

Petroleum and Natural Gas Regulatory Board Notification

New Delhi, the, -- September, 2020

G.S.R.-----. In furtherance of the policy directives issued by the Central Government under sub-section (2) of section 42 and in the performance of the functions entrusted under clauses (a) and (j) of section 11 and in exercise of the powers conferred by clause (za) of sub-section (2) of section 61 of the Petroleum and Natural Gas Regulatory Board Act, 2006 (19 of 2006), the Petroleum and Natural Gas Regulatory Board hereby makes the following regulations to regulate the establishment and operation of the Gas Exchange and Clearing Corporations and matters connected therewith or incidental thereto, namely:—

CHAPTER I

PRELIMINARY

1. Short Title and Commencement:

- (1) These Regulations may be called the Petroleum and Natural Gas Regulatory Board (Gas Exchange) Regulations, 2020.
- (2) They shall come into force on the date of their publication in the Official Gazette.

2. Definitions:

- (1) In these Regulations, unless the context otherwise requires, —
 - (i) “Act” means the Petroleum and Natural Gas Regulatory Board Act, 2006 (19 of 2006);
 - (ii) “Access Code” means the Petroleum and Natural Gas Regulatory Board (Access Code for Common Carrier or Contract Carrier Natural Gas Pipelines) Regulations, 2008;
 - (iii) “affiliate” means an associated person in relation to the entity or the entity in relation to an associated person; —
 - (a) who participates directly or indirectly or through one or more intermediaries in the management or control or capital of the entity or an associated person, as the case may be; or

- (b) who holds, directly or indirectly, shares carrying not less than twenty-six percent of the voting power in the entity or associated person, as the case may be; or
 - (c) who appoints more than half of the board of directors or members of the company board, or one or more executive directors or executive members of the company board of the entity or the associated person, as the case may be; or
 - (d) who guarantees not less than 10% of the total borrowings of the entity or the associated person, as the case may be;
- (iv) “automated audit trail” means automated creation and maintenance of time-sequenced record of transactions (creation, modification or deletion) in the electronic trading system of Gas Exchange for reference at later date and time;
- (v) "associate" in relation to a person shall include another person: —
- (a) who, directly or indirectly, by himself, or in combination with other persons, exercises control over the first person; or
 - (b) who holds control of at least twenty percent of the total voting power of the first person; or
 - (c) who is a holding company or a subsidiary company of the first person; or
 - (d) who is a relative (as defined in the Companies Act, 2013) of the first person; or
 - (e) who is a member of a Hindu Undivided Family wherein the first person is also a member thereof; or
 - (f) such other cases where the Board is of the view that a person shall be considered as an associate based on the facts and factors including the extent of control, independence, conflict of interest;
- (vi) “base minimum capital” means exposure free deposits to be deposited by all members of the Gas Exchange in lieu of the membership;
- (vii) “bid” means the electronic document by which a market participant of a Gas Exchange submits price and quantity in relation to a contract, for which it seeks to make a transaction;
- (viii) “Board” means the Petroleum and Natural Gas Regulatory Board;
- (ix) “bye-laws” means the provisions relating to the basic framework formulated by the Gas Exchange for the purposes of the management and trading at the Gas Exchange, which are duly approved by the Board;

- (x) “capacity tranche or “CT”” to have the meaning as defined in the Access Code.
- (xi) “cartelisation” means an act by market participants who amongst themselves limit or control or attempt to limit or control storage, transportation, distribution, marketing, sale or price or trade or transaction in gas;
- (xii) “clearing” means the process of determination of obligations of members of exchange resulting from conclusion of a transaction at the Gas Exchange;
- (xiii) “Clearing Corporation” means an entity authorised by the Board that is established to undertake the activity of clearing and settlement of trades in natural Gas Exchange and includes a clearing house;
- (xiv) “clearing member” means a person having clearing rights in any Clearing Corporation or clearing house of the Gas Exchange, who may clear and settle transactions in natural gas;
- (xv) “client” means an entity that has executed an agreement with a member of a Gas Exchange or a member of a Clearing Corporation for dealing or clearing through such member;
- (xvi) “company board” means board of directors of a Gas Exchange;
- (xvii) “company” shall mean a company as defined in sub-section (20) of section 2 of the Companies Act, 2013 (18 of 2013);
- (xviii) “contracted gas volume” means the volume for each gas day (in MMBTU, GCV basis) cleared by the Gas Exchange under a contract for respective buyer and seller;
- (xix) “control” includes the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholder’s agreements or voting agreements or in any other manner;
Provided that a director or officer of a company shall not be considered to be in control over the company, merely by virtue of holding such position;
- (xx) “contract” shall mean any contract, as specified in Regulations, which is transacted at the Gas Exchange;
- (xxi) “day-ahead contract” means contracts where transaction occurs on day (T) and delivery of gas is on the next day (T+1) and which are scheduled by National Gas Grid Management Services;

- (xxii) “entry point” means the point at which the gas is injected into a natural gas pipeline;
- (xxiii) “exit point” means the point at which the gas is withdrawn from the natural gas pipeline;
- (xxiv) “gas aggregator” means a person who aggregates orders for purchase or sale of gas from various suppliers or buyers and trades through Gas Exchange;
- (xxv) “Gas Exchange” means an exchange authorised by the Board as per these Regulations as a market (or gas market) where buyers and, sellers (including but not limited to aggregators, City Gas Distribution Network (CGD) companies, consumers, trading licensees) as members or clients transact on contracts and where the Gas Exchange or Clearing Corporation is counterparty to such contracts;
- (xxvi) “gas hub” means the location for delivery of gas against the traded contracts as may be decided by the Board;
- (xxvii) “Gas Transportation Agreement or GTA” shall have the meaning as defined in the Access Code;
- (xxviii) “independent director” shall have meaning as defined in the Companies Act, 2013 (18 of 2013);
- (xxix) “insider” means a person, -
- (a) who is or has been, during the six months prior to the concerned event, associated with the Gas Exchange, directly or indirectly, in any capacity including by reason of frequent communication with its officers or by being in any contractual, fiduciary or employment relationship or by being a director, officer or an employee of the Gas Exchange or by holding any position including a professional or business relationship with the Gas Exchange whether temporary or permanent, that allows such person, directly or indirectly, access to unpublished price sensitive information about transactions on a Gas Exchange; or
 - (b) who is in possession of or has access to unpublished price sensitive information about transactions on a Gas Exchange; or
 - (c) who has acquired unpublished price sensitive information by way of commission of an offence under any of the laws prevalent at such time in the country.;
- (xxx) “insider trading” by an insider means, -
- (a) communicating, providing, or allowing access to any unpublished price sensitive information, to any person including other insiders, except where such

communication is in furtherance of legitimate purposes, performance of duties or discharge of legal obligations; or

- (b) recommending any person, on the basis of unpublished price sensitive information, to acquire or dispose of any contract on the Gas Exchange, to which that information relates;
- (xxxix) "intra-day contract" means contracts where transaction occurs on day (T) or (T-1) and the delivery of gas is on the day (T);
- (xxxii) "key management personnel" shall have the meaning as defined in the Companies Act, 2013 (18 of 2013);
- (xxxiii) "market or gas market" means a forum or platform where buyers and sellers, through the Gas Exchange buy or sell gas;
- (xxxiv) "market rules" means the provisions formulated by the Gas Exchange and duly approved by the Board for transparent operations at the Gas Exchange;
- (xxxv) "member of Gas Exchange" means a person who has been admitted as such by a Gas Exchange in accordance with these Regulations and in accordance with by-laws and rules of the concerned Gas Exchange as applicable;
- (xxxvi) "Million British Thermal Units" or "MMBTU" means one Million British Thermal Units and shall be the unit for energy content of natural gas based on gross calorific value as defined in ISO 6976.
- (xxxvii) "National Gas Grid Management Services" or "NGGMS" shall have the meaning as defined in the Access Code;
- (xxxviii) "natural gas" shall have the meaning as defined in clause (za) of section 2 of the Act, also referred to as "Gas";
- (xxxix) "net worth" means the aggregate value of the paid-up share capital and all reserves created out of the profits, securities premium account and credit balance of profit and loss account, after deducting the aggregate value of the accumulated losses, deferred expenditure, miscellaneous expenditure not written off and debit balance of profit and loss account, as per the audited balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and reduced by the aggregate value of loans and advances to the associates or as may be calculated in the manner specified by the Board from time to time;
- (xl) "netting" means the determination of net payment by Gas Exchange or Clearing Corporation, as the case may be, of each member of Gas Exchange or Clearing

Corporation by setting off or adjustment of the inter-se obligations or claims arising out of buying and selling of natural gas;

- (xli) “nomination and remuneration committee” shall have the meaning as defined in the Companies Act, 2013 (18 of 2013);
 - (xlii) “open position” means a buy or sell position, when a transaction has been executed but the delivery or financial settlement has not been completed and where a concerned person may remain exposed to price or credit or operational risk;
 - (xliii) “operational risk” means any risk emanating in a contract due to systems, processes, technology error, breakdown, or non-scheduling of gas due to technical reasons;
 - (xliv) “pipeline capacity contract” means a contract for secondary trade of natural gas pipeline capacity on Gas Exchange or otherwise;
 - (xlv) “proprietary member” means a member who can transact or clear on its own account or on account of its affiliates or associates, but not on account of anyone else;
 - (xlvi) “safe liquid investment” means investments in liquid assets comprising of cash in hand, cash equivalents (that is short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value) and demand and term deposits with scheduled banks;
 - (xlvii) “settlement guarantee fund” or “SGF” means a fund maintained by the Gas Exchange or Clearing Corporation to be used for settlement of defaults of its members as specified in the default remedy mechanism of Gas Exchange or Clearing Corporation and may comprise of any sources of funds as may be determined by the Gas Exchange or Clearing Corporation from time to time;
 - (xlviii) “settlement” means the process of discharging the obligations of members resulting from conclusion of a transaction at an exchange;
 - (xlix) term-ahead contract” means contracts where physical delivery of gas occurs on a date more than one day (T+2) ahead from the date of transaction (T) and have a defined delivery period;
 - (l) “trading member” means a person having trading rights in any Gas Exchange;
 - (li) “trading and clearing member” means a person having both trading and clearing rights in any Gas Exchange or Clearing Corporation;
- (2) Words and expressions used and not defined in these Regulations, but defined in the Act or in the other Regulations made thereunder, shall have the same meaning respectively assigned to them in the Act or Regulations made thereunder.

CHAPTER II

MARKET STRUCTURE

3. Scope of these Regulations:

- (1) These Regulations shall apply to the following type of contracts, namely: –
- (i) Delivery based contracts for natural gas or liquefied natural gas (“LNG”) transacted on the Gas Exchange-
 - (a) Day-ahead contracts;
 - (b) Intra-day contracts; and
 - (c) Term-ahead contracts;
 - (ii) Pipeline capacity contracts, and
 - (iii) Any contract for trading of natural gas or LNG, including those with price linkage to other established markets or reported indices either in India or otherwise.
- (2) The Board may initiate action for market coupling of a Gas Exchange with another exchange, where a commodity, which is produced by utilising natural gas as a major input, is traded, so as to minimise the risk of a producer of such commodity.
- (3) Pursuant to such empowerment as may be required, the Board may extend applicability of these Regulations, with or without modifications, for derivative, forward and future contracts in respect of such commodities and services, and such type of contracts as specified under sub-regulation (1).
- (4) Subject to compliance of applicable laws, the Board may allow contracts at the Gas Exchange denominated in foreign currency, subject to settlement in Rupees.

4. Applicability:

- (1) These Regulations shall apply to all market participants, including -
- (i) Gas Exchange;
 - (ii) natural gas pipeline entity;
 - (iii) gas producer;
 - (iv) gas aggregator;
 - (v) gas shipper;
 - (vi) trading licensee;
 - (vii) LNG terminal or natural gas importer;
 - (viii) NGGMS;

- (ix) Clearing Corporation;
- (x) member of Gas Exchange;
- (xi) member of Clearing Corporation; and
- (xii) any other party transacting at the Gas Exchange.

