

**COTTON ASSOCIATION OF INDIA
(CAI)**

BYLAWS

Cotton Association of India

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By-Laws

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Registered Office :

**THE COTTON EXCHANGE BUILDING
2ND FLOOR,
OPP. COTTON GREEN RLY. STATION
MUMBAI 400 033**

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As amended on 10/09/2007

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COTTON ASSOCIATION OF INDIA

BY-LAWS

GENERAL

Definitions

- 1.- In these By-laws unless there be something in the subject matter or context inconsistent therewith -

The Association means Cotton Association of India,

Authorised Representative of a Member means a person registered as such under Article 17 of the Association's Articles of Association.

A Nominated Representative means a person who has been appointed by a member as his or its Nominated Representative and whose appointment has been communicated to the Secretary. No member shall appoint more than two Nominated Representatives.

A Burst Bale means in the case of Indian cotton, a bale which has had more than one hoop opened it is bound with three or more hoops and which has had one hoop opened if it is bound with less than three hoops; provided that the Board shall have power from time to time to define a burst bale in the case of a bale bound otherwise than with hoops, the tender of which with such other binding is permissible; but does not include a bale which has been opened outright. A bale is considered opened outright when all the hoops or such other bindings have been burst; a re-pressed bale is a burst bale which has been fully re-pressed. A bale repaired by hand should be described as a repaired bale.

Board means the Board of Directors of Cotton Association of India, acting through at least a quorum of their number at a meeting of that Board duly called and constituted.

Buying on Account means buying actual spot cotton on account of a seller who has either failed to tender or whose tender has been rejected or is deemed to have been rejected, in which case the buyer shall pay to or receive from the seller the difference if any between the rate he thus actually pays for such spot cotton and

- (a) if a tender has been made, the rate in the Delivery Order; or

- (b) if no tender has been made the settlement rate or the contract rate, whichever is the later in date, after adjusting mutual allowances according to By-law 77.

Closing Out the Contract means a seller, in the case of a contract other than a Hedge Contract, instead of selling on account of the buyer, accepts the spot rate of the cotton for the appropriate day as provided in the By-laws and receives or pays, as the case may be, the difference between such spot rate and the contract rate.

And in the case of buyer, it means, instead of buying on account of the seller, he accepts the spot rate of the cotton for the appropriate day and receives or pays, as the case may be, the difference between such spot rate and the contract rate.

However, in the case of Hedge Contract (ICC) Closing Out The Contract, shall be in the circumstances and on terms and conditions as provided in the By-laws or as may be decided by the Board.

Chairman means the Chairman or Vice Chairman or Acting Chairman of the Board for the time being.

The Secretary includes an Officiating Secretary, a Deputy Secretary, an Assistant Secretary, and an Officiating Deputy or Assistant Secretary.

Classes or Grades of cotton include Extra Superfine, Superfine, Fine, Fully Good to Fine, Fully Good, Good to fully Good, Good, Fully Good Fair to Good and Fully Good Fair.

Clearing House means the premises where and the system by which the claims and liabilities of Members to each other in respect of cotton business and their liabilities to the Association are received, adjusted and paid.

The Clearing House Committee means the Committee appointed by the Board for the management of the Clearing House and for the decision (subject to a right of appeal to the Board) of disputes arising out of the working of the Clearing House.

Clearing House Entitled Member (CHEM) means any member who has the right to execute transactions in ICCs as provided under these By-laws.

Trading Ring means such space or spaces in the Cotton Exchange at the Cotton Green, Sewri and/or such place or places as the Board may from time to time determine with the prior approval of the Forward Markets Commission and which shall have been notified by the Board as reserved for trading in ICCs.

Clearing Bank means a Bank which is appointed by the Board to act as a Banker of the Association for the purpose of Clearing House operations.

Delivery Period means the period during which the cotton can be tendered in fulfilment of the contracts under these By-laws.

Due Date means the latest day for delivery. In the case of the Hedge Contract this is the last working day of the month of delivery. In the case of Delivery Contracts, it is the last day of the period of delivery specified in the Contract. In case of Transferable Specific Delivery Contracts, it is the last day of the month of the delivery. A due date which would otherwise fall on a holiday or Sunday, shall in every such case be deemed and taken to be the immediately preceding working day.

Forward Contract means a forward contract as defined in the Forward Contracts (Regulation) Act, 1952, viz. a contract for the delivery of goods at a future date, and which is not a ready delivery contract and includes Hedge Contract/s as described in these By-laws.

Delivery Contract means a non-transferable specific delivery contract as defined in The Forward Contracts (Regulation) Act, 1952, namely, a specific Delivery Contract, the rights or liabilities under which or under any delivery order, railway receipt, bill of lading, warehouse receipt or any other document of title relating thereto, are not transferable.

Transferable Specific Delivery Contract (also referred to as TSD Contract for sake of brevity) means a Specific Delivery Contract, which is not a Non-transferable Specific Delivery Contract, and which is subject to such conditions relating to its transferability as the Central Government may by notification in the Official Gazette, specify in this behalf.

False or Fraudulent Packing means packing of a bale of cotton :-

- (1) in such a manner as to contain in different parts of the bale, cotton of different growths or varieties, or cotton of materially different staples or cotton of different crops;

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or

- (2) in such a manner as to contain in any part of the bale any by-product such as waste, fly or other by-products of a cotton mill available after raw cotton is passed through the blow room;

or

- (3) in such a manner as to contain in any part of the bale any concealed substance other than raw cotton;

or

- (4) in such a manner as to contain interiorly cotton decidedly inferior to that upon the exterior and not readily detectable on the customary examination;

Provided that as regards each and all of clauses (1), (2), (3) and (4) above the packing complained of is such as materially reduces the value of the bale and/or appears to have been done deliberately;

Provided also that when samples drawn from the top and bottom sides and middle of the bale show a difference of more than two grades or a difference in colour exceeding two grades in value such bale shall be considered to be false-packed.

A full Pressed Bale or a Standard Bale in the case of Indian cotton means standard metric bale weighing 170 kg. nett, fully covered with hessian, or any other material approved by the Board, on all six sides, bound with hoops of iron or other material and pressed to a density of not less than 13.50 kg. per cubic foot.

The Board shall have power to prescribe, but not later than June each year, different specifications of hessian or any other material for covering and hoops to be used in packing bales and also the density, all applicable to the cotton pressed in the season commencing from following September each year.

Godown means a structure having a plinth, roof and continuous external walls and includes any other structure approved in this behalf by the Board.

Hedge Contract means an Indian Cotton Contract (ICC) described in By-law 53.

Hours refer to Standard Time.

The expression *Invoice Back* means that when a tender is rejected or is deemed to have been rejected by the buyer he, instead of buying on account of the seller, accepts the spot rate or such other rate as may be prescribed in these By-laws in specific cases for the appropriate day and pays or receives, as the case may be, the difference between such spot rate or such other rate as may be prescribed in these By-laws in specific cases and the rate given in the delivery order; and where no tender is made, the buyer instead of buying on account receives or pays the difference between the spot rate or such other rate as may be prescribed in these By-laws in specific cases for the appropriate day and the contract rate or the last settlement rate whichever is the later in date or when any tender is not taken by the buyer the seller instead of selling in account of the buyers, accepts the difference between the spot rate and the contract rate or the last settlement rate whichever is the later in date.

Market rate of the Day or the Room Rate means the daily rate for ready and/or forward cotton fixed and registered by a Committee appointed by the Board or the Board under these By-laws.

Member means a person, firm, Company, Corporate Body, Hindu Undivided Family, Co-operative Society, Federation, Trust or Institution duly elected to membership of the Association whether entitled or not entitled to use the Clearing House.

Machine Ginned (M.G.) means roller ginned or saw ginned cotton.

Non Working Day means a day other than a working day.

Notice means an intimation in writing.

Notice Board means each and all of the notice boards of the Association in the premises occupied by them at (a) their registered office and (b) the cotton exchange wherever the same may be.

Cotton Year means the period from the 1st of October to 30th September.

Public Holiday means Sunday or any other day declared as Whole Holiday by the Board.

Ready Transaction means a Ready Delivery Contract as defined in the Forward Contracts (Regulation) Act, 1952 in ready cotton.

The term Spot Delivery in Hedge Contracts means delivery at any of the places where cotton is to be tendered as mentioned in the By-law 54B.

Spot Rate ordinarily means, unless otherwise stated, the market rate of the day for ready cotton in upcountry spot market (inclusive of entry tax or other local levies, if any, but exclusive of Sales and/or Purchase Tax or Central Sales Tax, as applicable in the respective States at the time of the delivery). This Spot Rate shall, be deemed to include any rate for ready cotton fixed by the Committee appointed by the Board and/or by the Board under these By-laws, when the circumstances so require, e.g. in the case of insolvency of or suspension of payment by a member, or of an emergency in the trade actual or anticipated, or any spot rate fixed under By-law 52B.

However, in the case of Hedge Contracts, Spot Rate(s) shall mean minimum rate prevailing at 1 p.m. in the upcountry markets for ready delivery of cotton, as may be fixed by the Committee appointed by the Board or by the Board under these By-laws. Such rates shall be fixed for the cotton of basic and/or various tenderable descriptions.

Trading Day means a day on which the sale or purchase of Hedge Contract is permitted.

Working Day means a day on which all transactions, matters and things authorised by these By-laws (including the sale and purchase of cotton) are permitted.

- 1A.- In the event of any emergency the Board may, at their discretion, and with the approval of 75 per cent of the members present (a fraction being counted as an integer), by a resolution passed by them and posted on the Notice Boards, extend or suspend from such date as may be specified in resolution, the period of time mentioned in any of these By-laws.

The Board shall not have the power to alter the Due Date as defined in By-law 1.

MEMBERSHIP

- 2.- Every candidate for membership of the Association shall sign and submit an application in the form appropriate to the particular class of membership for which he applies, as given in the Appendix hereto. A copy of the form may be obtained from the Secretary.
- 3.- Deleted
- 4.- Deleted.
- 5.- Deleted.
- 6.- Deleted.
- 7.- Deleted.

NOTICES

- 8.- (a) Any Notice whether to a member or non-member required to be given under these By-laws may be served either by hand or by registered letter at the address registered with the Association or at his last known address.

A notice, whether to a member or non-member, if served by post, shall be deemed to have been served at the time when the letter containing the same would in the ordinary course of post have been delivered and the production of the Post Office receipt for the registered letter shall in all cases where a notice is sent by post be conclusive proof of the posting of the notice; and if served by hand shall be proved.

In no case shall refusal to take delivery of the notice affect the validity of its service.

- (b) Any notice to the general body of members of the Association may be published by posting the same upon the notice Board with the date of posting subjoined and every member shall be deemed to be affected by such notice immediately after the posting up of the same.

Any notice which may be published by thus posting on the notice board may otherwise be sufficiently

given by advertisement alone published once in at least one English and one Vernacular daily newspaper published in Bombay.

- (c) The foregoing provisions as to notices shall apply *inter alia* to all members whether or not they have a place of business or residence in Bombay.

SUSPENSION OF PAYMENT, INSOLVENCY AND LIABILITY OF MEMBERS

Inability of a member to meet his liabilities

- 9.- Any member who finds himself unable to meet at maturity his obligations to any other member or members or to the Association whether arising in relation to cotton transactions or otherwise under these By-laws shall during office hours immediately give notice of the fact of such inability by means of a letter signed by him and addressed to the Chairman or Secretary of the Association who shall promptly cause it to be posted for five days on the Association's notice board with the date of posting subjoined. The notice thus posted shall be considered due and sufficient notice to all the members of the facts therein stated and shall as from the date of posting of the notice operate as a closing of all outstanding contracts, agreements and obligations of the member signing it whose rights against and liabilities to all other members under such contracts, agreements and obligations shall be determined and settled in accordance with these By-laws; and no transfer or settlement of any contract for the future receipt or delivery of cotton to which the said member is a party shall be made or accepted by any other member after the said notice has been posted except as provided in these By-laws, and all such contracts, agreements and obligations shall be liquidated and settled at prices and on terms to be fixed in accordance with the provisions of By-law 15.

Investigation of bonafides

- 10.- Any member, having a claim against or a contract with a member who has given notice of his inability to meet his obligations as hereinbefore provided, may demand an investigation by the Board of the affairs of the said member who has given such notice, and if the Board on investigation is satisfied that the said member is unable to meet all his obligations at maturity he shall be debarred from the privilege of settlement under the provisions of By-law 15 and the decision of the Board signed by the Chairman and posted on the notice board with the date of posting subjoined shall be conclusive of the result of the investigation and sufficient notice thereof as from the date of posting to all concerned.

Investigation by Board.

11.- If it be reported to the Board that any member has failed to meet at maturity his obligations mentioned in these By-laws the Board shall at once investigate the circumstances and if they consider the failure proved they shall promptly cause notice thereof signed by the Chairman with the date of posting subjoined to be posted on the notice board and the posting of such notice shall have the same effect as the posting of a notice under By-law 9.

11A.- If it be reported to the Board by the Clearing House Committee under By-law 134A, that any member has failed to meet at maturity his obligations, the Board may, on being satisfied that the failure has been proved, cause notice thereof, signed by the Chairman with the date of posting subjoined, to be posted on the Notice Board, and the posting of such notice shall have the same effect as the posting of a notice under By-law 9.

11B.- The Board is empowered to recover dues of any defaulting member from his debtor members and to utilise the amount so recovered by distributing the same amongst the creditor members pro rata.

Suspension to follow on failure.

12.- When a member is posted a defaulter under By-law 9 or 11 or 11A or if a member neglects to communicate the fact of his inability to meet his obligations at maturity to the Chairman of the Association, or if a member suspends payment, or if by proceedings instituted by or against him his affairs shall be brought within the bankruptcy or insolvency or liquidation jurisdiction of any Court in India, he shall be suspended from all the rights of membership of the Association except the privilege of arbitration on claims arising from contracts entered into before the occurrence of any of these events, and he shall, if required, within a reasonable time after such event furnish the Board with a correct statement of his affairs signed by him.

Reinstatement

13.- Any member who, having been unable to meet his obligations at maturity has subsequently made an honourable settlement with his creditors may apply to the Board for reinstatement and his application shall thereupon be dealt with as the Board may decide.

Compromise to be reported.

14.- Where there has been a compromise between members of any such obligation as aforesaid each of them shall in the course of the next two working days report the compromise to the Board. If a member omits to do so, he shall be liable to be dealt with under the provisions of By-laws 17 to 29 inclusive. Anything short of a cash settlement shall be held to be a compromise for purposes of

this By-law.

CLOSING OF CONTRACTS IN CASES OF INSOLVENCY, LUNACY OR DEATH, ETC.

