

**National E-Repository Limited**  
***Business Rules***

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## **1 INTRODUCTION:**

These Business Rules framed hereunder shall be known as National E-Repository Limited Business Rules. These Business Rules are guidelines, circulars and manuals, containing the practices, procedures, functional and operational parameters, relating to each of the core services of the Repository System as approved and notified by the Board of the Repository from time to time. These Business Rules shall be in accordance with the provisions of The Warehousing (Development and Regulation) Act, 2007, Guidelines on Repositories and Creation and Management of Electronic Negotiable Warehouse Receipts and the Bye Laws of the National E-Repository Limited, as may be applicable to the Users of the services of National E-Repository Limited. These Business Rules and any amendments thereof, shall come into effect from date of their publication.

## **2 APPLICABILITY:**

These Business Rules (read in conjunction with the Bye Laws) shall be applicable to all the Users of the Repository as well as the Clients to the extent specified therein. They shall be subject to the jurisdiction of the courts of Mumbai irrespective of the place of business of the Users of the Repository system in India.

## **3 DEFINITIONS:**

- 3.1 Words and expressions used in the Business Rules are defined under the NERL Bye Laws, Warehousing (Development and Regulation) Act, 2007 (37 of 2007), Rules and Regulations issued by Warehousing Development and Regulatory Authority (the "Authority"), the Guidelines on Repository, the Companies Act, 2013, the Securities Contracts (Regulation) Act, 1956, and any amendments, modifications thereto and shall have the same meaning respectively assigned to them under the aforesaid Acts, Rules and Regulations, Guidelines as amended from time to time.
- 3.2 "Forms" shall mean and include such forms and format as may be prescribed by the Repository including but not limited to Deposit, Withdrawal, Transfer, Pledge etc.

## **4 MANNER OF DEALINGS IN THE REPOSITORY SYSTEM:**

### **4.1 THE REPOSITORY SYSTEM:**

- 4.1.1 The User shall carry out transactions relating to the Electronic Negotiable Warehouse Receipts through the authorized access granted by the Repository to the Users (including Clients) of the Repository System.
- 4.1.2 Each User shall be provided with a unique identification number provided by the Repository called the user ID which shall be used to identify that User by the Repository.
- 4.1.3 A User shall have a non-exclusive permission to use the Repository System as provided by the Repository in the ordinary course of its business as a User.
- 4.1.4 The permission to use the Repository System shall be subject to complying with various requirements including the payment by the User of such charges/fees as may be specified by the Repository from time to time.
- 4.1.5 A User shall not allow use or permit or provide access to any person for:-
- 4.1.5.1 Use or access the Repository System provided by the Repository for any purpose other than the purpose as approved and specified by the Repository;
- 4.1.5.2 use or access the Repository System provided by the Repository system for the purpose of copying, altering, modifying or making available to any other person;

- 4.1.5.3 attempt directly/indirectly to decompile, disassemble or reverse engineer the same.
- 4.1.6 Provided however that a User may publish, supply, show or make available to any other person or reprocess, retransmit, store or use any information provided by the Repository for the ordinary course of its business, with the explicit approval of the Authority and/or the Repository, as the case may be.

#### 4.2 **WORKING DAYS:**

- 4.2.1 The Repository shall operate on all days except Saturday & Sundays and such public holidays as notified by the Govt. of Maharashtra under the Negotiable Instrument Act of 1881 as applicable in the state of Maharashtra and published by the Repository from time to time.
- 4.2.2 The Repository may close office on days other than and in addition to the scheduled holidays originally declared under Business Rule 4.2.1 to be called unscheduled opening or closing of the Repository subject to prior intimation to the Authority specifying reasons for such closure.

#### 4.3 **WORKING HOURS:**

- 4.3.1 The Repository working hours would be 09:30 AM to 05:45 PM on each working day as prescribed in 4.2 above.
- 4.3.2 The Repository may extend, advance or reduce the working hours by notifying the Authority in advance specifying the reasons for the same. The Repository shall notify all its Users in this regard.
- 4.3.3 Notwithstanding 4.2 and 4.3.1&4.3.2 above, the Repository system shall continue to be available to the Users at all times except for such periods, as may be specified and notified by the Repository, on account of scheduled downtime with respect to maintenance and end of day functions.

#### 4.4 **FAILURE TO ACCESS THE REPOSITORY SYSTEM**

In the event of failure to access the Repository System by the Users and/or loss of access of a Repository Participant to the Repository System, the Repository may, at its discretion, for and on behalf of the Repository Participant undertake to carry out the necessary functions which the Repository Participant is eligible, on a valid request from such Repository Participant subject to such terms and conditions which the Repository may deem necessary to be imposed. The Repository shall entertain such a request only if such request is made in writing in a clear and precise manner by the Repository Participant, as specified by the Repository.

#### 4.5 **MODE OF OPERATING ACCOUNTS:**

- 4.5.1 The forms and guidelines prescribed under these Business Rules shall be adhered to by the Repository Participants at the time of operating the accounts of its Clients and giving effect to the transactions laid down under the Bye Laws and these Business Rules.

Provided however that to effect such transactions as may be specified by the Repository based on electronic instructions received from the Client, the Repository Participant shall obtain the approval of the Repository. The Repository may grant such an approval to the Repository Participant if;

- 4.5.1.1 the Repository Participant has adequate systems and processes in place to conduct KYC and in person verification of the Client;
- 4.5.1.2 the Repository Participant is able to conclusively prove the origin, destination, date and time of receipt or dispatch of such electronic/physical instructions received by it;
- 4.5.1.3 the Repository Participant retains such electronic/physical instructions in the format in which it was originally received or sent or in a format which can be demonstrated to represent accurately the information which was originally received or sent;
- 4.5.1.4 the instructions received remain accessible and usable for subsequent reference; and
- 4.5.1.5 the Repository Participant fulfills such other conditions as may be specified by the Repository.

Provided further that the Repository Participant may operate such accounts or effect such transactions by using any other form or manner of authorization from the Client provided the Executive Committee or the appropriate authority prescribed by Repository has approved the same.

- 4.5.2 The Repository Participant shall promptly inform the Clients in respect of those instructions which have not been executed.
- 4.5.3 The Repository Participant shall not accept any instruction for debit or pledge of Electronic Negotiable Warehouse Receipts from a Client/Pledgee unless the Repository Participant has fully satisfied itself, based on the verification, that the Client/Pledgee itself has given the instruction. In respect of instructions received in paper form, the Repository Participant shall ensure that the Client/Pledgee submits the instructions only on an instruction form issued by the Repository Participant to the Client/Pledgee by verifying the instruction forms with its records pertaining to serial numbers of instruction forms issued to the Clients /Pledgees.

#### 4.6 **CIRCULARS AND GUIDELINESS OF THE REPOSITORY:**

- 4.6.1 The Repository shall from time to time, either on its own or upon the directions of the Authority issue operational, administrative or such other circulars and notify such guidelines as may be required for the purpose of dealing of Users on the Repository System.
- 4.6.2 Any circular or guideline issued by the Repository shall be binding on all Users.
- 4.6.3 A circular or guideline, unless withdrawn or superseded shall continue to be in force.