5. Approval or Suspension of the Contracts by the Board:

- (1) The Board may, on its own or on an application made in this behalf, permit any Gas Exchange to introduce such contracts as specified in regulation 3, for transacting on the Gas Exchange.
- (2) The Gas Exchange may introduce any new contracts specified under regulations 3 after prior approval of the Board, and such approval shall not be unreasonably withheld by the Board.
- (3) For approval of new contracts, the Board may examine the following and such other parameters of such new contracts as may be considered appropriate, namely: -
 - (i) type of contract (intra-day, day-ahead, term-ahead contract and like other contracts);
 - (ii) price discovery methodology and matching rules proposed;
 - (iii) transaction period (when transaction shall commence and for what tenure transaction session shall continue before commencement of delivery);
 - (iv) risk management mechanism;
 - (v) margin mechanism;
 - (vi) final price settlement mechanism;
 - (vii) gas delivery mechanism;
 - (viii) delivery duration; and
 - (ix) penalty for contractual deviation.
- (4) If the Board is of the opinion that it is necessary or expedient so to do, it may after granting the Gas Exchange an opportunity of being heard, by order, suspend transactions on any contract or withdraw any contract from the Gas Exchange and pass any consequential directions as may be deemed necessary by the Board.

6. Principles of Market and Market Design:

- (1) A Gas Exchange shall adopt the following market design and propose contract specifications, keeping in view the following principles, namely: -
 - (i) Price discovery mechanism shall ensure fair, neutral, competitive and efficient prices;
 - (ii) The bidding mechanism may be auction or as continuous;
 - (iii) Contract design shall be such so as to increase liquidity; and
 - (iv) The physical market design shall not compromise with safety and integrity of natural gas pipelines. The physical market design and pipeline operations shall comply with Petroleum and Natural Gas Regulatory Board (Technical Standards and Specifications including Safety Standards for Natural Gas Pipelines) Regulations, 2009.

(2) A member of the Gas Exchange or the trader licensee shall ensure that either the buyer or the Gas Exchange has valid gas transportation agreement (GTA) with the relevant transporter(s), but, at the time of bidding, the buyer may or may not have a CT agreement. In case, the buyer does not have CT agreement, member or trading licensee shall check the availability of capacity on the Gas Access Bulletin Board (GABB) and subject to availability of capacity, the member or trading licensee may bid for the requisite contracts at Gas Exchange. The pipeline capacity in respect of such transaction shall be automatically booked for such buyer. In case, the cumulative capacity requirement of all such buyers is more than the available capacity, then, the capacity allocation shall be carried out by the exchange as per its algorithm and transactions shall be cleared accordingly. Simultaneously, details of such transactions shall be informed by the Gas Exchange to the NGGMS and the available capacity in the pipelines on the GABB shall be updated accordingly.

(3) Category of Members at Gas Exchange:

(i) Members in Gas Exchange shall be of the following categories, namely: -

- (a) Trading Members;
- (b) Clearing Members;
- (c) Trading and Clearing Members; and
- (d) Proprietary Members,

Provided that the Board may notify separate Regulations to authorise Trading Licensees to perform such functions as it may specify in such Regulations.

(ii) The qualification criteria for grant of membership to the Gas Exchange and the Clearing Corporation, including without limitation, form of the organisation structure, minimum qualifications and experience of the professional employees, the minimum net worth and financial strength in terms of threshold of key financial ratios, disqualifications, categories of the members and the minimum net worth requirements and the limit, if any, of the volume of trades or clearing or settlement which such member can perform in the Gas Exchange or Clearing Corporation, the manner in which the applications for the membership shall be processed by the Gas Exchange or Clearing Corporation, the provisions on avoidance of conflicts, ethical behaviour and conduct of the applicants and the members in the business, shall be detailed in the bye-laws of the Gas Exchange or Clearing Corporation.

CHAPTER III

AUTHORISATION OF GAS EXCHANGE AND CLEARING CORPORATION

7. Obligation to Seek Authorisation:

No person shall conduct, organise or assist in setting up or operating any Gas Exchange or Clearing Corporation unless he has obtained authorisation from the Board in accordance with these Regulations.

8. Application for Authorisation:

- (1) Subject to compliance with the provisions of these Regulations, an application for authorisation as a Gas Exchange or Clearing Corporation shall be submitted to the Board in Schedule 1 along with such documents as specified therein and application fee as specified in the Petroleum and Natural Gas Regulatory Board (Levy of Fee and Other Charges) Regulations, 2007.
- (2) Such applicant shall publish, salient details of the application, proposed transaction platform and website address where the full application along with the attached documents is accessible in all editions of at least two national daily newspapers, including one economic daily newspaper within seven days of filing of the application, inviting public comments, suggestions and objections, if any, within twenty-one days from the date of its publication in the newspapers. The comments, suggestions and objections shall be directly submitted to Board through a letter or on email at the following address with a copy to the applicant, namely: -

Secretary,
Petroleum and Natural Gas Regulatory Board,
1st Floor, World Trade Centre,
Babar Road,
New Delhi- 110001
E-mail - secretary@pngrb.gov.in
- (3) The application as filed and the information as sought by the Board shall be posted and kept on the website of the applicant until the expiry of one month from the final disposal of the application by the Board.
- (4) The applicant shall file before the Board its reply to the comments, suggestions and objections received in response to the public notice within fifteen days from the last day of receipt of public comments, suggestions and objections.

9. Conditions for Grant of Authorisation:

- (1) The application under regulation 8 shall be governed by the provisions of these Regulations and any other Regulations that have been notified by the Board in this regard.
- (2) An applicant referred to in sub-regulation (1) seeking authorisation as a Gas Exchange or a Clearing Corporation shall comply with the following conditions, namely: -
 - (i) the applicant is a company limited by shares;
 - (ii) the applicant is demutualised;

- (iii) the applicant and its directors are fit and proper persons as specified in sub-regulation (2) of regulation 20;
- (iv) the applicant satisfies the requirements relating to the ownership and governance structure specified in these Regulations;
- (v) the applicant satisfies the net worth requirements specified in these Regulations; and
- (vi) the applicant satisfies the requisite capability, including its financial capacity, functional expertise, and like other capabilities.

Explanation — For the purposes of this sub-regulation, the term "demutualised" means the segregation of the ownership of the applicant, management of the applicant and the trading rights or clearing rights of the applicant from each other in terms of these Regulations.

(3) An applicant seeking authorisation as a Gas Exchange shall, in addition to the provisions and conditions respectively as specified in sub-regulations (1) and (2), comply with the following conditions, namely: —

- (i) the applicant has the necessary infrastructure for the orderly execution of trades;
- (ii) the applicant has an online screen-based trading system;
- (iii) the applicant has an online surveillance capability which monitors positions, prices and volumes in real time so as to ensure market integrity;
- (iv) the applicant has made necessary arrangements to establish connectivity with its trading members and Clearing Corporation;
- (v) the applicant has adequate settlement guarantee fund;
- (vi) the applicant has adequate redressal mechanism for grievance of the members, trading licensees and their clients and arbitration mechanism to resolve disputes arising out of trades and their settlement;
- (vii) the applicant has the facility to disseminate information about trades, quantities and quotes such information on its website every day and shall, when the Board calls for any such information, provide the same to the Board;
- (viii) applicant's business feasibility plan has been appraised by a reputed agency having expertise in gas market;
- (ix) the applicant has adequate systems' capacity supported by a business continuity plan, including a disaster recovery site;
- (x) the applicant has in its employment, sufficient number of persons having adequate professional and other relevant experience to the satisfaction of the Board;
- (xi) the Gas Exchange shall employ at least two full-time proficient professionals having, relevant qualifications and experience and expertise in the domain of oil or gas or commodities trading or exchange as key management personnel; and
- (xii) any other conditions as may be specified by the Board from time to time.

(4) An applicant seeking authorisation as a Clearing Corporation shall, in addition to the conditions as specified in sub-regulations (1) and (2), comply with the following conditions, namely: -

- (i) the applicant has necessary infrastructure to ensure timely clearing and settlement of trades;
- (ii) the applicant has adequate risk management mechanism;
- (iii) the applicant has the capacity to establish a settlement procedure including netting, novation and guarantee for settlement of trades in place, in accordance with the manner specified from time to time by the Board;
- (iv) the applicant has the capacity to establish an applicable settlement guarantee fund to guarantee settlement of trades;
- (v) the applicant has necessary capability to have a wide network of clearing members and has adequate facility to admit and regulate its members;
- (vi) the applicant has the facility to disseminate information about trades, quantities and quotes in real time;
- (vii) the applicant has established connectivity with the clearing banks, Gas Exchange and clearing members;
- (viii) the applicant has adequate systems' capacity for on-line or real time risk management of trades cleared and settled and is supported by a suitable business continuity plan including a disaster recovery site;
- (ix) the applicant has in its employment, sufficient number of persons having adequate professional and other relevant experience to the satisfaction of the Board;
- (x) the Clearing Corporation shall employ at least two full-time proficient professionals having, qualifications and experience and expertise in the clearing or settlement of transactions as key management personnel;
- (xi) the applicant has the necessary arrangements in place for resolving disputes and redressal of grievances arising out of clearing and settlement of trades;
- (xii) the applicant has an agreement with a Gas Exchange in respect of clearing and settlement of the trades; and
- (xiii) any other conditions as may be specified by the Board.

10. Power to Make Inquiries and Call for Information:

The Board may, before granting authorisation to a Gas Exchange or Clearing Corporation, as the case may be, make inquiries and require the applicant to furnish such further information or document, as it may deem necessary.

11. Grant of Authorisation:

- (1) The Board may, after considering the application made under regulation 8 for authorisation of the Gas Exchange or Clearing Corporation, the objections and suggestions received in response to notice published in the newspapers under sub-regulation (4) of regulation 8 and the reply of the applicant thereto, make such inquiries as may be necessary in this regard. After obtaining such further information as it may require and on being satisfied that the applicant has complied with the conditions laid down in regulation 9 and is eligible to act as such, may grant authorisation subject to such conditions as it may deem fit, for setting up and operating a Gas Exchange or a Clearing Corporation, as the case may be and the Board, for reasons to be recorded in writing, may reject the application for grant of

authorisation, and no such application shall be rejected, unless the applicant has been given an opportunity of being heard.

- (2) The authorisation granted to a Gas Exchange or a Clearing Corporation, as the case may be, shall be as per Schedule 2.
- (3) The Gas Exchange and the Clearing Corporation shall comply with such other conditions as may be imposed by the Board from time to time.
- (4) The authorisation of a Gas Exchange and a Clearing Corporation, as the case may be, shall be for a period not exceeding twenty-five years from the date of authorisation unless such authorisation is renewed, revoked or cancelled earlier.

12. Renewal of Authorisation:

- (1) The Gas Exchange or Clearing Corporation, as the case may be, desirous of renewal of its authorisation may make an application to the Board not more than five years before the expiry of the period of such authorisation, in the form along with such documents as specified in Schedule 1.
- (2) Such application for renewal shall be accompanied by the application fee as specified in the Petroleum and Natural Gas Regulatory Board (Levy of Fee and Other Charges) Regulations, 2007.
- (3) The Board may, after considering the application and after conducting due diligence as referred to sub-regulation (1) of regulation 11, may grant renewal of authorisation subject to such conditions as it may deem fit.
- (4) The renewal for authorisation shall be for a period as stated in sub-regulation (4) of regulation 11.

13. Annual Authorisation Charge and Other Charges:

A Gas Exchange and a Clearing Corporation shall pay an annual authorisation charge and other charges as specified in the Petroleum and Natural Gas Regulatory Board (Levy of Fee and Other Charges) Regulations, 2007.

14. Withdrawal of Authorisation:

- (1) If the Board is of the opinion that the authorisation granted to a Gas Exchange or a Clearing Corporation under the provisions of these Regulations should, in the interest of the trade or in the public interest, be withdrawn, the Board may serve a written notice on such Gas Exchange or Clearing Corporation, to show cause as to why such authorisation may not be withdrawn and after giving an opportunity of being heard in the matter, the Board may withdraw, such authorisation granted to the Gas Exchange or the Clearing Corporation, as the case may be.

