;
- (c) total and disclosed quantity of an order must be a market lot or multiple of a market lot;
- (d) an increase in disclosed quantity of an order shall change in the queue priority but a decrease in disclosed quantity of an order shall not change in the queue priority.

(5) Cancellation of orders by CSE: Whenever commodity derivative broker is unable to cancel order from the user terminals, it shall request CSE for cancellation of order on its behalf in the prescribed format as mentioned in Form-3.

(6) Square-Off of open position: A commodity derivative broker may request CSE to reduce its existing open position in case of an exigency in the prescribed format as mentioned in Form-4.

10. Modification of Client Code on Post Execution of Trades.- If any genuine mistake or any rectification is addressed immediately after execution of trades by the commodity derivative broker and placed the matter before CSE for modification or rectification of any client code, CSE may take necessary action at its own discretion in this regard:

Provided that such modification or rectification request shall not be entertained by CSE more than once in a quarter for any commodity derivative broker.

11. Matching Rules.-

- (1) Unless otherwise specified, the order matching rules shall have the following features:
 - (a) orders in the normal market shall be matched on price-time priority basis;
 - (b) best buy order shall match with the best sell order;

Explanation: The best bid/buy order shall be the one with the highest price and the best offer/sell order shall be the one with the lowest price.

- (2) CSE may launch more than one order book running either parallel or at different time spans, either with the same order matching rules or with different matching rules. CSE may also modify or change the matching rules relevant to any market or order books any time, if deems necessary.

12. Transaction Charges.- CSE shall collect transaction charges from the commodity derivative brokers for the trades executed or cleared which shall be determined by CSE from time to time:

Provided that CSE may charge different transaction charges for different commodities.

13. Client Code.-

- (1) Commodity derivative broker shall create a client code for each of its clients;
- (2) client code shall be created after getting application from the respective client as per the format mentioned at Form-2;
- (3) each client shall submit the following documents along with the application:
 - (a) recent passport size photographs of the applicant and his nominee;
 - (b) copy of National ID of the applicant and his nominee;
 - (c) copy of eTIN/BIN certificate of the applicant;
 - (d) copy of trade license (if the applicant is a sole proprietorship firm);
 - (e) copy of passport (if the applicant is a foreign national);
 - (f) banker's certificate regarding the bank account of the applicant;
 - (g) board resolution for opening client code (if the applicant is a company);
 - (h) copy of memorandum and article of association and certificate of incorporation (if the applicant is a company);
 - (i) any other document required by the commodity derivative broker.

14. Commodity Options Contracts.- Trading norms of commodity options contract are as follows:

- (1) **Underlying:** Commodity futures contract (on a specified month) traded on the corresponding exchange shall be the underlying for the commodity options contracts.
- (2) **Exercise Style:** CSE shall design and permit the European Style option contract.
- (3) **Minimum Strikes:** Each option expiry shall have minimum three strikes available viz., one each for In the Money ("ITM"), Out of the Money ("OTM"), and At the Money ("ATM").
- (4) **Exercise Mechanism:** On expiry, following mechanism shall be adopted by CSE for the exercise of the options contracts:-
 - (a) all commodity option contracts belonging to 'At the Money' (ATM) commodity option series shall be exercised only on 'explicit instruction' for exercise by the long position holders of such commodity option contracts;
 - (b) all In the money (ITM) commodity option contracts, except those belonging to 'ATM' commodity option series, shall be exercised automatically, unless contrary instruction has been given by long position holders of such contracts for not doing so;
 - (c) all Out of the Money (OTM) commodity option contracts, except those belonging to 'ATM' commodity option series, shall expire worthless.

- (5) **Expiry Day:** Expiry day of options contracts shall be decided by CSE based on period of high liquidity of underlying futures contract which shall be the part of option contract specifications.

CHAPTER-IV

POSITION LIMIT AND PRICE LIMIT

15. Position Limit.-

(1) General requirement for position limit:

- (a) the following common provisions shall be applicable to the agricultural as well as non-agricultural commodity derivatives contract at commodity level:
 - (i) numerical value of overall client level open position limit shall be applicable for each commodity as determined by CSE;
 - (ii) for the purpose of position limit, provisions applicable on client level positions shall also be applicable to the proprietary positions of commodity derivative brokers and while calculating commodity derivative broker's open positions, its proprietary positions shall be treated and computed like a client's positions;
 - (iii) for the purpose of calculating overall position of a commodity derivatives broker, the overall position of all its clients including proprietary position shall be added without netting off among themselves. Thus, the positions of all long clients and all short clients shall be added up separately and higher of the above two positions shall be reckoned as commodity derivative broker's open position in a commodity derivative contract.
- (b) **Clubbing of open position:** While calculating open position for the purpose of position limit, CSE shall take suitable measures for clubbing of open positions of clients or commodity derivative brokers who may be acting in concert to circumvent the norms of position limits.
- (c) **Monitoring of position limit:**
 - (i) CSE shall monitor the open position on a real time basis, and shall endeavour that no client or commodity derivatives broker breaches the open position limits;
 - (ii) fines shall be levied on those breaching the position limit at end of the day on position limit violation as per schedule of fines in Annexure – A.

(2) Position limits for agricultural commodity derivatives contract: The following provisions shall be applicable on agricultural commodity derivatives contracts at a commodity level:

- (a) for the purpose of calculating position of a client, all long and short delta adjusted positions of the client across all contracts in the base underlying shall be added to arrive at its overall open position;
- (b) each commodity derivatives broker level overall position limit across all contracts shall be 10 (ten) times of the numerical value of client level maximum open position limit or 15% of the market-wide open interests/positions as determined by CSE and as mentioned in the contract specification;

Explanation: Market-wide open interest/position refers to the aggregate long and short positions of all live contracts of a particular commodity as determined by CSE on real time basis or at a regular interval or at the End of the day's trade;

(c) **near month position limit:** in case of near month contracts:

- (i) client level near month position limit shall be equivalent to one third of the client level overall position limit as specified in the contract specification;
- (ii) commodity derivative broker level near month position limits shall also be equivalent to one third of the commodity derivative broker level overall position limit as specified in the contract specification;
- (iii) for calculating near month open position of a client, the delta adjusted cumulative positions of the client in near month commodity derivative contracts to be considered. Thus, netting out near month contract with off-setting positions in far months contracts shall not be permitted for the purpose of computation of near month position of any client;
- (iv) for calculating near month open position of a commodity derivative broker, the position of the clients including proprietary position (which shall also be treated like a client position) as determined in (iii) above shall be added without netting off among themselves. All long and short positions shall be added up separately and higher of the above two positions shall be reckoned as commodity derivative broker's near month open position in a commodity derivative contract.

(3) **Position limits for non-agricultural commodity derivatives contract:** The following provisions shall be applicable to non-agricultural commodity derivatives at a commodity level:

- (a) for the purpose of calculating overall position of a client, all delta adjusted long and short positions of the client across all contracts shall be netted out;
- (b) client level numerical position limit for non-agricultural commodities shall be as specified in the contract specification or 5% of market-wide open interest/position;
- (c) each commodity derivative brokers level position limit shall be 10 (ten) times of the numerical value of client level position limit or 20% of the market-wide open interest/position, as determined by CSE and as mentioned in the contract specification.

Explanation: Market-wide open interest/position shall be as mentioned in 15 (2) (b).

(4) **Position limit for hedgers:** In order to facilitate larger participation by a genuine hedger by providing him with necessary incentives with a view to deepen the commodity derivatives market:

- (a) CSE may stipulate a "hedge policy" for granting hedge limit to its commodity derivative broker and hedger with prior intimation to the Commission;
- (b) any modification of the position limit mentioned in the contract specification for any hedger, who is a director of CSE or any corporate, where such director and his family member has controlling interest, or a related party or connected person of that director, shall be subject to the prior approval of the Commission:

Provided that such modification recommendation of CSE shall be forwarded to the Commission along with the minutes of the board meeting.

(5) Position limit for options contracts:

- (a) position limits for options contracts shall follow the same norms as provided for futures;
 - (b) position limits for options contracts shall be separated from position limits of futures contracts and numerical value for client/commodity derivative broker level limits shall be twice of corresponding numbers applicable for futures contracts;
 - (c) due to separate position limits for options contracts, there is a possibility that post exercise of options i.e., after development of options into corresponding futures options open positions for clients/commodity derivative brokers may exceed their permissible position limits for futures contracts. For such clients/commodity derivative brokers CSE may permit maximum of up to two trading days post options expiry day to reduce their futures positions to bring them within the permissible position limits.
- (6) CSE, may, after advance notification to brokers, modify the position limits from time to time, depending on market conditions.

16. Daily Price Limit (DPL).–

- (1) **Base price for DPL:** The base price for fixing the DPL slabs shall be the previous day's closing price of the underlying commodity futures contract on CSE:

Provided that at the time of making an options contract including incremental strikes, available for trading, CSE shall decide its base price, which shall be a theoretical price as per the applicable options model;

Explanation: Base price: At the time of making a commodity derivative contract available for trading on the system, CSE shall decide its base price, which shall be a notional price that may be based on the spot market price of that commodity on the previous day along with notional carrying cost or a reference price as declared by the Exchange.

- (2) DPL on first trading day of the commodity derivatives shall be imposed as follows:
- (a) in order to prescribe DPL slabs for the first trading day (launching day) of each commodity derivative contract, CSE shall determine the base price as under:
 - (i) volume weighted average price (VWAP) of the first half an hour of trade, subject to minimum of 10 (ten) trades;
 - (ii) if the required number of trades under sub-clause (i) is not achieved during the first half an hour, then the VWAP of first one hour trade, subject to minimum of ten trades shall be considered;
 - (iii) if required number of trades under sub-clause (ii) is not achieved during the first hour of the day, then VWAP of the first ten trades during the day shall be considered;
 - (iv) the base price arrived as sub-clause (i) or (ii) or (iii) above, as the case may be, shall be calculated by CSE and DPL shall be applied on such base price for the remaining part of the day;
 - (v) in case there is no trade during the day or there are less than ten trades during the day, CSE shall adopt an appropriate methodology for determining the base price and disclose the same on its website for dissemination to the stakeholders. DPL on the next trading day shall be applied on such base price.

- (b) CSE shall determine the closing price or daily settlement price (DSP) based on the provision mentioned in regulation 28 of these regulations;
- (c) DPL for commodity derivative contracts which are based on agricultural and agri-processed goods shall be determined as follows:

- (i) DPL for commodity futures contracts based on agricultural and agri-processed goods is as under:

Initial Slab	Enhanced Slab	Aggregate DPL
4%	2%	6%

- (ii) after the DPL is enhanced, trading shall be permitted throughout the day within the enhanced Aggregate DPL;
- (d) DPL for commodity derivative contracts which are based on non- agricultural goods shall be determined as follows:

- (i) DPL on commodity derivative contracts based on non- agricultural goods is as under:

Initial Slab	Enhanced Slab	Aggregate DPL	Trading beyond Aggregate DPL
6%	3%	9%	Yes

- (ii) in case the price movement in the international markets is more than the aggregate DPL, the same may be further relaxed maximum @ 3% by CSE. For such instance, CSE shall immediately inform the Commission about any such relaxation of DPL beyond Aggregate DPL along with all the relevant details and justification for the same;
- (iii) only in the event of exceptional circumstances, where there is extreme price movement, beyond the initial slab of the DPL in the international markets, during trading hours or after the closure of trading on CSE, CSE can relax the DPL directly by the required level maximum @ 3%, by giving appropriate notice to the market with intimation to the Commission immediately;
- (iv) in case the price movement in the international markets is more than the aggregate DPL, or if international price is beyond aggregate DPL range (after appropriate currency conversion), when compared with closing price on previous trading day on CSE, the DPL may be further relaxed maximum @ 3% by CSE. For such instance, CSE shall give appropriate notice to the market along with all the relevant details and justification for the same;
- (e) for commodity derivative contracts, CSE at its discretion, may prescribe DPL narrower than the slabs prescribed at sub-clause (i) of clause (c) and sub-clause (i) of clause (d) based on any reasonable ground, including findings from price movements and surveillance, etc;
- (f) CSE may increase or decrease the minimum number of required trades mentioned at sub-regulations (2) based on liquidity of the contract with prior approval of the Risk Management Committee of CSE and shall disclose the same on its website.
- (3) CSE shall accept only those orders which are within the relevant slab as prescribed in sub-regulation (2).
- (4) DPL on options contract:

- (a) the upper and lower price band on options contract shall be determined using option pricing model based on statistical method as determined by CSE and may be relaxed considering the movement in the underlying commodity derivative contract;
- (b) in the event of freezing of price ranges even without a corresponding price relaxation in underlying price, if deemed necessary, considering the volatility and other factors in the commodity option contract, the DPL may be relaxed by CSE.

CHAPTER-V

PRODUCT AND CONTRACT SPECIFICATIONS

17. Approval of Products.- CSE shall obtain approval of the Commission for each underlying commodity prior to designing the contract specifications:

Provided that CSE shall submit a product study report on each underlying commodity which shall contain potentiality and macro or micro economic factors.

18. Fundamentals of Contract Specifications.-

(1) CSE shall launch the commodity derivative contracts, after due process of approval, which based on requirement, shall contain details of the following (but not limited to):

- (i) contract symbol (name of the underlying commodity or index);
- (ii) contract description (contract symbol with expiry date etc.);
- (iii) contract listing (contracts available for trading as per contract calendar);
- (iv) contract launch date (date of on boarding of the contract in the Exchange system);
- (v) contract expiry date (last trading day of the contract);
- (vi) trading day;
- (vii) trading hours;
- (viii) tender period (applicable for deliverable contracts as specified in these regulations);
- (ix) delivery date (applicable for deliverable contracts as specified in these regulations);
- (x) numerator or contract size (standardized trading unit);
- (xi) denominator or Base Value (price quoted on specified quantity);
- (xii) currency (BDT);
- (xiii) maximum order size (maximum limit for a single order);
- (xiv) tick size (minimum price movement);
- (xv) spot/reference price or market (name of the underlying market, price of which shall be used to settle the contract on expiry);
- (xvi) position limit;
- (xvii) daily price limits;
- (xviii) margins (all types of margins as applicable);
- (xix) settlement type (cash/delivery);
- (xx) delivery details (delivery intention, delivery allocation, mode of delivery, delivery pay in and pay out etc. as specified in Regulations 23 (1) (b) (ii) and 33;
- (xxi) delivery cost (insurance, warehouse rent, taxes etc.);
- (xxii) delivery centre (Exchange accredited warehouse);
- (xxiii) due date rate (DDR);
- (xxiv) staggered delivery detail (if applicable);

- (xxv) grade or quality specifications;
- (xxvi) location premium and/or discount;
- (xxvii) option type (put or call);
- (xxviii) option style (European) exercised only on expiry;
- (xxix) strike price/exercise price (applicable for options contract);
- (xxx) strike price interval (ITM, ATM, OTM);
- (xxxi) premium (applicable for options contract);
- (xxxii) further regulations (contract shall be subject, where applicable, to these regulations);
- (xxxiii) any other parameter as determined by the Commission or CSE from time to time.

(2) CSE shall determine the following parameters or descriptions regarding the issues under contract specifications from time to time and disseminate to the market participants through the contract specification of the respective commodity:

- (a) **contract size:** the physical size of the underlying commodity in units such as kgs, ounces, tons, barrels, etc. as specified in contract specification according to the nature of commodity;
- (b) **tenure of contract:** the maximum tenure of commodity derivative contracts shall be 12 (twelve) months or as determined by CSE time to time;
- (c) **tick size:** the minimum price movement by which a commodity derivative contract can move upward or downward;
- (d) **final settlement price:** the price at which the commodity derivative contract shall be settled on expiry;
- (e) **expiry date:** each commodity derivative contract shall expire on the date specified in the contract specification or at such other date as may be declared by CSE from time to time. CSE may change the expiry date of a running commodity derivative contract on a special circumstance with an intimation to the Commission.

(3) **Contract approval process:**

CSE shall submit the following documents to the Commission for approval of a commodity derivatives contract:

- (i) contract specifications (following the applicable provisions of the regulations 18);
- (ii) study report on underlying commodity;
- (iii) recommendation of Product Advisory Committee (PAC).

19. Trading Norms of a Commodity Derivative Contract.-

- (1) CSE shall not commence any commodity derivatives contract without prior approval of the Commission.
- (2) All transactions in commodity derivative contracts shall be cleared and settled by the clearing house of CSE complying to relevant rules and regulations.

- (3) Commodity derivative brokers of CSE shall issue confirmation note for each of the transactions executed for their clients or their own at the end of trading day.
- (4) On execution of a commodity derivative contract, commodity derivative broker of CSE shall pay all applicable statutory fees, taxes, and charges, if any, in respect of all deliveries and contracts.
- (5) Rates and/or prices for the commodity derivative contracts permitted for trading in CSE shall be quoted in accordance with the specifications specified in the respective contract specifications and shall be for the basis variety of the underlying commodity of that commodity derivative contract and for the base centre or place prescribed in the clauses of that commodity derivative contract.
- (6) CSE shall specify and modify the base centre of commodity derivative contracts in that commodity or group of commodities from time to time. Such change of base centre shall be subject to the approval of the Commission.
- (7) CSE shall specify and modify, if needed, the position limits with respect to the commodity derivative contracts permitted on CSE. Such position limits could differ for commodity derivative broker categories and/or differ from broker to broker; and exceptions may be provided.
- (8) CSE, with approval of the Commission, shall have the right to determine, specify and modify the price limits with respect to the commodity derivative contracts permitted on CSE. Such price limits may include floor and ceiling price for a day or for a specific period.
- (9) CSE shall have the right to specify and charge trading fee, clearing fee or any other fee from the commodity derivative broker of CSE:

Provided that CSE shall specify the maximum limit of applicable fees (i.e.- trading fees and clearing fees) that a commodity derivatives broker may charge from its own clients.

- (10) All outstanding commodity derivative contracts not settled by giving or receiving deliveries shall be closed at the due date rate as fixed by CSE, together with a fine as mentioned in these regulations, for those failing to give or receive delivery as mentioned in the contract specifications.
- (11) CSE shall have the right to determine, specify and modify the terms and manner of delivery of that commodity or group of commodities resulting from outstanding transactions in commodity derivative contracts in that commodity or group of commodities.
- (12) CSE shall determine the norms and procedures for storage and dealing in commodities stored in warehouses, delivery procedure, methods of sampling, testing, quality certification, determination of grades and validity or final expiry period, determination of quality and variety, survey, transportation, packing, weighing, applicability of deductions and allowances, and final settlement procedures.
- (13) Any commodity derivative brokers of CSE transacting in any commodity derivative contract and basis varieties that are not specified by the Exchange shall be liable to disciplinary action.

- (14) Commodity derivatives brokers shall maintain a record of all their transactions in all commodity derivative contracts permitted by CSE. They shall maintain separate records of transactions of their own account and those of their clients. They shall preserve the records of transactions for each client separately with the time and date of receipt of order, details of executed transactions for each client and books of accounts relating to the same, for a period of not less than 7 (seven) years or any such period as may be prescribed by the Commission or CSE for production whenever required by the board of directors or any committee of CSE and/or by the Commission or by the inspecting authority appointed by the Commission.
- (15) Transactions in commodity derivative contracts that are not permitted by the Commission are prohibited.

20. Launch, Modifications, Delisting and Re-Launch of Commodity Derivative Contracts.-

- (1) The commodity derivative contract specification in respect of each underlying commodity in which commodity derivative trading has to commence shall be notified in advance to the stakeholders on the website of CSE specifying full details of the quality standards, settlement procedure and other trading parameters relating to tick size, unit of trading, minimum and maximum order size and the basis in terms of quality etc., which shall be binding on all commodity derivative brokers, clients and entities trading on CSE.
- (2) CSE may modify the commodity derivative contract specifications related to symbol, basis, maximum order size, trading unit, delivery unit, quotation base value, tick size, settlement types, delivery centres, additional delivery centres, issue related to premium/discount, quality parameters and its relevant aspects such as quantity variation and tolerance limit in the commodity derivative contract specifications after informing the stakeholders and the Commission in advance, before introduction of any modification in commodity derivative contract specifications along with reasons for the modifications. These material modifications may be made at the Exchange level on yet to be launched commodity derivative contracts or running commodity derivative contracts which have nil open interest:

Provided that in case of modifications of the commodity derivative contract other than those specified above, CSE may do so subject to the prior approval of the Commission. Any commodity derivative contract entered into in violation of these norms or not confirming to the specifications laid down by CSE shall be considered as void.

- (3) In case of commodity derivative contracts approved for trading by the Commission:
 - (a) if CSE decides not to launch new commodity derivative contract for trading, then CSE shall inform the stakeholders and the Commission with adequate reasons for not launching of such commodity derivative contract;
 - (b) if CSE decides to de-list already running commodity derivative contract(s) having nil open interest, CSE shall serve adequate notice to market and keep the Commission informed with sufficient reasons for de-listing of such contract(s);
 - (c) the re-launch of new commodity derivative contracts in case of (a) and (b) above shall be subject to prior approval of the Commission.

- (4) **Oversight of product design:** The market research and product advisory committee (PAC) of CSE shall have oversight of the product design and, inter alia:
- (a) oversee matters related to product design and review the design of the already approved and running commodity derivative contracts;
 - (b) oversee the observation of the Commission on product design related issues;
 - (c) estimate the adequacy of resources dedicated to product design related function.
- (5) **Contract expiration:**
- (a) the commodity derivatives contract shall be available for trading during such period and shall expire on a pre-determined date and time as notified by CSE in advance;
 - (b) the contract expiration period shall not exceed 12 (twelve) months from the date of launch of trading or such other period as may be specified by CSE from time to time;
 - (c) CSE may advance or prepone the expiry date of a running contract, in case the physical market is closed in the notified centre on the expiry day or date of the commodity derivative contract, due to festivals, strikes, erratic weather conditions, etc. The delivery period may also be advanced or postponed for any contract having a staggered delivery in such cases.
- (6) **Invalidation of a traded contract:** CSE may invalidate a matched commodity derivative contract if a commodity derivative broker has attempted to conclude the transaction in violation of the regulations of CSE or with an intention of price manipulation, price rigging or price distortion.
- (7) **Governing law or jurisdiction:** Every commodity derivative contract transacted as per regulations of CSE shall take effect as a contract made at CSE, and shall be governed by the laws of People's Republic of Bangladesh.

CHAPTER-VI

RISK MANAGEMENT

21. Framework of Risk Management. –

- (1) The core of the risk management system of CSE shall comprise of different risk management tools including Commodity Settlement Guarantee Fund (CSGF), Base Minimum Deposit (BMD) and Margin Deposits. CSE shall maintain CSGF, collect BMD and Margin Deposits from commodity derivative brokers for ensuring good settlement.
- (2) Margin Deposits shall be made in cash, cash equivalents and permitted securities. 20% of the total margin deposits shall be kept as exposure free maintenance margin which shall be allowed to deposit in the form of cash or other forms of margin instruments as specified in these regulations. Remaining 80% of the margin deposits shall be considered to provide exposure limit to the commodity derivative brokers which shall be deposited in the form of cash and shall be utilized as various margins i.e., Initial Margin (IM), Extreme Loss Margin (ELM), Additional Margin (AM), Short

Option Margin (SOM), Premium Margin, Pre-expiry/Tender Period Margin, Delivery Period Margin etc., as, and when applicable.

- (3) The mentioned margins shall also be exhausted on real time basis towards Mark to Market (MTM) obligations.
- (4) CSE shall alert the commodity derivative broker at different pre-specified utilization levels of exposure margins and put the commodity derivative broker to the Risk Reduction Mode (RRM) in case the margin utilization crosses the threshold limit as specified in these regulations.