### 5 **CONDUCT OF BUSINESS BY USERS**

#### 5.1 **SUPERVISION OF CLIENTS BY THE REPOSITORY PARTICIPANTS**

- 5.1.1 Every Repository Participant is required to follow below norms for supervision of its Clients:
  - 5.1.1.1 Necessary due diligence to be done by the Repository Participant at the time of Account opening.
  - 5.1.1.2 Client in person verification is must.
  - 5.1.1.3 KYC to be done on a periodic basis as per the frequency defined by the Authority/the Repository.
  - 5.1.1.4 Clients should be charged as per the agreed tariff.
  - 5.1.1.5 Every Repository Participant is required to follow the standard operating procedure as provided by the Repository.
- 5.1.2 Each Repository Participant shall establish, maintain and enforce procedures to supervise its business and to supervise the activities of its employees that are reasonably designed to achieve compliance with the Bye Laws, Business Rules, notifications and directions issued thereunder by the Repository.

- 5.1.3 The Repository Participant shall maintain an internal record of the names of all persons who are designated as supervisory personnel and dates for which such designation is or was effective. Such record shall be preserved by the Repository Participant for a period of not less than five years.
- 5.1.4 Each Repository Participant shall conduct a review, at least annually, of its business relating to the operations of the Repository, which shall be reasonably designed to assist in detecting and preventing violation of and achieving compliance of the Act, Rules, Regulation, Guidelines, Bye Laws and Business Rules of the Repository.
- 5.1.5 The Repository Participant shall bring to the notice of its Clients, and other Repository Participants, any indictments, penalties etc. imposed on it by the Repository or by the Authority or any other regulatory authority within seven days from the date of such indictment or order.
- 5.1.6 The Repository Participant shall bring to the notice of the Repository, any indictments or any other orders that may have been passed against it by any regulatory authority within seven days from the date of such order or indictment.
- 5.1.7 The Repository shall from time to time notify such norms with respect to dealings with the Clients with respect to admission, code of ethics and such other matters as may be prescribed by the Repository/ the Authority.

## 5.2 **Fees and Charges:**

- 5.2.1 The Repository Participant shall maintain a tariff sheet for the fees and charges for the services rendered by the Repository Participant to its Clients and such fees and charges shall be displayed at a prominent location and shall take necessary steps to ensure that the Client is made aware of the same. The prescribed tariff shall not exceed the chargeable limit as prescribed by the Repository from time to time.
- 5.2.2 The Repository Participant shall be primarily responsible for payment to the Repository of all charges, fees, dues, and penalties in respect of all transactions carried out by the Repository Participant in the Repository System irrespective of whether the Repository Participant has recovered any such amount from the concerned Client or not, such recovery from the Client being the sole responsibility of the Repository Participant.

## 6 **GUIDELINES GOVERNING RELATIONSHIP BETWEEN REPOSITORY PARTICIPANT AND CLIENT:**

- 6.1 The Repository Participants shall execute transactions on behalf of their Clients only on receipt of authorizations from them. . Such authorization can be in a paper form or can be in an electronic form.
- 6.2 A Repository Participant may accept standing instructions from the Client for crediting the account of the Client without the Repository Participant requiring separate authorization for each credit.
- 6.3 The Repository Participant shall have a right to provide such information related to the Client's account as may be requested by the Repository from time to time.
- 6.4 The Repository Participant shall inform its rights and obligations as well as rights and obligations of Clients at the time of account opening. The proof of identity and proof of address for the Clients may be as prescribed by the Authority/ the Repository from time to time.
- 6.5 The rights and obligations of Repository Participants and Clients are prescribed in the Bye Law No.11.3 & Bye Law No.11.5 respectively of the Bye Laws of the Repository and the Model Rights and Obligation document detailing the model rights and obligations of the Repository Participant and Client is provided as Annexure 1.
- 6.6 The Repository Participant shall issue statement of accounts /statement of holding and transaction statement in the format as may be prescribed by the Repository from time to time.

## **7 CODE OF ETHICS FOR REPOSITORY PARTICIPANTS:**

### **7.1 GENERAL PRINCIPLES:**

- 7.1.1 Professionalism: Every Repository Participant in the conduct of its business shall observe high standards of commercial honour and just and equitable principles of business.
- 7.1.2 Adherence to Business Rules: Every Repository Participant shall adhere to the Bye Laws and Business Rules of the Repository and shall comply with such operational parameters, rulings, notices, guidelines and instructions of the relevant authority as may be applicable from time to time.
- 7.1.3 Honesty and fairness: In conducting its business activities, each Repository Participant shall act honestly and fairly and in the best interests of its Clients.
- 7.1.4 Capabilities: Every Repository Participant shall have and employ effectively the resources and procedures which are needed for the proper performance of its business activities.

### **7.2 OPERATIONAL PRINCIPLES:**

#### **7.2.1 Repository Participants shall ensure:-**

- 7.2.1.1 that every employee who commits the Repository Participant to a transaction has the necessary authority to do so;
- 7.2.1.2 that employees are adequately trained in operating the relevant areas that they are assigned to and are aware of their own, and their organization's responsibilities and obligations as well as the relevant statutory acts governing the Repository Participant, the Bye Laws and the Business Rules including any additions or amendments thereof;
- 7.2.2 No Repository Participant or person associated with a Repository Participant shall make improper use of either the Clients' Data/ Information /Electronic Negotiable Warehouse Receipts or its advances/deposits lying with the Repository Participant;
- 7.2.3 While executing any transaction for and on behalf of the Client, the Repository Participant must exercise great care at all times so as to not misrepresent in any way;
- 7.2.4 No Repository Participant shall exercise any discretionary power in a Client account.

### **7.3 GENERAL GUIDELINES:**

No Repository Participant shall shield or assist or omit to report about any Repository Participant whom it has known to have committed a breach or evasion of any Business Rules, Bye Laws, or guidelines of the Repository or of any resolution, order, notice or direction thereunder of the Executive Committee or the Managing Director or any committee or officer of the Repository authorized in that behalf.

## **8 HARDWARE AND SOFTWARE REQUIREMENTS:**

### **8.1 Users And Clients:**

The Repository shall provide to the Users and Clients an access to the web based application upon such terms and conditions for access and on payment of such fees as may be determined by the Repository.