- (2) The notice referred to in sub-regulation (1) may be issued in particular and without affecting the generality of the foregoing provisions in any of the following circumstances, namely: -
- (i) If the functioning of the Gas Exchange or a Clearing Corporation is in violation of the terms and conditions of these Regulations or any other Regulation as notified by the Board from time to time or terms of authorisation;
 - (ii) If the Gas Exchange or a Clearing Corporation indulges in any malpractice;
 - (iii) In case the net worth of the Gas Exchange or a Clearing Corporation reduces at any time below the specified amount and is not replenished within three months; and
 - (iv) In case the Gas Exchange or a Clearing Corporation fails to comply with any direction of the Board.
- (3) Withdrawal of the authorisation shall not affect the validity of any contract entered into or made before the date of withdrawal. The Board may, after consultation with the Gas Exchange or Clearing Corporation, as the case may be, make such provision as it deems fit in the notice of withdrawal or in any subsequent communication for the due performance or settlement of any contracts outstanding on that date.
- (4) Consequent upon withdrawal or cancellation of the authorisation a Gas Exchange or a Clearing Corporation, the members of such Gas Exchange or Clearing Corporation shall cease to be members of the Gas Exchange or Clearing Corporation.
- (5) The Gas Exchange or Clearing Corporation shall set up sufficient funds in order to provide for settlement of any claims, pertaining to pending arbitration cases, arbitration awards, liabilities or claims of contingent nature, if any, and unresolved complaints or grievances of the members, trading licensees and their clients lying with the Gas Exchange.

15. Exit Scheme:

The Gas Exchange or Clearing Corporation shall have their exit scheme approved by the Board during the authorisation process, detailing the manner in which the running contracts on the Gas Exchange or Clearing Corporation shall be closed or the succession plan for all transacted contracts in case of closure of Gas Exchange or Clearing Corporation, and in case of cancellation or withdrawal of authorisation under these Regulations. Such approved exit scheme shall be provided in the bye-laws of the Gas Exchange or Clearing Corporation.

CHAPTER IV

NET WORTH OF GAS EXCHANGE AND CLEARING CORPORATION

16. Net Worth Requirements:

- (1) Every Gas Exchange or Clearing Corporation shall have and maintain at all times a minimum net worth of rupees twenty-five crore, but in case, Clearing Corporation is an integral part of Gas Exchange, the minimum net worth requirement shall be as applicable for Gas Exchange.
- (2) The Board may, at any time, review such minimum net worth requirement based on risk profile and other such factors as it deems necessary from time to time.
- (3) A Gas Exchange or a Clearing Corporation shall not distribute profits in any manner to its shareholders if its net worth is below the minimum specified under this Regulation.
- (4) Every Gas Exchange or Clearing Corporation shall: -
 - (i) on commencement of operations on an ongoing basis, maintain capital including retained earnings and reserves, as may be specified by the Board from time to time, to adequately cover counterparty credit risk, business risk, legal and operational risk; and
 - (ii) hold additional capital to cover costs required for orderly wind-down or recovery of operations.
- (5) Every Gas Exchange or Clearing Corporation shall submit an audited net worth adequacy certificate from its statutory auditors in terms of this Regulation by the 30th day of June every year for the preceding financial year.

CHAPTER V

OWNERSHIP OF GAS EXCHANGE AND CLEARING CORPORATION

17. General Conditions:

- (1) Save as otherwise provided in these Regulations, the shareholding or voting rights of any person or persons in Gas Exchange or Clearing Corporation shall not exceed the limits specified in this chapter at any point of time.
- (2) The shareholding as specified in these Regulations shall include any instrument owned or controlled, directly or indirectly, that provides for entitlement to equity or rights over equity at any future date.
- (3) In case, Clearing Corporation is an integral part of Gas Exchange, the shareholding pattern shall be as applicable for Gas Exchange.

18. Shareholding Pattern of Gas Exchange:

- (1) The equity shareholding pattern in the Gas Exchange shall be as follows, namely: -
 - (i) No member of a Gas Exchange, shall at any time, directly or indirectly, either individually or together with associates, affiliates or with persons acting in concert,

acquire or hold more than five percent of the paid-up equity share capital in the Gas Exchange; and

- (ii) At no point of time all the members of a Gas Exchange shall in aggregate, directly or indirectly themselves or together with associates, affiliates or with persons acting in concert for any of them, acquire or hold more than forty-nine percent of the paid-up equity share capital in the Gas Exchange.
- (2) No person, other than a member of a Gas Exchange, shall at any time after five years of authorisation of the Gas Exchange, directly or indirectly, either individually or together with associates, affiliates or with persons acting in concert, acquire or hold more than twenty-five percent of the paid-up equity share capital in the Gas Exchange. Such persons shall be required to divest their shareholding in excess of twenty-five percent within five years of authorisation of Gas Exchange.
 - (3) No Clearing Corporation shall hold any right, stake or interest, of whatsoever nature, in any Gas Exchange.
 - (4) Every Gas Exchange shall submit a certificate from its statutory auditors or a practising company secretary certifying the shareholding pattern and compliance with these Regulations by the thirtieth day of June every year for the preceding financial year.

19. Shareholding Pattern of Clearing Corporation:

- (1) The capital structure in a Clearing Corporation shall be such that at least fifty-one percent of its paid-up equity share capital shall always be held by one or more Gas Exchanges.
- (2) No person, except a Gas Exchange as per sub-regulation (1), shall at any time, after five years of authorisation of the Clearing Corporation, directly or indirectly, either individually or together with associates, affiliates or with persons acting in concert, acquire or hold more than twenty-five percent of the paid-up equity share capital in a Clearing Corporation and such exception to the Gas Exchange shall be provided only for five years from the date of authorisation.
- (3) Every authorised Clearing Corporation shall submit a certificate from its statutory auditors or practising company secretary certifying the shareholding pattern and compliance with these Regulations during the preceding financial year by the 30th day of June every year.

20. Requirement and Criteria of Fit and Proper Person:

- (1) The Gas Exchange and Clearing Corporation shall ensure that all its directors and key management personnel are fit and proper persons at all times.
- (2) For the purposes of these Regulations, a person shall be deemed to be a fit and proper person, if—
 - (i) such person has a general reputation and record of fairness and integrity, including but not limited to: -

- (a) financial integrity;
 - (b) good reputation and character; and
 - (c) honesty;
- (ii) such person has not incurred any of the following disqualifications, namely: -
- (a) the person or any of its directors has been convicted by a court for any offence involving moral turpitude or any economic offence;
 - (b) an order for winding up has been passed against the person;
 - (c) the person, or any of its directors, has been declared insolvent and has not been discharged;
 - (d) an order restraining, prohibiting or debarring any entity or any of its directors, passed by the Board, under the Act, Regulations framed thereunder or any other Act or Regulations passed by any other regulatory authority under the relevant statute and a period of three years from the date of the expiry of the period specified in the order has not elapsed;
 - (e) the person has been found to be of unsound mind by a court of competent jurisdiction and the finding is in force;
 - (f) the person is financially not sound or has been categorised as a defaulter; and
 - (g) any other disqualification criteria as may be specified by the Board.
- (3) If any question arises on the decision of a Gas Exchange or Clearing Corporation as to whether a person is a fit and proper person, the Board's decision on such question shall be final.

CHAPTER VI

GOVERNANCE STRUCTURE OF GAS EXCHANGE AND CLEARING CORPORATION

21. The corporate governance norms as specified in in the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations, 2015 for listed companies shall apply mutatis mutandis to a Gas Exchange and a Clearing Corporation, except those specifically dealt in these Regulations.

22. Composition of the Board of Directors:

- (1) The board of directors of every Gas Exchange and Clearing Corporation shall include -
 - (i) independent directors; and
 - (ii) other directors, including whole time directors if any, and the managing director.
- (2) The chairperson shall be elected by the board of directors as referred in sub-regulation (1) from amongst the independent directors.
- (3) The number of independent directors shall not be less than the number of other directors on such board of directors of the Gas Exchange and the Clearing Corporation.

- (4) No member of any Gas Exchange or Clearing Corporation or their associates or agents, irrespective of the Gas Exchange or Clearing Corporation of which they are members, shall be on the board of directors of any Gas Exchange or Clearing Corporation. A Gas Exchange and a Clearing Corporation, shall monitor and ensure the compliance of this sub-regulation on a continuous basis, to ensure that directors appointed on their respective board of directors do not get associated with any member of any Gas Exchange or Clearing Corporation after approval of their appointment by the concerned board.
- (5) The chairperson of the board of directors of a Gas Exchange or a Clearing Corporation shall have a casting vote in the meetings of the board of directors.

23. Conditions of Appointment of Independent Directors:

- (1) Appointment of the independent directors on the board of directors of the Gas Exchange or the Clearing Corporation shall be approved by the Board.
- (2) Such independent directors shall be appointed for a term of three years, extendable by another term of three years, subject to performance review in the manner as specified in the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations, 2015 for listed companies:

Provided that after the expiry of term at the Gas Exchange or the Clearing Corporation, as the case may be, an independent director may be appointed for a term of three years in another Gas Exchange or Clearing Corporation after a cooling-off period of one year:

Provided further that a person may be appointed as an independent director for a maximum of three terms across Gas Exchanges and Clearing Corporations, subject to a maximum age limit of seventy-five years.

- (3) An independent director on the board of directors of a Gas Exchange or a Clearing Corporation shall not act simultaneously as director on the board of any of its affiliates, or any other Gas Exchange or Clearing Corporation or any of their subsidiaries.
- (4) An independent director on the board of directors of a Gas Exchange or a Clearing Corporation shall keep its board of directors apprised of any conflict of interest, which may arise as a result of the independent director providing services, either directly or indirectly, to any member of Gas Exchange or Clearing Corporation or their affiliates.
- (5) No independent director shall become a non-independent director that is to say “other director” unless there is a cooling-off period of one year after ceasing to be the independent director.
- (6) No independent director on the board of a Gas Exchange or a Clearing Corporation, shall become a director on the board of subsidiary or affiliate of that Gas Exchange or Clearing Corporation, as the case may be, unless there is a cooling-off period of one year after ceasing to be an independent director.

- (7) An independent director on the board of a Gas Exchange or a Clearing Corporation shall not act simultaneously as a member on more than five committees of that Gas Exchange or Clearing Corporation.
- (8) Independent directors shall be remunerated by way of sitting fees only as admissible to independent directors as per the provisions of the Companies Act, 2013 (18 of 2013).
- (9) If any issue arises as to whether an assignment or position of an independent director is in conflict with his role, the Board's decision thereon shall be final.
- (10) The application for appointment of independent director shall be made in the manner as specified in Schedule 3.

24. Appointment of the Managing Director:

- (1) The appointment, renewal of appointment and termination of service of the managing director of a Gas Exchange or a Clearing Corporation shall be approved by their respective board of directors on the recommendation of the nomination and remuneration committee of such board.
- (2) The managing director of a Gas Exchange or a Clearing Corporation shall not-
 - (i) be a shareholder or an associate or affiliate of a shareholder of the Gas Exchange or Clearing Corporation or shareholder of an affiliate of the Gas Exchange or Clearing Corporation, as the case may be;
 - (ii) be a member or his associate or affiliate or agent or shareholder; or
 - (iii) hold any position concurrently in the subsidiary or affiliate of the Gas Exchange or Clearing Corporation or in any other entity associated with the Gas Exchange or Clearing Corporation, as the case may be;
Provided that the managing director of a Gas Exchange or a Clearing Corporation may be appointed on the board of directors, but not as managing director of the subsidiary or affiliate of the Gas Exchange or Clearing Corporation, as the case may be;
- (3) The Board may suo-motu remove or terminate the appointment or services of the managing director of a Gas Exchange or Clearing Corporation if deemed fit in the interest of gas market, after the managing director and Gas Exchange or Clearing Corporation have been given an opportunity of being heard.
- (4) The conditions specified under Schedule 3 for appointment of directors shall be applicable to a person holding the position as managing director in a Gas Exchange or a Clearing Corporation.
- (5) The managing director, the chief executive or the director in-charge of day-to-day operations or any employee of the Gas Exchange or Clearing Corporation shall not be

directly or indirectly associated with any member and its clients of that Gas Exchange or Clearing Corporation or with a holding or subsidiary company thereof.