- | | | |
|---|----|--|
| Closing of contracts under special circumstances | 15 | If before the maturity of any contract made subject to these By-laws to which a member is a party, one of the parties to the contract gives notice under By-law 9 or suspends payment, or is posted a defaulter under By-law 11 or 11A or dies without leaving executors or others able and willing forthwith to take over his liability under the contract (which the party to such contract is referred to in this and the following By-laws as the defaulting party) the contract shall and if he becomes insane or otherwise incapable of managing his affairs or is expelled from membership may thereupon be closed and the following provisions shall take effect :- |
| Hedge and TSD Contracts | | <p>(a) If the contract is a Hedge or TSD contract, then upon the posting of the name of the defaulting party on the notice board, in accordance with By-law 9 or 11 or 11A or upon application made in writing by either party to the Board, the Board shall fix the terms of closure of the contract which shall promptly be posted on the notice board.</p> <p>In fixing the terms of closure the Board shall take into consideration the prices and the market conditions current at the time of posting or suspension or declaration as a defaulter, or supervening incapacity or death, and shall have full discretionary powers as to the extent to which they should be guided by these and other relevant values and considerations, of the relevance and importance of which they shall be the sole judges.</p> |
| Other Contracts | | <p>(b) If the contract is other than a Hedge or TSD Contract, the Board may fix the rate or ask the Chairman to appoint two arbitrators, ready and willing to act, with power to them to appoint an umpire ready and willing to act, all of whom shall be members or their authorised or nominated representatives, to fix terms of closure of the contract subject to a right of appeal to the Board before noon of the third day following the date of award in the arbitration.</p> <p>(c) The death of any party to a contract made subject to these By-laws shall not discharge the rights of parties to such contracts. The rights and the liabilities of the</p> |

deceased shall automatically pass on to his legal representatives including his right to refer to arbitration under these By-laws any disputes or differences and in such event such rights/ liabilities shall be exercised by or against the legal representative of the deceased.

- 16.- If after the maturity of any contract to which a member is a party one of the parties to the contract gives notice under By-law 9 or suspends payment, or is posted a defaulter under By-law 11 or 11A or dies without leaving executors or others able and willing forthwith to take over his liability under the contract (which party to such contract is referred to as the defaulting party) the contract shall and if he becomes insane or otherwise incapable of managing his affairs may thereupon be closed as at the date of the happening of the contingencies herein-before mentioned (or in case of arbitration as on the day following the final award in arbitration) in manner provided in sub-clauses (a) and/or (b) of By-law 15.

EXPULSION, SUSPENSION AND FINES

**Expulsion,
Suspension and
fines.**

- 17.- Every member shall be liable to expulsion, suspension and/or to payment of a fine, for any of the following acts or omissions on the part of the member or his permit holder or his partner or, in the case of a joint Hindu family firm, his manager :-

**Refusal to abide
by awards**

- (a) For neglecting or refusing to submit to, abide by and carry out any award or decision or order of any arbitrators, or surveyors, or umpire, or a panel of surveyors, or any other Committee, or of the Board, made in conformity with these By-laws or the Articles of Association of the Association.

**Unbecoming
conduct.**

- (b) For acting in any manner detrimental to the interests of the Association of unbecoming a member.

Misconduct

- (c) For any misconduct in his dealings with or relations to the Association of any member or any members thereof, or for any disreputable or fraudulent transaction with any person whether a member or not of which complaint is made to the Board by one or more members.

**Violation of By-
laws, order, etc.**

- (d) For knowingly violating, disobeying or disregarding any By-law of the Association or any enactment, order, ordinance or notification issued by the State or Central Government in respect of trading in cotton or any notice issued by the Board in that regard and without prejudice to the generality of the foregoing, the provisions of The

Forward Contracts (Regulation) Act, 1952, and the Rules made thereunder and any direction issued by The Forward Markets Commission.

Publication of misstatements

- (e) For knowingly publishing or permitting to be published in any newspaper, circular or otherwise, any misrepresentation relating to the cotton trade calculated to mislead the members and/or the public.

Refusal to comply with requests.

- (f) For not complying with any notice given or request made to him by the Board pursuant to By-laws 18,19,21,22 and 24 requiring him attend at any meeting of the Board; or to produce any books, documents, correspondence or other papers in his possession, power or control; or for refusing or neglecting to answer any question put to him by any member of the Board relevant to any business before the Board at any such meeting.

Non-payment of differences

- (g) For failure to pay differences under By-law 164 and/or arbitration or appeal fees when due, or for non - payment of any fine imposed on him pursuant to these By-laws, or for failure to pay any other amount due by him under these By-laws or under any order of the Board within ten days after the same shall become payable.

Reckless conduct of business

- (h) For having brought about his failure to meet his obligation at maturity by conducting his business in a reckless and/or unbusinesslike manner involving another member or other members in financial loss.

Misconduct in dealings with allied Association

- (i) For any misconduct in the sense of sub-sections 1 to 6 hereof inclusive as below in his dealings with or relations to the Association or any of its members or any Association or Exchange or Corporation or Public Body with which the Association shall have entered into an arrangement or undertaking for the purpose of safeguarding the cotton trade or of upholding cotton contracts or protecting those interested therein.

The following shall be deemed to be misconduct within the meaning of these By-laws:- (1) Wilful or intentional non-fulfillment of contract or fraudulent or flagrant breach of contract; (2) frivolous repudiation of contract; (3) refusal to refer any question in dispute to arbitration under these By-laws or under any submission or contract or agreement to arbitrate thereunder; (4) refusal or neglect to abide by and carry out any award whether in arbitration or on appeal; (5) affording directly or indirectly any information, prohibited by

these By-laws or by any rule or regulation made thereunder or by any order of the Board made in conformity therewith, to any surveyor, arbitrator or umpire, or a panel of surveyors; (6) any conduct whether by act or omission in relation to any arrangement or undertaking between the Association and any Association or Exchange or Corporation or Public Body above mentioned tending to obstruct or defeat such arrangement or undertaking or the object thereof; (7) generally any conduct towards the Association or as between members of the Association which is subversive of these By-laws or any of them or is subversive of the objects and purposes of or implied by the Memorandum and Articles of Association.

Mitigation of misconduct

- 18.- Whenever a majority of members of the Board present and voting at any meeting shall be of opinion that there is sufficient reason to inquire as to whether there has been any act or omission on the part of a member rendering him liable to expulsion, suspension and/or payment of a fine and a majority of the members of the Board present and voting as aforesaid are of opinion that the said act or omission is or may be capable of remedy or mitigation by some act or thing which it is in the power of such member to do or provide, the Board shall embody such opinion in a resolution ordering such member to do such act or provide such thing within a time to be specified in the resolution.

A resolution under this By-law requiring any member to do such act or provide such thing as aforesaid may be passed at any meeting of the Board whether such member shall or shall not have been required to attend the meeting and no notice to such member of any intention to pass such resolution shall be necessary, and such resolution shall in no way prejudice the rights of the member under By-law 21 or the rights and powers of the Board under By-laws 21 and 22 or in any way amount to a decision that such a member has been guilty of any act or omission rendering him liable to expulsion, suspension and/or payment of a fine.

In considering whether a resolution for the expulsion, suspension and/or fining of such member should be passed pursuant to these By-laws, and the nature of the penalty if any to be inflicted by the Board, the Board may take into consideration whether such act has been done or such thing has been provided by such member either within the time limited by such resolution or at all.

Inquiry into allegations of misconduct

- 19.- Whenever the Board or the Chairman shall consider either by reason of complaint made to them or him in writing by one or more members or by reason or any knowledge or information

acquired by the Board or the Chairman that there is sufficient reason for inquiring as to whether there has been any act or omission on the part of a member rendering him liable to expulsion, suspension and/or payment of a fine the Board or the Chairman, as the case may be, may give notice in writing to such member or to any other member requiring him to appear before the Board or the Chairman, as the case may be, at a time therein stated, being not less than 24 hours from the date of service of the notice. Such member may by this or another written notice of 24 hours be required to produce by himself or his clerk to the Board or the Chairman, as the case may be, any books, documents or correspondence in his possession, power or control or that of his firm or company. Any member served with notice as aforesaid shall submit to be examined by the Board or the Chairman, as the case may be, in relation to his conduct or that of his firm or company or the conduct of any other member, and shall, if required by the Board or the Chairman, as the case may be, make a sworn declaration of the truth of any statement made by him. A notice given under this By-law shall be sufficient if it contains a general statement of the nature of the inquiry whether giving particulars thereof or not. A notice under this By-law may be given either along with or without notice under By-law 21 and if given without such notice shall be without prejudice to the Board's right of afterwards giving notice under By-law 21. A firm which is a member shall appear by one of its partners or an authorised representative and a company by one of its Directors and if there be no Directors then by one of its Managers or by its authorised representative.

**Resolution for
expulsion
suspension or
fine.**

20.- Whenever a majority of the members of the Board present and voting at any meeting of the Board shall be of opinion that a member has become liable to expulsion, suspension and/or payment of a fine the Board may by a resolution passed by a majority of their members present and voting at such meeting, expel such member permanently, subject to the power of reinstatement in By-law 13 or the Board may suspend him for any term not exceeding six calendar months from all rights of membership except the right to go to arbitration, or from such rights of membership including the right to act as an arbitrator as the Board may by a resolution passed as aforesaid prescribe or the Board may in lieu of or in addition to suspension impose upon such member a fine not exceeding Rs.10,000.

**Notice of
meetings to pass
resolution.**

21.- Before passing any resolution for expulsion, suspension and/or fining of any member, the Board shall give him not less than 24 hours notice in writing stating that the Board proposes to consider the passing of a resolution for the expulsion, suspension and/or fining of such member and requiring him to attend a

meeting of the Board called for that purpose at which he may by the said notice also be required to produce for the inspection of the Board any books, documents, correspondence or papers in the possession or control of himself, his firm or company. It shall not be necessary in such notice to particularly specify the alleged act or omission in respect of which it is proposed to consider the resolution, or to give other than such short general information in the notice as the Board may think fit.

**Adjournment to
Inquiries.**

22.- The Board or the Chairman, as the case may be, may from time to time adjourn any meeting at which any member shall be required to attend by a notice given under these By-laws and may require such member to attend at any adjourned meeting and to produce for the inspection of the Board or the Chairman, as the case may be, at such adjourned meeting any books, documents, correspondence or papers in the possession, power or control of himself, his firm or his company. It shall be no objection to the resolution for the expulsion, suspension and/or finding of a member passed at an adjourned meeting of the Board that all or any of those present thereat were not present at the former meeting or meetings or that any of those present at any former meeting or meetings were not present at any adjourned meeting.

**Member's right to
lead evidence
before being
suspended or
fined.**

23.- The member with regard to whom it is proposed to pass any resolution for expulsion, suspension and/or imposition of a fine under these By-laws may require the Board before passing the same to hear the evidence or statements of himself or any witnesses present on his behalf at any such meeting, original or adjourned, fixed by the Board who shall have power and discretion as to the time and place when and where they will hear such evidence or statements.

**Obligation to give
evidence and
produce
documents.**

24.- The Board may, by not less than twenty-four hours' notice in writing to any member, require him or his permit holder or partner or, in the case of a joint Hindu Family, his Manager, to attend and give evidence or make statements and/or produce any books, documents, correspondence or papers in his or their possession, power or control, at any meeting at which any resolution for the expulsion, suspension and/or fining of any member is proposed to be considered.

**Gradation of
penalties.**

25.- For the purposes of these By-laws suspension shall be deemed to be a lesser penalty than expulsion and a fine of any amount shall be deemed a lesser penalty than suspension or expulsion.

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| Reprimand and warning. | 26.- | Whenever the Board are authorised by these By-laws to inflict a fine they shall be entitled to administer a severe reprimand or a warning to a member instead of or in addition to a fine. A severe reprimand shall be deemed to be a lesser penalty than expulsion, suspension or fine. |
| Posting notice of fine, reprimand or warning | 27.- | Whenever the Board fine or reprimand or warn a member they may if they think fit post a notice thereof on the notice board. |
| | 27A | If the Chairman disagrees with any resolution passed by the Board under By-law 19 or By-law 20 he shall be entitled to forward to the Forward Markets Commission a copy of the resolution with which he is in disagreement, a Statement of his reasons for disagreeing with the resolution and his own recommendation. The Forward Markets Commission after taking into consideration such resolution, statement and recommendation may make such order as it may deem just, and such order shall for all the purposes of these By-laws, be deemed in supersession of such resolution to be the resolution of the Board and the Board shall carry the same into effect. |
| Deprivations and obligations during suspension. | 28.- | A suspended member shall during the period of suspension be deprived of and excluded from all the rights and privileges of membership except in respect of contracts outstanding at the time of his suspension which he shall be bound to fulfil and in regard to which he shall be subject to all the obligations and have all the rights thereof and of these By-laws including the obligation or right to go to arbitration; and he shall be liable to pay all fines, calls, subscriptions and other moneys due or to become due from him during his suspension in the same manner as if he had not been suspended. |
| Consequences of expulsion. | 29.- | A member expelled by a resolution of the Board shall forfeit all the rights and privileges of membership including those conferred on him by these By-laws and he shall as from the date of the resolution cease to be a member and his name shall be taken off the Register of Members; but he shall continue liable for and fulfil all his obligations to the Association or to any other member outstanding at the date of his expulsion, and for these purposes shall have the right and be under obligation to go to arbitration under these By-laws. |

CLEARING HOUSE COMMITTEE

**Associate
Members**

29A.- Deleted.

**Brokerage by
Associate
Members**

29B.- Deleted.

**Clearing House
Committee.**

30.- The Clearing House Committee shall consist of at least five persons from time to time appointed by the Board, who shall determine their quorum and the period during which they are to hold office. The Board may fill any vacancy in this Committee as it occurs.

All the members of the Clearing House Committee must be members of the Association, or the duly authorised representatives of members.

No member shall have more than one representative on the Clearing House Committee.

VIGILANCE COMMITTEE

**Vigilance
Committee.**

- 30A.-
- (a) The Board shall, every year as soon as it is constituted, appoint a Vigilance Committee of not more than three persons from among the Directors and/or members.
 - (b) The Forward Markets Commission, shall, however, have power to appoint, at any time or from time to time, not more than two persons, to be members of the said Vigilance Committee, in addition to the members appointed under clause (a).
 - (c) The Vigilance Committee shall have power to investigate into and report on the violations of any provisions of the By-laws or of rules, regulations, orders, or instructions issued thereunder, or under the Forward Contracts (Regulation) Act, 1952 or on such other matters of a like nature as may be entrusted to it by the Board either on its own initiative or on receipt of complaints of such violations. The Committee shall, at least once in every three months or oftener, if necessary, send a report to the Board about the work done by it.

30B.- The Board shall constitute from time to time an Export/Import Committee consisting of the Chairman and the Vice-Chairman of the Board and of Members not less than five and not more than seven from amongst the Authorised Representatives or duly appointed representatives for purposes of this Committee and recorded as such with the Association; of members engaged in the export/import trade in cotton. The Chairman of the Board and in his absence the Vice-Chairman of the Board shall be ex-officio Chairman of the Committee and shall have power to co-opt members, provided such members qualify as above, but within the upper limit stated above.