- 8.2 **Exchange Users:**  
The Repository shall provide an access to the web based application called the Exchange User Module to the Exchange Participant upon such terms and conditions and on payment of such fees as may be determined by the Repository.
- 8.3 **Repository Participants:**  
The Repository shall provide an access to the web based application called the Repository Participant Module to the Repository Participants upon such terms and conditions and on payment of such fees as may be determined by the Repository.
- 9 ADMISSION/ TERMINATION/ SURRENDER/ SUSPENSION OF REPOSITORY PARTICIPANTS**
- 9.1 Eligibility criteria for Repository Participants is as follows:  
The following entities are eligible for becoming a Repository Participant:
- 9.1.1 a bank, or financial institution licensed under the Banking Regulation Act, 1949 and the Reserve Bank of India Act, 1934;
- 9.1.2 any intermediary registered with the Securities and Exchange Board of India, PFRDA or IRDA;
- 9.1.3 A warehouseman is eligible for becoming a Repository Participant if it meets the requirements as specified by the Repository and as approved the Authority from time to time.  
Provided that in addition to the conditions as aforesaid, a Warehouseman shall adhere to following conditions:
- 9.1.3.1 A Warehouseman shall segregate its operations as the Repository Participant from its warehouse operations completely that shall include both at the technological and operational level.
- 9.1.3.2 Warehouseman may facilitate opening of Client account for farmers if and only if Repository Participant conducts Biometric or OTP based verification of AADHAR
- 9.1.3.3 Warehouseman shall have necessary infrastructure like web-camera etc. to enable in- person verification by the Repository Participant's authorized personnel.
- 9.1.4 Any other class of persons permitted to act as a Repository Participant by the Authority including but not limited to: -
- 9.1.4.1 Farmer Produce Organizations (FPOs), Farmer Producer Companies (FPC), registered under Companies Act, Primary Agriculture Co-operative Society (PACS) registered under the Co-operative Societies Act, [·].
- 9.1.4.2 However, that such FPOs, FPCs, PACS having trading interest and participating as a "Client" on the Commodity Derivative Exchanges shall not be eligible to act as a Repository.
- 9.2 Norms for Admission/Suspension/Surrender/Termination and Transfer of Services of Repository Participants
- 9.2.1 Notwithstanding the provisions of Bye-Law No. 11, the Repository shall from time to time prescribe the norms and process for Admission, Suspension/Termination/Surrender/ Re-admission of Repository Participant for providing the core services of the Repository.
- 9.2.2 Any applicant/Warehouseman that meets the eligibility criteria as mentioned in Business Rule 9.1 above or such other criteria like net worth etc., as may be prescribed by the Repository shall be entitled to be admitted as a Repository Participant.
- 9.2.3 The Repository Participant shall enter into such Agreements as may be prescribed by the Repository as the case may be from time to time. Model Agreement to be entered into by the Repository with Repository Participants is provided as Annexure 2.



- 9.2.4 The applicant shall also furnish such documents and declarations specified by the Repository from time to time as the case may be.
- 9.2.5 The application for admission shall be submitted along with such fees, security deposit and other monies in such form and in such manner as may be specified by the Repository from time to time.
- 9.2.6 The Repository shall have the right to call upon the applicant to pay such fees or deposit, such additional security in cash or kind or to furnish any additional guarantee as the Repository may prescribe from time to time.
- 9.2.7 The Repository may admit the applicant as the Repository Participant provided that the person satisfies the eligibility conditions and other procedures and requirements of admission.
- 9.2.8 If, for any reason, the application is rejected, the Repository shall inform the applicant, the reasons for such rejection and the application fee or admission fee, as the case may be, or part thereof as may be decided by the Repository may at its discretion be refunded to the applicant, without any interest.
- 9.2.9 The Repository may, at its discretion, accept application/s for readmission as Repository Participant as and when deemed appropriate by it and may stipulate any premium amount as precondition/s before re-admission.
- 9.2.10 The Repository may at any time from the date of admission as Repository Participant cancel the admission and expel a Repository Participant in terms of Bye Law 24, if it has in or at the time of its application for admission to membership or during the course of the inquiry made by the Repository preceding its admission:
- 9.2.10.1 Made any willful misrepresentation; or
  - 9.2.10.2 Suppressed any material information required of him as to his character and antecedents; or
  - 9.2.10.3 Has directly or indirectly given false particulars or information or made a false declaration.
- Provided the Repository giving an opportunity to the Person of being heard before initiating any such action and passing the order duly giving reasons thereof.
- 9.2.11 When a person is admitted as Repository Participant, intimation of the person's admission shall be sent to the person. If the person admitted as Repository Participant and after intimation of his admission is duly sent, does not become a Repository Participant by complying with conditions subject to which admission was granted, or with acts and procedures for exercising the privileges of Repository Participant as may be prescribed by the Repository within a specified time period from the date of dispatch of the intimation of admission, such applicant shall not be entitled to claim the right of admission and the application fee or admission fee deposited or paid. However, in genuine and exceptional reasons, which were beyond the control of the Applicant, the Repository shall take into consideration such circumstances and upon giving an opportunity of being heard exercise the right to either refund or forfeit as the case may be. Any refund made under this sub-rule shall be interest free.
- 9.2.12 Every Repository Participant of the Repository shall, upon being admitted as a Repository Participant of the Repository be issued a COB as proof of having been admitted as a Repository Participant. Such a certificate shall not be transferable or transmittable except as herein mentioned.
- 9.2.13 Subject to such terms and conditions as the Repository may prescribe from time to time and subject to the prior written approval of the Repository, on request from Repository Participant, transfer of the certificate may be effected as follows:
- 9.2.13.1 By making nomination under these Business Rules;
  - 9.2.13.2 By an amalgamation or merger of a Repository Participant company;
  - 9.2.13.3 By takeover of a Repository Participant company;
  - 9.2.13.4 By transfer of the Repository Participant firm to a new firm, in which, all the existing partners are not partners; and
  - 9.2.13.5 By two or more Repository Participant firms coming together to form a new partnership firm/company as the case may be.

- 9.2.14 The Repository may permit the transfer of the certificate subject to payment of such transfer fee as it may deem fit in the following circumstances:
- 9.2.14.1 If in the opinion of the Repository, the Repository Participant is rendered incompetent to carry on his business on the Repository on account of physical disability of the Key Managerial Personnel;
  - 9.2.14.2 Upon amalgamation or merger of a Repository Participant company;
  - 9.2.14.3 Upon takeover of a Repository Participant company; and
  - 9.2.14.4 Upon the death or resignation or notice of dissolution or re-alignment, by a partner of a Repository Participant firm.
- 9.2.15 For the purpose of the clauses (11) to (14), the term ' Repository Participant ' shall to the extent applicable, include a partner of a Repository Participant firm or a promoter/ majority shareholder of a Repository Participant company. The term successor(s) shall to the extent applicable, include successor(s) of a partner of a Repository Participant firm or successor(s) of a promoter/ majority shareholder of a Repository Participant company.
- 9.2.16 Without prejudice to any other provision of the Business Rules, the Repository Participant may be suspended, for such period as the Repository may deem fit, in the following circumstances:
- 9.2.16.1 Upon a partner of a Repository Participant firm, in the opinion of the Repository, being rendered incompetent to carry on his business on account of physical disability;
  - 9.2.16.2 Upon the mental disability of a partner of a Repository Participant firm provided the partner holds at least 51% of share in the profits and losses of and / or at least 51% of share in the capital of such firm or a promoter/ majority shareholder of a Repository Participant company, ;
  - 9.2.16.3 Upon the death of a partner of a Repository Participant firm provided the partner holds at least 51% of share in the profits & losses of and / or at least 51% of share in the capital of such firm or a promoter/ majority shareholder of a Repository Participant company, till successor(s) of such Repository Participant or partner or promoter/ majority shareholder, may nominate person(s) to take up the stake/ shares of such partner or promoter/ majority shareholder;
  - 9.2.16.4 Upon the dissolution of a Repository Participant firm
- 9.2.17 Without prejudice to any other provision of the Rules, Repository may terminate the Certificate of Admission granted to the Repository Participant in terms of Bye Law 11.5, if an acceptable nomination or realignment, as the case may be, does not take place to the satisfaction of the Repository.
- 9.2.18 In the event of any suspension of any Repository Participant for any reason whatsoever, such Repository Participant shall not be entitled to carry on any functions of the Repository except to the extent as may be permitted by the Repository.