- (6) The managing director shall ensure that the individual bids of members of the Gas Exchange are not shared with any director or the board of directors of the Gas Exchange.

25. Code of Conduct for Directors and Key Management Personnel:

- (1) Every director of a Gas Exchange and a Clearing Corporation shall abide by the Code of Conduct as specified in Schedule 4.
- (2) Every director and key management personnel of a Gas Exchange and a Clearing Corporation shall abide by the Code of Ethics specified under Schedule 5.
- (3) The Board may, for any failure by the directors or key management personnel to abide by these Regulations or the Code of Conduct or Code of Ethics or in case of any conflict of interest, either upon a reference from the Gas Exchange or Clearing Corporation or suo-motu, take appropriate action, including removal or termination of his appointment, after providing him and Gas Exchange or Clearing Corporation an opportunity of being heard.

26. Compensation and Tenure of Key Management Personnel:

- (1) A Gas Exchange or a Clearing Corporation shall constitute a committee to be called as “nomination and remuneration committee” comprising a majority of independent directors and chaired by an independent director of its board.
- (2) The nomination and remuneration committee as referred in sub-regulation (1) shall determine the compensation of the key management personnel in terms of its compensation policy.
- (3) The compensation and tenure of such directors and key management personnel shall be in accordance with the compensation policy of the Gas Exchange or a Clearing Corporation.
- (4) The nomination and remuneration committee as referred in sub-regulation (1) shall recommend the panel for appointment of independent directors to the board of directors of the Gas Exchange or the Clearing Corporation, for forwarding to the Board and the committee shall also recommend the appointment of directors to the board of directors.

27. Segregation of Regulatory Departments:

A Gas Exchange and a Clearing Corporation shall segregate its regulatory departments from other departments in the manner as specified in Schedule 6.

28. Statutory Committees:

- (1) Every Gas Exchange and Clearing Corporation, in addition to requirements of the Companies Act, 2013 (18 of 2013) and Securities and Exchange Board of India (Listing

Obligations and Disclosure Requirements), Regulations, 2015 for listed companies, shall constitute the committees of its board of directors as per sub-regulation (2) and (3).

- (2) Functional committees, comprising of: -
 - (i) Members selection committee; and
 - (ii) Nomination and remuneration committee.
- (3) Other committees, comprising of: —
 - (i) Regulatory oversight, market surveillance, technology and SGF management committee; and
 - (ii) Risk management committee.
- (4) The Board may, subject to the provisions of these Regulations and other applicable statutory provisions, specify composition, quorum and detailed scope of functions of the committees as specified in sub-regulation (2) and sub-regulation (3) from time to time.

29. Constitution of Committees:

- (1) Risk management committee (RMC) shall be headed by an independent director, which shall monitor all potential risks, stipulate risk containment measures and monitor adherence of the same.
- (2) Regulatory oversight, market surveillance, technology, and SGF management committee shall be headed by an independent director and have members from the executive team of the Gas Exchange and no Member of the Gas Exchange shall be included in this committee.

30. Appointment of Compliance Officer:

- (1) Every Gas Exchange or Clearing Corporation shall appoint a compliance officer who shall be a Company Secretary as defined in paragraph (c) of sub-section (1) of section 2 of the Company Secretaries Act, 1980 (56 of 1980) and be responsible for monitoring the compliance of the Act, Regulations, bye-laws and rules of the Gas Exchange or the Clearing Corporation as applicable and directions issued thereunder and for redressal of grievances of the members, trading licensees and their respective clients.
- (2) The compliance officer shall immediately and independently, report to the Board any non-compliance of any provision stated in sub-regulation (1) observed by him.

31. Disclosure and Corporate Governance Norms:

- (1) The disclosure requirements and corporate governance norms as specified in the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations, 2015 for listed companies shall mutatis mutandis apply to a Gas Exchange and a Clearing Corporation, except those specifically dealt in these Regulations.

- (2) The board of directors of a Gas Exchange or a Clearing Corporation shall confirm compliance of sub-regulation (1) in writing on a quarterly basis to the Board within two months from the end of each calendar quarter.
- (3) A Gas Exchange and a Clearing Corporation shall disclose resources committed towards strengthening regulatory functions and ensuring compliance with regulatory requirements applicable to the Gas Exchange or Clearing Corporation, as the case may be, in accordance with section 134 of the Companies Act, 2013 (18 of 2013).
- (4) The fees and charges levied by a Gas Exchange or a Clearing Corporation shall be placed for review before the oversight committee of such Gas Exchange or Clearing Corporation.

32. Risk Management by Gas Exchange or Clearing Corporation:

- (1) The Gas Exchange or Clearing Corporation shall adopt best practices while formulating prudent and dynamic risk management processes based on the changing risk profiles of the gas or Clearing Corporation market.
- (2) The members' risk shall be monitored constantly and adequate margins shall be collected at appropriate time for efficacy of risk management.
- (3) Members shall be subject to margins on gross basis across clients by the Gas Exchange. There shall be no offsetting of positions of different clients of a member in the same market.
- (4) Members shall follow a prudent risk management policy and have a system for timely collection of margins from their clients. The quantum of margins collected by members from client shall be at the discretion of the members, but in the minimum comply with the bye-laws of Gas Exchange.
- (5) Risk Management Committee (RMC) shall review on a quarterly basis the framework for management of risks (existing and potential and the processes of the Gas Exchange or Clearing Corporation, especially with reference to risk management and recommend steps to mitigate the same). The RMC shall submit a quarterly report of its each review to the board of directors. The decision of the board of directors on the subject, along with the RMC report, shall be submitted to the Board within two months from the end of each calendar quarter.
- (6) The Gas Exchange shall set up sufficient funds in order to provide for settlement of any claims, pertaining to pending arbitration cases, arbitration awards, liabilities and claims of contingent nature, if any, and unresolved complaints and grievances of the members, trading licensees or their clients lying with the Gas Exchange or Clearing Corporation, as the case may be.
- (7) The Board may direct the Gas Exchange and Clearing Corporation to prepare a comprehensive risk management framework covering aspects such as criteria for checking the credibility of participants, margin requirement against respective contracts, sufficiency

of the settlement guarantee fund and risks related to the settlement cycle along with any other operational aspects.

33. Default Remedy Mechanism on Gas Exchange or Clearing Corporation:

(1) A member may be declared a defaulter by direction or circular of the Gas Exchange or Clearing Corporation, if: -

- (i) one is unable to fulfil his clearing or settlement obligations; or
- (ii) one admits or discloses his inability to fulfil or discharge his duties, obligations and liabilities; or
- (iii) one fails or is unable to pay within the specified time the damages and the money difference due on a closing-out effected against him under the bye-laws of Gas Exchange or Clearing Corporation; or
- (iv) one fails to pay any sum due to the Gas Exchange or Clearing Corporation which may be prescribed from time to time by the authority competent for such purpose; or
- (v) one fails to pay or deliver all moneys, gas or other related assets due to a member who has been declared a defaulter within such time of declaration of default of such member, in such manner and to such person as the Gas Exchange or Clearing Corporation may direct; or
- (vi) one has been declared as a defaulter by any other Gas Exchange or Clearing Corporation; or
- (vii) one has been adjudicated as an insolvent or a winding up order has been passed against such member, then, such member shall be ipso-facto declared as a defaulter although he may not be otherwise a defaulter on the exchange or the Clearing Corporation at that time; or
- (viii) one fails to abide by the arbitration award, which has attained finality, as laid down under the bye-laws and rules of Gas Exchange or Clearing Corporation; or
- (ix) under any other circumstances as may be decided from time to time by the Board or with the approval of the Board by the Gas Exchange or Clearing Corporation.

(2) In the event a member is declared a defaulter and the member fails to meet his clearing and settlement obligations, upon crystallisation of claims in accordance with the bye-laws of the Gas Exchange, the claim amount shall be set aside from deposits of the defaulting members and the so recovered amount shall be distributed *pari-passu* and proportionately among the affected parties including transporter, seller, buyer, NGGMS and Gas Exchange or Clearing Corporation, as the case may be, from the deposits of the member or client as the case may be. Thereafter the Gas Exchange may utilise the settlement guarantee fund and other monies to the extent necessary to eliminate the obligation of the defaulting member in the following order, namely: -

- (i) Liquidation of collaterals: Contributions or deposits, including margins in any form, by the defaulting member or client;
- (ii) Liquidation of security deposit: Membership deposit given by the defaulting member to the Gas Exchange or Clearing Corporation;

- (iii) Liquidation of assets: The assets of such defaulter member vested with the Gas Exchange or Clearing Corporation;
- (iv) Insurance money: Insurance taken by Gas Exchange or Clearing Corporation of an amount as considered appropriate by them for protection against defaults;
- (v) Initial contribution of the Gas Exchange or Clearing Corporation towards Settlement Guarantee Fund;
- (vi) Contribution towards settlement guarantee fund by all members or clients: All non-defaulting members or client's contribution in proportion of deposits towards settlement guarantee fund;
- (vii) Current year's profits of the Gas Exchange or Clearing Corporation, including fines, penalty collected from members;
- (viii) Reserves of the Gas Exchange or Clearing Corporation;
- (ix) Equity Capital of the Gas Exchange or Clearing Corporation;
- (x) Balance obligations remaining outstanding after aforesaid funds will be met by contribution from members or clients in proportion to their contribution to the SGF;

Provided that once the Clearing Corporation is hived off, the default remedy mechanism shall be handled by the Clearing Corporation, but the Gas Exchange shall be liable to settle the default arising out of guarantee of trade i.e. supply of commodity in case of default by seller and/ or failure to take delivery of commodity by buyer.

34. Information Technology Infrastructure and Trading System:

- (1) The Gas Exchange shall comply with the following, namely: —
 - (i) Gas Exchange shall use electronic trading system and tele-communication network;
 - (ii) The orders entered by a member of Gas Exchange shall be first checked against availability of funds or collateral in the risk management system before being accepted in the order book of the Gas Exchange. This process shall be continued even after separation of clearing function to the Clearing Corporation;
 - (iii) Automated audit trail of bids, offers, and the matching of orders or the execution of transactions on the facility shall be maintained for a period of at least seven years;
 - (iv) The algorithm of the software application for price discovery shall be in compliance with the methodology mentioned in bye-laws and rules of Gas Exchange as approved by the Board. The Gas Exchange shall get the algorithm audited, by a competent agency, within three months of its authorisation and thereafter, once in every two years and submit the findings of the audit to the Board. The resources employed for audit shall have competence in audit of algorithms and relevant industry certifications such as CISA (Certified Information Systems Auditor) from ISACA or shall have empanelment with the Standardisation Testing and Quality Certification Directorate under the Government of India, Ministry of Electronics and Information Technology;

- (v) The Board may audit or appoint an agency to audit the software application used by the Gas Exchanges in operation for price discovery on a random basis. The Gas Exchange shall produce the test results of test cases and scenarios provided by the Board;
- (vi) Gas Exchange shall formulate and implement a cyber security and cyber resilience framework to manage risk to systems, networks and databases from cyber-attacks and threats with the approval of the its board of directors and submit it to the Board for information;
- (vii) Gas Exchange shall also carry out periodic IT system audit for data security, data integrity and operational efficiency each year from an organisation empanelled with CERT-In (Indian Computer Emergency Response Team) and submit its reports to the Board annually by 31st May in respect of the preceding financial year;
- (viii) Gas Exchange shall discharge the responsibility of activities mentioned in Clauses (b) to (e) in respect of all contracts transacted at the exchange; and
- (ix) Gas Exchange shall build a disaster recovery site and alternate trading facility in case of emergency, within three months from the date of authorisation.

35. Delivery Procedure:

- (1) The scheduling and delivery of contracts on Gas Exchange shall be in accordance with the Access Code. Subject to the provisions of these Regulations, operationalisation of scheduling of transactions through the Gas Exchange shall be in accordance with the detailed procedure issued by the Board under such Access Code. The detailed procedure may cover, though not limited to, the following aspects, namely: -
 - (i) submission and processing of the application for scheduling of transactions for different contracts;
 - (ii) scheduling of intra-day, day-ahead and term-ahead transactions;
 - (iii) procedure for real-time curtailments;
 - (iv) coordination with NGGMS for availability of pipeline capacity and estimating flows for the traded contracts;
 - (v) transportation tariff, various other charges, fees and other commercial conditions;
 - (vi) payments and defaults in payments; and
 - (vii) any other issue pertaining to operationalisation of scheduling of multiple transactions through the Gas Exchange.
- (2) The charges or penalties for defaults that is to say imbalances, overruns and like other defaults shall be in accordance with the Petroleum and Natural Gas Regulatory Board (Imbalance Management Services) Regulations, 2016.
- (3) All data transfer between NGGMS and the Gas Exchange shall be done electronically through a secure communication channel.