The functions of the Committee will be to recommend to the Board on -

- (i) sponsoring delegations abroad to promote cotton exports or organising imports when required;
- (ii) arranging and participating in trade fairs and exhibitions abroad;
- (iii) undertaking publicity campaign such as distribution of catalogues, brochures and interesting advertisements through Indian/foreign media etc.;
- (iv) undertaking research and development;
- (v) appointing correspondence in India and abroad;
- (vi) collecting statistical and other relevant data relating to export/import;

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- (vii) organising quality control and preshipment inspection;
- (viii) holding seminars in connection with export/import; and
- (ix) undertaking any other activity for furtherance of the above objects as the Board may direct.

FIXATION OF RATES

Daily Rates

- 31.- (1) (a) The Board shall from time to time appoint a Daily Rates Committee consisting of 24 persons chosen from the members of the Association or their duly authorised or nominated representatives and shall divide the committee so as to form four panels each of six persons.
- (b) Three members of a panel of the Daily Rates Committee shall form a quorum. In the absence of a quorum, the members of the Panel of the Daily Rates Committee present shall call in any other member or members of the Daily Rates Committee to form the quorum of three.
- (c) Each member of the Daily Rates Committee present at a meeting for the purpose of fixation of rates shall be entitled to receive out of pocket expenses for attending the meeting as may be decided by the Board from time to time.
- (d) A Panel of the Daily Rates Committee shall meet daily for the purpose of fixing and registering, as at 1 p.m. or as at such other hour as the Board may decide:-
- (i) the market rates at upcountry centres of different growths of cotton tenderable or sold under TSD Contracts,
 - (ii) the market rates at upcountry centres of different growths of cotton permitted for trading in Delivery Contracts,
 - (iii) except on the due date of the TSD Contracts, the Upcountry Spot Rate for the descriptions of cotton permitted for trading in TSD Contracts, and also,

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- (iv) except on the due date, the minimum of market rates of basis and other different descriptions of tenderable cotton under the ICC at various upcountry centres.

The Indian Cotton Contract rates of each running contract shall also be recorded.

- (e) While fixing the market rates in respect of varieties in which there has been no trading, the Daily Rates Committee will take into consideration the prices of similar varieties of cotton in upcountry markets. The Board may, at any time and for such period as they think fit, in pursuance of a resolution to be passed by them to that effect and posted on the Notice Board themselves supersede the Daily Rates Committee and fix and register rates as aforesaid.

- (2) The spot rate for basis cotton under the ICC shall be fixed taking into account -

- (a) the minimum of prices at which cotton is sold in the various upcountry spot markets, and
- (b) the ruling minimum of spot prices of other descriptions of cotton tenderable under the Indian Cotton Contract.

The spot rate for descriptions of cottons permitted for trading in TSD Contract shall be fixed on the basis of the rate/s prevailing in Bombay Market.

Note :- The provision contained in this clause shall be applicable for purposes of fixation of spot rate for basis cotton under By-laws 32, 52B and 55.

Appeal against Daily Rates

- 31A.- (1) The Board shall constitute an Appeal Committee consisting of the Chairman, Vice-Chairman and five Directors from the Board well conversant with ready cotton markets to hear appeals against the rates fixed by the Daily Rates Committee. Three members shall form quorum.
- (2) Any member dissatisfied with the rates fixed by the Daily Rates Committee may lodge in writing an appeal to the Association before 1 p.m. on the next working day, against the rate/s so fixed on payment of fee or Rs.50/- per rate, half of which shall be refundable in the event of the appeal

being successful.

- (3) The Committee will dispose of the appeal within two working days after the receipt thereof, and their decision shall be final and binding.

Co-ordination Committee.

- 31B.- The Board shall also constitute a Co-ordination Committee consisting of four Chairmen of the Daily Rates Committees and the Chairman of By-law 34A Committee as its Chairman to co-ordinate the working of the Daily Rates Committees, to procure samples of available standard descriptions of cotton tenderable against Hedge Contract as mentioned in By-law 54(B) and Delivery contracts as mentioned in By-law 66(A) (a)(4) to compare them with the standard boxes and to point out to the Chairman of the Committee concerned about discrepancies, if any, and also to give necessary guidelines for fixation of the Daily rates.

Three members of the Committee shall form a quorum. In the absence of the Chairman of By-law 34A Committee, any member of that Committee can be called to Chair the meeting of the Committee.

The Committee shall meet at least once a month, or so often as required by the Board.

Rates for contracts falling due on the last working day of the delivery month to be fixed by Board.

- 32.- (1) Rates shall be fixed and registered by the Board as provided in By-law 141 and on such other days as they shall think fit.
- (2) On or about the due date of the Hedge Contract the Board shall fix and register the spot rate for basic cotton for the due date as per provisions in By-law 31(2).
- (3) On or about the due date, the Board shall fix the Hedge Contract rate for the due date, after taking into consideration the Hedge Contract rate on the due date and if there be no trading on that day then the Hedge Contract rate on the previous trading day and other relevant factors which in the opinion of the Board require to be taken into consideration.
- 32A.- (i) On or about the due date of the TSD Contracts, the Panel of the Daily Rates Committee for the week during which the due date falls shall fix and register the spot rates for the descriptions of cottons permitted for such trading, for the due date.

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- (ii) Due date rates so fixed by the Panel of the Daily Rates Committee shall be subject to a right of appeal to the Board provided the appeal is lodged before 1.00 p.m. on the next working day, on payment of prescribed fees.
- Rate to be binding** 33.- (1) The rates fixed and registered as aforesaid (and where the Board has itself not fixed a rate subject to a right of appeal to the Board, provided it be lodged with the Secretary before 1 p.m. on the next working day, on payment of an appeal fee of Rs.50 or such other fee but not exceeding Rs.100 as the Board may from time to time fix), shall be binding on all parties entering into contracts for sale or purchase of cotton according to these By-laws.
- (2) All appeal fees payable under this By-law shall be credited to the funds of the Association. In the event of an appeal to the Board, as provided by this By-law being successful one half of the fee shall be refunded to the appellant. A rate once fixed and registered by the Board shall not be open to reconsideration.
- (3) A rate fixed and registered by the Board, or a Panel of the Daily Rates Committee, or the Committee appointed under By-law 34A, or the Special Committee appointed under By-law 55 shall not be open to objection on the ground that some or all of the members of the Board or of any such Panel or Committee were themselves interested in contracts for someone or more of the descriptions of cotton for which such rate was fixed and registered.
- Official Rates** 34.- The rates fixed and registered as aforesaid are ex-Sellers' godown and are exclusive of all Sales/Purchase tax, if any.
- 34A (1) The Board shall appoint a Committee consisting of not less than five and not more than seven persons chosen from the members of the Association or their duly authorised or nominated representatives to fix :-
- (a) On the application of either of the parties to a contract entered into subject to these By-laws -
- (i) special rates for invoicing back cotton sold on private types or sealed samples or stamped bales or any description ;

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- (ii) special rates for invoicing back cotton permitted to be traded in Delivery Contracts under By-law 66;
 - (iii) the difference in value between the staple length and/or grade and/or micronaire and/or strength (g/tex) of the cotton contracted for and the staple length and/or grade and/or micronaire and/or strength (g/tex) of the cotton tendered as awarded in Survey Certificate.
 - (iv) On an application forwarded through the Secretary, any rate which is required to be fixed under By-law 31, but not fixed;
 - (v) On an application forwarded through the Secretary, any other rate or rates;
 - (vi) any other rate or rates which the Board may direct the Committee to fix;
 - (vii) value of cotton awarded as country damaged, watered or water patched, false or fraudulently packed, or containing extraneous matters etc.
 - (viii) value for variations in mechanical tests beyond contracted terms in respect of cottons contracted on such terms.
- (b) Three members of the Committee shall form a quorum.
- (c) On an application to fix special rates under By-law 34A (1) (a) (i) to (viii) above the applicant shall pay a fee of Rs.1,000/- per every sample for every rate and for each date.
- (d) The Committee in fixing such rate for Indian cotton, shall take into account the then prices at which cotton was sold in the Mumbai spot market and the then spot prices of cotton in the interior markets and, in fixing any such rate for foreign cotton, the then prices at which such cotton or cotton of an equivalent growth was sold in the Mumbai spot market and in the foreign market.

- (e) A rate fixed under this By-law subject to a right of appeal to the Board, provided it be lodged with the Secretary before 1 p.m. on the seventh day in case where both the parties are in India and fifteenth day when either or both the parties are out of India following the date of fixation of the rate appealed against and on payment of an appeal fee of Rs.2,000/- per every sample for every rate and for each date, shall be final and binding on the parties concerned. In the event of an appeal to the Board, as provided by this By-law being successful, one half of the fees shall be refunded to the applicant.

(5) Deleted

Upcountry quotations.

34B.- The Daily Rates Committee shall also record upcountry approximate quotations for such growth as may be directed by the Board from time to time.

Appointment and duties of Surveyors.

35.- (1) **ARBITRATORS**
The Chairman of the Board of Directors of CAI is empowered to select and appoint, subject to the approval of the Board as well as Forward Markets Commission, the required number of sworn whole-time or part-time, paid or honorary, surveyor(s) on such terms as may be decided by him. The number of surveyors so appointed shall be not less than three. The Surveyors to be appointed shall have a sound and practical knowledge of cotton and are able to assess the quality parameters of all cotton. Each Surveyor on appointment, shall enter into an agreement with the Association regarding the terms of his engagement or service. He shall also sign a declaration to the effect that having been appointed as a Sworn whole-time or part-time paid or honorary surveyor, he shall faithfully perform the duties of his office or that assigned to him without fear or favour, to the best of his ability, knowledge and judgement and that he shall be subject to the disciplinary jurisdiction of the Chairman and the Forward Markets Commission.

- (2) The Chairman shall have the authority to take disciplinary action against any Surveyor, including the power to suspend, remove or dismiss any Surveyor. But before taking any such disciplinary action, the surveyor will be given an opportunity of being heard by the Chairman and the decision taken by him thereafter shall be final. The Forward Markets Commission shall also have the power to remove or dismiss any surveyor on its own initiative.
- (3) The duties, powers and functions of the Sworn Surveyor(s) and or Panel of Surveyors shall be as mentioned in their appointment letter and/or as decided by the Board from time to time.

Arbitrations and Appeals in disputes as to quality

- 36.- (1) (i) All disputes as to quality between a buyer and a seller arising out of the contract whether hedge or other than hedge covered under the By-laws of CAI, shall be referred in manner herein after mentioned to the arbitration of a Sworn Surveyor.
- (ii) In the survey conducted on cotton tendered against Indian Cotton Contract (ICC) or on cotton supplied under TSD contract, the Secretary shall get the grade, staple length, micronaire and strength tests carried out two times of the same sample in the Association's Laboratory at Mumbai or in such other Laboratory as may be approved by the Board from time to time under the strict supervision of a Sworn Surveyor and keep the samples properly sealed after necessary testing until the appeal, if any, is disposed off. The average of the results of two tests carried out on the samples in the Laboratory shall be the values of qualities of the cotton. Where the grade determination is not possible in Laboratory Testing owing to non-availability of such facility or until such time the grade testing facility becomes available, the grade shall be determined by a surveyor with reference to the standards maintained by the Association. Appeal if any, preferred by any of the parties to the contract against the award of the surveyor, the same shall be except to the extent of the instrument tests carried out in Laboratory, shall be dealt by a panel of two Sworn Surveyors and if they differ as to their award to a third Sworn Surveyor and the Award given by him shall be final.

- (iii) In the case of Survey to be conducted on cotton covered on all contracts other than ICC and TSD contracts specified in clause 36 (1)(ii) herein above, unless the request is for manual survey of the quality, instrumental testing means High Volume Instrument Testing of the cotton and shall be carried out in CAI Laboratory for grade, staple length, micronaire and strength under the strict supervision of a Sworn Surveyor. Grade shall, however, be determined by a Sworn Surveyor, if the instrumental facility in Laboratory is not available. All these shall be carried out including appeal, if any, in the same manner as provided in clause (1) of this By-law.
- (2) (i) the quality dispute shall also include disputes relating to:
- (a) country damaged cotton;
 - (b) watered or water-patched cotton;
 - (c) presence of extraneous matters including oil-stains in the bales not noticeable or visible in the customary examination,
 - (d) false or fraudulently packed cotton.
- (ii) The dispute arising out of contract in respect of above mentioned reasons (a) to (d), same shall be referred to a sworn surveyor for manual survey of quality of cotton.
- (iii) Appeal against the award of a surveyor, shall be dealt with by a separate panel of two surveyors as may be appointed by the Chairman and if they differ as to their award to a third Surveyor appointed under the By-laws and the award given by him will be final.

Explanation :-

- (i) Watered cotton shall mean and include cotton in a bale that has been damaged by penetration of water during or before baling process.
- (ii) Water-patched cotton shall mean and include cotton in a bale that has been damaged by penetration of water subsequent to the baling process.
- (iii) Extraneous matters shall be deemed to include any substance or matter (other than cotton) not found in grade standard box.

- (3) Except in the case of disputes referred to in clause (2) above all arbitrations and appeals with reference to quality shall be held in the Survey Rooms of Association.
- (4) (a) Any party(ties) desiring arbitration under this By-law shall, within the time allowed for arbitration, send to the Secretary samples drawn under By-law 95 and, if the contract is on sealed sample, the sample so drawn along with such sealed sample together with an Arbitration card duly filled in and signed by both parties, or signed by any one party, if the other party refuses or neglects to sign the card, together with the fees as prescribed under By-laws 41 (4) stating:
- (i) the growth of cotton,
 - (ii) the standard box against which the cotton is to be surveyed and in case no standard box is maintained by the Association for the growth mentioned that the parties agree to the classification by the Surveyors or Appeal Committee or Super Appeal Committee according to their conception, or that it is to be surveyed against the sealed sample, and
 - (iii) Whether the contract is TSD or NTSD or Ready.
- (b) The Secretary shall cause the sample for survey and where the cotton is sold against a sealed sample(s) such sealed sample, to be handed over to surveyors without disclosing to them the names of the parties to the arbitration, marks on the bales etc. so that survey is completely blind in all respect.
- (c) If the buyer under a ready or a delivery contract shall demand "full allowances", the Secretary shall so inform the Surveyors.
- (d) The Surveyors on receipt of the samples, after safely retaining in their custody a sufficient part of the samples for using in appeal if any, shall arrange to carry-out the quality testing of the samples under their strict supervision in the Laboratory or they themselves carry-out the survey for determination of qualities of the cotton as provided in By-laws. The Surveyors or the Umpire, as the case may be, shall reduce their or his decision to writing and sign the same and shall forward such award to the Secretary, who shall, as soon as may be thereafter, communicate such decision to the parties.