## **10 MANNER OF ADVICE, STATEMENTS AND REPORTS FROM THE REPOSITORY:**

### **10.1 REPOSITORY / THE AUTHORITY:**

Every Repository Participant is required to:

- 10.1.1 submit details to the Repository as per the format & frequency prescribed by Repository.
- 10.1.2 submit details to the Authority or any statutory or regulatory authority as per the format & frequency prescribed by the Repository/the Authority.

**10.2 CLIENTS:**

- 10.2.1 Every Repository Participant shall furnish a statement of accounts including transaction statement and holdings statement to every Client, who has opened an account with it, giving the details of the Electronic Negotiable Warehouse Receipt and electronic balances, in the accounts of the Clients. Such a statement shall be furnished to the Clients at monthly intervals before 10<sup>th</sup> day of the following month for which the statement relates or at such intervals as may be specified from time to time by the Authority/ the Repository unless the Client and the Repository Participant have agreed for provision of such statements at shorter intervals and in the manner as specified by the Authority from time to time.
- 10.2.2 The Repository Participant may provide an option to its Client for providing statement of accounts including transaction statement and holdings statement in electronic form. However, if Client is desirous of receiving such statements in physical form, the Repository Participant shall provide the same in the physical form at the address of the Client registered with it.
- 10.2.3 For providing statement of accounts including transaction statement and holdings statement in electronic form, the Repository Participant must ensure that:
- 10.2.3.1 Such statement must be digitally signed in accordance with Information Technology Act, 2000.
  - 10.2.3.2 Such statement is provided to the Client in physical form if the Repository Participant is not able to provide such statement to its Clients electronically.
  - 10.2.3.3 Such statement should be password protected if the Repository Participant is providing the same through email.
  - 10.2.3.4 If the Repository Participant is providing such statement through website:
    - 10.2.3.4.1 Secure Socket Layer (SSL) security for the internet facility featuring site authentication, encrypted communication with appropriate Client authentication shall be implemented so as to restrict the access of such statement only to the Client.
    - 10.2.3.4.2 Such statement should be made available on the website for a period of at-least 12 months.
    - 10.2.3.4.3 The Repository may directly send to Clients chosen at random, the details of Electronic Negotiable Warehouse Receipts with electronic balances held by them in the account, to facilitate cross checking with the transaction statement including statement of accounts, if any, furnished by the Repository Participant.

**11 RECONCILIATION OF RECORDS:****11.1 RECONCILIATION BETWEEN THE REPOSITORY PARTICIPANT AND THE REPOSITORY:**

- 11.1.1 The Repository Participant shall effect internal reconciliation of its records on a daily basis through the Repository System.
- 11.1.2 The Repository Participant shall reconcile the details of transactions carried out on the Repository system with the details of instruction received from Clients on daily basis.

**11.2 RECONCILIATION BETWEEN THE REPOSITORY PARTICIPANT AND WAREHOUSEMAN:**

- 11.2.1 WSP/Warehouseman is required to download a report (“Electronic Warehouse Receipts Report”) on daily basis or as per the frequency prescribed by the Repository from its login.
- 11.2.2 Report shall contain details of Electronic Warehouse Receipts maintained by the warehouseman electronically as on date at warehouse level, other attributes such as status of the Electronic Warehouse Receipts & beneficiary owners and will also be provided to the WSP/Warehouseman.
- 11.2.3 WSP/Warehouseman is required to validate the electronic records with the physical stock details and update the reconciliation status in the Repository system.
- 11.2.4 In case of any mismatch observed at the time of reconciliation, WSP/Warehouseman needs to raise it to the Authority and the Repository Participant for such rectifications and further actions as may be required for reconciling the same.

**12 PLEDGEE AND PLEDGE SERVICES:**

- 12.1 Notwithstanding the provisions as provided for under the Bye-Law no.20 of the Repository Bye-laws, the Repository may permit any of the following entities for providing services of the pledgee:
  - 12.1.1 a bank, financial institution licensed under the Banking Regulation Act, 1949 and the Reserve Bank of India Act, 1934 or such other financial intermediaries which are permitted by RBI for the purpose of carrying on the business of lending and borrowing;
  - 12.1.2 Any custodian as defined by SEBI;
  - 12.1.3 \*Any Stock Exchanges or Deemed Stock Exchanges or Clearing Corporation under the Securities Contracts (Regulation) Act, 1956 recognized by SEBI established by the exchanges for creation of lien on eNWR for settlement related activities.

*\* Amended and inserted vide the Authority letter Ref. No. D-24015/3/2018-O/o US (A and F) -1431 dated July 30, 2018*

**12.2 Access to the Repository System by Pledgee:**

- 12.2.1 Access to Repository System is only for the purpose of creation, release of pledge and authorizing e-auction of Electronic Negotiable Warehouse Receipts against which the credit facilities are provided by pledgee and to carry out related operations, to the extent permitted as may be specified by the Repository.
- 12.2.2 The Access to the Repository system shall be subject to payment of such cost or charges as may be specified by the Repository from time to time and the Repository shall have the right to restrict the access to the system on non-payment of dues.
- 12.2.3 While accessing the Repository System, the Pledgee shall at all times abide by and comply with all Bye-Laws and Business Rules, as in force, governing such of its activities including creation of lien in system and the Repository shall not be responsible or liable in any manner whatsoever for claims or damages arising due to any non-compliance and the Repository shall remain indemnified at all times to that extent.
- 12.2.4 The Repository shall not be liable for any technology disruption beyond control of the Repository operations including but not limited to natural calamities such as floods, earthquake, etc.
- 12.2.5 The Pledgee shall keep user ID and password allotted by the Repository for E-Pledge through the Repository System in strict confidence and shall be responsible for transactions/pledge marking/revocation etc. executed using the said Pledgee user ID and password. The pledgee shall also be solely responsible in case such user ID and password is compromised and misused by the Pledgee or any person authorized by the Pledgee to access E-pledge facility through the Repository System. The Pledgee shall be solely responsible for any loss or damage

that may arise or accrue on account of compromising or misuse of User Id and password allotted to Pledgee. All instructions and requests entered/transactions done using the Pledgee User ID and the password shall be deemed to have been done by the Pledgee.

- 12.2.6 The Pledgee shall abide by the terms and conditions as may be prescribed by the Repository for use of the Repository System or such other software as may be deployed for E-pledge operations and to which the Repository has provided access for pledge purposes.
- 12.3 The Role and responsibilities of Pledgee shall be primarily:
- 12.3.1 To finance / create lien in its favor against Electronic Negotiable Warehouse Receipts.
- 12.3.2 To release lien against the stock once the loan is paid up by the Client.
- 12.3.3 To liquidate stock via e-Auction or any other Market or Spot market as may be permitted by the Authority, in case of default by the Client.

### **13 CLIENT:**

Any person desiring to open an account with a Repository Participant shall make an application as per the format prescribed by the Repository.