- (4) The Gas Exchange, shipper, NGGMS, transporter, seller, buyer and like other transporters would have rights and obligations as defined in Access Code and bye-laws of the Gas Exchange.

36. Grievance Redressal of Members and Clients:

- (1) The Gas Exchange shall constitute a grievance redressal committee or Forum, headed by an independent director.
- (2) The Gas Exchange shall disclose on its website the details of complaints and grievances lodged by members, trading licensees or their members against the Gas Exchange and by clients against its members and the status of redressal of such complaints.
- (3) Gas Exchange shall also disclose on its website the conflict resolution mechanism followed by it.
- (4) The Board may call for information on redressal of any specific complaints and grievances by the Gas Exchange.

CHAPTER VII

GENERAL OBLIGATIONS OF GAS EXCHANGE AND CLEARING CORPORATION

37. Clearing and Settlement of Trades:

- (1) The Gas Exchange may carry out the clearing and settlement function of its trades by setting up a clearing house as part of the Gas Exchange until Board notifies the exchange to utilise the services of a separate Clearing Corporation for clearing and settlement of its trades.
- (2) Every Gas Exchange shall, with effect from the date specified by the Board in this behalf, use the services of a separate Clearing Corporation for clearing and settlement of its trades.

38. Agreement between Gas Exchange and Clearing Corporation:

A Gas Exchange shall avail the service of a Clearing Corporation pursuant to an agreement in writing between them stipulating their rights and obligations, the conditions for admission of gas volumes for clearing and settlement, risk management measures, charges for clearing and settlement and other incidental and consequential matters.

39. Settlement Guarantee Fund (SGF):

- (1) Every Clearing Corporation or Gas Exchange, as the case may be, shall establish and maintain a settlement guarantee fund (SGF), to guarantee the settlement of trades executed on Gas Exchange:

Provided that in case a Gas Exchange enters into an arrangement with more than one Clearing Corporations, then it shall enter into a multi-partite agreement in writing with such Clearing Corporations to ensure interoperability among the Clearing Corporations.

- (2) In the event of a member of Gas Exchange or Clearing Corporation, as the case may be, failing to honour his settlement obligations, the SGF shall be utilised to complete the settlement.

40. Contribution to the Settlement Guarantee Fund:

- (1) The contribution to the settlement guarantee fund (SGF) as specified in this Regulation shall be made by the Gas Exchange, the Clearing Corporation and all members of Gas Exchange or Clearing Corporation, in the manner as may be specified by the Gas Exchange or the Clearing Corporation, as the case may be, from time to time.
- (2) In case of shortfall in the SGF, the Clearing Corporation and the Gas Exchange shall replenish the SGF to the threshold level as may be specified in these Regulations or by the Board from time to time.
- (3) Components of the SGF as specified below, namely: -
 - (i) Any Gas Exchange or Clearing Corporation, as the case may be, shall have a minimum balance of rupees twenty Crore in the SGF at the start of the exchange. This shall comprise of the base minimum capital of all the members and balance, if any, shall be contributed by the Gas Exchange or Clearing Corporation, as the case may be;
 - (ii) There shall be a quarterly contribution to SGF by the Gas Exchange or Clearing Corporation, as the case may be, equal to five percent of the sum total of the gross revenue of the Gas Exchange or Clearing Corporation, as the case may be;
 - (iii) Returns or any other income accruing on all investments of the SGF (including the base minimum capital); and
 - (iv) All penalties charged by the Gas Exchange or Clearing Corporation.
- (4) The Gas Exchange or Clearing Corporation, as applicable, shall invest the proceeds of SGF in safe liquid investments or in money market instruments issued by the Reserve Bank of India with maturity of less than one year.
- (5) The SGF fund shall be retained by the Gas Exchange till the SGF is maintained by the Gas Exchange. In case of hiving off of the clearing function to separate Clearing Corporation, the SGF fund shall be transferred to the Clearing Corporation.

- (6) Contribution of fund towards the SGF by Gas Exchange shall be replaced by the Clearing Corporation to maintain the minimum balance of SGF.
- (7) Gas Exchange shall incorporate the provisions relating to the SGF in detail in the bye-laws of the Gas Exchange.
- (8) Gas Exchange or the Clearing Corporations, as the case may be, shall submit the details of investment of SGF to the Board annually along with its annual report.
- (9) The Board may direct the requirement of additional prudential norms and incremental requirement of SGF upon introduction of derivative, forward and future contracts after getting such empowerment as referred in sub-regulation (3) of regulation 3 and such directions shall be complied by the Gas Exchange and Clearing Corporation.

41. Equal, Fair and Transparent Access:

- (1) The Clearing Corporation shall lay down a policy framework for ensuring that there is no discrimination between the shareholder and non-shareholder of the Gas Exchange while rendering clearing and settlement services in settlement of trades executed on Gas Exchange.
- (2) Clearing Corporation shall make a framework ensuring compliance of sub-regulation (1) and make it available on its website, along with the basis on which access to its clearing and settlement services have been provided to shareholders.
- (3) The Clearing Corporation and Gas Exchange shall ensure equal, unrestricted, transparent and fair access to all persons without any bias towards its associates or affiliates.
- (4) If any issue arises in rendering non-discriminatory access to services of a Clearing Corporation or Gas Exchange, the Board's decision thereon shall be final in that regards.

42. Maintenance of Books of Accounts and Records:

- (1) Subject to the provisions of any other law for the time being in force, every Gas Exchange and Clearing Corporation shall maintain and preserve the following books of account and documents for a minimum period of seven years, namely: -
 - (i) minutes books of the meetings of the company board and all its committees;
 - (ii) record of members showing their full names, addresses and details of bank accounts for settlement purposes;
 - (iii) transaction records;
 - (iv) record of security deposits;
 - (v) margin deposits book;
 - (vi) client margin collection details;
 - (vii) ledgers;
 - (viii) journals;

- (ix) cash book;
- (x) bank account statements; and
- (xi) such other books of accounts and documents as may be specified by the Board from time to time.

43. Submission of Annual Financial Statements and Returns:

A Gas Exchange and Clearing Corporation shall submit its annual report along with its audited financial statements of the immediately preceding financial year (which shall be including but not limited to, income statement, balance sheet, cash flow and notes to financial statements) latest by 30th June every year to the Board.

44. Bye-laws and Rules of Gas Exchanges and Clearing Corporation:

- (1) A Gas Exchange and Clearing Corporation shall, with the prior approval of the Board, make bye-laws and market rules for the Regulation of contracts and clearing and settlement, not contrary to these Regulations.
- (2) No memorandum of association, articles of association or any other constitution document, in so far as they relate to matters specified in these Regulations, bye-laws and rules of a Gas Exchange or a Clearing Corporation, shall be amended except with prior approval of the Board.
- (3) The Gas Exchange shall function according to its bye-laws and market rules formulated by the Gas Exchange and as approved by the Board, and –
 - (i) Such market rules amongst other requirements would cover the following, namely: -
 - (a) Membership and client registration process (including KYC), types of membership, membership fees and application process;
 - (b) price discovery and matching mechanism;
 - (c) qualifications for membership, exclusion, suspension and expulsion;
 - (d) rights and liabilities for each category of members;
 - (e) opening and closing of transaction hours, trading days, matching of transactions and bidding process;
 - (f) delivery, delivery obligations, scheduling, imbalance management, quantity, quality, measurements, gas specifications, taxes and like other particulars;
 - (g) clearing and settlement of trades;
 - (h) type of contracts;
 - (i) conditions of service, technical facilities, liability of exchange, confidentiality and like other details.;
 - (j) margin requirements;
 - (k) procedure for handling a default relating to -
 - i buyer default remedy mechanism;

- ii seller default remedy mechanism; and
- iii mechanism to compensate transporter for system imbalances caused due to buyer or seller default; and

(l) any other provision as may be directed by the Board from time to time.

(ii) Bye-laws amongst other requirements would cover the following, namely: —

- (a) market surveillance and investigation procedures;
- (b) clearing and settlement procedure;
- (c) risk management framework;
- (d) levy of exchange transaction charge;
- (e) member service charge;
- (f) maintenance of records and accounts;
- (g) preparation of annual accounts and audit thereof;
- (h) arbitration, dispute resolution and conciliation;
- (i) procedures for identification and defining of gas hubs;
- (j) transaction at exchange, risk management;
- (k) SGF - its contributions, utilization and payment;
- (l) code of conduct;
- (m) mechanism for redressal of grievances and complaints;
- (n) rights and obligation;
- (o) management of exchange, exchange committee and its workings;
- (p) confidentiality;
- (q) exit scheme; and
- (r) any other provision as may be directed by the Board from time to time.

(4) Market rules as referred to in sub-regulation (3) may be amended subject to prior approval of the Board.

(5) At the time of application for the grant of authorisation as per provisions of regulation 8, the applicant shall submit the draft bye-laws and market rules, in accordance with this Regulation.

45. Settlement and Netting:

(1) The payment and settlement in respect of a transaction between the parties in a Gas Exchange or Clearing Corporation shall be determined in accordance with the netting or gross procedure as specified in the bye-laws of such Gas Exchange and Clearing Corporation.

(2) Payment and settlement in respect of a transaction between parties as referred in sub-regulation (1), made under the bye-laws of a Gas Exchange or Clearing Corporation, shall be final, irrevocable and binding on such parties.

- (3) When a settlement has become final and irrevocable, the right of the Gas Exchange or the Clearing Corporation, as the case may be, to appropriate any collaterals or deposits or margins contributed by all the members of Gas Exchange or Clearing Corporation and their clients towards its settlement or other obligations in accordance with the bye-laws of the Gas Exchange or Clearing Corporation shall take priority over any other liability of, or claim against, the said member.

Explanation: For removal of doubts, it is hereby declared that the settlement, whether gross or net, referred to in this Regulation is final and irrevocable as soon as the money, or other transactions payable as a result of such settlement is determined, whether or not such money or other transactions is actually paid.

46. Right of Clearing Corporation:

The right of a Clearing Corporation to recover the dues from all the members of Gas Exchange or Clearing Corporation, arising from the discharge of its clearing and settlement function, from the collaterals, deposits and the assets of the members, shall have priority over any other liability of or claim against the members under these Regulations.

CHAPTER VIII

INSPECTION, ENQUIRIES AND ENFORCEMENT

47. Market Oversight:

The Board may issue such directions, after considering investigation report as referred in this Chapter VIII, as it considers appropriate to maintain market oversight and surveillance and to check market integrity in the following circumstances, namely: -

- (i) manipulative or attempted manipulative activity;
- (ii) transactions that are misleading or deceptive, or are likely to mislead or deceive;
- (iii) unwarranted speculation leading to volatility in price;
- (iv) any form of cartelisation;
- (v) any other form of market abuse; and
- (vi) abuse of dominant position by any market participant.

48. Other Circumstances Requiring Intervention:

- (1) The Board may, on being satisfied that any of the below mentioned circumstances exist or is likely to occur in the market, by an order, give such directions as may be necessary, namely: -

- (i) abnormal increase or decrease in prices of natural gas;
 - (ii) sudden or unreasonable fluctuations or unwarranted changes in the prices of natural gas and high volatility; and
 - (iii) sudden high transaction volumes on a Gas Exchange.
- (2) In particular and without prejudice to the generality of the foregoing power, the Board may, by order in writing:
- (i) suspend transaction activities for a cooling off period (in case of increased volatility);
 - (ii) suspend transaction of any specific contract on Gas Exchange;
 - (iii) increase the margin for contracts transacted on Gas Exchange (in a case of high volatility of prices or high speculation);
 - (iv) allow trade only for trade settlements;
 - (v) limit open position of one or a section of participants on Gas Exchange;
 - (vi) limit market wide position on Gas Exchange; and
 - (vii) require hiving off of the clearing and settlement function from the Gas Exchange to a Clearing Corporation.