Note : In case of Indian Cotton Contract (ICC) no arbitration card needs to be filled in.

- (5) When any party desires for quality arbitration under this By-law, he shall intimate to the other party in writing.
- (6) An appeal shall lie from the award of a Surveyor, Arbitrator, as the case may be, provided such appeal is lodged with the Secretary before 1 p.m. on the next working day following the arbitration, except in the case of an arbitration in which at least one of the parties is from any place in India outside Mumbai in which case the appeal shall be lodged with the Secretary before 1 p.m. on the fifth day following the arbitration, and except in the case of an arbitration in which one of the parties is from outside India, in which case unless the parties otherwise agree the appeal shall be lodged with the Secretary before 1 p.m. on the seventh day following the arbitration. Such appeal from an award shall lie to a panel of two Surveyors and in case of disagreement between them, to a third Surveyor as an Umpire appointed under By-law 35, who shall not have acted in the same dispute and it shall not be withdrawn without the consent of the other party. The Secretary shall send to the panel the sample for survey together with the sealed sample, if any, in the same manner as he is required to send the same to the Surveyors and shall also send to them, the award of the Surveyors, Arbitrators. Every decision of a panel whether unanimously or by majority of the panel shall be in writing and shall be forwarded to the Secretary who shall communicate such decision to the parties as soon as possible.
- (7) In case of an appeal against cotton tendered in a Hedge Contract or any Contract other than Hedge Contract wherein samples are to be tested in the laboratory, the Secretary shall arrange retesting two times, of the sealed samples which were tested during the survey, under the presence of a Sworn Surveyor for grade, staple length, micronaire and strength. The average of the two results will be declared and treated as final. Against such appeal-award, no super appeal shall be allowed.
- (8) The award of the Surveyor(s), Arbitrator(s) or Umpire where no appeal is preferred, and the unanimous or majority award of the panel where no super appeal is preferred, and the unanimous or majority award of the Super Appeal Committee where a super appeal is preferred shall be final and binding on the parties.

- (9) In arbitrations, appeals and super appeals on quality, no person shall disclose to a Surveyor, Arbitrator or Umpire or a panel or a member of the Super Appeal Committee -
- (a) whether the applicant for arbitration or the appellant, as the case may be, is the buyer or seller,
 - (b) the names of the parties,
 - (c) the marks on the bales of cotton submitted to arbitration or appeal or any other indicia by which the names of the parties may be known to the Surveyors, Arbitrators, Umpire or Panel.
- (10) In all the cases of survey for quality disputes as provided herein above, where the samples are to be drawn, the Secretary shall appoint a controller from among the Panel of controllers constituted by the Board with the fees payable to them by the parties as fixed by the Board from time to time, for drawing the samples from the bales wherever they are lying and such samples shall be drawn by the controllers after due notice to both the parties and in the presence of such parties or their appointees as are present.

**Super Appeal
Committee.**

- 37.- (1) The Board shall from time to time constitute a Super Appeal Committee consisting of seven persons who shall either be members authorised or nominated representatives of members. The Board shall also appoint one of them as Chairman of the Super Appeal Committee. Any three of them including the Chairman of the Committee shall make a quorum. If the Chairman of the Committee is not available, the Committee shall nominate one of the members present, the Chairman of the Committee for that meeting. If a member of the Super Appeal Committee is interested in any appeal, he shall not participate in disposing of that appeal. In any case, the Super Appeal Committee, on any occasion fails to have a quorum to hear an appeal, the Chairman of the Board of Directors, shall be entitled to nominate a person or persons to be a member of the Committee to deal and

dispose of the appeals. The person or persons so nominated shall participate only in such appeals. If any vacancy arises in the Super Appeal Committee, the same shall be filled by the Board. The Super Appeal Committee shall regulate its own proceedings. Every decision of the Super Appeal Committee shall, in the event that the members of the Committee are not unanimous, be by a majority vote and the award given unanimously or by a majority shall be in writing and signed by the Chairman of the Committee.

- (2) The function of the Super Appeal Committee shall be to decide appeals against award(s) of the Panel of Surveyors. An Appeal shall lie to Super Appeal Committee from the award of Panel of Surveyors (Appeal Committee) in respect of Delivery and Ready Contracts.
 - (a) Such appeal shall be lodged with the Secretary before 1.00 p.m. on the next working day following the award of the Panel of Surveyors. However in the case of an appeal, in which at least one of the parties is from outside Mumbai but within India, the appeal shall be lodged with the Secretary before 1.00 p.m. on the fifth day following the award given by the Panel of Surveyors and where at least one of the parties is from outside India, the appeal shall be lodged with the Secretary before 1.00 p.m. on the seventh day following the award of the Panel of Surveyors. The Secretary shall cause the awards of the Surveyors and of the Panel of Surveyors to be sent to the Super Appeal Committee.
 - (b) Fees for Super Appeal against awards shall be as prescribed under By-law 41.

37A.- Deleted.

**Arbitration and
Conciliation other
than regarding
quality**

- 38.- (A) All unpaid claims whether admitted or not, and all disputes and differences (other than those relating to quality) arising out of or in relation to -
- (a) cotton transactions between members including any dispute as to the existence of such transactions; or
 - (b) cotton contracts (whether forward or ready and whether between members or between a member and a non-member) made subject to these By-laws or subject to C.A.I. arbitration, or containing words or abbreviations to a similar effect including any dispute as to the existence of such transaction provided in the latter case the parties had agreed in writing before entering into business relation that any dispute arising between them out of that agreement or any such transactions that may be entered into including any dispute as to the existence of such transaction shall be referred to arbitration under the By-laws of the Association; or
 - (c) the rights and/or responsibilities of commission agents, and or brokers not parties to such transactions or contracts; or
 - (d) commission agency agreement entered into subject to these By-laws or subject to C.A.I. arbitration or containing words or abbreviations to a similar effect ; or
 - (e) Cotton contracts covered by any such arbitration, agreement; shall be referred to the arbitration as per provisions contained in the Rules of Arbitration of the Association as approved by Board from time to time.
 - (f) Before making reference to Arbitration provided in sub-clause (a) to (e) above, parties may agree to refer the dispute or differences for Conciliation as per the Rules of Conciliation of the Association as approved by Board from time to time and the settlement arrived at the Conciliation proceedings shall have a force of award as per Arbitration and Conciliation Act 1996.

The arbitrator(s) shall make their award expeditiously in accordance with Rules of Arbitration of Association and provisions of Arbitration and Conciliation Act 1996. The conciliator(s) shall dispose off the conciliation proceedings expeditiously.

- (g) Power of Board : The Board shall have power to modify, as and when such need arises, Rules of Arbitration and Rules of Conciliation by a resolution passed by a majority of not less than seventy-five percent of the Directors present and voting (a fraction being counted as an integer).

(B) Deleted

(B1) Deleted

(C) Deleted

(D) Deleted

- (E) The award of arbitrator(s) shall be final and binding on both parties, subject (on payment of an appeal fee as laid down by Association) to a right of appeal to the Board within fifteen days in case of parties in Mumbai and twenty days in the case of either of the parties being elsewhere in India and thirty days in the case of either of the parties being elsewhere than in India from the date of publication of the award.

However, the appellants shall submit their grounds of appeal within 45 days from the date of lodging of the appeal. In case the grounds of appeal are not received within this period or such other period as extended by the Board, the appeal shall be heard and disposed of by the Board in such manner as may be thought fit.

- (E1) After the Appellants have submitted their grounds of Appeal as hereinbefore provided, a copy thereof shall be forwarded to the Opposite Party i.e. the Respondent along with a notice requiring the Respondent/s to file his/their Rejoinder to the said Statement of grounds of Appeal within a period of thirty days. Both the parties shall file such relevant papers as they deem fit in the form of Appeal Papers Book (as many copies as required by the Association) with the Board. In the event the Opposite

Party/(ties)/Respondent/s file/files, the Rejoinder as hereinbefore provided, a copy thereof will be forwarded to the Appellant/s within seven days.

- (E2) On expiry of the aforesaid period/s, notices to both the parties will be issued specifying the date on which the Board will proceed to take up the Appeal for hearing and disposal and calling upon the parties to appear before the Board by themselves and/or by their duly appointed representatives on the said date. On failure of either party to so appear before the Board on the said date or such other date as the Board in its discretion may have adjourned the hearing, the Board will proceed to consider and dispose off the Appeal based on such materials and in such manner as it may think fit.
- (F) Deleted
- (G) The award made by the Board shall be in writing and shall be signed on behalf of the Board by the Chairman of the meeting or meetings of the Board at which the Appeal was heard and by no other member and shall be countersigned by the Secretary.

39.- In all appeals (other than those relating to quality, to samples from outside Bombay) the appeal shall lie to the Board.

Interested members

40.- No member of the Board having an interest in any particular matter in dispute shall vote on the question of the appointment of arbitrators or umpire, and no member of the Association having an interest in the particular matter in dispute shall be competent to sit on any arbitration or appeal or to vote on any Committee or Sub-Committee.

Brokers and intermediate parties to the contract under consideration are not necessarily to be considered interested parties.

Fees in Arbitrations, Conciliations and Appeals and Super Appeals

41- The fees in arbitration & Conciliation and appeals and super appeals in respect of quality or other than quality shall be as decided by the Board from time to time and provided in the Rules of Arbitration and Rules of Conciliation of Association and notified to all concerned by displaying it on the Notice Board of the Association.

(a) to (d) deleted

- (e) (i) The Board shall have power to modify from time to time any of the fees payable under these By-laws.
- (ii) Notwithstanding any provisions in this By-law or any other By-laws for payment of fees or a share in fees to members of the Committees, the Board shall have power to suspend or stop altogether payment of fees or a share in fees to any or all members of the Committee/s.

42.- The party calling for an arbitration under By-laws 36 and 212 shall pay the fees in full prior to arbitration and shall be entitled to recover one-half of the fees from the opposite party. In Hedge and TSD Contracts the arbitration fees may be paid on receipt of Bills from the Association by the party calling for Arbitration.

43.- It shall be a condition precedent to the hearing of any appeal that the fee for an appeal shall have been paid to the Association by the Appellant.

44.- (1) All fees payable under By-law 41 shall be paid to and collected by the Association, and except to the extent hereinafter mentioned, such fees shall belong wholly to the Association. The Association shall pay, under deduction of such amount as the Board may from time to time fix to the arbitrators who heard and disposed of an arbitration under By-law 38, the balance of the fees payable in respect of such arbitration, such fees to be equally divided between them.

(2) The Association shall be responsible only for the fees actually collected but the Board shall deal, as it thinks fit, with failure promptly to pay in fees.

Operation of contracts

44A.- Every cotton transaction entered into between Members and every contract made subject to these By-laws or subject to C.A.I. arbitration, conciliation or containing words or abbreviations to a similar effect and every arbitration agreement to which these By-laws apply, shall be deemed in all respect to be subject to these By-laws and the parties to such transactions, contracts or agreements shall be deemed to have submitted to the jurisdiction

of the Courts in Bombay for the purpose of giving effect to the provisions of these By-laws.

- 44B.- (1) The death of any party to a contract made subject to these By-laws shall not discharge the right of any other party to such contract or the legal representative of the deceased to refer to arbitration under these By-laws any dispute or claim whether as to quality or otherwise and in such event such right shall be exercisable by or against the legal representative of the deceased.
- (2) Where a party to an arbitration dies during the pendency of an arbitration before a final award is made and published the authority of the Surveyors, Arbitrators, Umpire and Panel of Surveyors and the Board shall not thereby be revoked but the proceedings shall be continued by or against the legal representative of the deceased.
- (3) *Legal Representative* in this By-law means a person who in law represents the estate of the deceased party and includes any person who intermeddles with the estate of such deceased party, and where a party acts in a representative character, the person on whom the estate devolves on the death of the party so acting.

45.- Deleted.

46.- The office of a members of any Committee or Sub-Committee under these By-laws shall be vacated *ipso facto* :-

- (a) If he or his firm become insolvent, or suspend payment or compound with his or their creditors or if his company goes into liquidation whether by resolution or order of the Court;
- (b) If he be found lunatic or become of unsound mind or incapable of efficient attention to business;
- (c) If he absents himself from the meetings of the Committee continuously during a period of two calendar months without leave of absence from the Board;
- (d) If he or his firm or company be suspended or expelled from membership of the Association;
- (e) Upon his ceasing to be qualified for the office of membership of Committee whether by ceasing to be the authorised or nominated representative of a member or otherwise.

BY-LAWS FOR HEDGE TRADING

- 47.- (1) Only the members of the Association, irrespective of their panels, shall be eligible to become Clearing House Entitled Members (CHEMs) and to trade in ICC. They shall receive the services of the Clearing House. All contracts in ICC shall be traded in the ON-LINE trading system of the Association by the Clearing House Entitled Members (CHEMs) mentioned in this By-law as and when permitted by the Board from time to time. All such contracts shall be subject to daily clearance by the Clearing House of the Association.

- (2) Every member of the Association shall be eligible to trade or participate in the ICC, provided :
- (i) an application is made by him to the Clearing House in the prescribed form for registration and the necessary deposit amount alongwith the registration fees and the annual subscription are duly paid at the rates as prescribed hereinbelow or at such revised rates as the Board, which is hereby authorised to do so, may fix from time to time.
 - (ii) such application is approved and registered by the Clearing House Committee in any of the categories mentioned in clause (3) below.
 - (iii) A certificate of registration shall be issued to such member together with a code number or such other identification mark as the Board may decide which will entitle the member so registered to participate in the ON-LINE trading and deal with the Clearing House.
 - (iv) A connectivity for internet trading will be granted by the Clearing House Committee, as per procedure notified by the Association and subject to payment of such deposit and / or charges as may be decided by the Board from time to time, to the CHEMs, TMs and their registered clients, who can trade ON-LINE in the name of their CHEMs within the permitted limit ONLY.
- (3) Categories of Trading Ring and Clearing House Entitled Members :
- A) Institutional Members (IMs) :
Institutional Members (IMs) shall consist of Banks and Financial Institutions. They shall provide the necessary clearing and settlement facilities to their Trading Members (TMs) clients. They shall deal with the Clearing House for the purpose of clearing the contracts traded by their TMs clients. The IMs shall register with the Clearing House the quantity that they will clear on behalf of each of their TM clients.

The IMs shall also authorise the Clearing House to debit/credit the amounts due to/from their TM clients in their account with the Clearing Bank as and when required.

B) Composite Members (CMs) :

Composite Members (CMs) include corporates, firms, etc. who shall trade on their own account and also on account of their clients. The CMs shall also deal with the Clearing House for clearing all contracts.

C) Deleted.

D) Deleted.