22. Details of Risk Management.– The risk management system of CSE comprises of the following:

- (1) **Commodity settlement guarantee fund (CSGF):** CSE shall create and maintain CSGF as per regulations under chapter XIV of these regulations for the purpose of providing settlement guarantee.
- (2) **Base minimum deposit (BMD):** Each commodity derivative broker shall be required to pay CSE the Base Minimum Deposit (BMD) as categorized and mentioned below:-
 - (a) for Commodity Trading Broker (CTB): Tk. 10 (Ten) Lac;
 - (b) for Commodity Trading-Cum-Self Clearing Brokers (CTSCB): 50 (fifty) Lac;
 - (c) for Commodity Full Clearing Brokers (CFCB): Tk. $[1 + (n \times 0.5)]$ crore.

Here, n = Number of Commodity Trading Brokers (CTB):

Provided that CSE may review or modify the above-mentioned Base Minimum Deposit (BMD) of each type of commodity derivative broker at any time by issuing guideline;

- (d) no exposure shall be given by CSE on this BMD;
- (e) minimum 60% of the above deposit shall be in the form of cash and balance 40% can be in the form of fixed deposit and/or bank guarantee:

Provided that the commodity derivative brokers who hold the shares of Chittagong Stock Exchange PLC (other than in blocked accounts) shall be allowed to deposit their shares as collateral/lien for the purpose of 50% non-cash BMD either at face value or valued at 75% of the last traded price (LTP) or whichever is higher:

Provided further that to avail this facility under this proviso, the respective commodity derivative broker shall provide irrevocable power to liquidate such lien shares to CSE;

- (f) the Base Minimum Deposit (BMD) shall be kept in a separate account by CSE and would be used only towards the settlement of claims of the client, payment of arbitration fee by the commodity derivative broker if any, and dues payable by the commodity derivative broker on account of pending arbitration cases or arbitration awards and shall not be used by CSE for meeting any of its other dues;
- (g) BMD shall be refunded to the commodity derivative brokers at the time of surrender of license of commodity derivative broker provided that there is no unsettled claim against

commodity derivative broker and no arbitration cases are pending against the commodity derivative broker.

- (3) **Minimum liquid capital balance and net worth maintenance:** Commodity derivative broker shall maintain liquid capital balance as per the Bangladesh Securities and Exchange Commission (Risk Based Capital Adequacy) Rules, 2019 and all time maintain minimum net worth as per the Bangladesh Securities and Exchange Commission (Commodity Exchange) Rules, 2023.
- (4) **Margin Deposit:** Liquid assets shall be deposited by commodity derivative brokers with CSE to cover various margins and deposit requirements. The types of liquid assets acceptable by CSE from commodity derivative brokers and the applicable haircuts and concentration limits are listed below:

Instrument	Minimum Haircut (Notes)
Cash	0
Cash Equivalent	
Bank fixed deposits	0
Bank guarantees	0
Government Securities	0
Other Liquid Assets	
Equity Shares (<i>Notes</i>)	
Liquid (Group-I)	20%
Liquid (Group II)	30%
Listed Mutual Fund	10%

Notes:

- (i) the valuation of the liquid assets shall be done on daily basis after applying applicable haircuts;
- (ii) cash component shall be at least 80% of total liquid assets. This would imply that cash equivalents and other liquid assets in addition to the total cash shall be maximum 20% of total liquid asset;
- (iii) the most traded and liquid securities up to top 20 (twenty) in the equity segment of CSE to be treated as group I. For this purpose, trading data on the last one year to be considered in order to decide on the most traded and liquidity criteria. The rest of the most traded and liquid securities up to top 40 (forty) to be treated as group II:

Provided that only main board of equity segment of CSE shall be considered in determining the most traded and liquid securities;

Provided further that the 'Z' category equity shares shall not be considered in determining the most traded and liquid securities.

- (5) CSE shall accept liquid assets as collateral only as per the list of liquid assets specified in these regulations. However, CSE may decide not to accept certain types of liquid assets specified in the above list based on risk perception, capability to hold and arrangements for timely

liquidation. CSE may stipulate concentration limits at commodity derivative brokers level or across all commodity derivative brokers as may be necessary:

Provided that CSE may accept other instruments as collateral as may be decided by the Commission or CSE from time to time.

Different types of margins are specified hereunder:

- (a) **Initial margins (IM):** CSE shall impose a fixed or value at risk (VaR) based initial margins (IM) sufficient to cover its potential future exposure to commodity derivative broker in the interval between the last margin collection and the close out of positions following a commodity derivative broker default. CSE may also estimate appropriate Margin Period of Risk (MPOR) subject to a minimum of 2 (two) days of the look-ahead period. The initial margins for a contract shall be the higher of the value at risk scaled up by MPOR or the minimum initial margin as per contract specification. When there is more than one position for a client, the IM is computed on portfolio basis, taking into account benefits on eligible offsetting positions:
 - (i) **minimum value for initial margin and minimum MPOR:** the applicable minimum initial margin and minimum MPOR for a contract shall be as approved by the Commission from time to time for each commodity derivative contract;
 - (ii) **margin computation at client portfolio level:** margins shall be computed at the level of commodity derivative portfolio of each individual client comprising its positions in commodity derivative contracts across different maturities. For commodity derivative brokers level margins computation, margins would be grossed across various clients. The proprietary positions of the commodity derivative brokers shall also be treated as that of a client for margin computation;
 - (iii) **spread margin benefit:**
 - 1) spread benefit in initial margin shall be permitted in the following cases:
 - a) different expiry date commodity derivative contracts of the same underlying;
 - b) two commodity derivative contracts' variants having the same underlying commodity;
 - 2) CSE shall specify the percentage of maximum benefit in initial margin on spread positions from time to time;
 - 3) in case of spread positions, additional margins and special margins shall not be imposed. CSE may, however, charge margins higher than the minimum specified depending upon risk perception;
 - 4) margin benefit on spread positions shall be entirely withdrawn across contracts specified by CSE latest by the start of tender period or start of expiry day, whichever is earlier;

CSE shall further specify that to be eligible for initial margin benefit, each individual commodity derivative contract in the spread shall be from amongst the first three expiring commodity derivative contracts;

- 5) in case of calendar spreads or spreads consisting of two commodity derivative contract variants having the same underlying commodity (wherein benefit in initial margin is permitted), benefit in initial margin shall be permitted when each individual commodity derivative contract in the spread is from amongst the first three expiring commodity derivative contracts. In case of agricultural commodities, the commodity derivative contracts shall belong to same crop season.

(iv) **Real time computation:** The margins shall be computed on real time basis. The computation of commodity derivative portfolio initial margin shall have two components:

- 1) the first is the computation of initial margin for each individual commodity derivative contract;
- 2) at the second stage, these commodity derivative contracts' initial margins shall be applied to the actual commodity derivative portfolio positions to compute the commodity derivative portfolio initial margin and any eligible margin benefits are applied;
- 3) CSE may also apply the latest available scaled up VaR or minimum initial margin whichever is higher to commodity derivative broker or client commodity derivative portfolios on a real time basis.

(v) **IM on options contract:** The buy premium shall be charged as margins and blocked from the collaterals in case of commodity options contracts. Such premium shall be released upon completion of settlement.

- (b) **Extreme Loss Margins (ELM):** ELM shall be imposed to cover the loss in situations that lie outside the coverage of the initial margins as specified in contract specification. ELM on gross open positions shall be levied and shall be deducted from the liquid assets of the commodity derivative broker on an online, real-time basis after providing for off-set benefits as permitted. Extreme loss margins shall be such percentage of the gross open positions as may be prescribed by CSE from time to time.
- (c) **Additional Margins (AM):** CSE, at its own discretion, shall impose additional margins based on the evaluation on specific market condition as may be necessary. AM shall be imposed on both long and short positions over and above the IM and ELM.
- (d) **Pre-expiry margin/Tender period margins:** CSE shall impose pre-expiry or tender period margin which shall be increased gradually every day beginning from the pre-determined number of days before the expiry of the commodity derivative contract and latest by the start of the staggered delivery period, if applicable. CSE shall determine the quantum of pre-expiry margin as appropriate based on the risk characteristics of the particular commodity.
- (e) **Delivery period margin:** Appropriate delivery period margin shall be levied by CSE on the long and short positions marked for delivery till the pay-in is completed by the commodity

derivative broker and its clients. Once delivery period margin is levied, all other applicable margins may be released. Delivery period margins shall be higher of:

- (i) 3% + 5 day 99% VaR of spot price volatility; or
 - (ii) 25%; or
 - (iii) CSE may impose higher margins if deemed fit.
- (f) **Additional ad-hoc margins:** CSE shall have the right to impose additional risk containment measures over and above those (initial margin, ELM, MTM, pre-expiry or tender period margin, delivery margin) mandated by the Commission.
- (g) **MTM (Mark to Market) settlement:** All open positions of a commodity derivative contract shall be settled daily, only in cash, based on the Daily Settlement Price (DSP). DSP shall be reckoned and disseminated by CSE at the end of every trading day. The mark to market gains and losses shall be settled in cash before the start of trading on T+1 day. If mark to market pay-in obligations are not collected before start of the next day's trading, CSE shall collect correspondingly higher initial margin (scaling up by a factor of square root of two) to cover the potential losses over the time elapsed in the collection of margins.
- (h) **Short Option Margin (SOM):** SOM is computed on net short positions of individual contracts and summed up across contracts. This is compared with the sum of the initial margin, extreme loss margin, special margin and additional margin computed at the underlying level for the client, and the higher of the two is taken for further margin computation.
- (i) **Premium Margin:** This is the sum of the option premia netted across buy and sell options traded in the day.
- (6) **Margin provisions for intra-day realized losses:** In order to mitigate the risk arising out of accumulation of realized obligations incurred on account of intra-day squaring off of positions, CSE shall adopt the following:
- (a) the intra-day realized losses shall be monitored and blocked from the free collateral on a real-time basis only for those transactions which are subject to upfront margining. For this purpose, realized losses can be offset against realized profits at a client level, if any;
 - (b) if the sum of realized and unrealized MTM losses exceed a certain percentage of the margin deposit available for exposure as specified by CSE, risk reduction mode shall be followed;
 - (c) realized losses shall be calculated based on weighted average prices of trades executed;
 - (d) adjustment of intraday realized losses shall not be done from exposure free liquid net-worth of the commodity derivative broker.
- (7) **Margin collection and enforcement process:** All applicable margins shall be deducted from the liquid assets of the commodity derivative brokers on an online real-time basis. Margins

applicable on client positions shall be collected compulsorily from the clients and reported to CSE by the commodity derivative brokers.

- (8) **Risk reduction mode:** CSE shall ensure that the commodity derivative brokers are mandatorily put in risk-reduction mode when either 90% of the commodity derivative brokers' liquid assets available for adjustment against margins gets utilized for margins or the sum of the intra-day realized and unrealized mark-to-market losses exceeds 90% of the commodity derivative brokers' liquid assets available for adjustment against margins. Such risk reduction mode shall include the following:
- (a) all unexecuted orders shall be cancelled once commodity derivative broker breaches 90% of collateral utilization level;
 - (b) only orders with Immediate or Cancel attribute shall be permitted in this mode;
 - (c) a commodity derivative broker can only square off an existing open position when it touches 100% of collateral utilization level, otherwise, the order shall be rejected;
 - (d) the commodity derivative brokers shall be moved back to the normal risk management mode as and when the liquid asset utilization level of the commodity derivative brokers is lower than 85%;
 - (e) CSE may, at its discretion, change the threshold percentages specified above, after adequate advance notice to commodity derivative brokers.
- (9) **Margin utilization:** In order to inform the commodity derivative broker sufficiently in advance, the system tracks the exposure limits of the commodity derivatives brokers on real time basis and alerts it at 60%, 75% and 90% level of their exposure and the risk reduction mode (RRM) is enabled when the exposure limit crosses 90% of total deposit.

Computation of margin utilisation shall also take into consideration, the amount of the margin deposits placed to CSE by the commodity derivatives brokers that are marked to their clients:

Provided that CSE may, at its discretion, change the threshold percentages defined above, after adequate advance notice to commodity derivative brokers.

- (10) **Measures in case of repeated shortfall in margin or pay-in:** In case of repeated margin or pay-in shortfalls beyond a threshold amount by any commodity derivative broker in a month, following risk mitigation measures shall be initiated:
- (a) the commodity derivatives brokers shall be put in RRM mode when it can only square-off to reduce positions;
 - (b) the commodity derivative brokers shall be charged initial margins at a higher rate for the next one month, or the commodity derivatives brokers shall be subjected to a penal exposure free deposit equal to the cumulative funds or margin shortage over previous one month which could be kept with CSE for the next month;
 - (c) CSE shall closely monitor such commodity derivative brokers.

- (11) **Real time margining:** CSE shall calculate margin at trade level on a real time basis, which implies that with every trade executed by the commodity derivative broker, its allowable exposure limit shall be correspondingly reduced to the extent of limit exhausted towards execution of such trade. However, if the new trade results into reduction in its outstanding margin requirement, its available exposure limit increases correspondingly because of overall reduction in its outstanding exposure by virtue of such offsetting trades.
- (12) **Client level gross margining:** CSE shall calculate client level gross margin at the level of the commodity derivative contract for each individual client comprising its positions in commodity derivative contracts across different maturities. For commodity derivative broker level margin computation, margins shall be grossed across various clients. The proprietary positions of the commodity derivatives broker shall also be treated as that of a client for margin computation.
- (13) **End of day report:** At the end of the day, CSE system shall recalculate margin requirement in respect of outstanding position of a commodity derivative broker. Besides, the system also calculates the settlement dues on the basis of actual Mark-To-Market profits or losses along with margin requirements. All these settlement dues shall be communicated to the commodity derivative brokers through trade file downloads. Thereafter, as soon as the pay-in of that commodity derivative broker is completed and a confirmation to such effect is received from the bank, the uncollected pay-in amount, if any, is blocked out of deposit till recovery.
- (14) **Right to forfeit deposits:** Failing in fulfilment of obligations on the part of a commodity derivative broker, CSE shall forfeit or utilize the margin deposits lying with CSE for meeting such obligations and in such a case, the total margin deposit of that commodity derivative broker shall stand reduced to such extent.
- (15) **Oversight of risk management:** The audit and risk management committee of CSE shall have oversight of the risk management functions of CSE. The committee shall, inter alia:
- (a) formulate a risk management policy which shall be approved by the board of directors;
 - (b) review the risk management framework and risk mitigation measures from time to time;
 - (c) monitor and review enterprise-wide risk management plan and lay down procedures to inform the board about the risk assessment and minimization procedures;
 - (d) monitor implementation of the risk management policy and keep the board informed about its implementation and deviation, if any.
- (16) **Operational framework related to Commodity derivative Risk Management:**
- (a) **Intra-Day MTM loss monitoring:** The risk management system of CSE shall keep track of intra-day MTM loss, both notional and booked, incurred by every commodity derivative broker up to the last executed trade. The calculation of booked MTM difference is done on weighted average price basis. The calculation of notional MTM difference shall be made by the CSE system on real time basis by way of computing the difference between the last trade price of the market and the actual trade price of a

commodity derivative broker respectively. Such calculation happens for every commodity derivative broker after execution of each trade in the following manner:

- (i) the commodity derivative broker shall get alert every time when the loss amount goes beyond the levels of 70%, 80% and 90% of the total MTM limits of a commodity derivative broker and put a commodity derivative broker in RRM mode when it crosses the 90% of its MTM limit and a commodity derivative broker can only square off an existing open position when the MTM limit exceeds 100%;
- (ii) the MTM limit shall set to the cash component of the commodity derivative brokers' collateral placed to CSE and the cash component of the margin deposits placed to CSE by the commodity derivatives brokers that are marked to their clients shall also be taken into consideration:

Provided that CSE shall have the right to modify the threshold percentage limits defined above and has right to call for early-payin of funds or give a margin call in the event the sum of the notional and booked MTM losses of the commodity derivative broker exceeds 70% of the margin deposits.

- (b) **Squaring-off of positions:** Failure of a commodity derivative broker to pay CSE any pay-in or margin obligation or any early pay-in or margin call made by the Exchange, CSE shall have the right to square off its position either on the same day or on subsequent days at its own discretion:

- (i) a commodity derivative broker shall not take advantage under this clause for any subsequent liability resulting from an existing open position, which was to be squared off by CSE but was not squared off for any reason;
- (ii) in order to carry out such squaring off of positions of a defaulting commodity derivative broker, CSE shall feed such offsetting transactions on behalf of such defaulting commodity derivatives brokers' market orders, for the existing open position, either in full or in part and all differences and loss arising out of such squaring off shall be settled by such defaulting commodity derivatives broker;
- (iii) in case CSE submits the offsetting orders for square off of trades of a commodity derivative broker, but due to lack of liquidity or otherwise, if the position could not be squared off, the defaulting commodity derivative broker shall be responsible for final settlement of those commodity derivative contracts to CSE.

- (c) **Regaining matched book:** When a client of a commodity derivative broker fails to honour pay-in or margin obligations, CSE shall apply the following alternative tools to liquidate the positions and regain a matched book based on the conditions of the market liquidity, volatility, size of the positions to be liquidated, etc. Any tool prescribed hereunder may be resorted to only in extremely rare occasions when CSE reasonably expects that it may not be able to restore a matched book by choosing the alternatives above it and also records the reasons for the same in writing:

Alternative 1: Liquidation in normal market in orderly manner (with relaxed price limits, if required);

Alternative 2: Auction of the positions within a specified price band;

Alternative 3: Partial tear-up (pro-rata against commodity derivatives brokers/clients having opposite positions) at last mark-to-market price along with compensation equal to 8% of last mark-to-market price and fine equal to 1% of last mark-to-market price (to be credited to the commodity settlement guarantee fund).

Further, in such a scenario, CSE may direct other commodity derivative brokers having outstanding position in such commodity derivative contract to compulsorily reduce their position on that day at least by such percentage, which is sufficient to square off the position of such defaulting commodity derivatives brokers.

(d) Treatment of outstanding obligations: In case a commodity derivative broker fails to pay margin obligation payable at beginning of the trading session or specified pay-in time and such payment is not received even till end of day, the following treatment shall be followed:

- (i) such unpaid margin amount shall not be carried forward to the subsequent day's obligation since the margin obligation at end of day shall be calculated afresh depending upon the closing price at end of that date;
- (ii) in case of pay in obligation, the unpaid amount shall be carried forward to the subsequent days, and the system shall automatically track all unpaid amounts in this manner commodity derivatives broker-wise and send an additional debit instruction to the bank on all subsequent days, till either the amount is repaid or the commodity derivative broker is declared a defaulter. Such unpaid amount shall also be blocked out of its available deposits for the purpose of calculation of allowable MTM limits.

(e) Margin Shortfall Block Amount (MSBA): In the event of commodity derivative brokers' margin utilization breach 100% of the margin limits on more than 2 (two) occasions in past 30 (thirty) days, CSE shall have the right to initiate such action/s as may be deemed necessary.

(f) Intra-Day Margin Monitoring: CSE shall keep track of the intra-day margin utilisation by the commodity derivative brokers in real time. The margin utilisation considers the initial margin, extreme loss margin, special margin, additional margin, spread margin benefits, options premium margin, realized MTM losses or profits and any crystallised obligations. Crystallised obligations comprise pay-in shortfalls of previous days and penalties, charges etc. levied, on the commodity derivatives broker. The margin utilised is compared with the margin deposit available for exposure after execution of every trade. The commodity derivative broker shall get alert every time when the margin utilisation amount goes beyond the levels of 60%, 75% and 90% of the total margin deposit available for exposure, and shall be put under RRM mode when it crosses the 90%.

CSE shall have the right to modify the threshold percentage limits mentioned above.

(g) Scenarios of pay-in and margin shortfall: The various scenarios with respect to pay-in or pay-out and margin payable as reflected in the end of day report and its impact on the system are as follows:

- (i) if a commodity derivative broker has payable obligation both towards pay-in as well as margin, it shall be in RRM mode and not be able to put in fresh trades at next day morning (though it shall be able to log in to square-off and reduce existing open positions), unless it pays the margin payable amount and the pay-in amount;
 - (ii) if a commodity derivatives broker has only pay in obligation but no payment required towards margin, it shall be allowed to trade at commencement of trading session next day morning, provided that its available margin shall be increased by the amount of pay in. Thereafter, as soon as the pay-in is completed and confirmation file is received from the bank, this increase in margin shall be released immediately;
 - (iii) if a commodity derivative broker has obligation to pay margin while having receivable from CSE in respect of pay-in, it shall be allowed to log in to the system (for a maximum period of three days) with a view facility. But the commodity derivative broker shall not be allowed to submit orders, unless it pays fresh margin equivalent to its obligation along with additional margin in order to create fresh position. In case, if a commodity derivative broker pays margin only to the extent of its actual margin obligation, it shall be put in RRM mode. Notwithstanding anything stated herein, CSE shall square off the positions of the commodity derivative broker, in the event, the commodity derivative broker has either margin shortfall or pay-in shortfall.
- (17) Risk management measures for commodity options contract:** CSE shall adopt risk management framework compliant with the CPMI-IOSCO Principles for financial market infrastructures, including the following:
- Initial margin requirement shall be adequate to cover 99% VaR and MPOR shall be at least two days. In case for portfolio-based margining, this requirement applies to each portfolio's distribution of future exposure. Accordingly, CSE may fix prudent price scan range, volatility scan range and/or plausible changes in any other parameters impacting options price. CSE shall impose appropriate short option minimum margin, calendar spread change and extreme loss margin for option contracts.
- (a) Margining at client level:** CSE may impose initial margins at the level of portfolio of individual client comprising its positions in futures and options contracts on each commodity.
 - (b) Real time computations:** The margining models may update various scenarios of parameter changes (underlying price, volatility etc.) at discrete time points each day (at least every two hours), the latest available scenarios may be applied to client portfolios on a real time basis.
 - (c) Mark to market for options contract:** CSE shall mark to market the options positions by deducting/adding the current market value of options (positive for long options and negative for short options) times the number of long/short options in the portfolio from/ to the margin requirement. Thus, mark to market gains and losses shall not be settled in cash for options positions.

- (d) **Risks related to options that devolve into futures on expiry:** For handling increase in margins on expiry when options devolve into futures position, specifically for long option positions which are probable to be exercised, CSE shall start sensitizing the option holders of the impending increase in margins (along with the estimated increase) at least few days in advance, and/or, based on their risk perception, may also consider gradually collecting increased margins during the last few days so as to have adequate margins to cover the risk of futures position that shall be created on devolvement of options into futures.

Penalty is levied on members for short-collection/non-collection of the initial margins. Penalty for such short-collection/non-collection due to increase in initial margins resulting from devolvement of options into futures may not be levied by CSE for the first day.