49. Power to Call for Information:

The Board may from time to time call for any information, documents or records from the Gas Exchange or the Clearing Corporation.

50. Power of Inspection:

- (1) The Board may at any time undertake inspection, conduct inquiries and audit of any Gas Exchange or Clearing Corporation, any associate or affiliate of such exchange or Clearing Corporation.
- (2) Where an inspection under sub-regulation (1) is undertaken by the Board, such Gas Exchange or Clearing Corporation or its affiliate and every manager, director, managing director, chairperson or officer and other employee of such Gas Exchange, Clearing Corporation, or affiliate or associate shall cooperate with the Board.

51. Directions by the Board:

Without prejudice to the exercise of its powers under the Act and rules or Regulations made thereunder, the Board may, either suo-motu or on receipt of any information or during pendency of any inspection, inquiry or investigation or on completion thereof, in the interest of promoting competitive natural gas markets, issue such directions as it deems fit.

52. Investigation of Certain Matters:

- (1) The Board may, on being satisfied that, any of the circumstances specified in regulation 47 exists, at any time, by order in writing, call upon any Gas Exchange or Clearing Corporation or member of Gas Exchange or Clearing Corporation or trading licensee (hereinafter

referred to as the “person being investigated”) to furnish in writing any information or explanation, including without limitation, relating to any of their transaction, activity, business practice or business dealing.

- (2) Notwithstanding anything contained in sub-regulation (1), the Board may direct, by order, an officer of the Board or any other person (hereafter referred to as “Investigating Authority”) specified in the order to investigate the affairs of any person being investigated, including his books of account, and submit a report to the Board on such investigation:

Provided that the investigating authority may, wherever necessary, employ any auditor or any other person for providing assistance to it in any investigation under this Regulation.

Provided further that the Board may, on the request of such Gas Exchange or Clearing Corporation or member of Gas Exchange or Clearing Corporation or trading licensee, as the case may be, provide to him a copy of the report of the investigating authority.

- (3) It shall be the duty of every manager, key management personnel, director, managing director or any other official of the person being investigated, to produce before the investigating authority directed to make the investigation under sub-regulation (2), all such books of account, authorisation and other documents in his custody or power and to furnish them with any statement and information relating to the affairs of the person being investigated as the said investigating authority may require of them within such time as the investigating authority may direct.

- (4) On receipt of any information or report under sub-regulation (1) or sub-regulation (2), the Board may, after giving such opportunity to the person being investigated to make a representation in connection with the report as in the opinion of the Board, seems reasonable, and after considering representation if any, by order, in writing —

- (i) require the person being investigated to take such action in respect of any matter arising out of the report as the Board may think fit; or
- (ii) cancel the authorisation of the Gas Exchange, Clearing Corporation and the trading licensee under these Regulations;
- (iii) direct Gas Exchange to cancel membership of a member; or
- (iv) direct the Gas Exchange to cease to carry on the business of Gas Exchange; or
- (v) direct the Clearing Corporation to cease to carry on the business of clearing and settlement;

Provided that no action specified in this sub-regulation shall be taken unless an opportunity of being heard is given to the person being investigated.

- (5) The Board may, on being prima-facie satisfied that a person has failed to comply with any of the provisions of these Regulations, at any time, by order in writing, direct any person specified in the order to investigate the affairs of such person and to report to the Board. The provisions of regulation 53 shall apply mutatis mutandis to the investigation specified in this sub-regulation.

53. Power to issue Interim Orders:

Where during an investigation or intervention, the Board is satisfied that an act in contravention of these Regulations has been committed or continues to be committed or that such act is about to be committed, the Board may, by order, temporarily restrain any person from carrying on such act until the conclusion of such investigation or intervention or until further orders, but such order shall not be made without giving notice and opportunity of being heard to such person.

CHAPTER IX MISCELLANEOUS

54. Information Dissemination:

- (1) The Gas Exchange shall display on its website compilation of links to all relevant price sensitive information, including but not limited to: -
 - (i) gas price information;
 - (ii) any urgent market information issued by NGGMS on its website;
 - (iii) planned maintenance schedule as per the provisions of Access Code; and
 - (iv) any incident related to a natural gas pipeline, LNG terminal, domestic gas field and like other facilities which could potentially result in outage or interruptions in gas supply.
- (2) Historical and current prices (open, close, maximum, minimum, weighted average, cleared), volumes, bids and offers, shall be made available market segment-wise on the website of the exchange and these shall be downloadable in various formats.
- (3) The Gas Exchange shall organise members and clients' awareness programs on a regular basis.

55. Market Surveillance:

- (1) Gas Exchange shall set up a surveillance department which shall carry out day-to-day monitoring of transactions and surveillance. It shall also undertake other analysis as mentioned in sub-regulation (4).
- (2) The surveillance department of Gas Exchange shall submit its analysis report to the market surveillance committee and the market surveillance committee shall submit a quarterly surveillance report to the Board within two months from the end of each calendar quarter through the board of directors of the Gas Exchange.

- (3) Market surveillance shall be executed from a physically secure and restricted area by authorised personnel only and such personnel shall maintain information and data security at all times and especially when the auction window is open. All conversations of such personnel shall be recorded and it shall be made known to them and audio tapes of such conversations shall be made available to the Board on demand.
- (4) The surveillance department shall analyse bidding patterns and transactions of participants. An analysis report of the surveillance department shall be submitted to the Board on quarterly basis within two months from the end of each calendar quarter, which shall be in the following particular areas but not limited to –
 - (i) open position by clients, by contracts;
 - (ii) pattern of transactions of participants over a time period;
 - (iii) daily, weekly, monthly volatility analysis of prices (intra-day, day-ahead and term-ahead contract prices);
 - (iv) price setter analysis of buyer and seller;
 - (v) circular trading monitoring i.e., fraudulent transactions to buy and sell the same or similar quantity of a contract, at the same or similar price and within a short time period, without actual change of ownership;
 - (vi) dominant participants and market concentration;
 - (vii) analysis of sudden increase in transaction volumes or open position of any participant; and
 - (viii) analysis and reasons of persistent default by any participant.
- (5) The Gas Exchange shall also establish a system for carrying out the know your customers (KYC) check on members and their clients.

56. Transaction Reporting by Gas Exchange, Trading Licensees, Shippers, Transporters and any other Market Participants:

- (1) All reporting shall be in electronic format.
- (2) Trading Licensees shall provide open position report and tenure of all trades and risk summary report on a quarterly basis for risk monitoring purpose.
- (3) Gas Exchange shall report price and volume of daily transactions on its website every day and a consolidated report on these parameters on a monthly basis by the 0900 hours on the first day of each month in respect of the transactions of the immediately preceding month.
- (4) The Gas Exchange shall submit to the Board monthly details of all transactions on its platform and such details shall also be kept by the Gas Exchange on its web-site.
- (5) The Gas Exchange shall submit to the Board bids of all participants along with its analysis as required and as and when directed by the Board.

- (6) The Board may at any time direct, by order, the Gas Exchange or any participants to submit any periodical or one-time report on any parameter in such format as it may deem required.
- (7) The Board may also at any time and from time to time, by order, lay down and review the formats in which any of the information shall be submitted by the Gas Exchange or any participant.

57. Whistle Blowers' Policy:

- (1) Any market participants may report to the Board, either by letter or email, any unscrupulous activity, wrong-doing or violation of law, as may come to their knowledge.
- (2) The provider of the information referred to in sub-regulation (1) shall be entitled to request the Board that his identity be kept confidential and be not disclosed. The Board shall, if so, requested by the provider of such information, keep his identity confidential and shall not disclose the same.
- (3) The Board shall take strict action in case of any kind of retaliation to such an informant by any affected party.
- (4) The Board shall not be bound to take action on pseudonymous or anonymous communications.

58. Insider Trading:

A person having non-public price sensitive information, including the one relating to outage of liquefied natural gas (LNG) terminal or any major outage of gas producing field (including natural gas pipeline of any nature) or outage of compressors anywhere along the natural gas pipelines or any plant of a major customer, shall not transact on the Gas Exchange unless such information has been submitted to NGGMS or Gas Exchange.

59. Internal Manual for Conflict Resolution:

The Gas Exchange or Clearing Corporation shall have an internal manual covering the management of conflicts between commercial and regulatory functions of the Gas Exchange or Clearing Corporation. The Gas Exchange or Clearing Corporation shall put in place a policy for comprehensive training and awareness of its employees on the various conflicts of interests involved in the functioning of its regulatory departments. Further, the entire conflict management framework shall periodically be reviewed and be strengthened based on the observations of such review.

60. Norms and Procedure, etc:

For the purposes of implementation of these Regulations and matters incidental thereto, the Board may specify norms, procedures, processes, manners or guidelines as specified in these Regulations, by way of circulars to Gas Exchange and Clearing Corporation.

61. Miscellaneous:

If any question arises as to the interpretation of these Regulations, the same shall be decided by the Board.

SCHEDULE 1
[See regulations 8 and 12]

Application for authorisation or renewal of authorisation of Gas Exchange or Clearing Corporation under regulation 8 or regulation 12 of the Petroleum and Natural Gas Regulatory Board (Gas Exchange) Regulations, 2020.

To
Secretary,
Petroleum and Natural Gas Regulatory Board

Subject: Application for authorisation or renewal of authorisation of Gas Exchange or Clearing Corporation under regulation 8 or regulation 12 of the Petroleum and Natural Gas Regulatory Board (Gas Exchange) Regulations, 2020.

Sir/ Madam,

1. We/ I on behalf of..... (name and address of the applicant Gas Exchange or Clearing Corporation) being an applicant Gas Exchange or Clearing Corporation hereby apply for authorisation/ renewal of authorisation of Gas Exchange or Clearing Corporation.
2. Two copies of the bye-Laws, memorandum and articles of association relating in general to the constitution and management of the Gas Exchange or Clearing Corporation and two copies each of the bye-laws and rules for the Gas Exchange or Clearing Corporation and settlement of contracts are enclosed.
3. All the necessary information required in this Schedule is enclosed. Any additional information will be furnished as and when called for by the Board.
4. We/ I, on behalf of the said Gas Exchange or Clearing Corporation, hereby undertake to comply with the requirements of the Act, rules and all the Regulations made by the Board and such other conditions and terms as may be contained in the letter of authorisation or be provided or imposed subsequently.

Proof of payment by way of direct credit in the bank account through NEFT/ RTGS/ IMPS or any other electronic mode permitted by RBI or the Demand Draft No. dated drawn in favour of Petroleum and Natural Gas Regulatory Board, towards payment of fees as required in the Petroleum and Natural Gas Regulatory Board (Gas Exchange) Regulations, 2020 read with the Petroleum and Natural Gas Regulatory Board (Levy of Fee and Other Charges) Regulations, 2007, is attached.

Yours faithfully,
Authorised signatory

ANNEXURE TO SCHEDULE 1

Part I – General

1. Name of the applicant company seeking authorisation for Gas Exchange or Clearing Corporation and the statute in which the applicant is registered.
Attach Memorandum and Articles of Association, Certificate of Incorporation, Certificate of Commencement of Business, if any, and any other document constituting the applicant company.
2. Address of the registered office and other offices of the applicant.
3. Date of incorporation.
4. Details of the promoters of the applicant.
5. Details of the existing business of the applicant and its promoters.
6. Details of capital structure of the applicant.
Attach the annual reports of the applicant for the preceding three years; including audited balance sheet and profit and loss account directors' report. In case, the applicant is a new company, the applicable annual reports of the applicant and such annual reports of the promoters for three years shall be submitted.
7. Give details of existing shareholding pattern of the applicant and attach the list of top 20 shareholders.
8. What is the present strength of your board of directors? Give details of your existing Board members, such as, their names, residential and business addresses, contact details, occupation, DIN, PAN and Aadhaar number details along with copies thereof, brief resume.
9. Has your business viability plan been appraised by a reputed agency having expertise in gas markets?
Attach a copy of the project report containing the following details, namely: -
 - (a) Requirement of the capital expenditure of the proposed Gas Exchange or the Clearing Corporation, along with details;
 - (b) Funding sources of the proposed Gas Exchange;
 - (c) Management and administrative structure of the proposed Gas Exchange and the manpower requirement; and
 - (d) Infrastructural facilities available/ proposed to be acquired by the Gas Exchange.
10. Attach the draft rules of the proposed Gas Exchange covering the aspects specified in the Petroleum and Natural Gas (Gas Exchange) Regulations, 2020 and in particular the following, namely: -
 - (a) The Board of directors of the Gas Exchange, its constitution and powers; and
 - (b) Management of the Gas Exchange and the manner in which its business is to be transacted;
11. Attach the draft bye-laws and rules of the proposed Gas Exchange covering the aspects specified in the Petroleum and Natural Gas (Gas Exchange) Regulations, 2020.
12. Attach a statement showing each Regulation of the Petroleum and Natural Gas (Gas Exchange) Regulations, 2020 and how does the proposed Gas Exchange or the Clearing Corporation meets with the requirement of the Regulation; and give detailed attachments wherever required.