E) Trading Members (TMs) :

Trading Members (TMs) are those who can trade on their own account and also on account of their clients but for the purpose of clearing, they cannot deal with the Clearing House. All their contracts shall be cleared by the Clearing House in the account of their registered link IMs ONLY.

The IMs as a link Bank shall stand guarantor for all the contracts entered by their TMs clients. The IMs shall also be fully responsible for all their clients' payments and performances in every respect to the Clearing House as well as to all other concerned parties. The Clearing Bank shall not keep any account of TMs but shall pass the required entries of all clearing/settlements in the accounts of respective IMs only through whom trades have been cleared.

(4) The Board may also allow the Clearing House Committee to register the following categories of members of the Association and non-members, with the Clearing House for the purpose of participating in the ICC in the manner stated herein below :

a) Clients :

A member of the Association or a non-member who is not registered with the Clearing House (CH) in any of the categories mentioned above can participate in the Indian Cotton Contracts (ICCs) as a client provided he registers himself with the Clearing House (CH).

On receipt of application in the prescribed form from such member or any non-member, the Clearing House may register him as a client of any CM or TM subject to his paying all the fees as may be fixed by the Board from time to time. Such clients can deal on their own account and can have their trades executed through CM or TM only.

Such registered Clients of CHEMs or TMs may be given connectivity for ON-LINE trading provided their application in the prescribed form is approved by the Clearing House Committee after payments of all deposits/ fees /charges as prescribed by the Board from time to time. Such registered clients shall be permitted for ON-LINE trading only within the limits of units sanctioned by their registered linked CHEM/TM and all such trading shall be in the name of their registered linked CHEM/TM. The CHEMs shall however be fully responsible to the CH in all respects.

- b) No client, whose registration has been suspended or revoked by the Association for any reason whatsoever can participate in the transactions of the Indian Cotton Contract (ICC) and his connectivity for ON-LINE trading, if any, shall be immediately discontinued. No Clearing House Entitled Member (CHEM) mentioned in clause 10(g) of this By-law/Trading Members (TMs) shall deal with such clients.
- (5) Deleted.
- (6) Any client can trade through one CM or TM only and such client shall give the name of his CM or TM. Such client can change his CM or TM but only after clearing all the dues of the Clearing House in respect of the trades already done through the previously declared CM or TM.
- (7) a) The Deposit amount, Registration Fee and Annual Subscription Fee payable for different categories shall be as under :

Categories	Deposit Amount	Registration Fee	Annual Subscription Fees
	Rs.	Rs.	Rs.
Institutional Member (IM)	30,00,000	30,000	7,000
Composite Member (CM)	2,50,000 *	2,500	2,000
Trading Member (TM)	25,000	2,000	1,500
Clients :			
➤ Member Clients	Nil	Nil	Nil
(b) Non-Member Clients	Nil	1000	500

b) Every CM at his option is entitled to keep additional deposit over and above Rs.2,50,000/- but such additional deposit shall be in the multiples of Rs.50,000/- subject to a maximum of Rs.25 lakh. Such deposit shall not be withdrawn within one year from the date of deposit.

c) The Board shall have the power to revise the above deposit amounts, registration fees and annual subscription fees as they may deem proper from time to time.

(8) (i) Limit on open positions : The various categories of members mentioned in clause 3 of this By-law shall be entitled to buy or sell in the Trading Ring but their aggregate outstanding long and short open positions, at

* *The Board vide Resolution dated 21/11/2002 reduced the deposit for Composite Members to Rs.1,00,000/- with corresponding reductions on limit on open positions (i.e. free limit and total over-all limit).*

any time on any day, shall not cross the free limit specified against each category herein below. However, each category of member is entitled to hold additional long or short open positions, over and above the prescribed free limit, but subject to the maximum limits specified against each category provided the member pays ordinary margins on such additional positions at the rates specified below.

Categories	Free limit in bales	Additional Bales over and above free limit	Rates of Ordinary Margins payable per unit of 11 bales on positions over and above free limit
Institutional Members (IMs)	16500 bales (1500 units)	66000 bales (6000 units)	Rs. 2,000/- (per unit)
		Total overall limit upto 82,500 bales (7500 units)	
Composite Members (CMs)	1375 bales (125 units)	12375 Bales (1125 units)	Rs. 2,000/- (per unit)
		Total overall limit upto 13750 bales (1250 units)	
Trading Members (TMs)		Limit as fixed by the IMs (link Bank/FI)	

- (ii) A CM paying additional deposits as stated in clause 7(b) of this By-law is entitled to additional free limit upto a total of 13750 bales (1250 units) against payment of Rs.50,000/- for every 25 additional units.

- (9) a) Every CHEM shall have paid or shall pay by a cheque drawn in favour of the Association, the ordinary margin money on the additional open position before making any additional transactions above the free limits.

The open positions on which the ordinary margins are payable shall be worked out by a CHEM by aggregating the net open positions on his own account and the net open positions on account of each of his clients separately without setting off between them. The long and short open positions so worked out shall be added together and ordinary margins shall be payable on the total.

- b) The margin shall be payable by a member before the additional position is acquired and shall be refundable to the member after the additional positions are liquidated as the case may be in proportion to the extra business done or squared up.
- c) The rates at which margins are payable by a member shall be subject to change at any time by a resolution passed by a majority of not less than 75 per cent members of the Board present and voting (a fraction being counted as an integer), the number of members present being not less than 12.
- d) On the day when the tendering period begins, the CH will collect from all the CHEMs a special margin @ Rs.1000/- per bale, on the open position held by them in their own accounts and/or in each of their client's accounts in every maturing contract. The margin so collected will be refundable to the respective CHEMs as and when the open positions are squared off OR as and when the tenders are issued/accepted.

Note : The above mentioned margins are different from special margins payable on the outstanding long or short open positions as provided under By-law 51A.

- (10) (a) Every contract traded shall be registered, cleared and/or settled by the Clearing House as per the By-laws, rules and regulations of the Association. Parties to any contract not transacted in accordance with the provisions of the By-laws of the Association will be subject to action being taken by the Board.

- b) In Trading Ring, the Association may keep some terminals whereby the authorised users of CHEMs or TMs may operate for ON-LINE TRADING, on payment of charges and as per rules decided by the Board from time to time. However, any CHEM/TM may also keep his own terminal in the Trading Ring with permission from the Association.

Rectification of
Transactions

- c) Under the on-line trading system of the Association, the orders received from the authorised users will be captured, recorded, matched and executed in accordance with the system's manual.
 - d) In case of any dispute between Clients and their respective CHEMs or any transaction being disowned by the Client of any CHEM/TM, such transactions will be transferred to the own accounts of the respective CHEMs/TMs. The concerned CHEM/TM should notify such dispute(s), if any to the Clearing House immediately.
 - e) Deleted
 - f) The CHEMs and TMs are entitled to collect charges from their clients for the services rendered to them upto the maximum limit prescribed by the Board from time to time. They shall also be entitled to collect the Deposits/margins from their clients in respect of their contracts as and when required.
 - g) The IMs and CMs being entitled to deal with and receive services from the Clearing House shall be called the Clearing House Entitled Members (CHEMs).
- (11) The Board may by a resolution passed by a majority of not less than 75 per cent of the Directors present (a fraction being counted as an integer) appoint at their absolute discretion, as many CMs as Market Makers and upon such terms and conditions and subject to such concessions and privileges and for such period as may be decided by them from time to time. The appointment of Market Makers shall be subject to termination even before the expiry of the period for which they are appointed without assigning any reason and without giving any notice therefor and such appointment is also subject to renewal after the expiry of the period for which they are initially appointed.
- Market Makers shall continuously quote both the buying and selling prices simultaneously for all the contracts being traded and the difference between the buying and selling quotes shall not exceed the limit imposed by the Board. They shall comply with all the terms and conditions of their appointment.
- (12) Deleted
- (13) Deleted

48. Transactions in Indian Cotton Contract for the delivery months which are permitted by the Forward Markets Commission and by the Board shall be entered into subject to the following provisions and/or restrictions :-
- i) No such contracts as aforesaid shall be entered into otherwise than subject to C.A.I. By-laws and in accordance with the terms/ conditions/ restrictions as provided in the By-laws and/or that may be fixed in that behalf by the Board.
 - ii) No one can enter into a contract or transaction unless he is entitled to do so under the By-laws of the Association.
 - iii) No one shall enter into a contract during such period when trading therein is suspended or prohibited under these By-laws or under the Forward Contracts (Regulation) Act, 1952.
 - iv) No one shall trade in any ICC on the due date after 1 p.m.
 - v) No one shall enter into a contract at prices higher or lower than the prices specified by the Board and/or by the Forward Markets Commission.
 - vi)
 - a) No CHEM and/or TM shall trade in Indian Cotton Contract for and on account of any Client who is not registered with the Association in accordance with the procedure laid down under these By-laws or whose registration is suspended or revoked by the Association.
 - b) Any one who is registered with the Clearing House of the Association is liable to be fined, suspended and/or his registration may be cancelled for any breach of the conditions of the registration on his part.
 - vii) The outstanding business in excess of the limit prescribed under these By-laws may be closed out in accordance with the terms of closure fixed by the Board. Besides, such infringement of the prescribed limit shall also be liable to penal and disciplinary action by the Vigilance Committee under the By-laws.
 - viii) Any member who infringes or attempts to infringe or who assists in any infringement or attempted infringement of this By-law shall be liable to fine/suspension and/or expulsion from membership of the Association.
- 49 (a) (i) Indian Cotton Contracts shall be traded by the CHEMs/TMs ONLY and cleared by the Clearing House in account of CHEMS ONLY.

- (ii) At the end of trading on each day, the Clearing House shall ascertain the outstanding open positions of each CHEM in his own account and in the accounts of his clients either as buyer or seller, maintain a list thereof and inform the CHEMs of their respective positions so ascertained.
 - (iii) The CHEMs shall be fully responsible for all commitments irrespective of default(s) on the part of their clients and/or other member(s) with whom they have dealing(s). Default of any CHEM or his clients shall not affect the rights and liabilities of others for their own contracts in any way. No CHEM shall fail to discharge his liabilities merely on the ground of default of his clients and/or other CHEMs.
- (b) Every CHEM/TM shall file with the Association an intimation in the prescribed form giving the name(s) of On-line user(s), who is/are authorised to enter into contract and transact business.
- (c) Members shall maintain a record of all their transactions in all Indian Cotton Contracts permitted by the Board separately for their own account as well as for their clients and shall keep books of accounts relating to the same for a period of 3 years in order to produce whenever required by the Board and/or by the Forward Markets Commission.
- Trading Hours** 50.A-
- (a) Trading in the Indian Cotton Contract (ICC) on trading days, other than Saturdays and half holidays shall take place between 11.30 a.m. and 3.30 p.m. ONLY and on Saturdays OR half holidays, between 11.30 a.m. and 2 p.m. ONLY. Except as expressly provided by these By-laws, no transaction in the Indian Cotton Contract shall be done during whole holidays or except during trading hours prescribed under the By-laws on the other days.
 - (b) Notwithstanding anything contained in clause (a) hereof trading in the Hedge Contract may be permitted during such Diwali Holidays and on the Union Budget Day during such hours, as the Board may from time to time prescribe.
 - (c) The Board shall have power from time to time to alter or regulate the timing mentioned in the foregoing clauses of this By-law.
 - (d) Deleted.
 - (e) Deleted.
 - (f) Deleted.
 - (g) Deleted.

- (h) No member shall enter into an Indian Cotton Contract (ICC) during such period when trading therein is suspended or prohibited under these By-laws or under the Forward Contracts (Regulation) Act, 1952 and during such period when on-line trading is not functioning for any reason whatsoever.
- (i) Deleted
- (j) No Indian Cotton Contract shall be entered into -
 - (i) between members who are not entitled to enter into such contract under the Articles of Association of the Association;
 - (ii) between a person who is not a member of the Association and a member who is not entitled to enter into such contract under the Articles of Association of the Association ;
and
 - (iii) between persons who are not members of the Association through a member of the Association who is not entitled to enter into such contract under the Articles of Association of the Association ;
- (k) Any Indian Cotton Contract entered into in the commodities for which the Association is granted recognition under the Forward Contracts (Regulation) Act, 1952, which at the date of the contract is in contravention of the provisions of any of the clauses (a), (h) and (j) of this By-law and By-laws 48, 76 and other relevant By-laws, shall be illegal under the provisions of section 15(3A) of the Forward Contracts (Regulation) Act, 1952.
- (l) Any Hedge Contract which contravenes any of the provisions of clauses (a) and (h) of this By-law shall be void.

Contracts out of hours not entitled to arbitration etc.

Notices

50B.- All notices, declarations, letters, Delivery Orders, Cheques, etc. shall be given and accepted between 10.00 a.m. and 5.00 p.m. on all working days, and between 10.00 a.m. and 1.00 p.m. on half working days except otherwise notified by the Board OR provided in these By-laws.

The Board shall have power to alter the timing under this By-law as and when required.

Holidays 50C.- (a) All public holidays declared as holidays by the Board shall be observed by members as whole holidays. All other days as shall from time to time be notified by the Board or the Chairman thereof, if the Board shall have delegated this power to him as it is hereby authorised to do, shall be observed by members as whole holidays or half holidays or as partial holidays between such hours as shall be prescribed in the notice. Only such days or hours shall be deemed to be whole holidays or half holidays or partial holidays for the purpose of these By-laws.

The Board may at any time notify that any Public Holiday, or any day previously notified as a whole holiday, or as a half holiday -

(i) shall not be a whole holiday or a half holiday as the case may be,

(ii) shall be a trading day and may fix trading hours.

Computation of time and exclusion of holidays

(b) All notices and declarations excepting tenders and delivery orders due on whole holidays shall be given not later than the hour required according to the By-laws on the next working day.

Arbitrations and appeals which fall due on Saturday shall be deemed to fall due on the following working day.

Payments due on whole holidays

(c) Payments which in the ordinary course would fall due on a whole holiday shall be due on the succeeding working day.

EMERGENCY BY-LAWS

Closing of market and/or rooms in emergencies

51.- Notwithstanding anything to the contrary contained in these By-laws, the President or in his absence the Vice- President may, in the event of an emergency, of which they shall be the sole judges, at their discretion, close the market and/or the Trading Ring on any day or days other than those above mentioned. In the exercise of their powers under this clause, the President / Vice President shall not close the market and/or the Trading Ring for more than two consecutive days including a trading day which after opening was closed partially under this clause. However, if in their opinion it becomes expedient to close the market and/or the Trading Ring for more than two consecutive days, they shall forthwith call a meeting of the Board of Directors, who shall, by a resolution passed by them and posted on the notice board, close the market and/or the Trading Ring for further three consecutive days. If however, the Board is of the opinion that it might be necessary to close the market and/or the Trading Ring

beyond the above period the Board shall forthwith upon giving a notice convene a general meeting of authorised representatives of the CHEMs to be held on the last day on which the market and/or the Trading Ring are so closed for the purpose of determining whether the market and/or the Trading Ring shall be further closed and if so for what length of time. The President of the Association and in his absence the Vice-President, whether they are the CHEMs or not shall preside over such general meetings. For the purpose of this meeting 75 per cent of the total CHEMs (a fraction being counted as an integer) shall form a quorum. Provided further that if within twenty minutes from the time appointed for the meeting a quorum is not present, the market and/or the Trading Ring shall remain closed on that day also and the meeting shall stand adjourned to the following day at an hour to be fixed by the person presiding and if at such adjourned meeting no quorum is present within twenty minutes of the time appointed those authorised representatives of the CHEMs who are present shall be a quorum and may transact the business for which the meeting was called. If it is decided at the meeting that it is expedient to extend the closure further, they shall close the market and/or the Trading Ring for such further period as may be decided at the meeting.