CHAPTER-VII

CLEARING, SETTLEMENT & DELIVERY

23. Criteria for Settlement Type of Commodity Derivative Contracts.-

- (1) CSE shall determine the settlement type for commodity derivative contracts in the contract specifications. Type of settlements are as follows:
- (a) **Daily settlement (mark to market settlement):** The operational procedure for settlement of trades executed on CSE shall be as follows:
- (i) after end of the trading session every day, a file shall be downloaded to the commodity derivative brokers giving details of the transactions done on that day (including the transactions of the various entities where the commodity derivative broker has undertaken to clear and settle), position carried forward from previous day, closing position of the day including net obligation of the commodity derivative broker;
 - (ii) the net obligation report shall further provide the amount of available margin deposit for exposure, margin utilized, margin required to be paid, mark to market receivable/payable, transaction fee payable, other dues receivable/payable, etc. The net obligation report shall be consolidated at the commodity derivative broker level in terms of net obligation payable/receivable;
 - (iii) CSE shall generate an automated statement for debit and credit of settlement accounts of the respective commodity derivative brokers by the amount payable or receivable by them. This file shall be sent to the concerned clearing bank at the end of the “T+0” trading day for execution on “T+1” settlement date;
 - (iv) the commodity derivative brokers shall have sufficient cleared balance in the settlement account so as to enable CSE to execute such debits. By the time set by the guideline on “T+1” settlement date, the clearing bank shall run the debit files in respect of net obligation pay-in. CSE shall get confirmation about the successful

or partially executed and failed debit instructions by the cut-off time set by the Exchange. In respect of partially executed or failed or non-confirmed instructions within the cut-off time, the pending pay-in obligation shall be blocked from the margin deposits of the commodity derivative broker with CSE before the start of the market. Such reduced margin deposits shall then be available to the commodity derivative broker at the start of market for exposure requirements. The blocked amount shall be released progressively on confirmation of successful execution of the pending shortages by the clearing bank;

- (v) in case any additional margin is payable, the clients or constituents of the commodity derivative brokers shall not be allowed to create any fresh positions on CSE until the respective commodity derivative broker deposits the required margin along with additional deposit or arranges with its constituents or clients to realign their exposure with CSE to reduce the margin requirements below deposit levels. For collection of such required margin amount, the clearing bank shall run the “margin file” by the cut-off time set by the Exchange on every settlement day and report CSE regarding the successful debits;
- (vi) for paying additional amounts towards margin, the commodity derivative broker shall communicate with the clearing bank or CSE specifying the amount intended to be paid towards additional deposit or margins. The clearing banks shall, on the basis of this communication from the commodity derivative broker or CSE, debit the respective commodity derivative broker’s settlement account and credit the amount to CSE’s settlement account. As soon as CSE receives confirmation of the receipt of the funds, the commodity derivative broker’s margin limits shall be increased;
- (vii) CSE shall run the pay-out files within the specified time to credit the commodity derivative brokers’ settlement accounts for the net obligation receivable by the commodity derivative brokers;
- (viii) notwithstanding anything contained in the operational procedure mentioned above, in case a commodity derivative broker fails to meet the pay-in obligation, CSE shall commence the process of squaring off of the open positions of commodity derivative brokers, including the open positions of their clients or constituents, at the start of the market or during the day, depending upon the cumulative dues including pending pay-in obligation and online losses vis-a-vis the margin deposits placed with CSE.

(b) Settlement on expiry of the commodity derivatives contract:

- (i) Cash settled commodity derivative contracts:
 - 1) a cash settled commodity derivative contracts is a futures or options contract on an underlying commodity where, instead of delivering the physical commodity, the contract is settled by paying or receiving the difference between the contract price and the market price (final settlement price) at expiry. The contract is settled in cash, meaning the buyer does not take possession of the physical commodity, and the seller does not deliver it. Instead, the profit or loss is calculated based on the price difference;

- 2) in a cash settled futures contract, traders agree to buy or sale a commodity at a predetermined price in a future date instead of delivering the commodity, they finally settle the difference in cash. The settlement is based on a reference price, often derived from a recognized market index or benchmark (e.g., spot price or futures price) at the contract's expiration.
- 3) in a cash settled options contracts, the options buyer has the right but not the obligation to buy or sell the underlying commodity at a predetermined price. If the option is exercised, the difference between the strike price and the market price (final settlement price) is settled in cash;
- 4) cash settlement of commodity derivative contract, shall be considered where physical delivery is difficult to implement due to any reason, which may inter-alia the following:
 - a) commodities which are difficult to store due to low shelf life or inadequate storage infrastructure; or
 - b) commodities which are difficult to physically handle and transport due to inadequate logistics and transport infrastructure; or
 - c) there is availability of reliable benchmark price of the commodity which can be used as reference for settlement price. CSE shall satisfy that the reference price is robust – fair indicator of prevailing prices and not susceptible to any distortion or manipulation:

Provided that the cash settled and physically settled commodity derivative contracts on the same commodity may also be considered for trading, in case basis of price discovery of the proposed commodity derivative contracts is different.

(ii) Delivery settlement of commodity derivative contracts:

- 1) each commodity derivative contract shall be deemed to have entered the tender and/ or delivery period from such date of its expiry month, as specified by CSE in the relevant delivery settlement procedure. The settlement of the commodity derivative contract can be performed by delivery of the underlying commodity within this period on designated tender days;
- 2) tender and delivery period margin shall be imposed to commodity derivative broker as specified by CSE;
- 3) the tendering of deliveries shall be permitted only on specific tender days during the tender and delivery period. Such tender days shall be notified by CSE in advance. CSE may fix, alter, extend or postpone such tender and delivery period, if it is expedient to do so;
- 4) all commodity derivative contracts settled by delivery, commodity derivative broker with an open position, as at the close of business on the commodity derivative contract expiry date, shall be obliged to compulsorily make delivery for the entire short position or accept delivery for the entire long position, as the case may be;

- 5) in case of a commodity derivative contracts having nature of staggered delivery, commodity derivative broker desiring to tender delivery shall submit delivery intention and delivery marking shall take place only to the extent of delivery intention of the sellers. Intentions submitted within the defined timelines shall be marked for delivery on the date of receipt of intention. Buyers marked for delivery against the sell intention shall have no right of refusal;
 - 6) if commodity derivative broker of seller's choice contracts desire to tender delivery, they shall submit delivery intention on expiry or prior to the pre-defined number of days before the expiry of the commodity derivative contract. Delivery marking shall be done at the expiry of the commodity derivative contract to the extent of the seller intention. Intentions submitted within the defined timelines shall be marked for delivery at the expiry of the commodity derivative contract. Buyers marked for delivery against the sell intention shall have no right of refusal;
 - 7) if commodity derivative broker of both choice contracts desire to tender or receive delivery, they shall submit delivery intentions on expiry or prior to the pre-defined number of days before the expiry of the commodity derivative contract. Delivery marking shall take place only to the extent of matched delivery intentions at the expiry of the commodity derivative contract.
- (2) Delivery marking at client level across all commodity derivative contracts at the expiry is summarised as under:
- (a) all commodity derivative contract settled by delivery i.e., all open positions;
 - (b) seller's choice i.e., to the extent of seller intention;
 - (c) both choice i.e., to the extent of matching of buyer and seller intentions;
 - (d) all open positions in both choice or sellers' choice, commodity derivative contract i.e., not marked for delivery, shall be settled by way of funds settlement at the Due Date Rate (DDR).
- (3) Delivery in all commodities shall be settled on a gross basis by following modes:
- (a) in case of commodities notified for settlement through automated clearing system, pay-in through this system whereby the account holder can earmark its existing free commodity balance towards the pay- in obligation;
 - (b) in case of commodities notified for settlement through the repository system, pay-in through the repository account whereby the account holder can earmark its existing free balance in the repository account towards pay-in obligation;
 - (c) fund settlement: fund settlement on account of delivery marked shall be on a gross basis and executed as specified by in the relevant delivery settlement procedure.

24. Settlement of Trades.-

- (1) Funds settlement for trades executed on CSE in a trading day and admitted for clearing shall be cleared and settled on a netted basis for daily settlement and gross basis for delivery settlement by CSE to determine the settlement obligations for all commodity derivative brokers.
- (2) Commodity derivative brokers having clearing rights shall be responsible for settlement of the obligations arising out of trades including the payment of margins, fines, any other charges and settlement of obligations on account of the trades entered by them as commodity derivative brokers and also of those affiliated Commodity Trading Brokers (CTB), if any, for whom they have undertaken to settle.

25. Clearing house of the Exchange.-

- (1) Clearing and settlement functions of the commodity derivative segment shall be managed by the clearing house of CSE;
- (2) all contracts transacted in the Exchange shall be cleared and settled by the clearing house of CSE and whenever required closed out in accordance with these regulations;
- (3) all contracts executed shall be made available by the Exchange to the respective commodity derivative brokers for clearing and settlement functions in the manner specified by the Exchange under these regulations, order, circulars, and notices issued hereunder;
- (4) the Commodity Trading-cum-Self Clearing Broker (CTSCB), Commodity Full Clearing Broker (CFCB) and Commodity Professional Clearing Participants (CPCP) shall be eligible for clearing and settlement of commodity derivatives contracts in such manner as specified by the Exchange;
- (5) a Commodity Trading Broker (CTB) shall have an agreement with a Commodity Full Clearing Broker (CFCB) or Commodity Professional Clearing Participants (CPCP), as applicable, for clearing and settlement of the executed transactions. A copy of such agreement shall be submitted to the Exchange. In case of any changes in the terms of agreement or termination of such agreement shall be duly intimated to the Exchange:

Provided that in case of shifting to a new Commodity Full Clearing Broker (CFCB) or Commodity Professional Clearing Participant (CPCP), by a Commodity Trading Broker (CTB) shall be duly intimated to the Exchange;

- (6) a Commodity Trading Broker (CTB) shall be allowed to clear and settle its transactions through not more than one Commodity Full Clearing Broker (CFCB) or a Commodity Professional Clearing Participant (CPCP) at a time;
- (7) the Exchange or clearing house of the Exchange shall ensure settlement of each transaction executed at the Exchange:

Provided that the Exchange or clearing house of the Exchange shall not be responsible for any financial obligations arising from default, insolvency, or failure of a Commodity Self-Clearing Broker (CFCB) or Commodity Full Clearing Broker (CFCB) or a Commodity Professional Clearing Participants (CPCP) unless such obligations are only raised out of transactions that have been

executed, registered, and accepted for clearing and settlement by the Exchange or clearing house of the Exchange;

- (8) CSE and the designated clearing bank(s) shall have an agreement for the services to be rendered by the clearing bank(s) and to be availed by the Exchange.
- (9) **Clearing Banks**,- CSE shall appoint clearing banks for transfer of funds with its commodity derivative brokers. The operational procedures that every commodity derivative broker shall be required to follow for participation in the clearing and settlement activities and operating their bank accounts with the panel of clearing banks as specified by CSE from time to time. The operational process is as follows:
- (a) every commodity derivative broker of CSE shall maintain bank accounts with the designated branch of the clearing bank. Commodity derivative brokers shall operate the settlement account only:
 - (i) for the purpose of settlement of trades;
 - (ii) payment of margin;
 - (iii) for any other purpose as may be specified by CSE.
 - (b) While maintaining the settlement account or clearing account with the designated branch of the clearing bank:
 - (i) the commodity derivative broker shall not have cheque book facility for issuing cheques to any parties;
 - (ii) commodity derivative broker shall only issue instructions from this account for transfer of money to their client account;
 - (iii) only CSE shall have power to withdraw money from this account by way of direct debit instruction;
 - (iv) in respect of all pay in, margins, applicable charges, and other dues payable to CSE, it shall send direct debit instructions to the bank advising them to debit settlement account of the respective commodity derivative broker by such payable amount.
 - (c) Every commodity derivative broker of CSE shall open a consolidated client account with a designated branch of clearing banks complying the following:
 - (i) the commodity derivative brokers shall deposit money received from the clients and cheques can be issued to their clients towards their receivable amount;
 - (ii) the commodity derivative brokers shall have cheque book facility and shall be entitled to issue transfer instructions to the bank for transferring money from this account to the settlement account to meet their pay in or margin obligations;
 - (iii) transfer of funds from client account to commodity derivatives broker - proprietary account of a commodity derivative broker shall be permitted only for legitimate purposes

such as recovery of brokerage, statutory dues, funds shortfall of debit balance of clients, which has been met by the commodity derivatives broker, etc.:

Provided that such transfer of fund shall be immediately notified to the respective client through email and SMS describing the purpose/reason with an intimation to CSE.

26. Foreign Trade and Custodial Services.- Any bank or financial institution which is registered as security custodian with the Commission and recognized as Commodity Professional Clearing Participant (CPCP) by CSE may facilitate the foreign portfolio trading and settlement in CSE. Such entity shall execute trades through any Commodity Trading Brokers (CTB) of CSE and settle through its own clearing facility as CPCP or through a Commodity Full Clearing Broker (CFCB) of CSE:

Provided that bank or financial institution which is not recognized as CPCP shall settle trades through any Commodity Full Clearing Broker (CFCB) of CSE.

27. Delivery.-

(1) Delivery mechanism:

- (a) all commodity derivatives contracts settled by delivery shall have a delivery mechanism in place as mentioned in regulation 33 of these regulations. All open positions at expiry in a commodity derivative contract settled by delivery shall be marked for delivery;
- (b) CSE may introduce staggered delivery in all commodity derivative contracts settled by delivery for a period up to 5 (five) working days;
- (c) staggered delivery period is the period, beginning few working days prior to expiry of any commodity derivative contract and ending with expiry, during which sellers or buyers having open position may submit an intention to give or take delivery;
- (d) CSE shall have the flexibility to set higher duration of staggered delivery period for any commodity derivative contract, as deemed fit, taking into account various factors such as historical open interest, volume near expiry, etc.;
- (e) in the interest of trade and public, CSE may exercise its due discretion in modifying the aforesaid staggered delivery period at any time;

(2) Change in expiry date:

- (a) CSE shall advance the expiry date of running commodity derivative contract in case physical market is closed in the notified basis centre on the expiry day of the commodity derivative contract, due to festivals, strikes, erratic weather conditions, etc.;
- (b) advancing of the expiry of running commodity derivative contract shall be intimated to the commodity derivative brokers at least 10 (ten) days before the revised expiry date. The delivery period shall be advanced accordingly for commodity derivative contract having staggered delivery. The FSP of such commodity derivative contract shall be fixed as per the above-mentioned procedure. If it is less than 10 (ten) days, CSE shall seek special approval from the Commission for change in the expiry date.

(3) Identification and selection of location as a delivery centre(s):

- (a) considering the inter-play of various factors, a particular location can be identified and selected as a delivery centre by CSE;
- (b) CSE shall carry out a review of the delivery centre(s) already designated and notified for the existing commodity derivative contracts to assess their continued suitability.

(4) Timelines for marking delivery intention: CSE shall decide the timelines for submission of delivery instruction based on assessment of the time required for marking as well as for modifying any delivery intentions wrongly marked.

(5) Location premium/discount: CSE shall determine and disclose the location premium or discount prior for contracts to launch of the contract in various commodities subject to be mentioned in contract specification.

(6) Funds settlement timelines for delivery:

- (a) CSE shall effect settlement of admitted trades in accordance with the settlement timelines defined or as modified from time to time. Such fund settlement timelines shall be served to all stakeholders through issuance of guidelines;
- (b) CSE shall affect settlement of admitted trades in accordance with the settlement timelines defined or as modified from time to time. Such fund settlement timelines shall be served to all stakeholders through issuance of guidelines.

28. Mechanism of Daily Settlement Price (DSP) or Closing Price.-

(1) Daily settlement price or closing price shall be determined as follows:

- (a) at the end of each trading day, CSE system shall calculate the closing price of each commodity derivative contract available for trading on CSE, which shall also be considered as Daily Settlement Price (DSP);
- (b) the methodology for calculation of closing price of each trading day is as under:
 - (i) the Value Weighted Average Price (VWAP) of the executed trades during last 30 (thirty) minutes of the normal trading hours for the contract for the day;
 - (ii) if there is no trade for the last 30 (thirty) minutes of normal trading hours, the VWAP of up to the last 10(Ten) trades for the contract for the day. (i.e., in case of 20 trades for the day, then only the last 10 trades in terms of the times of the trades should be taken into consideration when computing the closing price);
 - (iii) if there is no trade or less than 10 (Ten) trades for the contract during the normal trading hours, the opening price of the instrument for the day shall be taken into consideration;
 - (iv) if there is no opening price calculated for the day, the previous day's closing price of the instrument shall be the closing price for the day;

- (v) in case, the previous day's closing price is not available, CSE may fix the DSP based on its discretion.

29. Fixation of Final Settlement Price (FSP) for Cash and Deliverable Contracts.-

(1) Method of final settlement price calculation:

- (a) unless taken from any benchmark reference price as specified in the contract specifications, where Final Settlement Price (FSP) is determined by polling for commodity derivative contracts, the FSP shall be arrived at by taking the simple average of the last polled spot prices of the last three trading days viz., E0 (expiry day), E-1 and E-2;
- (b) in the event, the spot price for any one or both of E-1 and E-2 is not available; the simple average of the last polled spot price of E0, E-1, E-2 and E-3, whichever is available, shall be taken as FSP. Thus, the FSP under various scenarios of non-availability of polled spot prices shall be as under:

Scenario	Polled spot price availability on				FSP shall be simple average of last polled spot prices on
	E0	E-1	E-2	E-3	
1	Yes	Yes	Yes	Yes/No	E0, E-1, E-2
2	Yes	Yes	No	Yes	E0, E-1, E-3
3	Yes	No	Yes	Yes	E0, E-2, E-3
4	Yes	No	No	Yes	E0, E-3
5	Yes	Yes	No	No	E0, E-1
6	Yes	No	Yes	No	E0, E-2
7	Yes	No	No	No	E0

- (c) in case of non-availability of polled spot price on expiry day (E0) due to sudden closure of physical market under any emergency situations noticed at the basis centre, CSE shall decide further course of action for determining FSP in consultation with the Commission;

(d) CSE may deploy different approved method to calculate the FSP.

(2) **Method for change in close price in case of illiquid commodity derivative contracts:** If no trades are executed in a commodity derivative contract on a day, then, CSE reserves the right to modify the closing price for the purpose of marking to market and making the open positions closer to the market in one of the following methods, as deemed appropriate for the commodity derivative contracts:

(a) **Method 1:** The spot price and cost of carry for the remaining period to expiry shall be used to determine the theoretical futures price for the illiquid contract;

(b) **Method 2:** The spread prevailing between the active contracts shall be used to determine the theoretical futures price for other contracts that do not meet the criteria for liquid contract as stated above in the same commodity,

Explanation: Contract is considered as active if the close price of such contract is determined by 28 (1) (b) (i), 28 (1) (b) (ii), 28 (1) (b) (iii) and 28 (1) (b) (iv);

(c) **Method 3:** Prices available for comparable commodity or commodity derivative contracts in domestic or international reference markets (converted to BDT at the prevailing Bangladesh Bank reference rate);

(d) **Method 4:** Due to the seasonal nature of agricultural commodities, , CSE may set the close price considering the prices prevailing in spot market (and duly adjusting the same for contango or backwardation market conditions), domestically or internationally or by using the prices prevailing in other exchanges where the commodity derivative contracts are liquid. This may be done to make the commodity derivative contract available in tradable range,

In case of commodity derivative contracts, where the base asset is the same, CSE may consider the price of nearest expiry of the liquid variant of the base asset in order to deduce the price of the illiquid commodity derivative contract, after carrying out such adjustments as may be deemed necessary;

Note: Contango is a condition wherein the commodity derivative price is at a premium to the spot price whereas backwardation is a condition wherein the commodity derivative price is at a discount to the spot price;

(e) further, CSE may arrive at the close price through any other method, which CSE in its absolute discretion considers appropriate, in order to reflect a fair close price of the illiquid commodity derivative contract.

(3) **Delivery settlement prices:**

(a) **During staggered delivery period (at daily settlement or closing price):** the delivery settlement price for a delivery intention shall be the daily settlement or closing price of the concerned commodity derivative contract as specified in the contract specification for the staggered delivery period;

- (b) **At expiry of commodity derivative contract (at due date rate or final settlement price):** all open position at close of market on the expiry date of the relevant commodity derivative contract shall be settled or marked for delivery at the due date rate or final settlement price determined in terms of the relevant commodity derivative contract specification or alternate framework to determine the due date rate or final settlement price in the event of unavailability of the spot prices:

Provided that the delivery settlement price arrived at as above shall be adjusted by applying freight adjustment factor or discount or premium on up country delivery and the discount or premium in respect of quality, quantity, etc., in accordance with the adjustments specified in the contract specifications. The location premium or discount shall be determined and disclosed by CSE prior to launch of the contract in various commodities;

- (c) The alternate framework to determine the due date rate or final settlement price in the event of unavailability of the spot prices shall be as under:

- (i) **Mechanism to determine FSP based on traded price of expiring commodity derivative contract:** in case a commodity derivative contract has recorded at least 100 (hundred) trades cumulatively during the last three days of the commodity derivative contract expiry, then for each of such trade dates, the trades in such contract shall follow the given statistical process to determine the FSP:

Provided that in case a commodity derivative contract has not recorded minimum 100 (Hundred) trades cumulatively during the last 3 (three) days of the commodity derivative contract expiry; but it has traded during the last 5 (five) days of the commodity derivative contract expiry (irrespective of number of trades), then for each of such trade dates, the trades in such commodity derivative contract shall follow the given statistical process to determine the FSP.

- (ii) **Statistical process to determine FSP:**

- 1) all the trades in the commodity derivative contract on the given date shall be considered;
- 2) the distinct prices at which the trades have been executed during the day shall be noted down;
- 3) arithmetic mean (simple average) of these prices shall be calculated;
- 4) the standard deviation of each trade price from the arithmetic mean shall be computed;
- 5) all the trade prices having sigma more than 2 (two) sigma (two-tailed normal distribution) shall be discarded;
- 6) the remaining trade prices (with less than or equal to 2(two) sigma from the mean) shall be arranged in the ascending order, along with the corresponding total quantities;

- 7) the weighted average of the above price – quantity to be taken as the average price for that respective day;
- 8) a simple average of the applicable number of days of such prices arrived at shall be considered as the average price of the commodity derivative contract for the purpose of computing FSP.

(iii) **In case of unavailability of polled spot prices since start of the staggered period of the commodity derivative contract:** In case the polled prices are not available since the start of the staggered period of the commodity derivative contract and there are no trades in the expiring commodity derivative contract, then the close price of the immediate next commodity derivative contract on the day of contract expiry shall be used as FSP.

30. Recovery of Various Charges.-

- (1) CSE shall have the right to impose and collect income, charges or fees from commodity derivative brokers, on transactions executed, in such manner as may be decided by the Exchange from time to time.
- (2) CSE shall have the right to impose and collect income, charges or fees from commodity derivative brokers and participants having clearing rights, on settlement amount against transactions executed, in such manner as may be decided by the Exchange from time to time.

31. Reports.- A commodity derivative broker shall take backup of its trades any time during the trading session or after closure while it is connected to the trading system which covers all trades done during such trading session. After end of trading session, CSE shall download and make among others the following reports available for its commodity derivatives brokers to download:

- (i) day's trades;
- (ii) net outstanding position;
- (iii) obligation report, which provides details of total eligible margin of that commodity derivative broker, margin utilized, margin available for trading, mark to market receivable or payable, pay in or pay out amount, charges, etc.;
- (iv) market statistics to provide details about open, high, low, close, volume, value and other statistical details;
- (v) various margins, collaterals, and settlement related reports as intimated from time to time.

32. Change of Clearing Banks.-

- (1) In case a commodity derivative broker desires to shift its settlement and client accounts from one clearing bank to other clearing bank, it shall inform CSE in writing in the specified format mentioned in Form-7.
- (2) On receipt of the same, CSE shall process the application and convey its consent to the commodity derivative broker provided no dues are pending.

- (3) On receipt of the consent from CSE under sub regulation (2), the commodity derivative broker shall submit the following documents to CSE:
- (i) no objection certificate (NOC) from the existing clearing bank in prescribed format mentioned in Form-8;
 - (ii) letter from the commodity derivative broker on its letter head specifying the shift of accounts to another clearing bank, the settlement account number and client account number in prescribed format mentioned in Form-9;
 - (iii) letter from the new clearing bank confirming the settlement account number and the client account number of the commodity derivative broker in prescribed format mentioned in Form-10;
 - (iv) copy of authorisation letter addressed to new clearing bank in prescribed format mentioned in Form-11;
 - (v) intimation letter for effective date on the letter head of commodity derivative broker;
 - (vi) the proposed settlement account shall be part of undertaking submitted to CSE pursuant to standard operating procedures issued by CSE in case of commodity derivatives broker leading to default.
- (4) On receipt of the above said documents under sub regulation (3), CSE shall update its records and any subsequent funds pay-in or pay-out shall take place through the new settlement account of the commodity derivative broker.