- 13.1 Applicant shall visit a Repository Participant with required documents and Account opening application as per the format prescribed by the Repository.
- 13.2 The Repository Participant shall verify the identification and Address proof documents against the original documents submitted by the applicant.
- 13.3 The Repository Participant is required to carry out in- person verification of the applicant and all the supporting documents submitted by such applicant at the time of account opening.
- 13.4 The Repository Participant shall ensure that the application form submitted by the applicant is completely filled, including its Bank Account details.
- 13.5 The Repository Participant will fill online form in the Repository System; verify, scan & upload supporting documents subject to the applicant paying requisite registration fees.
- 13.6 Applicant shall also provide a valid e-mail address. A verification mail will be sent to the applicant's e-mail address to complete the Registration process.
- 13.7 The Repository Participant shall open/activate Client account in the Repository System only after receipt of complete account opening form, KYC and supporting documents (identity proof, address proof) as specified by the Repository which shall be in accordance with rules, guidelines notified by the Authority from time to time. When an application as referred to above which is valid and accepted by the Repository Participant in accordance with the requirements specified by the Repository the Repository Participant should enter the data (on the application form) into the Repository Participant Module and activate the Client account. Model form to be used by Repository Participants at the time of Account opening of Client and KYC is provided as Annexure 3.
- 13.8 Client account number will be communicated to the registered e-mail address and registered mobile number as SMS in the form as may be prescribed by the Repository.
- 13.9 Every Client shall also be required to sign Rights and Obligation document with the Repository Participant as per the format prescribed by the Repository from time to time. Model Rights and Obligation document is provided as Annexure 1.

**14 WAREHOUSE SERVICE PROVIDER:****14.1 Onboarding of WSP:**

Every Warehouse registered under WDRA shall be eligible to become a User of the Repository System for generation and cancellation of Electronic Negotiable Warehouse Receipts. Further, the eligibility to become a User shall be governed by rules, regulations, notifications issued and in accordance with the approvals issued/granted by the Authority from time to time. On receipt of information about completion of registration process with the Authority, the Repository would issue unique administrator user ID for access to use the Repository System to the Warehouse Service Provider who in turn would be entitled to create user ID's for its respective Warehousemen.

**14.2 Warehouse Rent Collection Services:**

The Repository may provide additional voluntary services to Warehouse Service Provider for collection of warehousing rent through the Repository System by entering into a separate agreement with the Warehouse Service Provider. Further, the voluntary services shall be provided by the concerned Repository Participant where Clients have opened accounts and given their consent for use of such facility for collecting warehousing rent by the Warehouseman through the Repository System.

**15 ISSUANCE, MODIFICATION, TRANSFERABILITY AND CANCELATION OF ELECTRONIC NEGOTIABLE WAREHOUSE RECEIPT:**

The Business Rules given below for dealing with Electronic Negotiable Warehouse Receipts should be read in conjunction with the relevant provisions of the Guidelines, Bye Laws, WDR Act, Rules and Regulations framed thereunder by the Authority.

**15.1 Following rules shall be followed by the WSP/Warehousemen for creation of Electronic Negotiable Warehouse Receipts:**

- 15.1.1 Client is required to open an account with any of the Repository Participants. The KYC and accounting opening has to be carried out as per the model format prescribed in Annexure 3.
- 15.1.2 Client is required to deposit Goods at the warehouses registered with the Authority along with commodity Deposit Form by completing the 'Know Your Depositor' requirements and supporting documents as may be prescribed by WDRA/ the Repository.
- 15.1.3 Warehouseman shall submit the details of the deposit made by the Client as per the process in the Repository System in compliance with the Bye Law No. 15 of the Repository Bye Laws.
- 15.1.4 On deposit of the Goods in the Warehouse, an Electronic Warehouse Receipt will be generated and details, as may be prescribed by the Authority, will be provided to the Client. On final confirmation of the quality after assaying the goods in terms of Bye Law No.16.6 of Bye Laws of the Repository, the Warehouseman through the Repository System shall generate an Electronic Negotiable Warehouse Receipt and such electronic credit shall be reflected in the account of the Client.
- 15.1.5 In case the assaying fails, then the Warehouseman shall not issue the final confirmation by generation of Electronic Negotiable Warehouse Receipt.
- 15.1.6 Further the generation of Electronic Warehouse Receipts whether negotiable or non-negotiable shall be decided between the Warehouse and the Client and accordingly



the Warehouseman shall record the details in the Repository System in compliance with the Bye Law No. 15 of the Bye Laws of the Repository.

- 15.1.7 The Client may request for an acknowledgement in printed form of Electronic Negotiable Warehouse Receipt as per the process prescribed by the Authority.

## 15.2 **Modification of Electronic Negotiable Warehouse Receipts:**

- 15.2.1 In case of any errors discovered by the WSP/Warehouseman/Client at the time of creation of Electronic Warehouse Receipt or Electronic Negotiable Warehouse Receipt and any error with respect to quality & quantity which may have taken place in the account of the Client at the time of generation of Electronic Warehousing Receipt or Electronic Negotiable Warehouse Receipt , then in such an event the WSP/Warehouseman/Client is required to inform the Repository and the Authority, as the case may be, about the same.
- 15.2.2 The Repository/ the Authority, as the case may be, on receipt of confirmation of such errors from the Client, would permit the initiation of rectification process through the Repository Participant in the Repository System to rectify the erroneous transactions.
- 15.2.3 On initiating such a process, SMS and e-mail alert will be sent to the concerned Clients in whose account the erroneous transactions are reflected.
- 15.2.4 The Warehouseman shall rectify the errors in the Repository System in compliance with the Bye Law No. 15.7, 15.8 and 15.9 of the Bye Laws of the Repository.
- 15.2.5 The Repository/Repository Participant on receipt of directives from Authority shall make such rectification for modification of quality & quantity observed during inspection.

## 15.3 **OFF-MARKET AND INTER- CLIENT TRANSFERS:**

A Client willing to transfer his Electronic Negotiable Warehouse Receipt to another Client can make such transfers using the Repository System in compliance with Bye Law No. 18 of Bye Laws of the Repository either by submitting physical request as per the model format given as Annexure 5 (Instruction Slip), to his Repository Participant or electronically by directly accessing the online Repository System using his login and password as a Client. On receipt of such requests, the concerned Repository Participants shall validate the instructions and confirm the transfers.

## 15.4 **EXCHANGE RELATED TRANSACTIONS:**

- 15.4.1 The Repository shall facilitate trading and settlement of Electronic Negotiable Warehouse Receipts on Approved Commodity Exchanges through the Repository System in the manner approved by the respective regulators and carried out on the Exchange platform. Further, procedure to be followed by the Clearing/Trading Members of the exchange for accessing the Repository System would be governed by the guidelines prescribed by the Authority and the SEBI, as the case may be. The Repository shall permit the need based access to the Exchange as approved by the Regulator of Exchange and the Authority
- 15.4.2 The Exchange in consultation with the Repository shall prescribe the process for the purpose of affecting the transactions for Exchange related Settlement duly prior approved by Authority

## 15.5 PLEDGE INITIATION / RELEASE / CONFISCATION:

Pledge transactions can be initiated by a Repository Participant in compliance with the Bye Law No. 20 of the Bye Laws of the Repository, on request from Client or by Client on its own through its Repository login. Pledge transaction shall be executed to create lien in favor of a Pledgee and the Pledgee shall have complete rights over the Goods till the borrower fulfills all its obligations against the Pledgee.