The Forward Markets Commission may, in any case where in its opinion an emergency exists and the Board recommends or if the Board has not taken any action contemplated by this clause, direct the closure of the market for a period not exceeding three consecutive days; and may, if the Forward Markets Commission is of the opinion that it is necessary so to do, direct the extension of closure for such further period not exceeding three days at a time as the Commission may think fit, so that the total period of closure shall not exceed fifteen days. It shall be obligatory for the Board to follow such direction of the Forward Markets Commission.

Any day or days on which the market and/or the rooms are closed on the happening of an emergency as aforesaid (and not on the occasion of a whole holiday/or of a half holiday duly notified under sub-clause (a) of By-law 50C) shall not affect the running of time under contracts nor the time in which notice for appeal or rejection must be given under these By-laws and the day or days on which the market and/or the rooms are so closed shall not be computed in the time allowed for survey/arbitration under By-laws 59 and 70.

**Special
Margin**

51A

- (1) (i) The outstanding business in the ICCs shall be subject to payment of special margin at such rate and/or at such price lines of the relative ICCs with such free limit/s for CHEMs and/or for their clients as may be prescribed by the Board with the approval of the Forward Markets Commission from time to time.

Provided that the Board for the purpose of margin under this By-law may with the concurrence of the Forward Markets Commission fix one or more price lines for each ICC and also one or more rates of margins payable at each such price line.

- (ii) Whenever special margins mentioned in the preceding clause are prescribed and become applicable, the Clearing House shall show the same in the accounts sheets sent to CHEMs.
- (iii) The special margins shall be payable by a CHEM on the gross open long and gross open short positions, of his own, as well as of his client's account, held at the end of the day. The amount of such margins due at the rate and on the positions as stated in this By-law shall be debited to the respective accounts of the concerned CHEMs by the Clearing Bank before the market opens on the immediately next working day. In no case, the CHEMs shall be permitted to offset their positions with those of their clients or between the positions of their clients for the purpose of paying their special margin money liabilities under this By-law.

- (2) The Clearing House shall notify the day on which the special margin becomes applicable.
- (3) No margin paid under this By-law shall carry any interest. As and when the outstanding purchases or sales, as the case may be, are liquidated or reduced, the margin money to that extent shall be refunded by the Clearing House.
- (4) Whenever the price of the relative ICC falls below or rises above the price lines referred to in this By-law, the margins paid shall be refunded only to the extent such margin becomes repayable at that price level.

If the closing rate rises above or falls below the price limits referred to above, every member shall repay margin on his gross total of outstanding purchases or outstanding sales as the case may be including the outstanding purchases or outstanding sales of his clients .

- (5) Notwithstanding anything to the contrary contained in this By-law, the margin, in the case of a tender, shall be refundable to the buyer and to the seller concerned immediately on receipt or allotment of the tender by the Clearing House.

- (6) A member shall not directly or indirectly enter into any arrangement or adopt any procedure for the purpose of evading or assisting in the evasion of the margin requirements prescribed under this or any other By-laws or notices issued thereunder.
- 51B.- (1) The Board shall have power to prescribe or alter the form and contents of any statement to be submitted under this By-law, as required.
- (2) The Board shall also have the power to require any member to produce by himself or his clerk any book or document in his possession, power or control in any way relating to any transactions which are shown in or alleged to have been omitted from any such statement.
- (3) A Member contravening or not complying with clauses (1) and (2) of By-law 51 A and clauses 1 and 2 of this By-law or submitting an incorrect statement or declaration under the said clauses, shall be liable to be dealt with under By-law 17. In the event of a member failing to pay the margin as required under this By-law, the member's all outstanding transactions in respect of all Hedge Contracts shall be closed out at such rates as may be fixed by them in that behalf and all such outstanding transactions of the member shall stand closed out as aforesaid and the margin, if any, then standing to his credit under this By-law shall be subject to a lien in respect of the transactions closed out as aforesaid.
- (4) Notwithstanding anything contained in foregoing provisions of these By-laws the Board with the approval of the Forward Markets Commission shall have power to make variations in respect of the system of payment of margin and/or the rate of margin prescribed under these By-laws.
- 51C.- (i) Notwithstanding anything contained in these By-laws, the Board may by a resolution passed by a majority of not less than seventy five per cent of the members present (a fraction being counted as an integer), the number of members present being not less than twelve and concurred in by the Forward Markets Commission prohibit trading during any day in Hedge and/or TSD Contracts in any delivery at a price higher or lower than the closing rate of the previous trading day or of such other trading day as may be decided by the Board, plus or minus such sum or sums as may be prescribed by the Board. Different sums may be prescribed and made applicable at different levels of the contract price. Any sum or sums so prescribed may, with the concurrence of the Forward Markets Commission be varied by the Board from time to time.
- (ii) The power specified in clause (i) above may be exercised by the Forward Markets Commission in any case where in the opinion of the Commission it is expedient so to do.

- Power of Forward Markets Commission to impose special margins on all types of Forward Contracts or any one of them.**
- 51 D Notwithstanding anything contained in these By-laws the Forward Markets Commission may, if the interest of the trade or public interest so requires, impose special margins on all types of Forward Contracts or on any one of them and by notice to the Chairman specify the rate thereof and the manner in which the said margin is to be collected and, in the case of margins imposed on any of the Forward Contract, the limit of the open position of members if any over which the said margin is leviable. The Forward Markets Commission may from time to time make such variations as may be necessary or desirable in respect of the system of payment and/or the amount of margin payable in respect of all types of Forward Contracts or on any one of them.
- Various Powers of the Board and/or Forward Markets Commission**
- 51 E Notwithstanding anything contained in these By-laws, the Board at any time by a resolution passed by a majority of not less than 75 per cent members of the Board present and voting (a fraction being counted as an integer), the number of members present being not less than 12 and/or the Forward Markets Commission may, by order if the interest of the trade or public interest so requires, limit the volume of trade of any individual member.
- 51 F (i) The Board may, from time to time, in any case where in its opinion it is expedient so to do, by a resolution passed by a majority of 75 per cent of the full strength of the Board (a fraction being counted as an integer) and concurred in by the Forward Markets Commission, withhold for a specified period or until further notice, the outward payment of settlement differences, in respect of transactions in any or all ICCs which are subject to settlement clearings for any delivery or deliveries to all those members whose Account Sheets in that delivery or deliveries, show a credit balance.
- (ii) The powers specified in Clause (i) above may be exercised by the Forward Markets Commission in any case where in the opinion of the Commission it is expedient so to do.
- 51 G (i) The Board may from time to time by a resolution passed by itself and concurred in by the Forward Markets Commission fix such limit or limits upon daily trading by CHEMs/TMs or by their clients or upon the open position of CHEMs/TMs or controlled by CHEMs/TMs or upon the open position of their clients or controlled by their clients in respect of hedge contracts for any delivery or deliveries as the Board may consider necessary or desirable.
- (ii) The powers specified in clause (i) above may be exercised by the Forward Markets Commission in any case where in the opinion of the Commission it is expedient in the interest of trade so to do.
- (iii) Any limit or limits fixed under this By-law shall be applicable to all the transactions in hedge contracts in which trading is permitted under these By-laws.

52.- Notwithstanding anything to the contrary contained in these By-laws if the President, or in his absence the Vice President, is of the opinion, of which he shall be the sole judge, that an emergency has arisen or exists, he may prohibit any trading in the ICCs for any delivery or deliveries, at such rate or rates above a maximum or below a minimum as he may deem proper for a period of one day including the day during which trading after opening was prohibited under this By-law.

Provided, however, that if the President or in his absence the Vice President deems it expedient to extend the prohibition of trading mentioned above, he shall call a meeting of the Board of Directors who shall by a resolution passed by them to that effect by a majority of not less than seventy five per cent of the Directors present (a fraction being counted as an integer) prohibit all or any trading in the ICCs of any delivery or deliveries at such rate or rates as may be mentioned in the resolution for a period not exceeding 3 consecutive days including the day during which trading after opening was prohibited.

Provided further that if in their opinion the Board deem it expedient to extend the above prohibition for a further period, they shall call a meeting of the authorised representatives of the CHEMs and by a resolution passed at the said meeting by a majority of not less than 75 per cent of the representatives present (a fraction being counted as an integer), and with the concurrence of the Forward Markets Commission extend the prohibition of trading mentioned above for such further period and at such rate or rates as may be mentioned in the resolution.

The Board may, however, permit squaring up of such open position as may be outstanding in any delivery or deliveries of such contracts at the time such prohibition is imposed.

The powers specified in this By-law may in any case be exercised by the Forward Markets Commission where in the opinion of the Commission an emergency has arisen or exists and no action as contemplated above has been taken by the President/Vice President or Board of Directors.

52 A (i) If the Board, at a meeting specially convened in this behalf, resolve that a state of emergency exists or is imminent such as shall in the opinion of the Board, make free trading in any ICC for any delivery or deliveries, extremely difficult, the Board shall so inform the Forward Markets Commission, and upon the Forward Markets Commission intimating to the Board its agreement with such resolution, then notwithstanding anything to the contrary contained in these By-laws or in any ICC made subject to these By-laws, every ICC for any delivery or deliveries entered into and/or any outstanding contract on the date notified for any delivery or deliveries under these By-laws shall be deemed closed out at the rate(s) appropriate to such contracts fixed by the Board as it thinks fit.

- (ii) All differences arising out of every such contract between CHEMs shall be paid through the Clearing House on the next working day of closing out of the contract and the Clearing House By-laws shall apply accordingly.
- (iii) Deleted
- (iv) Deleted
- 52AA (1) Deleted.
- (2) Deleted.
- (3) Deleted.
- 52 B (I) If the Board shall receive a representation signed by at least 25% of the total authorised representatives of the CHEMs entitled to attend and vote at a meeting that -
 - (a) a squeeze or corner, or
 - (b) a bear raid or crisis,exists, the Board shall consider the same at a meeting convened for the purpose within three working days next after the receipt of such representation, for the purpose of deciding whether such emergency exists. Whether or not any such representation shall have been received, it shall be competent to the Board on their own initiative to consider at any time whether any such emergency exists. In either case a resolution that such an emergency exists shall not be deemed to have been passed by the Board unless it is passed by a majority of not less than 75 per cent of the Directors present (a fraction being counted as an integer) and unless at least twelve Directors shall have attended such meeting. No such resolution, however, shall have any effect until the same shall have been communicated to the Forward Markets Commission and the Forward Markets Commission shall have intimated to the Board its agreement with such resolution.
- (II) Notwithstanding anything contained in clause (I) above, if the Secretary shall receive a representation signed by at least 50% of the total authorised representatives entitled to attend and vote at a meeting of the CHEMs that-
 - (a) a squeeze or corner, or
 - (b) a bear raid or a crisis,

exists, the Chairman shall cause a ballot of the authorised representatives of CHEMs entitled to attend and vote at a general meeting to be taken on such representation within three working days from the date of receipt of such requisition by the Secretary. The Chairman shall fix the time, place, and manner in which such ballot shall be taken. A resolution for declaration of such emergency shall not be deemed to have been passed unless at least 75% of the total authorised representatives entitled to attend and vote at a meeting of the CHEMs shall have balloted on the resolution and unless at least two-thirds of the votes recorded are in favour of the resolution. No such resolution declaring that such an emergency exists shall however have any effect unless the same shall have been forwarded by the Board along with their views thereon to the Forward Markets Commission and the Forward Markets Commission shall have intimated its agreement with such resolution.

- (III) If a resolution is passed as aforesaid declaring that such an emergency exists and the Forward Markets Commission intimates its agreement with the same as aforesaid, the Board shall, thereupon from day to day until such emergency is deemed at an end in manner hereinafter provided, and in place of any Committee otherwise competent to do so, fix spot rates according to the provisions contained in clause (2) of By-law 31 and in the case of emergency being declared or continued during a delivery period, the tendering differences shall be fixed according to the provisions contained in By-law 55.
- (IV) If the resolution of the Board under Clause (I) hereof or the resolution passed under Clause (II) hereof declares that a squeeze or corner exists and the Forward Markets Commission intimates its agreement to the same as aforesaid, then, until such emergency shall be deemed at an end in manner hereinafter provided -
 - a) if the cotton tendered is other than basis cotton then the premiums and discounts as well as "on" and "off" allowances shall be subject to a weightage of 12.5 per cent (i.e. , more by 12.5 per cent) ;
 - b) the provisions of By-law 61 (4) (d) in so far as it relates to penalty on rejection shall stand suspended ;
 - c) By-law 64 in so far as it relates to penalty for failure to tender shall stand suspended.
- (V) If the resolution of the Board under Clause (I) hereof or the resolution passed under clause (II) hereof declares that a bear raid or crisis exists and the Forward Markets Commission intimates its agreement to the same as aforesaid, then, until such emergency shall be deemed at an end in manner hereinafter provided -
 - (i) If the cotton tendered is other than basis cotton then the premiums and discounts as well as "on" and "off" allowances shall be subject to a weightage of 12.5 per cent (i.e. less by 12.5 per cent.) ;

- (ii) the penalty for rejection under By-law 61 (4) (d) shall be increased to two and half percent of the Delivery Order Rate ;
- (iii) the penalty for failure to tender under By-law 64 shall be increased to two per cent of the Delivery Order Rate.
- (VI) The tendering differences fixed by the Board pursuant to clause (III) hereof, shall, in respect of all tenders against ICC made on such tender day, be those of the preceding working day.

If owing to any emergency under this By-law tendering differences have not been fixed pursuant to By-law 55, and such emergency is deemed at an end in manner hereinafter provided during the currency of a delivery month, the Board shall have power to fix tendering differences for all tenders subsequent to the said declaration for the remainder of such delivery month.