33. Delivery Framework.-

- (1) Seller or buyer having open position shall have a choice of submitting an intention of giving or taking delivery, on any day during the staggered delivery period.
- (2) On each day, except for the expiry day, CSE shall allocate intentions received to give delivery during the day to the buyers having open long position as per random allocation methodology to ensure that all buyers have an equal opportunity of being selected to receive delivery irrespective of the size or value of the position. However, preference may be given to buyers who have marked an intention of taking delivery, which may be based on aspects such as location, quality etc.
- (3) Pay-in and pay-out for the allocated deliveries shall happen within 2 (two) working days after allocation.
- (4) All open positions after expiry of the commodity derivative contract shall result in compulsory delivery and be settled at Final Settlement Price (FSP) of the respective commodity derivative contract and pay-in and pay-out shall happen latest by the 2nd working day after expiry.
- (5) **Delivery framework under staggered delivery:** All compulsory delivery commodity derivative contracts (agriculture commodities as well as non-agriculture commodities) may have a staggered delivery period beginning few working days prior to expiry of any commodity derivative contract and ending with expiry, during which sellers or buyers having open position

may submit an intention to give or take delivery. The minimum duration of staggered delivery period shall be as defined in the contract specification of the respective commodity.

(a) The process of intention submission, delivery marking and allocation during the staggered delivery period is summarised as under:

- (i) buyers and sellers shall give delivery intention on each tender day specifying the delivery centre location preference through their commodity derivative broker;
- (ii) during the staggered period, delivery marking shall be done to the extent of seller intentions received for all the delivery centres;
- (iii) preference for delivery marking and allocation is given to the buyers who have given intention to take delivery at each delivery centre;
- (iv) if the buyer preference exceeds seller intention for a particular location, buyers shall be assigned delivery for the said location on a random basis. If the seller preference exceeds buyer intention for a particular location, buyers who have submitted intentions for the said location shall be marked in full and the balance seller intentions shall be assigned on random basis to the remaining buy positions. In such cases, buyers shall be assigned delivery at the seller location of delivery and buyers shall lift the delivery from the respective seller's delivery centre location;
- (v) if the tender date is T, then commodity–funds pay-in and pay-out shall happen on days as specified in respective contract specifications and delivery settlement procedure of the respective commodity but not later than T+2 working date;
- (vi) the delivery marking shall be done at client level as under:
 - a) during tender period (against seller intention) – intention quantity (to the extent of client open position);
 - b) at contract expiry – all open positions shall be marked for delivery.

(6) Mechanism for submission of delivery intention: CSE shall accept delivery intention only on tender days as specified in the delivery settlement procedure of the respective commodity derivative contract. The intentions shall be considered as valid only if the intentions are submitted along with the tender of delivery. The norms for submitting delivery intention are as under:

- (a) delivery intention shall be submitted during the pre-defined tender days and within specified time as defined in the delivery settlement procedure;
- (b) delivery intentions shall be given in multiples of deliverable lots only;
- (c) delivery intention under staggered delivery shall be valid only for the tender days;
- (d) delivery intention shall specify the delivery centre opted by the client;

- (e) commodity derivative broker shall submit intention(s) at client level during tender days and make arrangements for funds and commodities pay-in at client level towards delivery settlement;
 - (f) delivery intention shall not be modified or withdrawn after specified timelines;
 - (g) delivery intention shall be marked for delivery only to the extent of open position at the close of market on the tender day during staggered delivery and at expiry in case of other contracts;
 - (h) failure to hold the open positions against the delivery intentions shall attract fine on intention default, if any, as defined in the delivery settlement procedure of the respective commodity.
- (7) **Timings for submission of delivery intentions:** The timings for submission of delivery intentions to CSE (during specified working days) shall be as defined in the delivery settlement procedure of the respective commodity or as modified from time to time. CSE shall disclose on its website or trading terminals, the delivery intent on a daily basis in an anonymous manner.
- (8) **Facility of giving delivery intention at additional delivery centres:** The facility of giving delivery at additional delivery centres shall be as specified in the delivery settlement procedure of the respective commodity derivative contract.
- (9) **Submission of delivery related documentation:** CSE shall prescribe the process of submission of delivery related documentation. Failure to adhere to the defined process and timelines shall attract non-compliance charges and the same shall be deposited in the Commodity Settlement Guarantee Fund (CSGF) of CSE.

The payment of non-compliance charges, levied by CSE, shall in no case act as a substitute for non-fulfilment of statutory compliances by the commodity derivative brokers. The fines and/or interest or any other charges, imposed by any authority shall be payable by the commodity derivative brokers in addition to the said non-compliance charges.

CSE shall stipulate the time frame within which the various activities that the buyer and seller shall complete in order to ensure that the transaction is done. Activities like the seller commodity derivative broker submitting the settlement dues amount, the buyer submitting the details of the client in whose favour the invoice to be raised, seller commodity derivative broker raising a soft copy of the invoice, buyer commodity derivative broker confirming correctness of details, seller sending hard copy and buyer then confirming receipt of the hard copy. CSE may also stipulate penalties for delayed submission of the above data/ documents.

Note: CSE shall submit above mentioned details received from Buyer to Seller by Settlement + 1st working day by 2:00 p.m.

- (a) taxes, duties, levies and other charges shall be as specified by CSE in the relevant circular of contract launching. The commodity derivative broker giving delivery and the commodity derivative broker taking delivery shall exchange appropriate tax forms as provided in the relevant tax acts and neither of the parties shall unreasonably refuse to do so;

- (b) all the sellers giving delivery of goods and all the buyers taking delivery of goods shall have the necessary tax identification number as required under the relevant tax acts and obtain other necessary licenses, if any. The commodity derivative brokers shall ensure that the seller who raised the invoice on the buyer with tax identification number, and other particulars, as required under the relevant Act shall file all the statutory tax returns within the stipulated date so that the buyer having tax identification number avails the benefit of tax credit;
 - (c) the seller or buyer commodity derivative brokers shall be fully responsible for all statutory compliances applicable to their transactions. It shall be the responsibility of the respective commodity derivative brokers to pay all applicable statutory fee, taxes and charges in respect of all deliveries as well as commodity derivative contracts and CSE shall not be held liable or accountable or responsible on account of any non-compliance thereof;
 - (d) after the commodity payout, CSE shall make available the invoice related information for the respective commodity derivative brokers to the SFTP for download. Both the buying and selling commodity derivative brokers shall require to submit the invoice details in the said file folder (SFTP) to CSE for communicating its automated clearing and settlement system;
 - (e) the buyer commodity derivative broker is required to inform discrepancy or non-receipt of invoice or delivery related documents etc. or other required information to CSE within the above prescribed time period. In the event of non-receipt of any such reference of discrepancies or non-receipt of invoice or delivery related documents etc. in respect of the invoice and applicable delivery related documents within the above prescribed time period, seller commodity derivative broker or buyer commodity derivative broker and their clients shall be deemed to have exchanged all requisite documents and information and CSE shall not entertain any communication in this regard after the above prescribed time period;
 - (f) the seller or Buyer commodity derivative brokers are requested to correspond delivery invoicing related matters under intimation to CSE.
- (10) Treatment of odd lot position at expiry of contract:** Odd lot positions at the expiry of a commodity derivative contract may arise where the trading lot is different from that of the delivery lot. It is likely that a commodity derivative broker or client has an open position of two trading lots at expiry of a commodity derivative contract whereas the delivery lot is equal to 4 trading lots. Odd lot treatment, if any, shall be as specified in delivery settlement procedure of the respective commodity.
- (11) Computation of replacement cost in absence of spot prices:** In the event of spot prices not being available on any day during the post settlement period for computation of replacement cost on account of delivery default in the expiring commodity derivative contract, then close price of the next available commodity derivative contract of that commodity shall be used for computation of replacement cost in the event of delivery default.

Explanation: In case of computation of replacement cost against delivery marking in the May expiry commodity derivative contract, close price of the relevant day of June expiry (next available) shall be used.

- (12) **Early pay-in:** CSE shall facilitate early pay-in of commodities whereby commodity derivative broker and/or its clients can earmark the free balances towards early pay-in of commodities against their existing or planned short open position to avail the benefits of margin exemption:

Provided that for such short positions against which early pay-in has been made, CSE shall exempt imposition of all types of margins. However, CSE shall continue to collect mark to market margins (profit or losses) from such commodity derivative broker and/or its clients against such short positions.

Provided further that in case of all commodity derivatives contracts settled by delivery and seller's choice commodity derivative contracts, delivery to the extent of open position at the expiry of the commodity derivative contract shall be mandatory after claiming early pay-in facility on the short position. Failure on the commodity derivative broker's part shall attract extremely strict penalties including disciplinary actions.

34. Default Management. -

- (1) **Overview:** In case of pay-in obligation of a commodity derivative broker having clearing rights exceeds its margin deposit, the following waterfall method shall be applied:

- (a) margin deposit;
- (b) Base Minimum Deposit (BMD);
- (c) Commodity Settlement Guarantee Fund (CSGF).

- (2) **Failure to honour settlement obligation or timelines:**

- (a) **Daily settlement default:** In respect of partially executed or failed or non-confirmed instructions, the pending pay-in obligation shall be blocked from the margin deposits of the commodity derivative broker with CSE before the start of the market. Such reduced margin deposits shall then be available to the commodity derivative broker at the start of market for exposure requirements. The amount blocked shall be released progressively on the confirmation of successful execution of the pending shortages by clearing bank;
- (b) **Non-compliance charges:** CSE shall impose penal non-compliance charges for default in honouring funds pay-in timelines and obligation on the T+1 settlement due date as under:-

Sl. No.	Instance of default	Non-Compliance Charge
Intraday – Failure to honour settlement timelines		
i.	Failure to honour pay-in obligation within 3 (three) hours of the defined settlement timeline (i.e., within 3 (three) hours from start of market on settlement due date)	@0.20% of pay-in shortfall [(subject to minimum Tk.10,000 (Taka ten thousand))]

End of day – Pay-in obligation default		
ii.	First instance in last 30 (thirty) days	@0.20% of pay-in shortfall (subject to minimum Tk.10,000 (Taka ten thousand))
iii.	Second and third instance in the last 30 (Thirty) days	@0.25% of pay-in shortfall (subject to minimum Tk.15,000 (Taka fifteen thousand))
iv.	More than 3 (three) instances in the last 30 (thirty) days	Penalty specified in (iii) above and Suspension from trading for 1(one) day

CSE further shall have the authority to:

- (i) square-off the outstanding position of such defaulting commodity derivative brokers, including their clients open position, in case of adverse market movements;
- (ii) suspension of the said commodity derivative broker(s) followed by intimation to the Commission and/or;
- (iii) consider disciplinary action against the defaulting commodity derivative broker(s), as it may deem fit, in terms of the provisions of the regulations of CSE.

(3) Failure to honour delivery settlement obligation or timelines:

(a) Delivery settlement default:

- (i) **All commodity derivative contract settled by delivery:** penalty to the seller in case of delivery default (default in delivery against open position at expiry in case of all commodity derivative contracts settled by delivery and default in delivery after giving intention for delivery during the staggered delivery period) shall be as follows:

- 1) commodity derivative contracts on agri-commodities: 4% of settlement Price plus replacement cost;

Explanation: Difference between settlement price and average of three highest of the last spot prices of 5 (five) succeeding days after the commodity pay-out date, if the average price so determined is higher than settlement price, else this component shall be zero;

- 2) commodity derivative contracts on non-agri commodities: 3% of settlement price plus replacement cost;

Explanation: Difference between settlement price and higher of the last spot prices on the commodity pay-out date and the following day, if the spot price so arrived is higher than Settlement Price, else this component shall be zero;

- 3) CSE shall have the flexibility to increase or decrease fine for specific commodities depending on situation, in consultation with the Commission.

(ii) Norms for apportionment of fine in agri-commodities:

- 1) at least 0.75% of settlement price shall be deposited in the commodity settlement guarantee fund of CSE;
- 2) up to 0.25% of settlement price shall be deposited in the commodity investor protection fund of CSE;
- 3) 2% of settlement price plus replacement cost shall go to buyer who was entitled to receive delivery.

(iii) Norms for apportionment of fine in non- agri commodities:

- 1) at least 0.75% of settlement price shall be deposited in the commodity settlement guarantee fund of CSE;
- 2) up to 0.25% of settlement price shall be deposited in the commodity investor protection fund of CSE;
- 3) 1% of settlement price plus replacement cost shall go to buyer who was entitled to receive delivery.

(iv) Intentional/wilful delivery default: CSE shall have following deterrent mechanism (including penal or disciplinary action) in place against intentional or wilful delivery default:

- 1) the seller client who holds stock but fail to deliver against the commodity pay-in obligation, additional fine of 3% of settlement price shall be imposed on the wilful default;
- 2) in the event of the defaulting seller client who sells the stock in off-market during tender period in spite of having a sell open position and failed to square off the sell position by expiry:
 - a) warning letter shall be issued on the 1st instance occurred during the previous six months;
 - b) additional fine of 3% of settlement price shall be imposed on such wilful default from 2nd instance during the previous 6 (six) months.

(v) Both choice commodity derivative contracts: Upon receipt of matching intentions from the buyer and seller to take and make delivery, if any of the party fails to settle its obligations, a fine of 2.5% of the DDR shall be imposed on it. Additionally, a replacement cost of 4% of DDR shall be recovered from the defaulting buyer or seller.

(vi) Norms for apportioning of the fine:

- 1) 80% of fine amount shall be credited to CSGF of CSE;
- 2) 20% of fine amount) shall be credited to the clearing house;
- 3) out of the replacement cost recovered 90% shall be passed to the clearing house and 10% shall be deposited to CIPF.

(vii) Seller's choice commodity derivative contract: In the event of failure of delivery by the seller after giving delivery intention, the fine and replacement cost provisions, as applicable to seller default in all commodity derivative contracts settled by delivery shall be applied to such defaulting seller.

(viii) Buyer default shall not be permitted. In case a commodity derivative broker fails to make pay in of funds in the delivery settlement, CSE shall review the loss incurred by the non- defaulting party, i.e., seller, at its sole discretion, accordingly, impose fine on the defaulting buyer. Such fine shall be within the overall cap of delivery margins collected by CSE, from such defaulting buyer.

(4) Fine for repeated delivery default:

- (a) in the case of repeated default by a seller or a buyer, for each instance of repeated default, an additional fine shall be imposed, which shall be 3% of the value of the delivery default;
- (b) repeated default shall be defined as an event, wherein a default on delivery obligations takes place 3 (three) times or more during a 6 (six) months' period on a rolling basis by the same client; and
- (c) the fine imposed shall be transferred to Commodity Settlement Guarantee Fund (CSGF).

(5) Sharing of information: Defaulter in case of multiple defaults of commodity derivative broker:

- (a) whenever a commodity derivative broker of any segment is declared as defaulter, CSE shall at its own discretion declare it a defaulter in other segments also;
- (b) CSE shall take appropriate action against the associates of defaulter commodity derivative brokers. For this purpose, the term 'associate' shall include a person:
 - (i) who, directly or indirectly, by itself, or in combination with other persons, exercises control over the commodity derivative brokers, or holds substantial share of not less than 10% in the capital of such entities; or
 - (ii) in respect of whom the commodity derivative brokers, individual or body corporate or firm, directly or indirectly, by itself or in combination with other persons, exercises control; or
 - (iii) whose director is also a director of the commodity derivative brokers.

CHAPTER-VIII

WAREHOUSING AND ASSAYERS

35. Regulations, standards, and compliances under this chapter shall be followed by CSE accredited Warehouse Service Providers (WSP) and assayers.

36. Accreditation of WSP.-

- (1) CSE shall follow a transparent process for accreditation of WSP by issuing open advertisements in leading newspapers and/or publishing the same on the CSE website. The eligible WSPs shall apply to CSE for empanelment in prescribed format mentioned in Form-12. The accreditation of the WSP shall be done with the approval of the risk management committee of CSE.
- (2) The accreditation of a WSP shall, unless any expulsion proceedings pending against it, be subject to renewal after a period of 3 (three) years considering WSP's performance during accreditation, quality of services and number of client complaints and effective resolutions thereof etc.
- (3) The renewal shall be approved by the risk management committee of CSE. During the renewal process, CSE and the WSP shall continue to be responsible for the commodities stored till their final expiry date.

37. Eligibility and Experience of WSP or Promoters or Promoter Group of WSP.-

- (1) A WSP shall be a company and in public warehousing business.
- (2) The promoters/or promoter groups of the WSP shall be responsible persons or entities of repute with a good business reputation and credibility, and who are in the business of public warehousing for at least 3 (three) years as on the date of their operation and have knowledge of, and experience in, generally accepted warehousing and handling practices for commodities. CSE in its discretion, may relax the above norm of 3 (three) years provided that the WSP or its promoter or promoter group:
 - (i) meets all other criteria;
 - (ii) submits an undertaking that they shall meet any additional norm specified by CSE within the time frame as specified by it or 3 (three) years whichever is earlier.
- (3) WSP and promoters or promoter group of WSP shall have no record of serious violation of laws or being expelled by any exchange in last 3 (three) years and CSE may take an appropriate undertaking from the WSP in this regard.

38. Financial Norms for The WSP.-

- (1) **Capital and net worth:** A WSP shall have minimum net worth requirement as under:
 - (a) an accredited WSP shall have at least, subscribed and paid-up share capital of Tk. 10 (ten) crore;

- (b) an accredited WSP providing warehousing services shall meet the following net-worth criteria:

Number of commodities	Minimum net-worth
1 (one)	Tk 7.5 (five) crores (not less than 75% paid up capital)
More than 1 (one)	Tk. 15 (fifteen) crores (not less than 75% of paid up capital)

- (c) CSE shall ensure that the value of the goods stored in the accredited warehouses of WSP shall not, at any point of time, exceed 33 (thirty-three) times of the net worth of the WSP:

Provided that CSE shall have discretion to increase or decrease such limit;

- (d) in case of reduction in net worth below the stipulated amount, a time period of 6 (six) month shall be allowed to the WSP to augment its net worth. In the event the WSP is unable to augment the net worth to the requisite level within the allowed time frame, the WSP shall not carry out any new business i.e. shall not include any new warehouse for new commodity derivative contracts or commodity or location. CSE may take suitable measures, which are disclosed on its website for public information, with respect to the existing goods handled by such WSP;
- (e) the WSP shall submit an audited net worth certificate to CSE every 6 (six) months i.e., at the end of every June and December, within 45 (forty-five) calendar days;
- (f) the annual financial statements of the WSPs shall be audited and submitted to CSE within six months of the end of financial year. Further, each WSP shall also be required to file its unaudited quarterly financial statements for all the quarters of a financial years to CSE, within 45(forty-five) calendar days of the date of a quarterly statement.

- (2) **Security deposit (SD):** The WSP seeking accreditation with CSE is required to furnish a refundable security deposit along with the application form:

- (a) such security deposit shall be a minimum amount of Tk. 1 (one) crore;
- (b) security deposit shall not be released until 6 (six) months after cancellation or revocation or surrender of the accreditation of the WSP or until after satisfaction of every claim against the deposit, whichever is later;
- (c) such security deposit shall be in the form of cash or cash equivalent like FDR, bank guarantees, etc.:

Provided that CSE may time to time refix the above amount and form of such amount payment.

- (3) **Financial Security Deposits (FSD):**

- (a) the WSP shall furnish FSD in addition to the security deposit as under:

Value of Goods stored	FSD
Upto Tk. 250 (two hundred and fifty) crores	2% of the aggregate value of stored commodities
Above Tk.250 (two hundred and fifty) crores and upto Tk.500 (Five Hundred) crores	3% of the aggregate value of stored commodities
Above Tk.500 (five hundred) crores	4% of the aggregate value of stored commodities

- (b) the FSD shall be in form of liquid assets with applicable haircuts and concentration limits as listed below:

Item	Minimum haircut	Limits
Cash	0	No Limit but minimum 25%
Bank Fixed Deposit	0	
Bank Guarantees	0	
Government Securities	10%	

- (c) a daily monitoring of the FSD vis-à-vis the value of the commodities stored shall be done so as to ensure that the minimum stipulated FSD are always maintained with CSE. CSE may call for additional FSD over that stipulated above, if considered necessary;
- (d) the FSD vis-a-vis the value of goods stored shall be marked to market on replacement value on ongoing basis;
- (e) CSE may specify the liquidity ratio (i.e. $\text{Liquidity Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$) for WSPs, however it is desirable that such ratio is greater than 1 (one). CSE may, however, specify higher ratio.

39. Fit and Proper Criteria.- CSE shall ensure that the WSP, promoters of WSP, assayers, Key Management Personnel (KMPs) of WSPs, warehouses and assayers shall always be 'fit and proper' to carry out business of warehousing, have adequate knowledge and experience in generally accepted warehousing and handling practices for commodities, and are competent and willing to operate such a warehouse for which the WSP has a valid license/or expertise under the appropriate state warehousing laws in respect of the warehouses concerned.

40. Corporate Governance Norms for WSP.-

- (1) **Management and employees:** CSE shall ensure that the accredited WSP has a professional management team to oversee its functions and operations.
- (2) **Compliance officer:** The WSP shall appoint a compliance officer who shall be responsible for monitoring the compliance with relevant Act, Rules and Regulations, notifications, guidelines and instructions issued by relevant authorities from time to time. The Compliance officer of the WSP shall ensure that all norms mentioned are followed by the WSP and should issue a declaration to that effect to CSE, at regular intervals as directed by CSE.
- (3) **Standard Operating Procedure (SOP):** The WSP shall have a SOP and CSE shall obtain a standard operating procedure in respect of all the concerned warehouses from the WSP before granting accreditation to such warehouses. The SOP of a warehouse may cover but not restricted to the following:
 - (i) procedures for acceptance of goods to be deposited;
 - (ii) weigh bridge empanelment;
 - (iii) procedures for weighing, sampling of goods to be deposited as per industry standards, procedure for verification of commodity and communication to depositors;
 - (iv) procedure for depositing and identifying CSE related goods;
 - (v) procedure for maintaining the quality of the goods stored as per CSE commodity derivative contract specification;
 - (vi) procedure for Know Your Depositor (KYD) requirements;
 - (vii) security policy for ensuring the safety of the goods from theft, burglary, etc.;
 - (viii) procedure and guidelines for scientific storage of goods, including stacking, etc.;
 - (ix) procedure for losses caused due to theft, fire, burglary, fraud, negligence and force majeure events;
 - (x) procedure for internal verification of stock;
 - (xi) preservations of stock – maintenance of godown hygiene, maintenance of warehouse structure, aeration, periodical examination of goods, classification of presence of insects, pre-monsoon precautions, etc.;
 - (xii) selection of location for offering warehousing services;
 - (xiii) grievance redressal procedures;
 - (xiv) role and responsibilities of employees (including outsourced employees);
 - (xv) model warehouse agreement format;

(xvi) maintenance of surroundings, infrastructure etc.

- (4) The WSP shall have good internal systems and controls which should meet the operating guidelines, if any, issued by CSE from time to time. The WSP shall have clear delegation of powers to meet operational requirements.
- (5) WSP shall report to CSE within 3 (three) business days of initiation of any civil and criminal proceedings by or against it and shall also intimate CSE if there is probability of any such legal proceedings being initiated involving it, as soon as the same comes to the knowledge of the WSP.

41. Know Your Depositor (KYD).-

- (1) The WSP shall comply with KYD policy as prescribed in Form-14 by CSE;
- (2) Any participant of a commodity derivatives contract shall apply before depositing commodities to the WSPs. In case of depositing commodities on behalf of a participant, such participant shall provide the beneficiary an authorization in prescribed format mentioned in Form-15;
- (3) CSE and WSP shall at any point of time be able to identify the depositor of the goods deposited in registered warehouses, the owner of the deposited goods (in case the depositor is an agent of the actual owner), and also the actual beneficiary (in case the depositor and the beneficiary are different) of the deposited or stored commodities.