13. Have you entered into an agreement with any Clearing Corporation or Gas Exchange for clearing and settling its trades? Give the name of such Clearing Corporation or Gas Exchange and details of its organisation and management.
Attach a copy of the aforesaid agreements, if any.

Part II – Clearing membership of Clearing Corporation

11. State the number of clearing members at the time of application. Also specify how many are inactive.
12. Do you insist on any minimum qualifications and experience before enrolling new clearing members? If so, give details.
13. Do you collect any security deposit from your clearing members? If so, give details and also state the manner in which such deposits are utilised and the rate of interest allowed, if any.
14. Do you collect any admission or entrance fees from your clearing members? If so, how much?
15. Give details of the scale of member service charges and other charges, if any, specified by your Clearing Corporation.
16. Do you frame standard form of agreement to be entered with the trading member for engaging the services of your clearing member? Attach two copies of such agreement.
17. Do you undertake periodic inspection of your clearing members? Give details including the number of annual inspections and manpower available for conducting inspection.

Part III – Board of directors of Gas Exchange

18. What is the present strength of your board of directors? Give details of the constitution, powers of management, election and tenure of office of members of your board of directors, and the manner in which its business is transacted.
19. Are any trade or commercial interests represented on your board of directors? If so, give details of interests represented.
20. Do you associate shareholders of investors associations with the management of your exchange? If so, state the manner in which it is done.
21. Are there any Government representatives on your board of directors? If so, furnish their names.
22. Do you have any provision for the appointment of standing or ad hoc sub-committees of your board of directors? If so, furnish details of the method of their appointment, terms of office, powers and functions.
23. Give the designations, powers and duties of principal office-bearers of your exchange.
24. What provisions have you made for the levy and recovery of fees, fines and penalties?

Part IV – Board of directors of Clearing Corporation

25. What is the present strength of your board of directors? Give details of the constitution, powers of management, election and tenure of office of members of the board of directors, and the manner in which its business is transacted.

26. Are any trade or commercial interest represented on your Company board? If so, give details of interests represented.
27. Do you associate members of investors associations with the management of your Clearing Corporation? If so, state the manner in which it is done.
28. Are there any Government representatives on your Company board? If so, furnish their names.
29. How many independent directors are there on the Company board? Furnish their names, qualifications and experience.
30. Do you have any provision for the appointment of standing or ad hoc subcommittees of the Company board? If so, furnish details of their composition, appointment, term of office, powers and functions.
31. Give the designations, powers and duties of key management personnel of your Clearing Corporation, if any.
32. What are the disciplinary powers with the Company Board to enforce due compliance by clearing members of the bye-laws of the Clearing Corporation and generally to ensure proper standard of business conduct?
33. What provisions have you made for the levy and recovery of fees, fines and penalties?

Part V – Clearing and Settlement

34. Describe the clearing and settlement system of the Clearing Corporation or clearing house, as the case may be.
35. State the different kinds of contracts such as intra-day, day ahead, term ahead, and like other contract being cleared and settled or proposed to be cleared and settled in your Clearing Corporation or clearing house. State the period of delivery, payment and the settlement mechanism in each case.
36. Do you have the right to prohibit, withdraw or suspend clearing and settlement of any contract admitted for clearing and settlement? If so, then, under what circumstances?
37. Give details of the clearing and settlement charges and other charges, if any, levied by your Clearing Corporation or clearing house.
38. What provisions have been made for periodic settlement of contracts and differences and the delivery of, and payment for natural gas and the passing of delivery orders?
39. Do you have any bye-laws, contravention of which makes a contract void?
40. Do you have necessary infrastructure, margin mechanism and adequate risk management mechanism to ensure market safety and integrity? Give Details.
41. Do you maintain Settlement Guarantee Fund? Give details of the corpus of the Settlement Guarantee Fund, its contribution, circumstances for utilisation, priority of utilisation, and like other information.
42. How do you ensure the adequacy of the Settlement Guarantee Fund? Do you perform stress tests on a periodic basis? Give details and results of the latest stress test?
43. What is the netting procedure adopted by the Clearing Corporation or clearing house for determining the obligations of the clearing member?
44. What provisions have you made for regulating (a) the entering into contracts, their performance and rescission (b) the consequences of breach, default or insolvency on the part of all members of Gas Exchange whether acting as buyers or sellers?

Part VI – Infrastructure

45. Have you established connectivity with the depositories, clearing banks, Gas Exchange and clearing members? Give details.
46. What is your business continuity plan? Give details including details of the disaster recovery site.

Part VII – Membership

47. State the number of members you would have, as per your business plan within one year of commencement of operations.
48. Do you insist or plan to insist on any minimum qualifications and experience before enrolling new members? If so, give details.
49. State the different types of members, if any, the number thereof and the privileges enjoyed by each type. What is the procedure followed/ planned to be followed by your exchange for the admission of different types of new members?
50. What are the rates of your annual subscription in respect of the different types of members?
51. Do you collect, or plan to collect, any security deposit from your members? If so, give details and also state the manner in which such deposits are utilised/ planned to be utilised and the rate of interest allowed, if any.
52. Do you collect, or plan to collect, any admission or entrance fees from your members or from partners of firms who are members? If so, how much?

Part VIII – Trading

53. State the different kinds of contracts in use on your exchange e.g. intra-day, day-ahead, term-ahead fortnightly, monthly. State the period of delivery and payment in each case.
54. Give details of business hours for each type of contract.
55. Give details of the scale of member service charges, if any, specified by your exchange.
56. Do you specify standard forms of contract for the use of your members? Attach copies of each such contract form.
57. Do you have any provisions for regulating the volume of business done by any individual member other than through a system of margins? If so, give details.
58. What provisions have you made for periodical settlement of contracts and differences thereunder, the delivery of, and payment for natural gas?
59. Do you have a clearing house for the settlement of contracts? If so, give details of its organisation and management.
60. If you have clearing house, what returns do the members of your exchange submit regarding the transactions cleared through such clearing house?
61. Have you any arrangements for recording and publishing market price including opening, closing, highest and lowest price?
62. What provisions have you made for regulating—
 - (a) the entering into contracts, their performance and rescission, including contracts:
 - (i) between members; and

- (ii) between a member and his client.
 - (b) the consequences of breach, default or insolvency on the part of members whether acting as buyers or sellers.
- 63. What are the disciplinary powers with the Gas Exchange or Clearing Corporation to enforce due compliance by members of the rules and bye-laws of the exchange and generally to ensure proper standard of business conduct?
- 64. Do you require members to supply such information or explanation and to produce such books relating to their business as Gas Exchange or Clearing Corporation which may require?
- 65. Do you publish any statistics in regard to business done on the exchange including the transactions settled through the clearing house, if maintained? In particular, have you evolved any machinery for computing the volume of transactions in the different kinds of contracts permitted on your exchange? Give details.
- 66. Do you have any bye-laws contravention of which makes a contract void?

Part IX – Miscellaneous

- 67. Do you have any machinery for arbitration of disputes between members or between members their clients, Clearing Corporation, clearing members? Give details.
- 68. Any other information which the applicant company would like to submit to the Board.

Schedule 2

[See regulations 11 and 12] Petroleum and Natural Gas Regulatory Board

No

Date:

Petroleum and Natural Gas Regulatory Board, having considered the application by (name and address) under regulation 11 or regulation 12 of the Petroleum and Natural Gas Regulatory Board (Gas Exchange) Regulations, 2020 for grant of authorisation or renewal of authorisation as a Gas Exchange or Clearing Corporation and being satisfied that it would be in the interest of development of the gas market to grant such authorisation/ renewal, hereby grants to the above-named company authorisation or renewal of authorisation as Gas Exchange or Clearing Corporation in terms of regulation 11 or regulation 12 of the Petroleum and Natural Gas Regulatory Board (Gas Exchange) Regulations, 2020, for years from the above-mentioned date, subject to the conditions stated below or as may be specified or imposed hereafter, namely:-

1. The Gas Exchange or Clearing Corporation shall comply with the provisions of the Act, rules and Regulations made thereunder and the requirements as may be imposed or required by the Board from time to time.
2. The Gas Exchange or Clearing Corporation shall comply with the requirements relating to net worth, SGF, shareholding pattern and governance structure and like other matters.
3. The Gas Exchange or Clearing Corporation shall comply with the requirement relating to dissemination of information.
4. The Gas Exchange or Clearing Corporation shall seek prior approval of the Board for introducing new contracts, appointment of independent directors.
5. The Gas Exchange or Clearing Corporation shall comply with such conditions and directions as may be specified by the Board from time to time.

Authorised signatory

SCHEDULE 3

Appointment of Directors

[See regulation 23 and 24]

1. Procedure for appointment:

- (a) All independent directors while seeking approval or otherwise shall submit application to the Gas Exchange or Clearing Corporation the following details, namely: —
- (i) Name.
 - (ii) Address.
 - (iii) Educational qualification.
 - (iv) Details of employment/ Occupation - past and present.
 - (v) Details of other directorships.
 - (vi) DIN No.
 - (vii) Declaration regarding the fulfilment of requirements specified under regulation 23.
 - (viii) Declaration confirming compliance of regulation 23 of these Regulations, in respect of non-association with trading member or clearing member.
 - (ix) Details of regulatory action taken against by any statutory authority.
 - (x) Details of activities that may in the opinion of the director, lead to his disqualification.
 - (xi) Association with members of Gas Exchanges or Clearing Corporations.
 - (xii) An undertaking that he shall abide by the code of conduct and code of ethics specified in Schedule 4 and Schedule 5.
 - (xiii) In the case of independent directors, consent letters for acting as an independent director.
 - (xiv) Criminal cases, if any - completed or pending before any authority in India or abroad.
- (b) The Gas Exchange or Clearing Corporation shall forward the aforesaid details to the Board while recommending their names along with the minutes of the meeting of the board of directors in which their name/s were approved, a confirmation by the Gas Exchange or Clearing Corporation that they are fit and proper persons in terms of the fit and proper criteria, and are not associated with any trading member or clearing member, in terms of regulation 23.

2. Chief Executive Officer/ Managing Director/ Executive Director:

- (a) The nomination and remuneration committee of Gas Exchange or Clearing Corporation shall be responsible for selection of chief executive officer (CEO)/ managing director / executive director, as the case may be. The CEO/ managing director/ executive director shall be selected transparently having suitable qualification as specified in regulation 24.
- (b) In case a vacancy of CEO/ managing director/ executive director arises due to resignation or unforeseen reasons, the nomination and remuneration committee of Gas Exchange or Clearing Corporation shall select the new incumbent within 60 days from the date of submission of resignation or such vacation of office due to unforeseen reasons. In the interim arrangement, any director shall be assigned additional responsibility of CEO or

managing director or executive director by the nomination and remuneration committee of Gas Exchange or Clearing Corporation.