- (VII) A resolution of the Board under clause(I) hereof or the resolution declaring an emergency passed under clause (III) hereof agreed to by the Forward Markets Commission as aforesaid shall be deemed to have come to an end as follows :-
 - (a) If the resolution declaring the emergency shall have been passed during a non-delivery period, on the Board passing by a simple majority at least seven days after the date on which the emergency came into force, a resolution declaring such emergency to be at an end and on the Commission intimating its agreement to the same.
 - (b) If the resolution declaring the emergency shall have been passed during a delivery period, or if the resolution shall have been passed during a non-delivery period and shall not have come to an end under sub-clause (a) hereof on the first Tender Day, then the emergency shall continue to be operative throughout the delivery period and shall come to an end automatically on the due date of the delivery period.

Emergency Clearing

52C.- Deleted.

➤ **PARTICULARS OF INDIAN COTTON CONTRACT**

53 (1) For the purpose of hedging, there shall be one Hedge Contract styled "The Indian Cotton Contract **(ICC)**".

Basis of ICC

(2) The basis of the Indian Cotton Contract shall be Roller Ginned 26mm (based on 2.5% span length) Cotton, having Grade Fine, micronaire in the range of 3.7 to 4.3 (both inclusive) and strength 20.00 gms per tex (in stelo level 1/8" gauge).

**Unit of trading and
unit of tender**

- (3) (a) Unit of trading shall be of 11 bales, while the unit of tender shall be of 55 bales only.
- (b) All outstanding contracts for sale and/or purchase of less than 5 units in every maturing contract must be compulsorily squared off before closure of the market, on the last trading day before commencement of the tendering period, otherwise all such outstanding contracts shall be automatically closed at the settlement price on that day.
- (c) The net open position held by each CHEM in his own account and/or in the account of each of his clients separately, at the closure of trading on the last trading day before commencement of the tendering period, in every maturing contract, shall be of 5 or in multiples of 5 units. If not, the CH shall compulsorily square off the extra units (i.e. what is more than 5 or maximum multiples of 5) at the settlement rate of that day, so as to bring the net open position of each participant in 5 or multiples of 5 units.
- (d) Subsequent to squaring off as stated above in case there is an imbalance between total long and total short open position held by CHEMs in their own account and/or in the account of their clients separately (in 5 or in multiples of 5 units), the CH shall square off, through its computer system on random basis, such excess open position(s), creating imbalance, at the settlement rate of that day.
- (e) During the tendering period, fresh trading in the maturing contract shall be allowed in units of 5 and/or in multiples of 5 ONLY."

➤ **Fair
Tender**

- (4) Any Indian Cotton including Saw Ginned (S.G.) shall be tenderable. The following shall be the Fair Tender
- (a) 2 mm 'ON' or 1 mm 'OFF' in staple (i.e. upto 28 mm or 25 mm with premium or discount as the case may be, except in the case of 28 mm cotton in which case the premium shall be payable upto 27 mm only);
- (b) Two classes 'ON' or one class 'OFF' in grade (i.e. upto Extra Super Fine or Fully Good in grade);
- (c) 0.2 higher than the maximum or 0.2 lower than the minimum of the basis micronaire limits (i.e. upto 3.5 or 4.5) both with discount;
- (d) G.per tex below 20 but not below 19 with discount.

All premium and discounts including difference, if any, between Roller Ginned and Saw Ginned Cotton, shall be fixed under By-law 55.

- (5) The Cotton not conforming with the specifications of a Fair Tender laid down in the preceding clause shall be rejected. Cotton having staple length less than 25 mm but not less than 24 mm or more than 28 mm but not more than 29 mm; the standard being below Fully Good but not below Good to Fully Good; the micronaire being less than 3.5 but not less than 3.4 or above 4.5 but not above 4.6 or the strength being less than 19 but not less than 18.5 g/tex shall be rejected without penalty.

However, the Cotton having staple length below 24 mm or above 29 mm; Grade below Good to Fully Good; or the strength being less than 18.5 g/tex shall be rejected with penalty as laid down in By-law 61.

The above provisions are summarized in the following table:

Description	Staple length (mm)	Grade	Micronaire	Strength (gms./tex)
Basis	26	Fine	3.7 to 4.3	20
Fair Tender (with premium/discount)	25 to 27	Extra Super Fine to Fully Good	3.5 to 4.5	19
Fair Tender (without premium)	Above 27 up to 28	---	---	20 and above
Not A Fair Tender (without penalty)	Below 25 up to 24 or above 28 but not above 29	Below Fully Good but not below Good to Fully Good	Less than 3.5 but not less than 3.4 or above 4.5 but not above 4.6	Less than 19 but not less than 18.5
Not A Fair Tender (with penalty)	Below 24 or above 29	Good	Less than 3.4 or more than 4.6	Less than 18.5

- (6) The standard samples for all grades as required for contracts under this By-law shall be prepared as provided in By-law 128 and necessary arrangements shall be made for testing of grade, staple length, micronaire and gms/tex strength as per By-law 36(1) under the supervision of Sworn Surveyors.

Price Quotation

- (7) Price quotations in Hedge Contract shall be in Rupees per quintal, F.O.R. Mumbai, tenderable at any station mentioned in By-law 54 B, spot delivery term (inclusive of entry tax or other local levies, if any, but exclusive of Sales and/or Purchase tax or C.S.T. as applicable in respective state at the time of delivery and/or freight-difference as fixed under By-law 55).

Delivery Months

- (8) Months of delivery shall be December, February, April, June and September. Upto three contracts may be permitted for trading simultaneously. The date of commencement of each of the above contract shall be as follows:

<u>Delivery Month</u>	<u>Date of commencement</u>
December	1 st May
February	1 st July
April	1 st October
June	1 st January
September	1 st March

- (9) Delivery Period shall be from the 16th to the last working day of the delivery month.
- Conditions of Valid Tender** 54 (a) Against the Indian Cotton Contract, cotton grown, ginned and pressed in India shall constitute a fair tender provided that
- (i) each unit of 55 bales tendered are pressed in one and the same factory and should be of the same quality.
 - (ii) Deleted
 - (iii) the provisions of clause (a) of By-law 86 are fully complied with and all the bales which may be in the possession of the tenderer or his pledgee or bailee or appointee are in one godown.
 - (iv) the staple length is not less than 25 and not more than 28mm, the grade is not lower than fully good, the micronaire is not less than 3.5 or not more than 4.5 and g/tex is not below 19 in stelo level 1/8" gauge.
- On failure to fulfil any one of these conditions, a tender shall be held to be "not a fair tender" and will be liable to the consequences provided under these By-laws.
- (b) In the event of any bale in a tender being unmarked or wrongly marked or bearing marks not sufficiently clear to locate the origin of such bales, a certificate from the factory to the effect that those bales in the lot were pressed in the factory if produced by the seller, shall be proof of the Press Marks on the bales and the buyer shall be bound to take delivery of such bale/s or the lot. If no such certificate is produced by the seller, such bale/s may be rejected by the buyer and invoiced back at the spot rate of the basis cotton fixed for the day following the date of such rejection. In case of disagreement and resort to arbitration under By-law 38, the cotton may be rejected by the buyer and invoiced back at such rate as may be fixed by the arbitrators or umpire and in case of appeal, by the Board. The buyer shall also be entitled to a fixed penalty of Rs.500/- for the whole lot of 55 bales tendered with marks not sufficiently clear to locate the origin of such bales, irrespective of the number of bales so rejected.
- (c) In the event of bales not fully covered by hessian on all six sides, pressing charges at the rate of Rs.20/- per bale shall be payable by the seller to the buyer. However, a gap of about 1" between two parts of the hessian covering or some bales opened for sampling not being fully covered shall not entitle the buyers for such pressing charges.
- 54A Minimum or Maximum weight of each lot or bales shall be as fixed by the Board from time to time, under the law.
- Tenderable Places** 54B (1) The seller may tender or retender cotton against ICC in the State, where the bales have been pressed, at the following places only:

State	Places of tenders/retenders	
Maharashtra	I.	Akola
	II.	Nagpur
	III.	Yavatmal
	IV.	Jalgaon (Khandesh)
	V.	Jalna
	VI.	Aurangabad
Gujarat	I.	Surendranagar
	II.	Manavadar
	III.	Kadi
	IV.	Rajkot
	V.	Baroda
	VI.	Bodeli
	VII.	Anjar
	VIII.	Idar
Andhra Pradesh	I.	Adilabad
	II.	Warangal
	III.	Guntur
	IV.	Adoni
Tamilnadu	I.	Coimbatore
	II.	Madurai
Karnataka	I.	Hubli
	II.	Raichur
Punjab	I.	Bhatinda
	II.	Abohar
	III.	Muktsar
Haryana	I.	Fatehabad
	II.	Hissar
Rajasthan	I.	Sri Ganganagar
	II.	Hanumangarh
	III.	Beawar
Madhya Pradesh	I.	Indore
	II.	Sendhwa
	III.	Khandwa
	IV.	Burhanpur

However, the Board may at the time of permitting any contract notify the places, where the cotton may be additionally tendered or cannot be tendered for any reason whatsoever and such decision shall not be with less than 3/4th majority of the Board, present and voting.

The seller may also tender/retender cotton at Mumbai (including Navi Mumbai), Ahmedabad, Coimbatore and Madurai, but he shall be entitled to claim nothing more than Delivery Order Rate plus or minus tendering differences plus sales tax/purchase tax/central sales tax as applicable in the State where it is tendered.

However, if the seller elects to tender cotton at any place other than Mumbai, he shall be required to deduct freight from the tendering place to Mumbai as fixed by the Committee constituted under By-law 55 from time to time and give invoice on SPOT DELIVERY basis.

The seller shall specify in the Delivery Order form, submitted by him under Bye-law 151, at which place he elects to tender cotton giving the details of godown, its location and full address.

Provided further that in case the lot, which has been received in tender, is re-tendered, such lot can be tendered at any of the above mentioned places only in their respective States or in any of the four stations, as mentioned herein above.

- (2) The cotton to be delivered upcountry shall be protected and stored in a godown by the seller or his appointee and all facilities for sampling shall be afforded by the seller or his appointee to the buyer or his appointee.
- (3) In the event of the buyer naming an appointee who is a registered and/or licenced dealer in the State concerned, the seller or his appointee shall be obliged to deliver cotton to the buyer's appointee. In the same way, where the seller names an appointee, who is a registered and/or a licenced dealer in the State concerned, the buyer or his appointee shall be obliged to take delivery of the cotton tendered from the seller's appointee.
- (4) Soon after his appointment under By-law 60A, the Controller shall give due notice to both the buyer and the seller fixing the date and time for drawing the samples and weighing the bales.

**Simultaneous
Weighing and
Sampling**

Samples for quality survey from bales tendered upcountry shall be drawn by the Controllers in accordance with the provisions of By-law 60A, within seven days (or such further time as may be granted by the Board or the Chairman thereof, if the Board shall have delegated power to him as it is hereby authorised to do so) from the date of receipt of the controlling order by the Controller. Such samples shall be promptly sealed by the Controller and thereafter shall be despatched by him to the Association by Speed Post or air or railway parcel or by Angadia (Courier) or by any Motor Transport Carrier as required by the seller, not later than the third working day following the day upon which the samples were drawn. It will however be the responsibility of the Controller to see that the samples reach the Association, howsoever sent.

At the time of sampling itself, the Controller shall, in the presence of the buyer and the seller, if both are present pursuant to the notice or in the presence of either of them or their nominees simultaneously arrange for and complete the weighment of the entire quantity of the concerned delivery order within the period as stated above. Such weighment shall be subject to By-law 54(b). However, the Controller shall not draw the samples and weigh the bales, if the cotton tendered is found to be false or fraudulently packed or watered or water patched or containing extraneous matters.

Also, the Controller shall perform all his duties mentioned in this By-law in the presence of both the buyer and the seller, if both are present or their nominees. He shall also arrange for marking of all the bales.

Provided that despite receipt of the notice from the Controller, the buyer and/or the seller or their nominees fail to remain present at the appointed date and time indicated in the notice the Controller shall draw samples, weigh the bales and mark the bales exparte after the expiry of one hour from the appointment time. He shall also complete all other procedures such as sealing and despatching the samples as mentioned in this By-law.

Note : Provisions of By-law 60A may also be read with.

- (5) Necessary Testing in the Laboratory as provided in By-law 36 shall be arranged by the Association as soon as possible after receipt of the samples.
- (6) After receiving the final test results, the seller or his appointee shall give invoice as required, in duplicate in the name of the buyer or his appointee whosoever takes the delivery within 48 hours and the said invoice shall include the amount of Sales Tax/Purchase Tax/Central Sales Tax, as applicable in the State concerned, subject to the provisions in By-law 99A.
- (7) The buyer to whom Delivery Order has been assigned by the Clearing House or his appointee, who takes the delivery on his behalf shall make payment to the seller or his appointee, who effects delivery, of the full invoice value within three working days after the receipt of the invoice, by a banker's cheque/ pay-order/ pay-slip/ demand draft (at buyer's cost) of any Nationalised or Scheduled Bank (drawn on the branch as mentioned in the Delivery Order or as required by the seller or his appointee in writing at the time of delivery).

In the event of the seller opting for payment to be made to his appointee, he shall give an undertaking in the tender form inter alia mentioning therein that in case the delivery is not affected after the payment for any reason whatsoever, he shall be fully responsible in all respect. If such undertaking is not given in the tender form, the buyer shall make payment in favour of the seller and not to his appointee.

The property in the contracted goods will pass to the buyer only on his making payment as aforesaid and when such payment is made, the seller or his appointee shall issue the warehouse receipt/ transfer chithi/ gate pass for the bales concerned. The seller or his appointee shall thereafter hold the bales concerned in trust and shall deliver the same to the buyer or his appointee immediately when called upon to do so.

The buyer or his appointee, in addition to making the payments as aforesaid, shall also be liable to give the necessary declaration or required form under the Sales tax/Purchase Tax/Central Sales Tax/Act /Rules, if any, and in case he is unable to do so he shall pay to or deposit with the seller or his appointee the amount of tax payable for want of such declaration or form under the Sales Tax/ Purchase Tax/ Central Sales Tax/Rules of the State concerned.

- (8) If the buyer or his appointee shall have weighed over and paid for the cotton, the seller or his appointee shall, at the buyer's or his appointee's request and at his (buyer's) risk, provide storage facilities, free of rent, for a period upto seven days. The buyer or his appointee may put/affix his name plate on the bales or near about the bales and the seller or his appointee shall also arrange to give a Gate Pass or Transfer Letter or Warehouse Receipt in favour of the buyer or his appointee when so required.
- (9) If the bales concerned are re-stored after payment, the buyer or his appointee will be liable for payment of the storing charges as provided in clause (8) above as also for actual labour charges, if any, incurred for piling and unpling of the bales and the delivery of the bales shall be given on payment thereof.