42. NID or BIN or TIN or Registration No. requirement.- CSE shall ensure that the WSPs are under obligation to provide CSE the details including NID or BIN or TIN or registration numbers of its promoters, promoter group entities, its holding or subsidiaries or associates and other related entities, persons 'acting in concert', key management personnel at the time of accreditation and update the same on periodical basis as mandated by CSE and whenever any change is noted by WSP, in this regard.

43. Facilities & Infrastructure requirement for WSP.- CSE shall ensure that the WSPs to be eligible for accreditation have reasonable facility and infrastructure for proper handling and storage of commodity such as:

- (1) All its warehouses are well connected with rail and/or road networks and have sufficient space for parking and movement of large vehicle.
- (2) The warehouses are physically and operationally suitable for the proper storage of commodities and:
 - (i) are of sound construction and in a state of good repair. The walls, the floor and the roof do not permit water seepage or are source of any insect infestation;
 - (ii) have adequate equipment installed and maintained in good working order, as may be prescribed by CSE, for the movement of commodities into, out of and within the warehouse. Further, the employees employed at the warehouses shall undergo training in fire safety and use of firefighting equipment;

- (iii) have adequate fire-fighting equipment installed within its premises and have fire escapes and fire hydrant points clearly marked;
 - (iv) have required ventilation installed and maintained in good working order, as may be prescribed by CSE, for the proper storage and preservation of quality of goods;
 - (v) have adequate lighting arrangement as may be prescribed by CSE;
 - (vi) are free from materials and substances that may adversely affect the quality of stored commodities;
 - (vii) have a safe work environment;
 - (viii) have ensured adequate security as prescribed by CSE for protection of stored or handled commodities to prevent from tampering or adulteration;
 - (ix) have facilities for storing the deliverable commodities of commodity derivative contracts which need to be and piled properly in a separate storage area as specified by the CSE thereby providing clear-cut demarcation between the commodities of CSE and that of non- commodity exchange commodities.
- (3) WSP shall take utmost care in storing commodities for commodity derivative contract in accordance with the weather conditions and the nature of commodity stored.
 - (4) WSP shall have adequate security personnel for each of its registered warehouse with required facilities to immediately communicate any unlawful entry, burglary, theft or damage or potential loss to the deposited goods to the WSP.
 - (5) Each warehouse of an accredited WSP shall assign a special place to store the samples used for inspection and testing for purpose of further examination and testing.
 - (6) WSPs shall take utmost care on daily basis for keeping surroundings for their respective warehouses under vegetation control and for disposal of waste which can otherwise create a favourable habitat for rodents and other pests. WSP shall regularly inspect and verify whether rodent control structures in the warehouse are sound and whether there are any pools of water around the facility, which can increase the danger of water seepage into it, and take appropriate remedial steps.
 - (7) CSE shall ensure that the warehouses provided by the WSPs are under absolute control of the WSPs. In case a warehouse is a leased property, it shall be ensured that no third party including the owner or lessor of the warehouse, has any role to play in the operations and managing the concerned warehouses operated by the WSP.
 - (8) CSE shall develop the SOP with respect to the maintenance, preservation and retrieval of data or records or books of accounts which shall be uniformly adopted by each of their accredited WSP or warehouse.
 - (9) WSP shall always give priority to commodities meant for commodity derivative contracts delivery while receiving, storing and dispatching goods. It should have internal process that enable CSE to physically verify by deputing its officials or through any agencies or experts

engaged by it, the goods deposited, the facilities available in such warehouse, or to inspect the level of compliance of the warehousing norms stipulated by CSE from time to time.

- (10) The WSP shall have assaying or testing facilities for the commodities it intends to render warehousing facility, or be associated with an assaying or testing agency which may preferably be certified by one or more national/international agencies, as specified by CSE.
- (11) The WSP shall provide for accurate and efficient weighing, sampling, inspection and grading of the commodities deposited in its warehouses. CSE shall ensure that the WSP has deployed personnel who have knowledge and experience in sampling, weighing, inspecting and/or grading of commodities.
- (12) The WSP shall have its own or access to fumigation facilities/agencies for pest control activities.
- (13) CSE shall ensure that the WSPs have in place, necessary policies, control and system in place for dealing with the risk that may be arising due to the warehouses being used for purposes other than commodity derivatives market.
- (14) The WSP shall be responsible to accept the goods or commodities in warehouses which meets the quantity and quality parameters as per CSE contract specifications. The WSP shall take necessary steps to maintain the quality and quantity of goods stored in the warehouse, in accordance with the conditions or parameters (for maintaining the quality) as laid down by CSE for each of such commodity.
- (15) The WSP shall provide all required data to CSE and CSE shall display on its website on a daily basis warehouse wise or commodity wise details of the space available, goods deposited and held in transit, details of location of the warehouse, and the archives of such reports shall also be available on the website.
- (16) The WSP shall not disseminate any information that is false or misleading or disclose any confidential information about clients and clients' positions in the market, obtained during the course of their dealings with CSE.

44. Accreditation of Assayers.-

- (1) CSE shall follow a transparent process for accreditation of assayers by issue of open advertisement in leading newspapers and/ or putting up the same on CSE website. The accreditation shall be done with the approval of the risk management committee of the board of directors of CSE.
- (2) CSE shall conduct independent pre-empanelment due diligence of assayers by visiting the laboratories and assessing the testing and certification facilities. In addition to the empanelment of assayers for deployment by the WSPs at their warehouses, CSE shall also identify and empanel separate independent assayer(s) at each such delivery location where the commodity derivative broker can independently get their goods or commodities assayed, at the time of depositing into or withdrawing such commodities or goods from a warehouse.
- (3) CSE shall ensure that the empanelled assayers work independently and their operations are governed by prescribed Standard Operating Procedures (SOPs). The assayers shall be

preferably certified by one or more national or international agencies and shall have the facilities as laid down by CSE from time to time.

45. Warehouses at Delivery Centres.-

- (1) CSE shall ensure that all the warehouses of a WSP accredited by it have the necessary approvals from relevant local authorities.
- (2) CSE may accredit warehouses of a WSP within 100 (hundred) kms radius of the delivery centres depending on the feasibility and requirements, in respect of all commodities.

46. Insurance.-

- (1) The WSP shall at all times ensure to fully cover under insurance, the value of goods stored at CSE approved warehouses against all potential perils relevant to the commodities for which insurance cover is available and necessary.
- (2) The WSP shall undertake to take insurance cover for risks such as viz. fire and allied perils including flood, cyclone, earthquake and spontaneous combustion, burglary and theft and special perils covering riots, strikes and terrorism.
- (3) The WSP shall take fidelity guarantee & crime insurance and professional indemnity coverage to cover all deliverable goods on CSE.
- (4) The value of goods to be insured should be marked to market on replacement value on ongoing basis.

47. Monitoring or Inspection or Audit of Warehouses by WSPs and CSE.-

- (1) **Periodic inspection or audit by WSPs:** The WSP shall ensure that there is periodic inspection or audit of the warehouse as well as the commodities stored in the warehouses:
 - (a) inspection staff shall be independent of the employees or staff deputed at the registered warehouse;
 - (b) the inspection or audit report shall be submitted to CSE within a week of the completion of such inspection or audit;
 - (c) CSE shall ensure that the physical counting of stocks of commodities and their reconciliation with the corresponding electronic records is done periodically.
- (2) The WSP shall allow the broker or clients holding balances to do physical inspection of their goods. However, the request for such physical inspection shall be submitted to CSE in prescribed format mentioned in Form-13 and CSE after verification of such request, shall forward the same to the concerned WSP for allowing such inspection within a stipulated time.
- (3) **Periodic inspection or audit of warehouses by CSE:** CSE shall ensure that independent audit of the stocks and other facilities in the warehouses is carried out by engaging expert agencies, at regular intervals:

- (a) such inspections shall be carried out at least twice in each accredited warehouse in a calendar year with a gap of not more than 6 (six) months between two inspections or audits of same warehouse;
 - (b) in addition to the above, the audit may also be conducted on risk profiling, as identified by CSE. For this purpose, CSE shall form a panel of independent expert agencies;
 - (c) the result of such audit or audit report shall be displayed by CSE on its website immediately after the completion of the audit and submission of report by the auditor;
 - (d) a panel of such independent expert agencies for carrying out inspection of warehouses shall be prepared by CSE which shall also be reviewed by CSE from time to time. In addition, CSE shall also conduct in-house physical audit of accredited warehouses at regular intervals;
 - (e) surprise inspections of warehouses may also be carried out by CSE as and when such exigencies arise in terms of the prescribed norms;
 - (f) CSE shall have a detailed inspection manual for carrying out the audits and inspections of the WSP or warehouses concerned.
- (4) **Monitoring of warehouses by CSE:** CSE shall monitor the warehouses of accredited WSPs. In this regard, CSE and WSPs shall ensure that the goods whose final expiry date is over, are removed from the concerned warehouse immediately, but not later than 3 (three) months from the date of the final expiry date.

48. Review of WSPs or Warehouses.-

- (1) CSE shall review and appraise operational performance of each WSP every year. Based on the operational review CSE shall adjust the allocation of commodities and the limit of deliveries at various warehouses of the concerned WSP in accordance with the results of such performance evaluation and appraisal.
- (2) Additionally, CSE shall carry out biennial and quarterly performance review of all warehouses accredited by it, taking into account various performance areas such as storage facilities, the capacity and appearance of the warehouse, business capabilities, business performance, accounting, the satisfaction level of commodity derivative brokers or clients, redressal of client grievances, and other factors as CSE deems necessary for its review.
- (3) CSE shall take necessary action against a WSP or warehouse, if the warehouse is unable to meet the requirements of an accredited warehouse and fails to improve the standard within the stipulated time.

49. Code of Conduct.- CSE shall frame necessary code of conduct for the WSPs, warehouses and assayers.

50. Grievance Cell.-

- (1) CSE shall ensure that it has a grievance cell to handle consumer complaints.

- (2) CSE shall take steps to resolve customer related issues and maintain a record of complaints received and or resolved.
- (3) CSE shall require the WSP to report the details of complaints received and or resolved by it/or pending and action taken on the complaints, once in every fortnight.

51. MIS System.-

- (1) WSP shall have a Standard Operating Procedure (SOP) which is process-dependent and not person-dependent. The MIS should have the capability to capture and disseminate information regarding goods being held warehouse wise or location wise, and the availability of space in the warehouses.
- (2) CSE shall display on a daily basis warehouse wise details of the space available, stock of goods held, name of the warehouse service provider, details of location of the warehouse, particulars of acceptance or rejection of goods by the warehouse concerned, details of empanelled assayers and independent assayers, if any, attached to the warehouse etc., on its website. The archives of such reports shall be available on CSE website.
- (3) The participants or clients willing to deposit goods in CSE accredited warehouses shall submit a request to CSE. CSE shall devise a process for the participants to identify the warehouse where the commodity derivative contracts can deposit the goods. After such identification, CSE shall intimate the commodity derivative contracts about the time, place and the warehouse where they can deposit the goods. CSE shall then render notice to the concerned warehouse for accepting deposits from the concerned commodity derivative brokers or clients after assaying or quality testing as per the laid down procedure in a transparent manner. The WSP shall accept the goods for deposits only at the instruction of CSE concerned.

52. Surrender or Cancellation of Accreditation of WSP.-

- (1) Any WSP that applies for surrender of its accreditation shall submit its application for surrender to CSE for evaluation and approval.
- (2) CSE may cancel the accreditations of a WSP if it fails to comply with the provisions of the rules or regulations specified by it and intimate the same to the commodity derivative brokers by issuance of notice. However, CSE shall offer the WSP concerned an opportunity of being heard and take a decision on cancellation after considering the explanation of the WSP.
- (3) A WSP that surrenders its accreditation or its accreditation is cancelled, shall attend to the following matters urgently:
 - (a) all commodities for commodity derivative contract delivery shall be dispatched out of the warehouse or converted to physical commodities;
 - (b) all liabilities and debts vis-a-vis CSE, broker and clients shall be settled;
 - (c) there is no obligation on its part to deliver goods to the clients pertaining to their trades on CSE platform;

- (d) no customer complaints pertaining to any of its registered warehouses are pending for redressal.
- (4) SD and FSD shall be returned in accordance with these regulations, keeping aside 10% of such deposits with CSE, which shall not be released until 6 (six) months after cancellation or surrender of accreditation of the WSP or until satisfaction of all claims against the deposits made in its warehouses, whichever is later.
- (5) A WSP which surrenders its accreditation with CSE shall not be eligible to provide its services to CSE for a period of 2 (two) years. CSE may revise this period at its discretion.
- (6) Notice intimation to general public or clients shall be given through widely published newspapers and website etc. before accepting the surrender of WSP or cancellation or expulsion of the WSP.

53. Actions against WSPs.-

- (1) CSE shall frame guidelines for its accredited WSPs to rectify or correct their misconduct or misconduct on the part of any of its approved warehouses used for storing goods for delivery on CSE platform. CSE shall also direct the WSPs to indemnify an entity aggrieved by the delivery process of its warehouse or, in serious cases of misconduct or malfeasance, revoke the accreditation of the concerned warehouse or/and hold the WSP accountable for any legal liabilities, if the concerned erring WSP or warehouse engages in any of the following offences:
 - (i) refuses to accept delivery without any authentic reasons or, issues a falsified certificate of delivery;
 - (ii) violates any of CSE's regulations or limits the movement of a deliverable commodity into or out of the warehouse;
 - (iii) discloses any confidential business information relating to a buyer or seller or a commodity derivative contract;
 - (iv) provides inaccurate or incomplete information, conceals the truth of the facts;
 - (v) engages in the commodity derivative trading activities of the commodities for which it provides the warehouse services;
 - (vi) engages in any other behaviour in breach of CSE's regulations; or
 - (vii) any other offence not listed above:

Provided that the above actions shall be initiated only after prior approval from the risk management committee of CSE.

- (2) The accredited WSP shall be liable for any losses resulting from any action or inaction on its part or on the part of its warehouses that prevents the buyer or seller from exercising, in whole or in part, their rights. CSE shall compensate the aggrieved client for any such losses that have been appropriately established by debiting the FSD of WSP held with CSE, in accordance with its applicable rules, and WSP shall within 7 (seven) days replenish the FSD as required.

54. Cold Storages.- In case of any commodity which generally require storage in the cold storages, CSE shall ensure that such commodities are stored in cold storages only. The WSP provides the cold storage service shall follow and maintain the adequate Standard Operating Procedure (SOP) of a cold storage i.e.- uninterrupted power supply, required temperature and humidity control, etc.

55. Bankruptcy or Insolvency of WSP.-

- (1) CSE shall have necessary arrangements to ensure that in the event of bankruptcy or insolvency of the WSP or other such contingency, there is no restriction placed upon owners or depositors of the commodity wishing to take possession of their individually identified commodity and remove it from the accredited warehouse(s).
- (2) The goods kept at WSP as underlying of any commodity derivative contract shall be free from bankruptcy or insolvency of WSP.

CHAPTER-IX

SPOT PRICE POLLING

56. Spot Price Polling Mechanism.- CSE shall put in place a ‘spot price polling mechanism’ to arrive at the prevailing spot prices. To arrive at the spot prices, CSE may poll the spot prices from various spot price polling participants of physical market or may consider taking from a benchmark exchange or agency as mentioned in contract specification.

57. Spot Price Polling Policy.-

(1) In order to maintain the transparency of spot price polling process and dissemination of spot prices arrived at through spot price polling process, CSE shall follow a documented policy for the spot price polling mechanism. The policy shall, inter alia, mention the following:

- (i) details of the commodity derivative contract;
- (ii) operational mechanism of polling;
- (iii) how spot prices are arrived at;
- (iv) whether these prices include or excludes taxes and other charges or costs;
- (v) whether spot prices polling has been outsourced to any agency and if so, the details thereof;
- (vi) foreign currency conversion rate (if applicable);
- (vii) any other information that CSE may consider useful for improving transparency in arriving at spot price.

(2) CSE shall display the spot price polling mechanism adopted for every commodity derivative contract on its website.

58. Review of Spot Price Polling Mechanism.- CSE shall also periodically review the prices polled by the spot price polling participants and cross check with other pertinent sources to identify whether the spot price polling participants habitually polling unrealistic prices. These spot price polling participants could be put under watch and subsequently removed from the panel if such instances are repeated despite appropriate communications.

CHAPTER-X

PRODUCT ADVISORY COMMITTEE

59. Product Advisory Committee (PAC).-

- (1) CSE shall constitute a PAC for each or group of commodities having common stakeholders or value chain participants, on which commodity derivatives are traded or being proposed to be traded on CSE:

Provided that no shareholder director of CSE and/or its connected persons shall be a member of PAC.

- (2) The PAC shall, inter alia, review the design of proposed new commodity derivative contracts as well as design and performance of existing commodity derivative contracts, to ensure that commodity derivative contract specifications represent the industry needs.

- (3) CSE authority shall determine the PAC secretariat.

- (4) Terms of Reference (ToR):

- (a) Design of new commodity derivative contracts and review of the design of existing commodity derivative contracts ensuring that commodity derivative contract specifications represent the industry needs:
 - (i) alignment of quality or quantity specifications of the product with the physical market;
 - (ii) choice of basis and additional delivery centres;
 - (iii) appropriate premium or discount for additional deliverable quality or delivery at additional delivery centre, etc.
- (b) Discussion on the “state of the markets for the commodity” at every meeting.
- (c) Review of the delivery centres as well as recommendations with respect to modifications of delivery centres.
- (d) Review of suggestions or feedback or complaints received by CSE regarding the commodity or commodity derivative contract and action taken thereon.
- (e) Performance review of the existing commodity derivative contracts on various parameters.
- (f) Any other related matter thereof.

- (5) CSE shall have the discretion to accept, reject or modify any recommendations made to it by the PAC, by recording the reasons thereof:

Provided that a copy of the original recommendation of PAC shall be intimated to the Commission.

(6) **Composition of PAC:**

- (a) PAC shall have a balanced representation from amongst the following categories of stakeholders:
- (i) representatives from trade associations representing various value chain participants;
 - (ii) representatives from various stakeholders and value chain participants such as producers, traders, consumers, farmers & farmers groups or cooperative societies in case of agricultural commodities, SMEs etc.;
 - (iii) representative(s) from warehousing or assaying sector (if applicable);
 - (iv) independent expert(s) in the specific commodity group;
 - (v) representative(s) from financial sector;
 - (vi) representatives from CSE.
- (b) Each PAC meeting shall be headed by a Chairman (who shall be an independent person with experience in the specific commodity) selected as such for the meeting based on attendees' choice. PAC shall have a CSE executive as Vice Chairman for administrative coordination or decision.

(7) **Proceeding of meetings:**

- (a) The PAC shall meet as and when required;
- (b) CSE shall prepare the agenda for the meeting based on the views and requirements of value chain participants and also taking into account any suggestions or feedback or complaints received by CSE regarding the commodity or commodity derivative contract;
- (c) in the PAC meetings at least 50% members (excluding representative from CSE) shall be present.

(8) **Disclosure:** For each PAC, CSE shall make the following disclosures on its website:

- (a) composition of committee- name of the member, organization, sector;
- (b) terms and reference of the committee;
- (c) the committee shall be at liberty to publicize agenda items with CSE's prior consent in order to encourage market participants to contribute their point of view.

(9) Confidentiality and conflicts of interest:

- (a) PAC members shall ensure that, unless outside consultation is specifically agreed, all matters discussed and all materials and data made available to them in respect of their committee-related activities are always kept confidential;
- (b) if there is a conflict of interest arising for a member out of any matter proposed to be discussed at a committee meeting or a matter that comes for discussion in the course, in a committee meeting, such committee member shall refrain himself from discussion on that matter and the minutes of the meeting shall record the same.

(10) Performance review of the commodity derivative contracts:

- (a) CSE shall review the performance of all its products in the commodity derivative segment;
- (b) the said performance review shall be consulted with the PAC;
- (c) the said performance review shall be conducted on an annual basis for each financial year.

CHAPTER-XI

PROPRIETARY/OWN TRADING

60. Proprietary Trading.-

(1) Terminals:

- (a) facility of placing orders for commodity derivative brokers' proprietary account through trading terminals shall be extended only at one location of the commodity derivative brokers. The application for enablement of trading terminal at default location shall be made to CSE in prescribed format mentioned in Form-5;
- (b) in case any commodity derivative brokers require the facility of using proprietary trading terminals from more than one location, they shall be required to submit an undertaking to CSE in prescribed format mentioned in Form-6, stating the reason for using the account at multiple locations and CSE shall, on case-to-case basis after due diligence, consider the undertaking;
- (c) CSE shall take disciplinary action wherever such facility is being misused by any commodity derivative brokers;
- (d) commodity derivative broker may execute its proprietary trade using online or web-based applications.

- (2) Position limits:** Norms applicable on client level positions shall also be applicable to the proprietary positions of commodity trading brokers and while calculating the commodity

derivative broker's open positions, its proprietary positions shall be treated and computed like a client's positions.

- (3) **Margins:** Computation of margin of commodity derivatives brokers shall be considered as gross amount across the clients. The proprietary positions of the commodity derivative brokers shall also be treated as that of a client for margin computation.
- (4) **Prevention of misuse of clients' deposits for proprietary trading:** CSE shall ensure that commodity derivative brokers shall not mingle client deposits with the proprietary deposits and that the commodity derivative brokers provide separate deposits for proprietary positions out of own funds only and not from the client deposits.

61. Disclosure of Proprietary Trading by Commodity Derivative Broker to Client.- With a view to increase the transparency in the dealings between the commodity derivative broker and client, every commodity derivative broker shall disclose through its own website whether it operates client based business or proprietary trading as well.

CHAPTER-XII

HEDGE POLICY

62. Hedge Policy.-

- (1) The hedge limit (additional position limit) to be granted by CSE to the bona fide hedgers shall be in addition to the normal position limit allowed to it. Such hedge limit is non- transferrable and shall be utilized only by the hedger to whom the limit has been granted and not by anyone else.
- (2) This hedge limit granted for a commodity derivative broker shall not be available for the near month commodity derivative contracts of the said commodity from the date of applicability of near month limit.
- (3) Hedge limits for a commodity shall be determined on a case-to-case basis, depending on applicant's hedging requirement in the underlying physical market based upon:
 - (i) his export or import commitments;
 - (ii) stocks held;
 - (iii) previous track record of production or purchase or sales;
 - (iv) processing capacity;
 - (v) the factors as CSE may deem appropriate.
- (4) CSE shall grant hedge limits to the applicant on verification of documentary evidence of the underlying exposure and ensuring that the hedge limit granted is genuine and does not have

the potential to hamper the equilibrium of the market of that particular commodity derivative contract:

Provided that granting hedge limit to any shareholder director of CSE and/or its connected persons shall be subject to prior approval of the Commission.

CHAPTER-XIII

COMMODITY INVESTOR PROTECTION FUND

63. Commodity Investor Protection Fund and Its Purpose.-

- (1) There shall be a Fund by the name “commodity investor protection fund” created by CSE which shall continue to be perpetual.
- (2) The purpose of the fund created under these regulations is to protect the interest of the investors in case of default by the commodity derivative brokers as well as in case of cancellation or forfeiture of TREC of a TREC Holder or expulsion of a commodity derivative broker due to its failure or refusal to abide by or carry out the award of arbitrator(s) or for non-settlement of investors’ claims as directed by CSE.