3. Independent Directors:

- (a) The names of independent directors shall be forwarded to the Board for its approval after the approval of the board of directors of the Gas Exchange/ Clearing Corporation.
- (b) The Gas Exchange or Clearing Corporation shall ensure that independent directors are selected from diverse fields of work. While deciding to propose a particular person as an independent director, the Gas Exchange or Clearing Corporation shall also take into account the following factors, namely: -
 - (i) Qualification in the area of law, finance, accounting, economics, management, administration or any other area relevant to the gas markets;
 - (ii) At least one person shall be inducted having experience and background in finance/ accounts who may preferably be inducted in the audit committee;
 - (iii) Persons currently holding positions of trust and responsibility in reputed organisations or person who have retired from such positions; and
 - (iv) Persons who are likely to have interested positions in commercial contracts and financial affairs of commodity exchanges may preferably be excluded. Persons who are regular traders/ speculators in the market or are director in the board of the promoter entity of the Gas Exchange or Clearing Corporation, shall be excluded.
- (c) Independent directors shall peruse the relevant laws, code of conduct, code of ethics, and like other systematic collections of conducts and submit an undertaking to the Gas Exchange or Clearing Corporation that they are aware of their role, responsibilities and obligations. The Gas Exchange or Clearing Corporation shall provide at least seven days of training to every independent director each year.
- (d) In case of extension of the term of the independent director or appointment of a new independent director, the Gas Exchange or Clearing Corporation shall apply to the Board two months before the expiry of the term. In addition to the other requirements specified herein, the application for extension of term of the independent director shall be accompanied with, his attendance details on meetings of various mandatory committees and on the board of directors of the Gas Exchange or Clearing Corporation, performance review and the reasons for extension of term.
- (e) The existing independent director shall continue holding the post, till a new independent director is appointed in his place.

4. General conditions on appointment of directors:

- (a) The Gas Exchange or Clearing Corporation shall complete the appointment process within thirty days from nomination/ approval for directors by the Board and submit a compliance report within one week from the date of appointment.

(b) In case any other official of the Gas Exchange or Clearing Corporation is appointed on its board of directors in addition to the Managing Director, the same shall be subject to the approval of shareholders and the Board, in that order.

SCHEDULE 4

Code of Conduct for the directors on the Board of Directors of Gas Exchanges or Clearing Corporations

[See regulation 25]

1. Meetings and minutes:

Every director of the Gas Exchange and Clearing Corporation shall -

- (a) not participate in discussions on any subject matter in which any conflict of interest exists or arises, whether pecuniary or otherwise, and in such cases the same shall be disclosed and recorded in the minutes of the meeting;
- (b) not encourage the circulation of agenda papers during the meeting, unless circumstances so require;
- (c) offer their comments on the draft minutes in time;
- (d) endeavour to have the date of next meeting fixed at each board meeting in consultation with other members of the board; and
- (e) endeavour to ensure that in case all the items of the agenda of a meeting were not covered for want of time, the next meeting is held within fifteen days for considering the remaining items.

2. Code of Conduct for the independent directors:

- (a) In addition to the conditions stated in paragraph 1 above, independent directors of the Gas Exchange or Clearing Corporation shall, endeavour to attend all the board meetings and they shall be liable to vacate office if they remain absent for three consecutive meetings of the board of directors or do not attend seventy-five percent of the total meetings of the board of directors in a calendar year.
- (b) Independent directors shall meet separately, at least once in six months to exchange views on critical issues.
- (c) The independent directors shall identify important issues which may involve conflict of interest for the Gas Exchange or Clearing Corporation, or may have significant impact on the functioning of Gas Exchange or Clearing Corporation, or may not be in the interest of its orderly functioning. These issues shall be reported to the board of directors.

3. Strategic planning:

Every director of the Gas Exchange and Clearing Corporation shall -

- (a) participate in the formulation and execution of strategies in the best interest of the Gas Exchange or Clearing Corporation and contribute towards proactive decision making at the level of the board of directors; and
- (b) give benefit of their experience and expertise to the Gas Exchange or Clearing Corporation and provide assistance in strategic planning and execution of decisions.

4. Regulatory compliances:

Every director of the Gas Exchange and Clearing Corporation shall-

- (a) ensure that the Gas Exchange or Clearing Corporation abides by all the applicable provisions of the Act, rules and Regulations, made thereunder and the orders and directions of the Board;
- (b) ensure compliance at all levels so that the regulatory system does not suffer any breaches;
- (c) ensure that the Gas Exchange or Clearing Corporation takes steps commensurate to honour the time limit stipulated by Board for corrective action; and
- (d) not support any decision in the meeting of the company board of directors which might adversely affect the interest of buyers and sellers participating in the Gas Exchange and shall report any such decision to the Board.

5. General responsibility:

Every director of Gas Exchange and Clearing Corporation shall -

- (a) place priority for redressing grievances and complaints of members' and their clients and encouraging fair trade practice so that the Gas Exchange or Clearing Corporation becomes an engine for the growth of the transactions undertaken in the Gas Exchange;
- (b) endeavour to analyse and administer the Gas Exchange or Clearing Corporation issues with professional competence, fairness, impartiality, efficiency and effectiveness;
- (c) unless otherwise required by law, maintain confidentiality and shall not divulge or disclose any information obtained in the discharge of their duty and no such information shall be used for personal gains;
- (d) maintain the highest standards of personal integrity, truthfulness, honesty and fortitude in discharge of their duties in order to inspire public confidence and shall not engage in acts discreditable to their responsibilities;
- (e) perform his duties in an independent and objective manner and avoid activities that may impair, or may appear to impair, his independence or objectivity or official duties;

- (f) perform his duties with a positive attitude and constructively support open communication, creativity, dedication, and compassion; and
- (g) not engage in any act involving moral turpitude, dishonesty, fraud, deceit, or misrepresentation or any other act prejudicial to the administration of Gas Exchange or Clearing Corporation.

SCHEDULE 5

Code of Ethics for Directors and Key Management Personnel of Gas Exchanges or Clearing Corporations

[See regulation 25]

General:

The Code of Ethics for directors and key management personnel of the Gas Exchanges or Clearing Corporations is aimed at improving the professional and ethical standards in the functioning of Gas Exchanges or Clearing Corporations, thereby creating better confidence in the market participants in the integrity of the gas market.

1. Objectives and underlying principles:

The Code of Ethics for directors and key management personnel of the Gas Exchange or Clearing Corporation seeks to establish a minimum level of business/ professional ethics to be followed by the directors and key management personnel, towards establishing a fair and transparent marketplace. The Code of Ethics is based on the following fundamental principles, namely: -

- (a) Fairness and transparency in dealing with matters relating to the Gas Exchange or Clearing Corporation and the buyers and sellers on the Gas Exchange;
- (b) Compliance with all laws, rules, Regulations, orders, directions, guidelines laid down by regulatory agencies, Gas Exchange, Clearing Corporation;
- (c) Exercising due diligence in the performance of duties; and
- (d) Avoidance of conflict of interest between self-interest of directors or key management personnel and interests of Gas Exchange or Clearing Corporation.

2. Regulatory oversight committee:

For overseeing implementation of this Code, a regulatory oversight committee shall be constituted by every Gas Exchange and Clearing Corporation under the respective board of directors.

3. General standards:

Directors and key management personnel shall endeavour to promote greater awareness and understanding of ethical responsibilities in the following manner, namely: -

- (a) Directors and key management personnel, in the conduct of their business shall observe high standards of commercial honour and equitable principles of trade;

- (b) The conduct of directors and key management personnel in business life should be exemplary which will set a standard for other employees and members of the Gas Exchange or Clearing Corporation;
- (c) Directors and key management personnel shall not use their position to give or get favours to or from the executive or administrative staff, technology or service providers and vendors or members and their clients or any other person dealing with the Gas Exchange or Clearing Corporation;
- (d) Directors and key management personnel shall not commit any act which will put the reputation of the Gas Exchange or Clearing Corporation in jeopardy; and
- (e) Directors, committee members and key management personnel of the Gas Exchange or Clearing Corporation should comply with the provisions of the Act and all applicable Regulations notified by the Board from time to time.

4. Avoidance of conflict of interest:

No director on the board or member of any committee of the Gas Exchange or Clearing Corporation shall participate in any decision making or adjudication in respect of any person or matter in which he is in any way, directly or indirectly, concerned or interested. In case of any doubt on whether there is any conflict of interest or not in a matter, decision shall be taken by the board of directors.

5. Disclosures of beneficial interest:

All directors and key management personnel shall disclose to the board of directors, upon assuming office and during their tenure in office, whenever the following arises, namely: -

- (a) any fiduciary relationship of self or family members or directorship or partnership of self or family members in any trading member or clearing member; and
- (b) any other business interests.

6. Role of the chairperson and directors in the day-to-day functioning of the Gas Exchange or Clearing Corporation:

- (a) The chairperson and directors shall not interfere in the day-to-day functioning of the Gas Exchange or Clearing Corporation and shall limit their role to decision making on policy issues and to issues as the board of directors may decide.
- (b) The chairperson and directors shall abstain from influencing the employees of the Gas Exchange or Clearing Corporation in conducting their day-to-day activities.
- (c) The chairperson and directors shall not be directly involved in the function of appointment and promotion of employees unless specifically so decided by the board of directors.

7. Access to information:

- (a) Directors shall call for information only as part of specific committees or as may be authorised by the board of directors.
- (b) There shall be specified channels through which information shall move and further there shall be audit trail of the same. Any retrieval of confidential documents and information shall be properly recorded and retained for a minimum period of seven years.
- (c) All such information, especially which is non-public and price sensitive, shall be kept confidential and shall not be used for any personal consideration or gain.
- (d) Any information relating to the business or operations of the Gas Exchange or Clearing Corporation, which may come to the knowledge of directors or key management personnel during performance of their duties shall be held in strict confidence and shall not be divulged by them to any third party and not used in any manner except for the performance of their duties.

8. Misuse of position:

Directors and committee members shall not use their position to obtain business or any pecuniary benefit in the organisation for themselves or their family members.

9. Regulatory Oversight Committee to lay down procedures:

- (a) The regulatory oversight committee shall lay down procedures for the implementation of these Regulations and specify reporting formats for the disclosures required under these Regulations.
- (b) The compliance officer shall execute the requirements laid down by the regulatory oversight committee.
- (c) While the objective of these Regulations is to enhance the level of market integrity and confidence of the market participants, it is emphasised that a written code of ethics may not completely guarantee adherence to high ethical standards and this can be accomplished only if directors and key management personnel of the Gas Exchange or Clearing Corporation commit themselves to the task of enhancing the fairness and integrity of the system in letter and spirit.

SCHEDULE 6

Measures to ensure segregation of regulatory departments

[See regulation 27]

1. In order to ensure the segregation of regulatory departments, every Gas Exchange and Clearing Corporation shall adopt an "Ethical Firewall" policy which separates the regulatory departments of the Gas Exchange or Clearing Corporation from its other departments. The employees in the regulatory departments shall not communicate any information concerning the regulatory activity to any one in other departments. The employees in regulatory areas may be physically segregated from the employees in other departments, including with respect to access controls. In exceptional circumstances employees from other departments may be given confidential information on "need to know" basis, under intimation to the Compliance Officer.
2. Regulation 27 mandates segregation of regulatory departments from other departments. For this purpose, an indicative list of regulatory departments has been provided respectively in sub-paragraph (i), and sub-paragraph (ii) of paragraph 2. The Company board of the Gas Exchange or Clearing Corporation may specify any other department having a regulatory function in addition to such list as a regulatory department.
3. (i) Departments handling the following functions shall be considered as regulatory departments in a Gas Exchange, namely: -
 - (a) Surveillance;
 - (b) Member registration;
 - (c) Compliance;
 - (d) Inspection;
 - (e) Enforcement;
 - (f) Arbitration; and
 - (g) Default.
- (ii) Departments handling the following functions shall be considered as regulatory departments in a Clearing Corporation, namely: -
 - (a) Risk management;
 - (b) Member registration;
 - (c) Compliance;
 - (d) Inspection;
 - (e) Enforcement; and
 - (f) Default.
4. A Gas Exchange or Clearing Corporation shall ensure that such regulatory departments viz., surveillance, inspection, risk management, default, and like other departments, is having at least two personnel deployed for full-time with at least one having a Master Degree in Finance, Accounting or any other related fields and at least having five years' work

experience in compliance departments of banks or other related financial institutions, exchange operations or other related fields.

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Petroleum and Natural Gas Regulatory Board