### 15.5.1 The following is the process for creation of pledge transactions:

- 15.5.1.1 A Pledgor is required to fill up the pledge initiation form as per the format prescribed by the Repository and submit the same to its Repository Participant.
- 15.5.1.2 Post validation of pledge request submitted by the Client, Repository Participant through its Repository System login will initiate pledge transaction request as mentioned by the Client. And will block the balances in the client account
- 15.5.1.3 On creation of pledge transaction request by the Repository Participant, the request is then forwarded to respective WSP/Warehouseman for its confirmation through the Repository System.
- 15.5.1.4 On WSP/Warehouseman confirmation, transaction is forwarded to the Pledgee for confirmation.
- 15.5.1.5 Once necessary due diligence is done by the Pledgee, the Pledgee is required to update the loan value and loan validity date and confirm the pledge transaction through the Repository System.
- 15.5.1.6 On successful creation of pledge transaction, an SMS & Email alert will be sent to the Pledgor on its registered email ID.
- 15.5.1.7 On completion of pledge creation transaction, pledged quantity in e-NWR will be blocked and marked as "Pledged" in Clients account and would not be available for any transaction until the Pledgee removes lien over the pledged quantity in e-NWR.

### 15.5.2 The following is the process for release of pledge transactions:

- 15.5.2.1 The Pledgor fills up the pledge closure request form or electronically and sends a pledge closure request to the Repository Participant.
- 15.5.2.2 The Pledgor can send full/partial pledge closure request to its Repository Participant.
- 15.5.2.3 The Repository Participant of the Pledgor validates the request and approves it. Post approval, the request is sent to the Pledgee electronically for confirmation.
- 15.5.2.4 On validation, the Pledgee confirms the pledge closure request in the Repository system.
- 15.5.2.5 Client is intimated via SMS & Email, once the pledge release transaction is confirmed by the Pledgee.
- 15.5.2.6 On completion of transaction, "Pledged" status against ENWR quantity is updated as ""Free" and ENWR will be available for other transactions.

### 15.5.3 The following is the process for confiscation of pledge transactions:

- 15.5.3.1 A Pledgee through its login can initiate and confirm the Pledge confiscation transaction.
- 15.5.3.2 At the time of confiscation transaction, the Pledgee is required to mention the Client a/c no in which the confiscated commodity needs to be transferred; it can either be the Pledgees own a/c or it can be transferred to any other Client's a/c by the Pledgee.



- 15.5.3.3 On successful completion of transaction, ownership of eNWR will be transferred to target Client account.
  - 15.5.3.4 In case of partial pledge invocation request, the Repository creates new records; in one record ownership is transferred to target Client and in another record where the ownership of eNWR still lies with the Pledgor but under 'pledged' status.
  - 15.5.3.5 Once transaction is completed by the Pledgee, eNWR status will be changed from "Pledged" to "Free" and will be available for transactions.
  - 15.5.3.6 Client/Pledgor involved in this transaction shall be intimated via SMS & email on successful completion of the transaction.
- 15.5.4 The process to be followed for confiscation in other cases, like on behalf of a Warehouseman, would be as may be prescribed by the Authority.

## **16 E-AUCTION:**

The Repository shall appoint a third party agency to e-Auction the commodities for realization of its value using electronic means (e-auction) in compliance with the Bye Law No. 12.4 of Bye Laws of the Repository. The Repository shall provide access to e-Auction platform on such terms and conditions as deemed fit by the Repository under appropriate legal document.

The e-Auction will be conducted –following the below mentioned process:

- 16.1 Request from the Pledgee to the Repository for liquidating 'Pledged' marked eNWR of a Client who has defaulted in making payment of dues.
  - 16.1.1 The Pledgee would be required to intimate invocation of pledge to the Repository through the Repository System;
  - 16.1.2 The Repository would facilitate linkages with the e-Auction platform for implementation of invocation of pledge;
  - 16.1.3 The Pledgee would be required to intimate the new Repository Account where the eNWR would need to be credited on completion of e-Auction or otherwise.
- 16.2 Any other case as may be approved by the Authority like E-auction of eNWR having no lien and encumbrance on the request of the Client.

## **17 INTER REPOSITORY TRANSFER OF ELECTRONIC NEGOTIABLE WAREHOUSE RECEIPTS:**

- 17.1 The Repository shall enter into an agreement with every other repository, inter-alia, providing for inter-repository transactions, settlement schedules and procedures, reconciliation of records, resolutions of disputes, differences or claims between repositories or between Repository Participants or Holders in different Repositories through arbitration as may be mutually agreed in that behalf. No such agreement shall come into force unless the same shall have been previously approved by the Authority in terms of Bye Law No. 12.3 of the Bye Laws of the Repository.
- 17.2 The inter repository transactions and reconciliation would be carried out as per guidelines issued by the Authority from time to time.

## **18 ACCOUNTING, INTERNAL CONTROL, REPORTS, RETURNS & RECORDS & ACCOUNT TRANSFER AND TRANSMISSION & FREEZING/UNFREEZING OF AN ACCOUNT:**

- 18.1 Every Repository Participant shall furnish to the Repository every year, a copy of its audited financial statement within six months from the end of the financial year. Provided that when the Repository is satisfied that circumstances warrant an extension of time to furnish such report, it may grant such extension to the Repository Participant.
- 18.2 The books of accounts and records of the Repository Participant relating to the operations of the Repository shall be open for inspection and audit to the officers of the Repository and the

Authority or their representatives. Such books of accounts and records shall be subjected to annual audit. Every Repository Participant shall submit periodic returns to the Repository in the format specified by the Repository or the Bye Laws, Rules and Business Rules of the Repository, as the case may be.

- 18.3 Every Repository Participant shall maintain the following records and documents, namely:
- 18.3.1 records of account opening of Clients including details of in- person verification;
  - 18.3.2 records of all the transactions entered into with a Repository and with its Clients;
  - 18.3.3 details of warehouse receipts issued for which electronic balances have been assigned and the acknowledgment issued;
  - 18.3.4 records of instructions received from Clients and statements of account provided to Clients; communication with clients with regards to charges
  - 18.3.5 records of creation, approval, notice, entry, invocation and cancellation of pledge or hypothecation, freeze and defreeze, as the case may be;
  - 18.3.6 details of complaints received and their resolution; and
  - 18.3.7 any other record as prescribed by the Repository or the Authority from time to time.
- 18.4 Participant shall intimate to the Authority / the Repository, the place where the records and documents are maintained in physical and/or electronic form. In case of change in the location of place the Repository Participant within thirty (30) days of such change intimate the Repository and the Authority
- 18.5 Subject to the provisions of any other law, the Repository Participant shall preserve records and documents electronic or otherwise, for a minimum period of five years.

18.6 **RECORDS:**

Repository Participant shall maintain the following records relating to its business for a period of five years either in hard copy form or non-temperable soft form. The records of Repository Participant should include the following:-

- 18.6.1. Account opening application along with all supporting documents submitted by Clients. This should include all documents submitted to record modification in demographic and other details of the account holder, account closure requests, if any;
- 18.6.2. transaction instruction slips and other instructions submitted by the Clients;
- 18.6.3. invoice copies issued to the Clients against services offered to them;
- 18.6.4. transaction & holding statements shared with the Clients;
- 18.6.5. complaints received from the Clients, records maintained for capturing status of such complaints and their redressal;
- 18.6.6. communications of the Repository; and
- 18.6.7. Notices / orders issued by the Repository / Regulator / statutory auditor.