64. Constitution of The Board of Trustees for the Fund.-

- (1) The fund shall be vested in and managed by a board of trustees approved by the Commission.
- (2) The board of trustees shall consist of:
 - (a) a Chairman to be nominated by the board of directors of CSE from amongst the distinguished persons who are not in any way associated with any stock exchange:

Provided that the board of directors shall propose at least 3 (three) candidates against the chairman and the Commission shall select one of them;
 - (b) two members to be nominated from amongst the directors of CSE by the board of directors;
 - (c) one member to be nominated by the board of directors from amongst the investors;
 - (d) the managing director/chief executive officer of CSE.
- (3) The Commission shall appoint the chairman within the first month of each year.
- (4) The board of directors shall nominate two members from the board of directors and one from institutional investors in the first board meeting of each year:

Provided that the first board of trustees shall be constituted within one month of coming into force of these regulations.

- (5) A trustee of the fund shall cease to hold office if:

- (a) he ceases to be an office bearer or a member of the board of directors of CSE;
 - (b) his nomination is cancelled by the Commission;
 - (c) he becomes insolvent or is of unsound mind;
 - (d) he is guilty of an offence involving moral turpitude;
 - (e) he becomes incompetent to act for reason of illness or infirmity;
 - (f) he leaves Bangladesh permanently;
 - (g) he resigns from office of the trustee; or
 - (h) he remains absent from 3 (three) consecutive meetings of the board of trustees or from all meetings of the board for a continuous period of 3 (three) months, whichever period is longer, without leave of absence from the board of trustees.
- (6) Any casual vacancy in the board of trustees shall be filled up by the concerned authority(ies) within one month of occurrence of such vacancy.
- (7) A trustee shall hold office for a term of 1 (one) year, but shall continue to hold office after the expiry of his term until a successor enters upon his office.

65. Power and Functions of the Board of Trustees.-

- (1) The board of trustees shall have the full control over the administration and management of the Fund and shall be vested with all powers, authorities and discretion necessary or expedient for that purpose in addition to any express powers conferred by these regulations.
- (2) The board of trustees shall meet at least 3 (three) times during the year and not more than six months shall elapse between any two meetings.
- (3) Three trustees present shall constitute a quorum for such meeting.
- (4) The chairman shall preside over all meetings of the board and in his absence a trustee elected among the present at the meeting shall preside.
- (5) Each trustee shall have one vote and the decision of the majority shall prevail, and in case of equality of votes, the chairman shall have a casting vote.

66. Accounts of the Fund.- The board of trustees shall maintain proper accounts of the fund and these shall be prepared and maintained in accordance with these regulations.

67. Audit of the Fund.-

- (1) The board of trustees shall, within three months of closing of each year, get the accounts of the fund audited by the practicing-chartered accountant appointed annually.
- (2) The board of trustee shall submit a copy of the audited report and statement of the accounts to the Commission and CSE within two weeks of receiving of the report.

- (3) The auditor's report and the accounts of the fund shall be available to the commodity derivative brokers through the board of trustees.

68. Commodity Derivative Brokers' Participation in the Fund.- Every commodity derivative broker shall participate in the fund at such rate as prescribed in these regulations and any failure to contribute to the fund shall constitute violation of these regulations and the Exchange shall have the power to suspend the trading right of that commodity derivative broker until such time the contribution is deposited with the Fund.

69. Sources of Contribution.-

- (1) The fund shall consist of contributions of the Exchange and its commodity derivative brokers in the following manner:
 - (a) the Exchange shall make a one-time contribution of taka 50 (fifty) lakh to the commodity investor protection fund;
 - (b) each commodity derivative broker shall make a one-time contribution of Taka 1 (one) lac to the Fund;
 - (c) monthly contribution at the rate of 1 (one) taka for every Taka 10 (ten) lac or part thereof gross cumulative turnover (buy + sale) of each commodity derivative broker immediately after closure of each quarter;
 - (d) all the penalties levied and collected by the Exchange, except for the settlement related penalties (including penalties from delivery default), shall be credited to the CIPF;
 - (e) all benefits accrued against unclaimed shares shall be transferred to the commodity investors' protection fund of CSE after 5 years of such accrual;
 - (f) any amount received from such other sources as may be available at the discretion of the board.
- (2) The board reserves the right to alter, vary and discontinue at any time the contribution to the fund subject to prior consent from the Commission.
- (3) CSE shall have the power to deduct from or adjust against the settlement accounts or any other accounts of the commodity derivative broker the amount of the commodity derivative broker's contribution and shall place the amount in the Fund within three working days of closure of each quarter.

70. Contingency Fund from CSE.-

- (1) If at any time the fund becomes insufficient to satisfy the liabilities against the reserve of the fund, the board of trustees may request the board of directors of CSE for such amount of contingency fund as the board thinks fit to satisfy such liabilities of the fund.
- (2) The amount of such contingency fund shall be paid by CSE to the fund, as an interest free loan within such time and such terms as may be determined by the board of directors:

Provided that the board of directors of CSE may decide to impose mandatory contribution from commodity derivative brokers to recover the same loan which shall be payable by each commodity derivative broker at such term as may be prescribed.

- (3) The contributions, other than the contingency fund, made to the fund by CSE and its commodity derivative brokers shall be non-refundable and shall not be considered as a debt due by the fund to CSE or to any commodity derivative broker.

71. Investment of the Fund.- The board of trustees shall invest the fund except investment in the capital market, in such a manner as may be authorized by law for the time being in force. All investments and bank accounts of the fund shall be maintained by the board of trustees with a scheduled bank in the name of the fund under the control of at least any two of the trustees with power to operate the banking accounts, and to sell, transfer, vary and transpose such investments.

72. Loss.- Any loss in or diminution in value of the investments of the fund from whatever cause arising, not being due to the gross neglect or wilful default or fraud of a trustee, shall be borne by the fund and the trustee shall incur no responsibility or liability by reason or on account thereof.

73. Refund or Withdrawal of Contribution to the Fund.- The commodity derivative brokers shall not be entitled to any repayment or refund or withdrawal of their due contribution to the fund on cessation of license of commodity derivative for any reason whatsoever.

74. Appointment of Trustee.- In the event of the default of a commodity derivative broker, the board of trustees shall appoint one or more of their number as trustee(s) to handle any claims by investors in respect of losses incurred by the investor as a result of the default.

75. Lodging of Claims and Payment Against Claims.-

- (1) Claims to be considered for payment:

- (a) The trustee(s) shall consider the claims of investor(s) of a commodity derivative broker who has been:-
- (i) declared a 'defaulter' by the Exchange in pursuant to relevant regulations of CSE; or
 - (ii) whose license of commodity derivative broker has been cancelled or forfeited due to its failure or refusal to abide by or carry out the award of arbitrator(s) or for non-settlement of Investors' claims;
 - (iii) the amount paid under clause (i) and (ii) shall be recovered from the respective commodity derivative broker and reimburse the same to the investors' protection fund.
- (b) Claims made by investors against a commodity derivative broker who has not been declared a defaulter are dealt with by the Exchange's complaints procedures and should be submitted, in the first instance, to the commodity derivative broker directly.

- (2) Circumstances for considering claims:

- (a) All claims of investors arising out of transactions entered into as per laws of the Commission and CSE regulations shall be eligible for consideration under these regulations.
 - (b) A claimant under this chapter must sign an undertaking to be bound by the decision of the trust whose decision shall be final and binding.
 - (c) The trust in disallowing (whether wholly or partly) a claim for compensation shall serve notice of such disallowance on the claimant.
- (3) **Certain claims to be disallowed:** The fund shall not be available for claims in respect of repayment of deposits or loans placed with or given to a defaulting commodity derivative broker by any person or for any other transaction not connected with the purchase and/or sale of securities.
- (4) **Time limit for lodging claims:** Investors of a defaulting commodity derivative broker shall lodge a claim with the trustee(s) within a period of six months from the date of declaration of such commodity derivative broker as a defaulter in accordance with these regulations. The trustee(s) may not entertain any claim lodged after the expiry of the aforesaid time limit.
- (5) Claims against a defaulter who is a commodity derivative broker in more than one stock exchange in Bangladesh:
- (a) the claimant at its discretion may lodge a claim with the trustee(s) of any one fund.
 - (b) in the case of the same claim lodged with more than one trustee, the claimant shall be asked from which fund the claim should be settled. The trustee(s) shall ensure that the same claim is not settled out of more than one fund.
- (6) **Determination of nature of claims and payments:**
- (a) The trustee(s) shall have an absolute discretion as regards to the mode and method of assessing the nature of the claims including their genuineness and shall likewise at their discretion accept, reject or partially grant or allow claims and make payments in respect thereof subject to the limits herein mentioned, as they may deem fit and proper.
 - (b) The trustee(s) may at any time and from time to time require the claimant to produce and deliver any securities, documents or statements of evidence necessary to support any claim made or necessary for the purpose of establishing his claims and in default of delivery of any such securities, documents or statements of evidence by such claimant, the trust may disallow any claim by him under this sub regulation.
- (7) **Compensation not to exceed maximum limit:**
- (a) The compensation paid in respect of any single investor claimant shall not exceed a sum of Tk. 500,000/- (five hundred thousand) only. The trustee(s) may, however, at any time in consultation with the board of trustees, and with the approval of the Commission or as per the directive of the Commission, increase the maximum limit of compensation payable as aforesaid. Such compensation shall be settled within 90 (ninety) days from the date of receipt of the complaint.

- (b) The compensation shall be disbursed to the investor from the 'investor protection fund' in case there is a shortage of defaulter commodity derivative broker's assets after its realization.
- (c) In cases where any litigations are pending against the defaulter commodity derivative broker the residual amount, if any, may be retained by the Exchange until such litigations are concluded.

(8) **Appeal:** An investor shall be entitled to apply to the board of trustees for reconsideration of the decision of the trustee(s) to reject or partially grant or allow any claim and the decision of the board of trustees shall be final and binding and the trustee(s) shall act accordingly.

(9) **Claim not to affect legal proceedings:** The rejection or partial acceptance of any claim by the trustee(s) or as the case may be, or the grant of any compensation to an investor claimant shall not preclude or debar such investor from pursuing his claim for dues against the defaulting commodity derivative broker in any court of law or otherwise howsoever or other legal action on other grounds or causes of action of whatsoever nature, subject, however, that the net claim of any such investor claimant against a defaulting commodity derivative broker may stand reduced to the extent of any compensation received by it from the fund.

76. Discretionary Nature of Fund.- The fund shall be discretionary fund and the trustee(s) shall be under no legal obligation to collect the debts of a defaulter commodity derivative broker and/or to make payments from the fund as mentioned hereinabove.

77. Bar on Assignment.- The contribution of a commodity derivative broker shall not be a debt due from the fund and no commodity derivative broker shall be entitled to transfer or assign in any manner its contribution to the fund.

78. Expenses of the Fund.- The chairman and the trustees shall be entitled to get honorarium for attending board meeting. The board of trustees shall also be entitled to charge to the fund all the expenses of management and administration of the fund including fees of auditors, legal advisers or other professional advisers, and staff salaries, wages and all related costs, charges and expenses to which the board of trustees or a trustee shall be put to in connection with the fund or any legal claim thereon by any reason whatsoever.

79. Indemnity. - The board of trustees shall be indemnified by the fund from and against all actions, proceedings, losses, damages, claims, liabilities, costs, charges and expenses in connection with the fund or the management and administration thereof or any dealings therewith provided that the same shall not arise by reason of their gross neglect or wilful default or fraud or of personal reason.

80. Declaration.- Every commodity derivative broker shall sign a declaration in the form prescribed by the board of trustees signifying its assent to the fund and to abiding by and observing the regulations for the time being in force including any decision of the board of trustees in relation to the fund.

81. Reporting to Commission and CSE.- The board of trustees shall furnish a quarterly report on the fund and affairs of the trustees to Commission and CSE within one month of the end of each quarter.

82. Winding-Up.-

- (1) The trust shall be wound up, dissolved or liquidated only in the event of the dissolution of Chittagong Stock Exchange PLC;
- (2) for the purpose of winding up, the board of trustees shall first realize the assets of the fund and after meeting all debts/liabilities and claims the amounts/assets so realized shall be and from a part of the property of Chittagong Stock Exchange PLC and shall be appropriated or utilized accordingly.

CHAPTER-XIV

COMMODITY SETTLEMENT GUARANTEE FUND

83. Objective of the Fund.- The objective of the fund that is created by the clearing house of CSE is to guarantee the settlement of trades executed in CSE. In the event of a commodity derivative broker or participant having clearing right failing to honour settlement commitments, the settlement guarantee fund shall be used to fund the obligations of those brokers or participants and complete the settlement without affecting the normal settlement process.

84. Creation and Operation of the Fund.-

- (1) There shall be a fund by the name “commodity settlement guarantee fund of CSE” created by the Exchange with the contributions as prescribed in these regulations;
- (2) the fund shall be managed by “management committee” of the Exchange. For this purpose, management committee means a committee consists of Chief Risk Management Officer (CRMO), Chief Financial Officer (CFO)/head of finance department, general managers (GMs) and any other person(s) nominated by the Managing Director/Chief Executive Officer (MD/CEO). The committee shall be headed by the CRMO;
- (3) the CRMO or any person authorized by him shall be the signatory for any transaction from the fund;
- (4) the CRMO shall prepare and submit half yearly report on the status of the fund to the Board;
- (5) the whole of the expenses in connection with or incidental to the management or administration of the guarantee fund including the cost of audit and legal expenses shall be borne by the guarantee fund.

85. Contribution to Commodity Settlement Guarantee Fund.-

- (1) **The fund shall comprise of contributions from the following sources:**
 - (a) **Initial contribution:** the initial contribution shall comprise of contributions from the Exchange and commodity derivative brokers as follows:
 - (i) taka 100,000,000 (taka ten crore) from the Exchange;
 - (ii) taka 500,000 (taka five lac) per commodity derivative brokers as subscription in the fund out of which taka 250,000 (taka two lac fifty thousand) only shall be collected on call made by the management and rest taka 250,000 (taka two lac

fifty thousand) only shall be collected between second and third years of formation of the Fund.

(b) Regular contributions:

- (i) 2.5% of annual net profit of the Exchange shall be transferred to the fund as a regular contribution on annual basis;
 - (ii) any income generated from of the fund shall be attributable to this fund.
- (c) Extraordinary guarantee calls:** Extraordinary guarantee call shall mean a contribution that a commodity derivative broker must transfer into the account of the fund following the approval of the board.
- (d)** Any penalty, default interest related to settlement levied by Exchange shall be credited to CSGF Fund.
- (2) Each commodity derivative broker shall be liable to make the payment of contribution to the fund within 10 (ten) working days of receipt of request for contribution as provided herein above.
- (3) Without prejudice to the sources of contribution the fund may receive contribution from any other sources as may be approved by the board from time to time.

86. Penalty for Delay.- Any delay in payment of contribution following the receipt of a call shall be subject to default interest at the rate of 0.10% per day on the amount from the due date.

87. Suspension.-

- (1) In the event a commodity derivative broker fails to deposit the contributions specified in these regulations within 30 (thirty) working days of the receipt of a call and further fails to pay default interest, the Exchange shall have the power to suspend commodity derivative broker's right to trade on the Exchange.
- (2) In the event any amount from the fund is utilized to meet unsettled exposure and the relevant commodity derivative broker fails to reimburse the fund at least equal to the unsettled amount with penalties on or before the relevant clearing date as defined in the relevant regulations the Exchange shall have the power to suspend trading of the respective commodity derivative broker.

88. Utilization of the Fund.-

- (1) The Exchange may utilise the Commodity Settlement Guarantee Fund (CSGF) in the event of a failure of commodity derivatives broker(s) to honour settlement commitment.
- (2) Any amount credited to the account of the fund may be utilized for such purposes as may be prescribed by the management committee including for the purpose of settlement of any unsettled exposure and any losses incurred thereof for a commodity derivative broker.

89. Investment of the Guarantee Fund.-

- (1) Any amount lying in the account of the fund may be invested in such a manner as may be determined by the management committee.
- (2) The management committee shall follow prudential norms of investment policy for CSGF corpus and establish and implement policies and procedures to ensure that CSGF corpus is invested in highly liquid financial instruments with minimal market and credit risk and is capable of being liquidated rapidly with minimal adverse price effect.
- (3) The instruments in which investments may broadly be made are fixed deposit with banks (only those banks which are rated A1 (or A+) or equivalent, treasury bills, government securities and money market/liquid mutual funds subject to suitable transaction/ investment limits and monitoring of the same.
- (4) The management committee shall further ensure that the financial instruments in which the CSGF corpus is invested remain sufficiently diversified at all times.

90. Power of the Management Committee.-

- (1) Subject to contrary direction by the board the management committee shall deal with the fund in such a manner as may be required for achieving the objective of the fund for which it is created.
- (2) Without prejudice to the generality of the powers of the management committee under sub regulation (1), the management committee shall have the following powers:
 - (i) manage any disputes arising in respect of the fund;
 - (ii) take decision regarding use of the fund;
 - (iii) take decision regarding investment and utilization of the fund;
 - (iv) monitor the size of the fund with the objectives of ensuring sufficiency of contributions for the settlement of trades on the CSE and the reduction of settlement risk;
 - (v) propose any amendment to the regulations;
 - (vi) propose to the board changes to the amount of contribution to the fund.

91. Measures In Case the Fund is Liquidated.- In case the fund is liquidated, the balance in the fund shall be returned to the Exchange and to the respective commodity derivative brokers to the proportion of each party's contribution on a pro-rata basis:

Provided that any amount collected as penalty of default interest shall vest in the Exchange in case of liquidation of fund without any pro-rata entitlement of the commodity derivative brokers.

92. Miscellaneous.- The Commodity Settlement Guarantee Fund (CSGF) shall be reviewed at the time of the establishment and commencement of business operation of a clearing corporation company approved by the Commission.

CHAPTER-XV

DISPUTE RESOLUTION

93. The Dispute Resolutions procedure shall be governed as per existing norms and procedures or by the relevant regulations, as applicable.

CHAPTER-XVI

PRICE AND INFORMATION DISSEMINATION TO INVESTORS

94. Price Dissemination through SMS or Electronic Communication Facility.-

- (1) CSE shall register subscribers of price dissemination services and disseminate commodity derivative prices to them on a daily basis. Such direct price dissemination service shall provide information to subscribers instantly in an efficient and transparent manner and thus shall be of great benefit to market participants.
- (2) CSE shall provide price dissemination through SMS or any other electronic communication facility (instant messengers, email, website, etc.) for all commodities.
- (3) The service may be provided free of cost to the subscribers, or against a nominal charge.

95. Programmes Sponsored by CSE Through Media Channels.-

- (1) CSE shall not sponsor or associate itself in any manner with programmes or seminars or workshops or activities etc., at various forums including but not limited to TV or radio or social networks or websites or any other media in which the discussions or suggestions are related to price outlook, buy, or sell recommendations, or similar subjects related to commodity derivative.
- (2) CSE shall also ensure that the staff members of CSE are not associated with such activities as mentioned above.

96. SMS and Email Alerts to Investors.-

- (1) CSE shall provide a platform to commodity derivative brokers to upload the details of their clients, preferably, in sync with the UCC updation module.
- (2) Commodity derivative brokers shall upload the details of clients, such as, name, mobile number, address for correspondence and email address.
- (3) Commodity derivative brokers shall ensure that the mobile numbers or email addresses of their employees or commodity authorized representatives are not uploaded on behalf of clients.

- (4) Commodity derivative brokers shall ensure that separate mobile number or email address is uploaded for each client. However, under exceptional circumstances, commodity derivative brokers may, at the specific written request of a client, upload the same mobile number or email address for more than one client provided such clients belong to one family. 'Family' for this purpose shall mean self, spouse, dependent children, and dependent parents.

CHAPTER-XVII

BUSINESS CONDUCT

97. Commodity derivative brokers of CSE shall be required to register with the Commission, and shall comply with the terms, conditions, rules, regulations, orders and notifications.

98. Records Compliance. - Commodity derivative brokers to keep and maintain all books of accounts and other records or registers or details as under:

- (i) client registration documents;
- (ii) client register;
- (iii) general ledger;
- (iv) records in respect of brokerage;
- (v) client financial ledger;
- (vi) trade report;
- (vii) settlement report;
- (viii) journals;
- (ix) cash book;
- (x) bank book, bank deposit book and bank statement;
- (xi) margin deposit book or records of margin;
- (xii) record of all statements received from the appropriate agencies and records of all correspondence with them;
- (xiii) record in respect of premium or discount;
- (xiv) duplicate copies of the commodity derivative contract notes issued;
- (xv) proof of dispatch and receipt or delivery of commodity derivative contract notes;
- (xvi) record of deliveries received or tendered contract wise;
- (xvii) periodic bank reconciliation statement;

(xviii) order log;

(xix) electronic commodity derivative contract notes log report;

(xx) register of complaints or grievances.

In addition to the above, commodity derivative brokers shall keep and maintain such number of books of accounts, documents, and records as prescribed in rule 39 of Bangladesh Securities and Exchange Commission (Commodity Exchange) Rules, 2023 and report to CSE from time to time.

The above records or details to be preserved for a period of not less than 7 (seven) years or such period as may be prescribed by the Commission or CSE from time to time.

99. Inspection.-

- (1) All commodity derivative brokers of CSE shall maintain such books of accounts, registers, statements and other records or documents, in physical form or electronically, as mentioned in regulation 98 and as may be specified by CSE or the Commission from time to time. All such documents and records shall be kept in good order and preserved for not less than 7 (seven) years or such period, as may be specified by CSE or the Commission. All such documents and records shall be required to make available to CSE by the commodity derivative broker for inspection, required at any time.
- (2) Commodity derivative brokers shall be required to extend full co-operation and furnish such information and explanation as may be required for the purpose of any inspection or audit authorised by CSE or other authorised official of CSE into or in regard to any trades, dealings, their settlement, accounting and/or other related matters.
- (3) Failure to cooperate with officials of the Commission or CSE inspection or audit or otherwise or failure to furnish or submit any required documents, books of accounts, records, etc. shall be treated as gross misconduct and sufficient grounds for expulsion.

100. Administrative Compliance.-

- (1) Commodity derivative brokers should provide a detailed description of whether the client (individual, institution, or company) is a director or sponsor of a listed company, or if they are a Politically Exposed Person (PEP), influential person, or a member of senior management of an international organization.
- (2) Commodity derivative brokers must identify the client's source of funds and provide a detailed explanation of how this source is verified.
- (3) Commodity derivative brokers are required to confirm the following documents for their company or institutional clients: registration certificate, date of incorporation, memorandum of association, articles of association, trade license, Tax Identification Number (TIN), vat registration, and particulars of the directors.
- (4) Commodity derivative brokers shall obtain client registration documents containing all the prescribed mandatory documents like KYC application form, rights and obligations of

commodity derivative brokers, authorised representatives and clients, do's and don'ts for the clients, risk disclosure document, tariff sheet, etc.

- (5) Commodity derivative brokers shall ensure that additional voluntary or non-mandatory clause or document added under client registration documents by the commodity derivative broker shall not in contravention with Rules of the Commission and Regulations or notices of CSE and to seek separate authorizations from the client and to have specific consent of the client in voluntary document.
- (6) Running account authorization given by the client (if any) shall be signed by client and not by POA (Power of Attorney) holder and contains a clause which explicitly allows a client to revoke the said authorization at any time.
- (7) Commodity derivative brokers shall take reasonable steps to assess the background, genuineness, financial soundness and investment objectives of their clients while registering.
- (8) Commodity derivative brokers shall not become a constituent of another commodity derivative brokers or allow any of the commodity derivative brokers of CSE to be their constituent.
- (9) Compliance related to the authorized representatives of a Commodity derivative broker:
 - (a) Commodity derivative broker shall ensure that it shall not appoint any authorised representative or approved user person without the permission of CSE and inform CSE whenever there is any change in the same.
 - (b) Each commodity derivative broker shall provide any information in respect of any of its employees as and when required by the Exchange. Each commodity derivative broker shall also notify the Exchange in writing immediately upon any change in the particulars provided to the Exchange regarding any of its employees or any transfer or termination of employment and reasons thereof.
 - (c) Each commodity derivative broker shall ensure that its commodity authorized representative shall adhere to the provisions of the act, rules, regulations, and any other additional condition stipulated by the Commission or the Exchange, from time to time. However, the obligation of the commodity derivative broker to the Exchange remains notwithstanding any non-compliance by their commodity authorized representative.
 - (d) Each commodity derivative broker shall be liable for all the actions of its commodity authorized representative and shall be liable to disciplinary action in respect of any act or omission of its authorized representative in any of the circumstances set out in act or the rules or regulations.
 - (e) A commodity derivative broker may be authorized to appoint such number of persons as authorized persons, as may be allowed by the Exchange.
 - (f) No person shall be appointed at any time as a commodity authorized representative by more than one commodity derivative broker.

- (10) Commodity derivative broker shall ensure that it shall give intimation or take approval of CSE whenever there is a change in the constitution and/or shareholding pattern as may be applicable from time to time. Commodity derivative brokers shall ensure that it has not given any ID to any users which are not registered with CSE and therefore all the users are registered with CSE.
- (11) Commodity derivative brokers shall comply with all the guidelines or circulars issued by the Commission or CSE and/or any relevant authority with respect to anti-money laundering and maintenance of records as prescribed from time to time.
- (12) Commodity derivative brokers shall comply with all the guidelines or circulars issued by the Commission or CSE and/or any relevant authority with respect to outsourcing of activities by intermediaries as prescribed from time to time.
- (13) Commodity derivative brokers shall ensure that the details required by CSE like annual returns (financial statements, shareholding composition, net worth certificate), self-certification letter, Unique Client Code (UCC) or such other details whenever called upon are submitted to CSE from time to time.
- (14) Commodity derivative brokers shall ensure that the details sought by CSE are submitted within the timelines prescribed by CSE from time to time.
- (15) Commodity derivative brokers shall not share brokerage with unregistered intermediaries or another commodity derivative brokers or employee of another commodity derivative brokers or person for or with whom they are forbidden to do business or persons.
- (16) Commodity derivative brokers shall pay applicable taxes and other applicable statutory dues to respective authorities within the timelines prescribed by CSE and/or any relevant authority from time to time.
- (17) Commodity derivative brokers shall send margin statements to the clients on daily basis. Margin statement to include details of cash collateral deposited, collateral utilized and collateral status (available balance/due from client).
- (18) Commodity derivative brokers shall provide annual transaction statement to their clients within 30 days from the end of the financial year and contain details of all transactions executed by the client in that financial year.
- (19) Commodity derivative brokers shall not collect short margin fine in excess of actual fine from the clients.
- (20) Authorized representatives of commodity derivative brokers shall have a valid certificate upon completion of training program or course conducted by the Commission or CSE or any institution recognized by the Commission or CSE as per requirement of the rule 23 (c) of Bangladesh Securities and Exchange Commission (Commodity Exchange) Rules, 2023.
- (21) Commodity derivative brokers shall conduct system audit of their trading or clearing facility in accordance with circulars regarding annual system audit as issued by the Commission from time to time.

101. Dealing with Clients.-

- (1) Commodity derivative brokers shall collect upfront initial margin, Extreme Loss Margin (ELM) and other margins (including additional margin, special margin, tender margin and delivery margin) also Mark to Market (MTM) loss, as applicable within specified time limits from their respective clients and report the same to CSE, within the timeline specified.
- (2) Commodity derivative brokers shall send to the client, statement of accounts of the client ledger for the relevant settlement period and the statement of funds in case of margin with respect to open position of client.
- (3) Commodity derivative brokers shall send complete 'statement of accounts' for both funds and commodities in respect of each of its clients in such periodicity and format within such time, as may be prescribed by CSE, from time to time.

102. Orders Related Compliance.-

- (1) Commodity derivative brokers shall obtain instructions from clients before placing modification or cancellation of orders.
- (2) Commodity derivative brokers shall make available the details of the order status to its clients at request.
- (3) Commodity derivative brokers shall execute trades of clients only after keeping evidence of the client placing such order, it shall be, inter alia, in the form of:
 - (a) physical record written and signed by client;
 - (b) record of telephonic order;
 - (c) email from verified email ID;
 - (d) log for internet transactions;
 - (e) record of messages through mobile phones;
 - (f) any other legally verifiable record.
- (4) Commodity derivative brokers shall maintain the records specified above for a period of not less than 7 (seven) years or as may be directed from time to time by CSE for which arbitration accepts investors complaints. However, in cases where dispute has been raised, such records shall be kept till final resolution of the dispute. If the Commission desires that specific records be preserved, then such records shall be kept till further intimation by the Commission.
- (5) When a dispute arises, the commodity derivative brokers shall produce the above-mentioned records for the disputed trades:

Provided that for exceptional cases such as technical failure etc. where commodity derivative brokers fail to produce order placing evidences, they may justify with reasons for the same and depending upon merit of the same, other appropriate evidences like post trade confirmation by

client, receipt or payment of funds or securities by client in respect of disputed trade, etc. to also be considered.

103. Commodity Derivative Contract Note Compliance.-

- (1) Commodity derivative brokers shall issue commodity derivative contract note for trades executed in prescribed format with all the relevant details duly filled in within 24 hours from the close of trading hour. Commodity derivative brokers shall also issue electronic commodity derivative contract note (ECDCN) at the request of clients.
- (2) Commodity derivative contract note shall be signed by the commodity derivative brokers or their authorised signatory.
- (3) Commodity derivative contract note shall be serially numbered.

104. Risk Management Compliance.-

- (1) Commodity derivative brokers shall ensure that they have collected required margin from clients before entering any orders on behalf of clients as may be decided as per the provisions of these regulations from time to time.
- (2) In case commodity derivative broker has more than one terminal, it shall ensure that appropriate risk management system or limit checking or surveillance mechanism is installed at appropriate level so that overall exposure as well as intraday limit is being used properly.
- (3) Commodity derivative brokers shall ensure that CSE market data is not used other than for legitimate purposes.

105. Dealing with Client Fund and Its Compliance.-

- (1) Commodity derivative brokers shall ensure full payment to their clients on receipt of pay-out from CSE within the time limits prescribed by CSE.
- (2) Commodity derivative brokers shall ensure maintenance of separate bank account for their own account and clients' account.
- (3) Commodity derivative brokers shall designate an exclusive e-mail ID of the grievance redressal division or compliance officer exclusively for the purpose of registering complaints by investors and to display the email ID and other relevant details prominently on their websites and in the various materials or leaflets or advertisement campaigns initiated by them for creating investor awareness and commodity derivative broker shall ensure that complaint of any client is resolved by 30 (thirty) working days.
- (4) Commodity derivative brokers shall ensure that funds or commodities of a client not used for meeting own obligations or for any other clients.

106. Conflict of Interest.-

- (1) The commodity derivative broker shall take all reasonable steps including the framing of appropriate policies and procedures to minimize conflict of interest between such broker and its clients or its employees.

(2) Where any conflict of interest arises between the commodity derivative broker and its client, the broker shall immediately inform the client through verifiable means and not gain any direct or indirect advantage from the situation and shall act in the best interests of the client.

(3) The commodity derivative broker must take reasonable steps to ensure that neither such broker nor any of its employees either offers or gives, or solicits or accepts, any inducement that is likely to conflict with any duties owed to the clients.

(4) The commodity derivative broker shall put in place a mechanism and take steps to avoid and eliminate the misalignment of incentives due to conflict of interest between the compensation of senior management officers, employees of the broker and interest of the clients.

(5) The commodity derivative broker shall put in place a mechanism to resolve any conflict of interest that may arise in the conduct of business and take all reasonable steps to resolve all conflicts of interests in an equitable manner.

(6) Where a commodity derivative broker has a material interest in a transaction to be entered into with or for a client, or a relationship which gives rise to a conflict of interest in relation to such a transaction, the commodity derivative broker shall not knowingly either advise, or deal in the exercise of discretion, in relation to that transaction unless it has:

(a) disclosed that material interest or relationship, as the case may be, to the client; or

(b) taken reasonable steps to ensure that neither the material interest nor the relationship adversely affects the interests of the client.

(7) The commodity derivative broker shall make appropriate disclosure to clients of possible source or potential areas of conflict of interest which could impair its ability to render fair, objective and unbiased service.

(8) In case of any breach of policies by its employees, the commodity derivative broker shall promptly investigate, and take appropriate action against the persons responsible.

107. Disciplinary Action.- For the violations observed during inspections or otherwise, appropriate disciplinary actions shall be initiated as mentioned in Schedule of Fines of Annexure A. The fines are indicative in nature and shall undergo change in specific cases depending on frequency and gravity of the violations. Actions in respect of violations having high impact shall be dealt on case-to-case basis depending on seriousness, quantum and gravity of such violations.

CHAPTER XVIII

MISCELLANEOUS

- 108. Contravention.-** Contravention of any of the provisions of these regulations as well as contraventions found in the inspection by CSE shall attract the relevant provisions of the Securities and Exchange Ordinance, 1969, বাংলাদেশ সিকিউরিটিজ এন্ড এক্সচেঞ্জ কমিশন, ১৯৯৩, এক্সচেঞ্জস ডিমিউচুয়ালাইজেশন আইন, ২০১৩, Bangladesh Securities and Exchange Commission (Commodity Exchange) Rules, 2023, order, and notifications made thereunder.

By Order of the Board of Directors

M. SHAIFUR RAHMAN MAZUMDAR, FCA, FCMA
Managing Director
Chittagong Stock Exchange PLC

FORM 1

APPLICATION FORM FOR ENROLMENT AS COMMODITY DERIVATIVES BROKER OF CSE [Regulation 4 (1)]

Date: _____

The Managing Director
Chittagong Stock Exchange PLC
CSE Building, 1080, Sk Mujib Road
Agrabad, Chattogram, Bangladesh

Dear Sir,

We hereby furnish our information attached herewith and request you to enrol us as a commodity derivative broker of the Chittagong Stock Exchange PLC (CSE) as mentioned hereunder:

Sr. No.	Particulars	Details
1.	Name of the Applicant	
2.	TREC Holder Code	
3.	TREC Holder ID	
4.	Registered office Address (incl. phone number) Nature of Office (Ownership /Leased, etc.): Designated Email ID: Carpet Area of office (in sq. feet).	
5.	Date of Incorporation	
6.	Broker Type (please tick appropriate box)	<input type="checkbox"/> Commodity Trading Broker (CTB) <input type="checkbox"/> Commodity Trading cum Self Clearing Broker (CTSCB) <input type="checkbox"/> Commodity Full Clearing Broker (CFCB)
7.	Brief description of principal / current activities of Applicant (<i>since inception</i>)	
8.	Name of the cities/ towns in which the Applicant proposes to operate	
9.	Clients to be served (<i>please select appropriate option</i>)	<input type="checkbox"/> Retail <input type="checkbox"/> Proprietary trading <input type="checkbox"/> Institutional
10.	Foreign Holding Details (if applicable)	Name of Foreign Holder: Nature/Type of Foreign Holder: No. of shares held: Amount paid (Tk.): % of holding:
11.	Website details	
12.	Correspondence office Address (including phone number) Nature of Office (Ownership /Leased, etc.): Designated Email ID: Carpet Area of office (in sq. feet):	
13.	Branch office/Infrastructure (<i>in case of</i>	

Sr. No.	Particulars	Details				
	<i>multiple, please attach annexures</i> Nature of Office (Ownership /Leased, etc.): Email ID: Carpet Area of office (in sq. feet):					
14.	a) If the applicant intends to clear and settle his trades through a Commodity Clearing Broker, the applicant is required to furnish the name and details of the clearing broker. b) Further, copy of MoU / agreement / contract with them for the same is to be submitted. <i>(Not a pre-condition for Registration, required prior to Activation of TREC Holder)</i>	Yes / No If yes, details of Commodity Clearing Broker are as under: <table border="1"> <tr> <td>Name</td> <td></td> </tr> <tr> <td>TREC Holder ID</td> <td></td> </tr> </table>	Name		TREC Holder ID	
Name						
TREC Holder ID						
15.	Key Management Person(s) Details, i.e. Chairman, Managing Director, Company Secretary, Chief Financial Officer etc. <i>(please add serial no. in case of more than two KMPs)</i>	1. Name: National ID: Designation: 2. Name: National ID: Designation:				
16.	Name and Designation of Compliance Authority/Officer:					
17.	Name and Details of Authorised Representative (add annexures if multiple):					

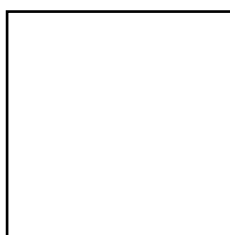
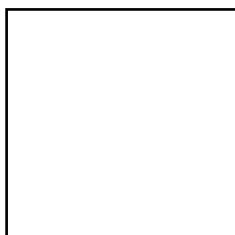
We have attached the following document(s) along with this application form, kindly accept our application for registration as Commodity Derivatives Broker:

Sr. No.	Name of the Document (s)
1.	Details of All Director (s)
2.	Details of Shareholding and Directorship of Directors in other entities
3.	Details of Shareholding Pattern & Details of Promoter/Non-Promoter
4.	Net worth Certificate as per the last audited financial statement and Computation of Net worth
5.	Board Resolution (<i>Authorization for obtaining registration</i>)

Signature with Stamp
 Name & Designation
 Place:
 Date:

Signature with Stamp
 Name & Designation
 Place:
 Date:

Affix photograph of Designated Directors and sign across the photograph



FORM 2
CUSTOMER ACCOUNT INFORMATION FORM
[Regulation 13(2)]

(Please complete all details in CAPITAL letters. Please fill in all names correctly)

Application no. _____	Date: _____
Account type:	<input type="checkbox"/> Individual <input type="checkbox"/> Joint Holder <input type="checkbox"/> Company <i>(please Tick whichever is applicable)</i>
Client Code:	111-121002-123451 (first 3-digit fixed Exchange ID, next up to 9-digit alpha numeric Client Code)

1. First Account Holder's Information

Name in Full of the Account Holder/Customer			
Name of Contact Person	(In case of a Company/Firm/Statutory Body)		
In case of Individual	<input type="checkbox"/> Male <input type="checkbox"/> Female		
Occupation		Date of Birth	
Father's/Husband's Name:		Mother's Name:	

2. Contact Details:

Address:		Post Code:	
City:		Division:	
Country:		E-mail:	
Mobile Phone No.:		Telephone No.:	

3. Identification Details:

Residency:	<input type="checkbox"/> Resident <input type="checkbox"/> Non-Resident		
Nationality:		National Identification Number (NID):	
Passport No:		eTIN :	
Issue Place:			
Issue Date:			
Expiry Date:			
BIN:		Trade License/ RJSC Registration No.:	

4. Bank Details:

Title of the Account:			
Bank name:		Account No.:	
Branch name:		Routing No.:	

5. Joint Applicant (Second Account Holder)

Name:			
Father's/Husband Name:			
Account No.:		Branch name:	
Routing No.:			

Nominee Information:

Nominee 1:			
Name of Nominee:			
Relationship with account holder:		Percentage:	
Address:		Phone number:	
Nationality:		National ID:	
Date of birth:			
Guardian's Details (if Nominee is a Minor)			
Name in Full:		Relationship with Nominee:	
Address:		Phone number:	
Nationality:		National ID:	
Date of birth:			
Date of Birth of Minor (Nominee)		Maturity Date of Minor (nominee)	

Nominee 2:			
Name of Nominee:			
Relationship with account holder:		Percentage:	
Address:		Phone number:	
Nationality:		National ID:	
Date of birth:			
Guardian's Details (if Nominee is a Minor)			
Name in Full:		Relationship with Nominee:	
Address:		Phone number:	
Nationality:		National ID:	
Date of birth:			
Date of Birth of Minor (Nominee)		Maturity Date of Minor (nominee)	

6. Declaration:

It is hereby declared that all the above-mentioned information is true and valid.

Applicant	Name of applicant/Authorized signature in case of Ltd. Co.	Signature with Date
First Account Holder		
Second Account Holder		
Nominee 1		
Gurdian		
Nominee 2		
Gurdian		
3 rd Signatory/Firm (Ltd. Co.)		

FORM 3
CANCELLATION OF ORDER
[Regulation 9(5)]

Date: _____

To,

The Managing Director
Chittagong Stock Exchange PLC
CSE Building, 1080, Sk Mujib Road
Agrabad, Chattogram, Bangladesh

Subject: Application for Cancellation of Order

Dear Sir,

Since I / We am/ are not able to participate in trading due to _____ (reason), I / We request
CSE to cancel the pending order(s) on my behalf as detailed below:

TREC Holder Name:	
TREC Code:	
Client Code:	
Order Ref. Number (s):	
Name of the contract:	
Order Type:	<input type="checkbox"/> Buy <input type="checkbox"/> Sell
Quantity:	

Regards,

TREC Holder Name

(Authorised Signatory)

Name and Designation

TREC Holder ID _____

Contact No: _____

FORM 4
SQUARE-OFF OPEN POSITION
[Regulation 9 (6)]

Date: _____

To,

The Managing Director
Chittagong Stock Exchange PLC
CSE Building, 1080, Sk Mujib Road
Agrabad, Chattogram, Bangladesh

Subject: Square-off open position

Dear Sir,

Since I/ We am/ are not able to participate in trading due to _____ (reason), I/ We request CSE to square-off my/ our open position at market price on my /our behalf as detailed below:

Sr No.	Symbol	Expiry	Existing Position (Long/Short) *	Request to Exchange (Sell/Buy) #	Quantity	TREC Holder ID	Client Code

**In case of long positions, please mention long and vice versa*

In case of existing long positions, please mention Sell and vice versa

I/ We understand that the above said transaction(s) so done by CSE shall get reflected in the trade report and daily obligation report provided by CSE. I/ We shall be responsible for the losses incurred (profit earned) during the process of squaring-off.

Regards,
TREC Holder Name

(Authorised Signatory)
Name and Designation
TREC Holder ID _____
Contact No: _____

FORM 5

APPLICATION FOR PROPRIETARY/OWN ACCOUNT TRADING FACILITY [Regulation 60 (1) (a)]

Date: _____

To,

The Managing Director
Chittagong Stock Exchange PLC
CSE Building, 1080, Sk Mujib Road
Agrabad, Chattogram, Bangladesh

I/We, _____ (name of the TREC Holder and TREC Holder ID) a registered Broker of CSE, wish to avail of the facility of placing orders on “own-account” through trading terminals from default location.

In this regard, I/we are furnishing the following details:

Default location where Prop-account is to be enabled:

Sr. No.	TREC Holder ID	TREC Holder Name	Postal Address	Internet/Lease Line / LAN/WAN/Other	
				Primary	Back Up

Regards,
TREC Holder Name

(Authorised Signatory)
Name and Designation
TREC Holder ID _____
Contact No: _____

FORM 6

UNDERTAKING FOR AVAILING PROPRIETARY/OWN ACCOUNT ORDER ENTRY FACILITY [Regulation 60 (1) (b)]

I/We _____, a TREC Holder of CSE, registered and having our registered office at _____ give this UNDERTAKING on this _____ day of _____ 20__ at _____ in favour of Chittagong Stock Exchange PLC (hereinafter referred to as “CSE”),

WHEREAS

1.CSE provides the Trading Software to enable its TREC Holders with trading rights (CTB, CTSCB or CFCB) to trade. In addition, CSE also permits Third party trading software (hereinafter called “TPTS”) facility to CTB/ CTSCB OR CFCB for order entry, receipt of order and trade confirmations and also for receipt of data relating to its trade quotations.

2.CSE, has prescribed that the facility of placing orders on “Own-account” through trading terminals shall be availed by the CTB/ CTSCB OR CFCB only at one or more locations of the CTB/ CTSCB OR CFCB as specified/ required. Further, any trading terminal located at a place other than the above location in excess of requirements shall have a facility to place order only for and on behalf of a Constituent by entering client code details as required by CSE; and in case any CTB/ CTSCB OR CFCB requires the facility of using “Own-account” through trading terminals from more than one location, such CTB/ CTSCB OR CFCB shall request CSE stating the reason for using the “Own-account” at multiple locations.

3.CSE as a precondition while permitting the facility of using “Own-account” through trading terminals from more than one location requires us to furnish the undertaking in the manner and on the terms herein below: -

Now therefore in consideration of CSE having agreed to allow us at our request to avail the Own/Proprietary-account facility from more than one location, we hereby irrevocably and unconditionally undertake and agree to abide by and be bound by the following terms and conditions: -

- A. That we undertake to enter proprietary orders only from the Own-account terminals permitted by CSE and undertake not to misuse the said “Own-account” facility and state that the proprietary trades on the Prop-account terminals pertain to proprietary trades and not client trades.
- B. That we state that our Director(s)/ Partner(s)/ Authorized Representatives/ is/ are based at the location where the “Own-account” trading terminals are located. The Own-account facility shall be made available to the Approved Users only after obtaining the prior written consent of CSE and subject to such terms and conditions as may be prescribed by CSE from time to time.
- C. That we undertake not to use the “Own-account” trading terminals for purposes other than the defined reasons.
- D. That we undertake to take all such steps and/ or precautions to ensure and keep ensured that the “Own-account” facility is not extended to a location other than the location of the trading terminals where the “Own-account” facility is permitted by CSE and CTSCB terminals shall not

be extended beyond the location of such permitted trading terminals.

- E. That CSE, at its absolute discretion, may make the Own-account facility available to us only from the date of our enablement on the Own-account facility till such time as it may deem fit and further that the Own-account facility may at any time be withdrawn by CSE at its discretion without giving us any notice or any reasons whatsoever.
- F. That we shall execute, sign, and subscribe, to such other documents, papers, agreements, covenants, bonds, and/ or undertakings as may be prescribed or required by CSE from time to time.
- G. That we undertake to abide by all the provisions of the Rules, Regulations and Circulars/ guidelines and requirements that may be in force from time to time relating to use and operation of the Trading System (including use of TPTS) and that they shall also mutatis mutandis become applicable to the use and operation of the Own-account facility.
- H. That we undertake to render all possible assistance and cooperation to CSE by providing all information in any form as it may require and shall produce such documents, records, accounts books, data howsoever stored including data stored in electronic storage devices and any other information as may be required by CSE at its discretion.

IN WITNESS WHEREOF this Undertaking is executed by the undersigned on the day, month, year and the place first mentioned above.

Signed by, for and on behalf of:

Witness

FORM 7
REQUEST FOR CHANGE OF CLEARING BANK
[Regulation 32 (1)]
(To be issued by the TREC Holder)

Date:

The Managing Director
Chittagong Stock Exchange PLC
CSE Building, 1080, Sk Mujib Road
Agrabad, Chattogram, Bangladesh

Ref: Commodity Clearing Broker ID - _____

Dear Sir,

Shifting of Settlement account and Client account

This is to inform you that we wish to shift our Settlement account and client account from _____ (name of existing Clearing Bank) to _____ (name of new Clearing Bank).

We hereby confirm that there are no dues pending towards CSE and request you to consider shifting of accounts and give us your consent for the intended shift.

Thanking you

Yours faithfully

For _____

Authorised signatory

Name of the Authorised Signatory (Affix rubber stamp of the Broker)

Contact No:

Email Id:

FORM 8

NO OBJECTION CERTIFICATE FROM EXISTING CLEARING BANK
[Regulation 32 (3) (i)]

(To be issued by the existing Clearing Bank)

Date:

NO OBJECTION CERTIFICATE

We, _____, as a Clearing Bank to CSE, have been providing clearing services to _____ (name of CTSCB / CFCB), a commodity derivatives broker of CSE.

The said commodity derivatives broker desires to appoint other Bank as their Clearing Bank and has requested us to close their settlement account and client account with us.

We hereby inform that we do not have any objection in the said commodity derivatives broker for appointing other Clearing Bank for the purpose.