18.7 **MANNER OF KEEPING RECORDS:**

The records specified above may be maintained either in physical or in electronic form. Where the records are kept by the Repository Participant in electronic form, it shall do so with the prior approval of the Repository and shall ensure that the integrity of the data processing systems is maintained at all times and take all precautions necessary to ensure that the records are not lost, destroyed or tampered with and ensure that sufficient backup of records is maintained and be available at all times at a different place.

## 18.8 ACCOUNT TRANSFER AND TRANSMISSION:

18.8.1. Account transfer of a Client shall be permitted by the Repository under the following circumstances:

- 18.8.1.1. On termination of the services of a Repository Participant on account of death, insolvency, winding up.
- 18.8.1.2. On merger or acquisition of a Repository Participant.
- 18.8.1.3. On a request of a Client.
- 18.8.1.4. As per the order of a court, tribunal or authority.

18.8.2. Account transmission shall be permitted by the Repository in the event of death of a Client having a Repository account or by an order or direction of a court. The concerned person shall be required to submit succession certificate or other permissible documents under the applicable law for the time being in force, to enable the Repository Participant to transfer the holdings to the legal heirs or successors as the case may be.

18.8.3. Transfer of Account by the Repository

- 18.8.3.1. The Repository shall prescribe the manner of transfer of balances of Electronic Negotiable Warehouse Receipts to any designated Repository Participant in the event of circumstances arising from Business Rule 9.2.15 or for any other reasons not prescribed herein for the purpose of ensuring smooth operation of the Client account.
- 18.8.3.2. The Repository shall take such necessary steps to intimate all such Clients, if any action is taken in accordance with Business Rule 18.8.3.1 above.

## 18.9 FREEZING/ UNFREEZING OF AN ACCOUNT

18.9.1. A Repository Participant may freeze/unfreeze the account of a Client and/or the eNWR in the Repository system:

- 18.9.1.1. On receipt of instruction from the Client
- 18.9.1.2. On receipt of instruction from the Authority or any statutory authority/court
- 18.9.1.3. On receipt of instruction from the Repository.
- 18.9.1.4. The Repository Participant can also deactivate the Clients Active account for reasons including but not limited to non-payment of charges, improper/incomplete KYC documentation etc.

18.9.2. A Client may freeze/unfreeze its account and/or the eNWR by making a request to its Repository Participant. The Client shall follow the below mentioned process:

- 18.9.2.1. Client needs to fill the Application for Account deactivation / activation as per the format prescribed by the Repository.
- 18.9.2.2. Application needs to be complete in all respects and signed by the Client.
- 18.9.2.3. After receiving the request, the Repository Participant shall give an acknowledgement copy to the Client after verifying the signature.
- 18.9.2.4. Accounts which are deactivated won't be available for any fresh transactions.

18.9.3. In case of deactivated account, the Repository Participant can activate the same once it is satisfied that all the queries are resolved or on the written instructions of the Client s, as the case may be.

**19 INSPECTION:****19.1 INSPECTION AUTHORITY**

Where it appears to the Repository so to do or in accordance with the directives of the Authority, it may appoint one or more persons as inspecting authority to undertake inspection of books of accounts, other records and documents of the Repository Participants for any of the purposes specified in Business Rules.

- 19.1.1 The Inspecting authority appointed by the Repository may be either from its own officials or outside professionals.
- 19.1.2 When the Repository appoints outside professionals as an inspecting authority, it shall notify the Repository Participant the names and addresses of the professionals or firms so appointed as an inspecting authority at the time of inspection.
- 19.1.3 When outside professionals are appointed as an inspecting authority in respect of a Repository Participant and such professionals are already related in any other capacity with the Repository Participant then such Repository Participant shall forthwith inform the Repository of such relationship.
- 19.1.4 Where after appointment of any outside professional as an inspecting authority in respect of a Repository Participant, the Repository Participant or any of its associates engages the inspecting authority for its services in any other capacity, the inspecting authority shall not engage itself in such other professional capacity with the Repository Participant or any of its associates without prior consent of the Repository.

The purposes for which an inspection may be conducted, as referred to in Business Rules, shall be as follows, namely:

- 19.1.4.1 to ensure that the books of accounts and other records are being maintained in the manner required;
- 19.1.4.2 to ensure that provisions of the Warehousing (Development And Regulation) Act, 2007 and the Guidelines on Repositories and Creation and Management of Electronic Negotiable Warehouse Receipts, 2016 are being complied with;
- 19.1.4.3 to ensure that various provisions of the Bye-laws, Rules and Business Rules and any directions or instructions issued thereunder are being complied with;
- 19.1.4.4 to investigate into the complaints received from Clients, other RPs of the Repository or any other person on any matter having a bearing on the activities of the Repository Participant;
- 19.1.4.5 to investigate suo-moto, for any reason where circumstances so warrant an inspection into the affairs of the Repository Participant in public interest;
- 19.1.4.6 to examine whether any notices, circulars, instructions or orders issued by the Repository from time to time relating to any activities of RPs are being complied with; and
- 19.1.4.7 to comply with any of the directives issued in this behalf by any regulating authority including Government of India.

**19.2 NOTICE:**

- 19.2.1 Before undertaking any inspection under the Business Rules, the Repository shall give a fifteen days' notice or no notice, where the Repository is of the opinion that no such notice should be given, to the Repository Participant for that purpose. Notwithstanding anything contained in these Business Rules, where the Repository is of the opinion that no such notice should be given, it may direct in writing that the inspection of the affairs of the Repository Participant be taken up without such notice.

19.2.2 Repository officials or the inspecting authority who is directed by the Repository to undertake the inspection, shall undertake the inspection and the Repository Participant against whom an inspection is being carried out shall be bound to extend full co-operation and discharge its obligations as provided in Rule 19.3 below.

**19.3 OBLIGATIONS OF A REPOSITORY PARTICIPANTSON INSPECTION:**

19.3.1 It shall be the duty of every director, officer and employee of the Repository Participant, which is being inspected, to produce to the inspecting authority such books, accounts, records and other documents in its custody or control or arrange to produce such books, accounts, records and other documents if they are in any other person's custody or control and furnish such statements and information within such time as the said inspecting authority may require.

19.3.2 The Repository Participant shall allow the inspecting authority to have reasonable access to the premises occupied by it or by any other person on its behalf and also extend reasonable facilities for examining any books, records, documents and computerized data in its possession or any other person and also provide copies of documents or other materials which in the opinion of the inspecting authority are relevant. The inspecting authority, in the course of inspection shall be entitled to examine or record statements of any Repository Participant, director, officer and employee of the Repository Participant or of any associate of such Repository Participant.

19.3.3 It shall be the duty of every director, officer and employee of the Repository Participant or where an associate is examined, to give to the inspecting authority all assistance in connection with the inspection, which the Repository Participant may be reasonably expected to give.

19.3.4 The inspecting authority shall be entitled to examine the records relating to the Repository Participant's financial affairs held with its bankers or any other agency, which the inspecting authority may find it relevant.