The settlement account number of the said commodity derivatives broker is _____ (settlement account no.) and client account number is _____ (client account no.). These said accounts shall be closed on receipt of a request of the commodity derivatives broker on its opening settlement and client accounts with other Clearing Bank.

For and on behalf of the (name of the Bank)

Authorised Signatory
(Affix bank seal/stamp)

FORM 9

LETTER INTIMATING NEW SETTLEMENT ACCOUNT DETAILS
[Regulation 32 (3) (ii)]

(To be issued by the CTSCB OR CFCB/ CPCP)

Date:

The Managing Director
Chittagong Stock Exchange PLC
CSE Building, 1080, Sk Mujib Road
Agrabad, Chattogram, Bangladesh

Ref: TREC Holder ID - _____

Dear Sir,

Shifting of Settlement account and Client account

In continuation of our letter dated _____ for Shifting of Settlement account and Client account, we hereby inform you that we have opened following accounts with _____ (name of the new clearing bank), as detailed below:

SETTLEMENT ACCOUNT	(ACCOUNT NO.)
CLIENT ACCOUNT	(ACCOUNT NO.)

Thanking you.

Yours faithfully

For _____

Authorised signatory

Name of the Authorised Signatory (Affix rubber
stamp of the CTSCB/ CFCB)

Contact No:

Email Id:

FORM 10
LETTER FROM THE NEW CLEARING BANK
[Regulation 32 (3) (iii)]

(To be issued by the new Clearing Bank)

Date:

The Managing Director
Chittagong Stock Exchange PLC
CSE Building, 1080, Sk Mujib Road
Agrabad, Chattogram, Bangladesh

Dear Sir,

Settlement and Client accounts of _____ (name of the CTSCB/ CFCB)
with TREC Holder ID - _____.

This is to inform you that we are one of the Clearing Banks of CSE and that the above-mentioned Commodity Derivatives Broker of CSE has appointed us as their Clearing Bankers.

We hereby confirm having opened the following accounts of the said CTSCB/CFCB:

SETTLEMENT ACCOUNT	(ACCOUNT NO.)
CLIENT ACCOUNT	(ACCOUNT NO.)

We further confirm that the above-mentioned accounts are active for CSE operations on the date of issue of this letter.

For and on behalf of the (name of the Bank)

Authorised Signatory
(Affix bank seal/stamp)

FORM 11
AUTHORISATION LETTER
[Regulation 32 (3) (iv)]

Letter from CTSCB/ CFCB to the Clearing Bank for operations of Clearing Account

Date:

To:

----- (Name of Clearing Bank)

Subject: Authorisation for Operation of Settlement Account at the instruction of CSE

Ref: Our Settlement Account no. _____ with _____ (Name of Clearing Bank)

1. We understand that your Bank has been nominated/ appointed as a Clearing Bank for purpose of Clearing and Settlement by CSE. As per the Regulations framed thereunder, Commodity Derivatives Brokers of CSE with clearing rights are required to authorize their Clearing Bank to access their Settlement Account for debiting and crediting their accounts as per instruction received from CSE from time to time.

2. Having due regard to the above, on operationalization of Clearing and Settlement of trades done on CSE, we hereby irrevocably and unconditionally authorize you (as a Clearing Bank) to debit/ credit our above-mentioned Settlement Account number from time to time as per instructions received from CSE. Further, we authorize the Clearing Bank to report balances and other information relating to this Settlement Account to CSE from time to time.

3. We further hereby authorize CSE to debit and credit our above-mentioned Settlement Account and seek balance information from the bank in respect of above-mentioned account as per its discretion and in accordance with the Regulations of CSE.

4. We further undertake to abide by such other further guidelines/ instructions in this regard, as may be communicated/ decided by CSE.

Yours faithfully,

----- (Name of the Commodity Derivatives Broker)

SD/- Authorised Signatory (with name of the Authorised Signatory)

FORM 12

**APPLICATION FOR EMPANELMENT AS “WAREHOUSE SERVICE PROVIDER (WSP)”
[Regulation 36 (1)]**

Date:

To,
The Managing Director
Chittagong Stock Exchange PLC
CSE Building, 1080, Sk Mujib Road
Agrabad, Chattogram, Bangladesh

Subject: Application for empanelment as “Warehouse Service Provider (WSP)” with CSE

Dear Sir,

We M/s. _____ (Company Name) having registered office at _____ (Complete address) hereby submit our application for empanelment of “Approved Warehouse Service Provider (WSP)” with CSE. Based on the particulars mentioned in the norms for empanelling as a Warehouse Service Provider, we are submitting herewith all the relevant documents in line with the requirement of the specified norms.

Requesting you to consider our request for empanelment as “Approved Warehouse Service Provider” of CSE.

Yours Sincerely,

Authorised Signatory
(Name & Designation) _____
Place: _____
Date: _____

FORM 13
REQUEST FOR PHYSICAL INSPECTION OF GOODS
[Regulation 47 (2)]

Date: _____

To,
The Managing Director
Chittagong Stock Exchange PLC
CSE Building, 1080, Sk Mujib Road
Agrabad, Chattogram, Bangladesh

Subject: Request for Physical Inspection of our Goods

Dear Sir/Madam,

I / We request for physical inspection of our goods complying the process described below at CSE accredited Warehouse as per details specified hereunder:

Name of Commodity	
Warehouse Name and Address at which physical inspection of our goods requested	
Details of Warehouse receipts and Lot Number for which Physical verification is requested (mention lot numbers in separate annexure, if required)	
Total Quantity (In MT/ Bales/Quintals/ Kgs etc.)	

I/We _____ (the present Holder) would be present in the Warehouse for physical inspection of my/ our lots and my/ our identity proof document is _____ with identity no. _____.

OR

I/We _____ (the present Holder) have authorized _____ to remain present in the warehouse on my/ our behalf for physical inspection and his identity proof document is _____ with identity no. _____.

I/ We understand that in case original identity proof document is not produced to the Warehouse official, I/ We shall be denied permission for physical inspection of the goods.

I/ We agree and understand that I/ we are not permitted to take samples, photographs/ videos or carry any such hazardous material which may cause damage to the goods in the warehouse premises.

I/ We undertake to abide to all the terms and conditions prescribed by CSE from time to time.

I/ We agree that all incidental expenses incurred for arranging physical inspection would be on my/ our account.

Process for Physical Inspection of commodities in CSE Accredited Warehouses by Broker/ Participant (Stock Holder)

Broker/ Participant holding goods in CSE accredited warehouse(s) are entitled to undertake physical inspection of their goods. The process to be followed for requesting physical inspection is outlined hereunder:

1. Broker/ Participant intending for such physical inspection shall make a request to CSE.
2. The request (scan copy) shall be mailed to CSE at the designated e-mail ID and after verification of such request; CSE shall forward the same to the concerned WSP (Warehouse Service Provider) for allowing such inspection.
3. WSP shall authenticate the details and finalise the date and time schedule (within 2 working days) with the Broker/ Participant and intimate the same in writing to CSE.
4. On the scheduled date, prior to physical inspection, the Broker/ Participant/ Authorised Representative visiting the warehouse shall carry original identity proof for verification. A copy of such identity proof and original inspection request letter shall be submitted at the warehouse.
5. During physical inspection, the Broker / Participant/ Authorised Representative is not permitted to take samples, photographs/ videos or carry any such hazardous material which may cause damage to the goods inside the warehouse/ its premises.
6. Before and after physical inspection, the warehouse official shall enter the necessary details in the physical inspection book which shall be duly signed by the warehouse official and the Broker/ Participant or his representative.
7. On completion of physical inspection, the WSP shall intimate the same, in writing, to CSE.

Thanking you,

Yours truly,

Signature of Commodity Derivatives Broker/Client: _____

Date: _____

List of documents accepted as Proof of Identity

1. National ID card with Recent Photograph
2. Passport / Driving License

FORM 14
KNOW YOUR DEPOSITOR (KYD) APPLICATION FORM
(For Individuals)
[Regulation 41 (1)]

Warehouse Service Provider Allotted Code (WAC): _____
(To be maintained by WSP)

PHOTOGRAPH

PLEASE AFFIX
YOUR RECENT
PASSPORT SIZE
PHOTOGRAPH &
SIGN ACROSS IT.

Please fill this form in ENGLISH & in BLOCK LETTERS.

A. IDENTITY DETAILS

1. **Name of the Depositor:** _____

2. **a) Nationality:** _____

b) Status: ☐ Resident Individual ☐ Non-Resident ☐ Foreign National.

(If Non-Resident /Foreign National, self-certified copy of statutory approval obtained must be attached)

3. **a) National ID:** _____

b) Any other proof of identity as mentioned in these regulations: _____

[For companies/ partnerships/ etc., name of the firm along with details of Firm Registration are to be provided]

B. ADDRESS DETAILS

1. Address for correspondence:

2. Address for Record (on Stock receipt):

3. Contact Details:

Mobile No.: _____ Tel. (Res.) _____

Email id: _____

C. OTHER DETAILS

1. Occupation & Income Details:

Agri. & Allied activity/ Salaried (Private Sector / Public Sector / Government Service) / Pensioner / Self-employed / Business or Trade / Student / Housewife / Other Source (Please specify)

2. Annual Income: _____

D. BANK ACCOUNT(S) DETAILS

Bank Name	Branch Address	Bank Account No.	Account Type: Saving/Current/

E. CATS / REPOSITORY ACCOUNT(S) DETAILS

[Commodity Accounting and Tracking Software (CATS)]

CATS/Repository Participant Name	Beneficiary Name	CATS/Repository Participant ID	Beneficiary ID

F. TRADING ACCOUNT(S) DETAILS

Unique Client Code (UCC)	Commodity Derivatives Broker Name	TREC Holder ID

G. TAX REGISTRATION DETAILS:

Depositor Tax Number	Seller/ Principal Tax Number

*Note: Please provide certified copy of Tax Registration certificate.***H. MARKET (COPY OF LICENSE TO BE SUBMITTED)**

Market license No.: _____

Date of issue of license: _____

License valid up to: _____

I. DOCUMENTS ATTACHED

1. Self-attested copy of the Tax Registration Certificate
2. Self-attested copy of Market license submitted.
3. Farmer – land records or other land related documents establishing identity as farmer shall be submitted.

LIST OF DOCUMENTS FOR IDENTIFICATION:

[Attach self-attested copies of any two to indicate identity, signature verification & address]
Please produce original for verification:

- Passport/ Driving Licence/ National ID/ ID card of any accredited institution like Government authority.
- Utility Bill/ Credit Card or Bank Account Statement/Trade Licence/Registered Lease deed.

DECLARATION

1. I/ We hereby declare that the details furnished above are true and correct to the best of my/ our knowledge and belief and I/ we undertake to inform you of any change therein, immediately. In case any of the above information is found to be false or untrue or misleading or misrepresenting, I am/ we are aware that I/ we may be held liable for it.
2. I/ We confirm having read/ been explained and understood the details as filled in this document.
3. I/ We understand that the goods whenever deposited require to meet all statutory requirements besides quality specifications set by CSE. I/ We confirm that said goods do not violate any statutory requirement or compliances applicable to them as in force.
4. I/ We confirm to abide by various laws including Tax laws, and other Acts, Rules, Regulations, notification/ orders and guidelines applicable to the said goods and as in force from time to time and shall indemnify the warehouse and CSE against any, and all litigations or actions/ claims or proceedings arising on account of the information provided by me/ us.
5. I/ We understand that in the event of any non-compliance of any law, Rules, Regulations, Notification(s) or order(s) as applicable to the said goods, the Undersigned shall be solely and completely responsible and undertake to be so responsible and liable for such noncompliance and for any and all consequences thereof.
6. I/ We further declare and agree that in no event shall CSE or the said Warehouse be held liable for any damages, including but not limited to direct or indirect, special, incidental, or consequential damages, losses or expenses arising on account of my/ our non-compliance of any laws as applicable to the said goods.
7. As a depositor, I/ we hereby confirm that commodities/ goods requested to be stored shall not be unauthorized, banned under the law or for any other unlawful activity and all authorization and/ or consents, approvals that are required in connection with storage of these materials /commodities shall be obtained by me/ us, and in the event of any liability, financial or otherwise, arising at any point in time due to any misrepresentation, for any unlawful activity and for non-compliance of applicable laws and regulations governing storage services rendered by warehouse, I/ We shall indemnify warehouse for such losses/ damages/ penalties etc.

8. I/ We declare that, in case any storage receipt is endorsed to any other third party the same shall be promptly informed to the WSP.

Place _____

Date _____

(_____)
Name & Signature of Depositor

FOR OFFICE USE ONLY

WSP Allotted Code (WAC): _____

Name of the Depositor: _____

Documents Submitted verified: Yes / No

	Documents verified
Name of the Employee / Warehouse Official	
Employee Code	
Designation of the employee	

Signature of the Authorized Signatory

Place: _____

Date _____

Seal/Stamp of the WSP

ACKNOWLEDGEMENT

WSP Allotted Code (WAC): _____

Name of the Depositor: _____

Documents Submitted verified: Yes / No

	Documents verified
Name of the Employee / Warehouse Official	
Employee Code	

Signature of the Authorized Signatory

Place: _____

Date _____

Seal/Stamp of the WSP

FORM 15
LETTER OF AUTHORITY TO DEPOSIT COMMODITIES
[Regulation 41 (2)]

To,

Dear Sir,

I/We, _____[Name of the stock owner/ beneficiary], do hereby irrevocably authorize _____ [Name of the depositor] whose signature has been appended and duly verified by me/ us to deposit _____ [Name of the commodity and quantity] with _____ [Name of the warehouse and its WSP], on my/ our behalf.

_____ [Name of the depositor] is also authorized to sign, acknowledge and accept all the related forms/documents on my/our behalf.

I/ We declare and undertake that I/ we shall be bound by all the terms and conditions stipulated in the declarations and undertakings submitted by me/ our authorized depositor.

Signature of the Depositor.

Seal & Signature of Beneficiary

(Along with Self-Attested identity proof)

FORM 16
APPLICATION FOR ENROLMENT AS COMMODITY PROFESSIONAL
CLEARING PARTICIPANT (CPCP)
[Regulation 7]

INSTRUCTIONS

- (a) The application should be submitted to CSE along with all the necessary documents.
(b) The application shall only be considered if the applicant is already registered as custodian or security custodian with the competent authority.
-

Date: _____

The Managing Director
Chittagong Stock Exchange PLC
CSE Building, 1080, Sk Mujib Road
Agrabad, Chattogram, Bangladesh

Dear Sir,

We hereby furnish our information attached herewith and request you to enroll us as a Commodity Professional Clearing Participant of the Chittagong Stock Exchange PLC (CSE) as mentioned hereunder:

(to be filled by the applicant)

1.

Name of the Commodity Professional Clearing Participant	
Registered office-	
Telephone Number-	
Fax Number-	
E-mail-	

2. Applicant's

- (a) Date of registration under the Companies Act (Registration certificate, Memorandum of Associations and Articles of Association should be attached)-

(b)

Authorized Capital	
Issued Capital	
Paid up Capital	

(c) Each shareholder's present and proposed share amount

3. Every Director of the applicant and Applicant's Chief Executive Officer's-

(a) Name-

(b) Age-

(c) Nationality-

(d) Educational Qualification and Experience (In case of Chief Executive Officer)-

(e) Directorship in any other company (If any)-

(f) Accusation or conviction in any criminal offence (if any) (details should be given)

4. (a) Details of applicant's present and proposed man power and office infrastructure before starting functions of Commodity Professional Clearing Participant-

(b) Office buildings-

(c) Automated data processing-

(d) Data storage and backup system-

(e) Internal audit and supervision system-

Declaration

We, hereby declare that, all the information provided and the documents attached and additionally submitted documents are true and correct;

And we also declare that, if there is any change in the aforementioned information, we shall notify CSE in written without any delay;

And we also declare that, we shall abide by all the rules of the Commission and regulations of CSE.

Signature with Stamp

Name & Designation

Place:

Date:

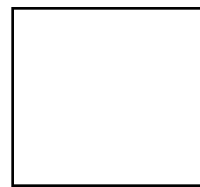
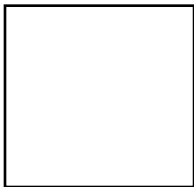
Signature with Stamp

Name & Designation

Place:

Date:

Affix photograph of Designated Directors and sign across the photograph



ANNEXURE A
SCHEDULE OF FINES
DISCIPLINARY ACTIONS AGAINST VIOLATIONS
[Regulation 107]

Subject	List of Violations	Reference Regulation No.	Applicable fines
Violation of Position Limit	Violation of total allowable open position by a Commodity Derivative Broker	15 (1) (c)(ii)	First instance in a month Taka 20,000/- Second instance in a month Taka 50,000/- More than twice in a month Taka 100,000/-
Books of Accounts, Records, Register, etc.	I. Non-maintenance of following Books of Accounts/ Records/ Registers: a) Client Register b) Trade Report c) Client Financial Ledger d) General Ledger e) Journals f) Cash Book g) Bank Deposit Book h) Audit Report i) Settlement Report j) Register of Complaints & Grievances	98	Fine shall be applied at the rate of minimum Taka 5,000/- and maximum of Taka. 50,000/- considering the nature of violation/gravity/frequency and quantum as mentioned in Regulation 107 of these Regulations or/ and deactivation of trading terminals till compliance is done.
	Books of Accounts other than above not maintained	98	Taka. 5,000/-
	Non-maintenance of vouchers (entries being directly posted to ledgers)	98	One or Few Instances: Advice Multiple Instances: Warning
	Non-maintenance of up-to-date bank reconciliation statements	98	One or Few Instances: Advice Multiple Instances: Warning

Registers and Documents	Non-maintenance of registers (Register of Commodities/Register of Margin Deposit)	98	If both the registers are not maintained, Taka. 5,000/- is levied, for 1 register, it is Taka. 1,000/-
	Non-availability of prescribed information in Register of Commodities/ Register of Complaints / Register of Margin Deposit	98	One or Few Instances: Advice Multiple Instances: Warning
AML (Anti-Money Laundering)	Non-maintenance of AML records	100 (11)	One or Few Instances: Taka 2,500/-Multiple Instances: Taka 5,000/-
Modification of orders related Accounts	Non-maintenance of orders related modification account	102 (4)	One or Few Instances: Taka 2,500/-Multiple Instances: Taka 5,000/-
Banking Operations related issues	Non maintenance of Client a/c	105 (2)	One or Few Instances: Taka 10,000/- Multiple Instances: Taka 15,000/-
	Use of Client bank account for purposes other than specified	105 (4)	One or Few Instances: Warning Multiple Instances: Taka 5,000/-
Dealings with Clients	Commodities due to one transferred to other client or own account	105 (4)	One or Few Instances: Taka 2,500/- Multiple Instances: Taka 5,000/-
	Partial compliance for issue of statement of accounts for funds and commodities	101 (3)	Multiple Instances: Taka 5,000/-
Dealings with intermediaries	Sharing of brokerage with -another commodity derivatives broker	100(15)	One or Few Instances: Taka 2,500/-
	-an employee of another commodity derivatives broker or		Multiple Instances: Taka 5,000/-

	a person for or with whom commodity derivatives brokers are forbidden to do business		
	-Persons who are not approved user Dealing with unregistered intermediaries	100(15)	One or Few Instances: Taka 2,500/- Multiple Instances: Taka 5,000/-
	Brokerage charged at a rate higher than the permissible maximum limit	107	One or Few Instances: Taka 2,500/- Multiple Instances: Taka 5,000/-
	Doing business with or for the trading commodity derivatives brokers who are prohibited to transact, to suspended/expelled/defaulter including commodity derivative broker; defaulting constituents trading employees and of other commodity derivative brokers	107	One or Few Instances: Taka 2,500/- Multiple Instances: Taka. 5,000/-
Commodity Derivative Broker Client Agreement & KYC Norms	KYC formalities – not maintained	100 (4)	Taka. 10,000/- per client.
	(a)Non-execution of commodity derivatives broker client agreement	100 (4)	Taka. 10,000/- per client.
	(b) Discrepancies/ Deviation from the prescribed commodity derivative broker-client agreement, if such discrepancies/ deviations are detrimental to clients. Risk Disclosure Document not issued to clients/ incomplete	100 (4)	Taka. 5,000/ - per client.
Clients Related issues	Non-segregation between clients and own fund	105 (2)	Taka. 25,000/- or 1% on the non-segregated client money, whichever is higher.

	Use of clients funds for own purpose/ for other clients.	105 (4)	Taka. 50,000/- or 1% per month of the money utilized, whichever is higher.
	Delay in Payment of Funds to Clients Account/ Delay in transfer of Commodities to Clients	105 (1)	Taka. 5,000/-- Taka. 25,000/- per instance.
	Delay in Payment of Funds to Clients/Delay in transfer of Commodities to Clients beyond 15 days from the date of receipt of request from Clients	105 (1)	Taka. 50,000/- or 1% of the value of the amounts / commodities, per instance
	Non-maintenance of client code/non mapping of trading code.	13 (1)	Taka. 10,000/- per client
	Contract Note – non-issued	103 (1)	Taka. 10,000/- per client
	Belated issue/no proof of receipt of commodity derivative contract note.	103 (1)	Taka. 5,000/- per client
	Non-maintenance of Grievance/Complaints Register	98	Taka. 10,000/- per Register per office
	Margin Collection: Non-collection/ partial collection.	104 (1)	0.1% of the margin not collected.
	Net worth certificate –non-production/improper production	100 (13)	Taka. 200/- per day.
	Non-payment of statutory dues/duties/ fees etc.	100 (16)	Appropriate action by CSE. However, such additional action by CSE shall in no way interfere with the penal provisions in the respective acts.

Commodity Derivative Contract Notes	Issue of commodity derivative contract notes otherwise than in the prescribed format/ issue of contract notes without the signature of authorized signatory or which do not bear a running serial number or bear a serial number which is not initiated at the beginning of each financial year	103 (1), 103 (2), 103(3)	One or Few Instances: Taka 2,500/- Multiple Instances: Taka 5,000/-
	Difference in trade rate as per the TWS system and the rate charged	107	Excess amount to be returned to the client and fine equal to twice the excess amount charged or Taka. 25,000/-, whichever is higher, to be levied on the commodity derivative broker.
Periodic Settlement of Accounts of Clients by the Commodity derivative brokers	Commodity derivative broker has not done periodic settlement of client accounts	101 (1), 101(2)	Taka. 5,000/- per client per instance
Modification of Client Codes	Modification/ Transfer of trades otherwise than on CSE trading platform or for purposes other than permitted	10	In excess of 5% of value (turnover), Penalty of 2% of value (turnover) modified, otherwise a fine of 1% of value (turnover) modified

Incorrect reporting of short collection/ non-collection of Margins	Commodity derivative broker has falsely reported margin collection to CSE	101 (1)	If during inspection or otherwise, incorrect reporting of margin collected from client by commodity derivative broker is found, the commodity derivative broker shall be fined up to 100% of such amount incorrectly reported and other disciplinary actions.
	Shareholding pattern not verifiable due to incomplete/ absence of records	100 (13)	Taka 5,000/-
	Any change in the shareholding pattern / profit sharing ratio without the prior approval of CSE involving dilution not below the minimum prescribed shareholding of the dominant promoter group	100 (10)	Taka 10,000/-
Requirements of Commodity Derivative Broker	Any other change in the shareholding pattern/ profit sharing ratio of the Commodity derivative broker without the approval of CSE	100 (10)	Taka 2,500/-
	Non-compliance of Net worth requirements as per relevant laws	22 (3)	One or Few Instances: Taka. 1,000/- per instance Multiple Instances : Taka.5,000/- per instance.
	Non completion of certification Examination	100 (20)	Taka.1000/-
Office Management	Usage and operation of a trading terminal by a person (an employee of the trading commodity derivative broker) other than an approved user	107	First time advice then Taka 250/- per trading terminal. (Maximum of Taka.2,500)