19.3.5 The inspecting authority shall have access to accounts and other records relating to the Repository Participant or such access as authorized by the Repository to accounts and other records relating to any associate of the Repository Participant as are within the power of the Repository Participant to provide.

**19.4 SUBMISSION OF REPORT:**

The inspecting authority shall, as soon as possible submit an inspection report to the Repository. A copy of such report shall also be submitted to the Authority in case a) where the inspection has been made in accordance with the directives of the Authority; b) Authority requires such report in writing from the Repository. All documents, papers, returns or their copies submitted to the inspecting authority may be retained by it on behalf of the Repository, if so directed by it or the Authority, as the case may be. It shall maintain complete confidentiality thereof and no disclosure of any information contained therein shall be made to any person, firm, company or authority unless required by any law for the time being in force and without approval of the Repository in this regard.

19.4.1 The Repository shall after consideration of the inspection report communicate the findings to the Repository Participant to give him an opportunity of being heard before any action is taken by the Repository on the findings of the inspecting authority.

19.4.2 On receipt of the explanation, if any, from the Repository Participant the Repository may call upon the Repository Participant to take such measures as the Repository may deem fit in public interest.

- 19.4.3 Notwithstanding anything contained in Business Rules, where the Repository is of the opinion that no such hearing should be provided in certain circumstances, it may take action forthwith without giving an opportunity of being heard.

## **20 PENALTIES:**

- 20.1 No Repository Participant shall carryout activities in a fraudulent manner, or indulge in any unfair practices including manipulation. Without prejudice to the generality of the provisions contained, no Repository Participant shall indulge in any wrongful transactions in or on behalf of Client instructions, indulge in any act, which is calculated to create a false or misleading appearance of electronic balances, which are not genuine, delay in updation of electronic balance of commodities in the name of User, indulge in falsification of its books, accounts and records for the purpose of any manipulation. The Repository in terms of Bye Law No. 24 of the Bye Laws of the Repository may, in its sole discretion or as per the directives of the Authority, take suitable disciplinary /administrative action, in the nature of financial penalties, levies, charges, suspension, expulsion etc, as deemed fit, for any non-compliance observed for the Repository Participant activities.
- 20.2 For non-compliances observed during inspection, where fines are levied in terms of Bye Law No. 23.4.3 of the Bye Laws of the Repository, the fine will be communicated to the Repository Participant and in addition, the Repository Participant would be required to report compliance within the stipulated time frame.
- 20.3 The Repository Participant shall pay the fine within 15 working days of the communication. In case the Repository Participant continues to default after paying the penalty, the matter will be referred to Disciplinary Action Committee.
- 20.4 Compliance reported by the Repository Participant will be verified during the subsequent inspection. In case the compliance reported by the Participant is found to be false, the matter will be referred to Disciplinary Action Committee.

## **21 CLIENT PROTECTION FUND**

In compliance with the Bye Law No. 13.1 read with Bye Law No. 13.5 of the Bye Laws of the Repository, the Repository shall establish and maintain a Client Protection Fund (Fund) to be held in trust by NERL Client Protection Fund Trust (Trust).

### **21.1 Object of the Fund:**

The object of the Fund shall be:

- 21.1.1 To protect and safeguard the interest of Clients, in respect of eligible/ legitimate claims arising out of default of the Participants of the Repository, and
- 21.1.2 To impart investors/Client education, awareness, research or such other programs as may be decided by the Authority and / or the Repository from time to time out of the interest earned on investments of the Fund.

### **21.2 Composition of the Fund:**

The Fund shall consist of:

- 21.2.1 such contributions from the Repository as decided by the Repository, from time to time;
- 21.2.2 all penalties levied/ collected by the Repository and transferred to the Fund, from time to time;
- 21.2.3 interest, dividend or other income earned arising from investments of the Fund;
- 21.2.4 accretion arising from investments of the Fund;
- 21.2.5 any other money forming part of the Fund; and
- 21.2.6 any contribution from the Repository Participants of the Repository, as may be stipulated by the Repository from time to time.



- 21.3 The Repository shall be further empowered to call from the Participants such additional contributions as may be prescribed by the Authority/the Repository.
- 21.4 The Repository shall ensure that the funds are well segregated from that of the Repository and that the Fund is immune from any liability of the Repository.

21.5 **Management of the Fund:**

The Trustees shall have entire control over the management of the Fund in compliance with the Bye Law No. 13.1 of the Bye Laws of the Repository. The Trustees shall meet preferably three times during the year and not more than four months shall elapse between any two meetings. Any three Trustees present shall constitute a quorum for such meetings. Each Trustee shall have one vote and the decision of the majority shall prevail. In case of equal division, the Chairman of the meeting shall have a casting vote.

21.6 **Accounts and Audit of the Fund:**

Unless the Board of Directors of the Repository otherwise directs, the accounts of the Fund shall be prepared and maintained as a part of the accounts of the Repository and shall be audited as a part of the accounts of the Repository.

21.7 **Contributions to the Fund by the Repository:**

Subject to any further directive or guidelines of Authority, the Repository shall contribute to the Fund such amounts as prescribed from time to time.

21.8 **Persons eligible for compensation from the Fund:**

Legitimate claims, as may be determined by the Trustees, of Clients shall only be eligible for compensation out of the Fund.

21.9 **Decision of the Trustees shall be Final:**

The decision of the Trustees regarding settlement or other wise of the claims shall be final and binding on the Claimant. Claimant shall sign an undertaking to be bound by the decisions of the Trustees.

**22 ARBITRATION:**

The Repository shall maintain a panel of arbitrators who will be appointed by Repository from amongst persons who have experience of handling arbitration matters in the relevant field and the Arbitration proceedings shall be held in accordance with the provisions of The Arbitration and Conciliation Act, 1996 as amended from time to time.

**23 FEES AND DEPOSITS:**

- 23.1 The Repository will levy charges on the Repository Participants for the following transactions:

- 23.1.1 ENWR creation charges
- 23.1.2 ENWR cancellation/withdrawal charges
- 23.1.3 E-Pledge Lien creation charges
- 23.1.4 Off-market ENWR transfer charges.

- 23.2 Apart from above transactions based fees which would be notified to the Repository Participants from time to time, the Repository will also charge registration fee and AMC charges

- from the Repository Participants. The Repository will take suitable charges from Commodity Exchange/ Spot Market as Interface user charges.
- 23.3 The Repository shall from time to time prescribe and approve Repository Participants' fees and charges to be collected from beneficiaries/Depositors.
- 23.4 The Repository shall levy fees and applicable charges for conducting auctions on case-to-case basis. The Repository will prescribe e-auction terms and conditions.
- 23.5 As part of offering value added services to WSP on optional basis, the Repository may levy suitable service charges from WSP subject to the utilization of the said services by Warehouseman
- 23.6 The Repository on time to time may prescribe new or modify existing fees and charges.
- 23.7 However, Repository will not collect any charges for onboarding of a Warehouse from warehouseman.



## Amendment to Business Rules – A history

Sr No. / Amendment No.	Date of Amendment	Regulation No.	Remarks
1	July 30, 2018	12.1.3	Inserted Exchanges, Deemed Exchanges and Clearing Corporation to act as Pledgee