**Tendering
Differences**

- 55.- (i) For the purpose of fixing tendering differences, the Board shall appoint a Special Committee consisting of seven persons actively connected with Spot Market and representatives of all Panels, preferably. Five members of the Special Committee shall form a quorum and in the event of a quorum not being available, the Chairman or in his absence the Vice-chairman of the Board shall appoint any person or persons well conversant with the spot rates to enable a quorum to be formed. In the event of any member of the Special Committee being granted leave, the Board shall appoint any person well conversant with the spot rates to fill the vacancy during the absence of such member on leave.
- (ii) (a) The tendering differences fixed by the Special Committee shall be subject to a right of appeal to the Board on payment of an appeal fee of Rs.2,500/- or such amount as may be fixed by the Board from time to time provided the appeal is lodged with the Secretary within two working days from the date of the notification of the tendering differences so fixed. If the Board in such appeal shall modify any such difference and if in their opinion such modification necessitates consequential modification of any other differences fixed by the Special Committee they shall have power to do so notwithstanding that no appeal against any such other differences has been preferred to them.
- (b) All appeal fees payable under this By-law shall be credited to the funds of the Association. In the event of an appeal being successful one half of the fee shall be refunded.
- (iii) The tendering differences fixed by the Special Committee subject to any modification in any appeal made by the Board, shall be applicable for all tenders of cotton against the Hedge Contract during the delivery month/s concerned, and shall remain unaltered throughout the delivery period/s concerned.

- (iv) The Special Committee and in the case of appeal, the Board shall fix the tendering differences that is premia or discounts, for all descriptions of cotton tenderable other than the basis cotton between first and seventh day of each delivery month (i.e. between first and seventh February, if the delivery month is February) as follows:
- (a) 'ON' and/or 'OFF' allowances for Grades.
 - (b) 'ON' and/or 'OFF' allowances for staple lengths.
 - (c) 'OFF' allowances for micronaire values, for upto 0.3 higher than the maximum or upto 0.3 lower than the minimum of the basis micronaire limits, as specified in By-law 53.
 - (d) Difference, if any, between Roller Ginned and Saw Ginned Cotton.
- (v) The Special Committee shall fix freight difference for each tendering place latest by the fifteenth April each year on the basis of the railway freight as and when there is any change and round off the same to the nearest five Rupees. The freight difference so fixed shall be made applicable to all the deliveries to be notified for trading on and from the 1st May.

55A.- Deleted.

56.- Notwithstanding the provisions contained in any other By-law, a party, desirous of tendering cotton against ICC and/or for any other purpose, may opt to get cotton pre-surveyed as per the procedure laid down by the Association.

The cotton proposed to be pre-surveyed is required to be stored only in a Government Warehouse (Central/State) before making an application to Association for pre-survey.

On receipt of an application for pre-survey, the Association will appoint a Controller, who will draw samples from the lots in the presence of the in-charge of godown in which the cotton is stored.

The Controller will open 5 out of 55 bales at random i.e. in the order of one bale from every 10 bales (diaca). For despatch of samples so drawn, the controller shall follow the procedure laid down in the By-laws of the Association.

The samples will be tested/ surveyed by the Association in accordance with the provisions of the by-laws of the Association and a certificate will be issued mentioning therein the required details (such as press mark, press running number, etc. with the quality parameters).

The test certificate so issued will be valid for a period of 6 months.

The cotton so certified, when tendered against trading in ICC, will be a valid tender, if the descriptions mentioned in the certificate conform with those provided under the By-laws of the Association and fall within the tenderable limits. No appeal shall lie against the test results mentioned in the certificate issued for pre-surveyed cotton.

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57. All surveys and appeals regarding quality under By-law 36 shall be subject to "ON" or "OFF" allowances as per the final test results for staple length, grade and micronaire which shall be added or subtracted for the net result.
58. All Cotton tendered against ICC shall be subject to Laboratory Test compulsorily. For determination of grade, the cotton tendered may be referred to the Sworn Surveyors of the Association in case such mechanical test is not possible in the Laboratory.
- Period of sampling and weighment at Mumbai**
59. (a) The samples (if any) of cotton tendered against a Hedge Contract at Mumbai must be drawn not later than two working days after the delivery order is received by the buyer and weighment shall also be done simultaneously.
- (b) In respect of tenders made at places other than Mumbai, the provisions of By-law 54B(4) and By-law 54B(5) shall apply.
- (c) Deleted.
- (d) The Board or the Chairman thereof, if the Board shall have delegated this power to him as it is hereby authorised to do may, for special reasons, to be recorded in writing, extend the time for drawing the necessary samples in the case of any delivery order/s notwithstanding that the time allowed under the By-laws may have expired.
60. (a) In case no sample is drawn and the bales are not weighed due to refusal or neglect of the seller, the Controller shall promptly inform the Clearing House about such refusal or neglect. Upon receipt of such information the Association shall immediately give notice about such refusal or neglect to the buyer and endorse a copy thereof to the seller as well. Upon receipt of such endorsement the concerned buyer shall close out the contract by invoicing back at the spot rate applicable on the 8th day of the Delivery Order Date and he shall also be entitled for penalty @3% of the Delivery Order Rate.
- (b) In the event of default by both the buyer and the seller, a penalty @ 3% of the Delivery Order Rate shall be imposed by the Board on both the buyer and the seller. The Penalty so imposed shall be credited to the funds of the Association.
- (c) In case of any failure to give delivery by the seller or to take delivery by the buyer after the final test result, the contract shall be closed by invoicing back with penalty, which shall be @ 6% of the Delivery Order Rate. For the purpose of invoicing back, the spot rate applicable shall be the rate prevailing as on the next day of the date of final test result.
- Certification of cotton**
- 60A (1) An authorised Controller shall be appointed by the Association for drawing of samples and for submission for survey. His name shall be intimated to the parties while forwarding the Delivery Order to the buyer and while intimating the name of the buyer to the seller.

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Samples for Survey are to be drawn from two bales from the lot of 55 bales and of these two bales, one will be selected by the buyer or his representative and the other by the Controller. However, in the case of exparte sampling under By-law 54B (4), if the buyer or his nominee fails to remain present at the appointed date and time fixed for the purpose, both the bales will be selected by the Controller. The bales so selected shall be opened by the Controller, who may open outright one bale of his choice from such two bales selected for drawing samples. All samples so drawn shall be used for determining the question of quality.

Note : Also refer to provisions of By-law 54B (4).

- (2) A certificate on the prescribed form shall be issued immediately by the Secretary to the Buyer for all lots tendered against ICC, mentioning the final test results in respect of staple length, grade and Micronaire, if passed in the final test.
- (3) If the Press Running Numbers on the bales are not clearly visible, the Controllers shall verify from the stock register whether such bales are of the same lot and then stamp the bales.
- (4) In the event of any bale in a tender for certification being unmarked or wrongly marked or bearing marks not sufficiently clear to locate the origin of such bales and therefore not bearing the Special Mark allotted to the factory, the seller shall obtain a certificate from the factory, to the effect that those bales were pressed in the factory and specifying the press marks of the bales so pressed in the factory. On production of such certificate from the factory, the lot shall be stamped by the Controller.
- (4A) Deleted.
- (5) If in a tender there are burst bales excluding the stamped bales, the provisions of By-law 96 shall apply.
- (6) Deleted.
- (7) Deleted.
- (8) Notwithstanding anything to the contrary contained in By-laws 36, 37 and 59 if the same certified bales are tendered again against the Hedge Contract, the Buyer shall be bound to weigh over the same without any re-testing, within 7 days from the date of re-tender **provided** they bear the Press Marks, Press Running Numbers, the Controller's stamp and any other marks which shall tally with the particulars mentioned in the Certificate or in case of unmarked or wrongly marked bale or bales bearing marks not sufficiently clear to locate the origin of such bales, a certificate from the factory is produced by the seller as mentioned in clause (4) hereof.
- (9) (a) The Cotton certified as above shall be re-tenderable in the Hedge Contract for delivery at any place mentioned in By-law 54B(1). Such re-tendered bales shall be weighed over by the buyer within 7 days from the date of re-tender and the payment thereof shall be made within 3 working days from the date of the receipt of the invoice.

(b) In the case of re-tendered bales, no objection or dispute under By-law 36(2) in so far as it relates to false or fraudulently packed or water patched cotton can be raised by the buyers before taking delivery of the re-tendered bales. The buyers shall however be entitled to raise dispute, if any under By-law 36(2) after taking delivery of the cotton bales as provided under By-law 111.

(10) The Controller's fees, including forwarding and incidental charges shall be fixed by the Board in the beginning of the season and shall be borne by the parties equally.

What constitutes not a fair tender and its consequences

61.-

(1) Cottons will be considered "not a fair tender", if it does not meet the requirements of By-law 54(a) and/or the cotton tendered is found to be false or fraudulently packed or watered or waterpatched cotton or containing extraneous matters, in each of which cases the tender shall be held to be "not a fair tender" and the cotton so tendered shall be deemed to be rejected, and the buyer shall invoice it back at the spot rate applicable as per provisions of By-law 61(A) for the day following that on which the final award is given under By-law 36, or in case of arbitrations at such Rate as may be fixed by the arbitrators or umpires and in case of appeal by the Board. Such tenders, subject to exception of cotton mentioned under clause 4 of this By law, shall also be liable for a penalty @4% of the Delivery Order Rate, which the buyer shall receive from the seller.

(2) In survey for quality, the certificate shall state the full test results.

Tender which buyer is bound to take

(3) If by the final test results the cotton tendered is

➤ not below "Fully Good" in grade and

➤ not less upto 1mm or not more upto 2mm than the basis staple length and

➤ not less upto 0.2 than the minimum or not more upto 0.2 than the maximum limits of the micronaire range and

➤ not less than 19.00 gms/tex in strength,

the buyer shall be bound to take the cotton tendered, but in the event of the staple being 28 mm, the premium payable shall be of 1 mm only.

Tender with Marginal Difference in quality

(4) If by the final test results, the cotton is declared "not a fair tender" and -

a) the awarded class/grade is below fully good but not below good to fully good,

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- b) the staple length of the cotton tendered is less than 25 mm but not less than 24 mm, or is more than 28mm but not more than 29mm,
- c) the micronaire of the cotton tendered is higher than 4.5 but not higher than 4.6 or lower than 3.5 but not lower than 3.4 limits of the micronaire range.
- d) Cotton is having strength less than 19 gms/tex but not less than 18.5 gms/tex,

in any of the above cases

the **buyer** shall

reject the cotton in which case he shall invoice back at the spot rate applicable as per provision of By-law 61A for the day following the date of such test results and no penalty can be claimed.

- (5) Deleted.
- (6) Deleted.
- (7) Deleted
- (8) Deleted.
- (9) Buying on account in Hedge Contracts shall not be permitted except otherwise specifically provided in any other By-laws.
- (10) The expression final test results for the purposes of this By-law means the results declared after laboratory test and assessment of grade by the Sworn Surveyor if there is no appeal or the test results on appeal if there is an appeal.

- 61A. (a) The rate for invoicing back cotton shall be the spot rate of the basis cotton fixed and registered for that day under By-law 31, and for the due date under By-law 32.
- (b) The rate applicable for invoicing back cotton shall be the spot rate of cotton on the date of the default and the same shall also be applicable on subsequent days except as specifically provided in the By-laws.
- (c) The party responsible for any default or failure shall not in any event be allowed to gain in invoicing back under these By-laws. Besides, penalty as provided under the By-laws, shall be payable by the defaulting party.

62. No withdrawal of any tender under a Hedge Contract shall be allowed.
- Notice of appeal to other parties in Hedge Contracts** 63.- As soon as practicable after the latest hour fixed for the lodging of appeals under By-law 36 and 37 the Secretary shall cause to be posted on the notice board of the Association a list of all appeals received and this list shall be deemed to be sufficient notice to the opposite party of the lodging of the appeal.
- Failure to tender** 64.- (i) If a seller fails to tender a delivery order for cotton sold, the buyer shall invoice it back to the seller at the Due Date Rate and he shall also receive a penalty @2% of the Due Date Rate through the Clearing House. However in case the difference on such invoicing back is in favour of the seller, the seller will not be entitled to receive any amount from the buyer. The seller would in all cases have to pay a penalty of 2% of the Due Date Rate, to the buyer.
- If the buyer refuses to accept or returns the delivery order, the seller shall invoice it back at the Due Date Rate and he shall also receive a penalty @2% of Due Date Rate through the Clearing House. However, in case the difference on invoicing back is in favour of the buyer, the buyer will not be entitled to receive any amount from the seller. The buyer would in any case have to pay penalty of 2% of the Due Date Rate to the seller.
- (ii) If the cotton or any portion of it for which a delivery order has been passed is not then actually ready for delivery at the place notified therefor under By-law 151, the buyer shall invoice it back to the seller at the rate applicable, as per provisions of By-law 61A (b) , for the day on which failure to deliver occurred or the absence of cotton is discovered, or in the event of a dispute, of the day following the decision thereof, and in the event of an appeal to the Board such rate as may be fixed by the Board in deciding the appeal. The Buyer shall also be entitled to receive a penalty @ 3% of the Delivery Order Rate.
- 65.- Deleted.
- 65A.- Deleted.

BY LAWS RELATING SPECIALLY TO DELIVERY CONTRACTS

Classes of Delivery Contracts

66.- (A) (a) Delivery contracts between members or between a member and a non-member, for Indian Cotton made or entered into in Greater Bombay, shall be subject to these By-laws and shall be either at fixed prices or on "On call" prices in respect of the following:-

- (1) Private types or on sample or on sampled bales of any description of cotton;
- (2) Subject to sub-clause (b) below, descriptions of cotton not included in the Schedule appended to clause (4) below;
- (3) All descriptions of cotton specified in column (2) of the Hedge Schedule; provided that out of the descriptions of cotton specified in column (2) of the Hedge Schedule the Board shall have power in permitting trading in new crop

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contracts under By-law 47(2) to declare the description of cotton which shall be subject to Settlement Clearing as provided in these By-laws and from time to time; to permit trading in Delivery Contracts for such declared specified descriptions of specific class and staple which shall be subject to Settlement Clearing as provided in these By-laws.

(This clause is suspended with effect from 1st September 1973).

- (4) All Standard description of cottons as may be decided by the Board from time to time by a Resolution passed by 75% of the directors present and voting (a fraction to be counted as an integer) and approved by the Forward Markets Commission.

- (b) Delivery Contracts between members or between a member and a non-member for Indian Cotton made or entered into of the following descriptions in Greater Bombay, shall be subject to these By-laws and shall be at fixed prices only :-

Bengal, Assam Comilla, Oomra Desi (including Desi Cotton grown in Madhya Pradesh and Maharashtra State), Mathia and Mungari Cotton. Provided that out of the descriptions specified in this sub-clause, the Board shall have power in permitting trading in new crop contracts under By-law 47(2) to declare the description which shall be subject to Settlement Clearing as provided in these By-laws and from time to time permit trading in Delivery Contracts for such declared descriptions of specific class which shall be subject to Settlement Clearings as provided in these By-laws.

**Outstation
Delivery Contracts**

- (c) Delivery Contracts for any specific description of any staple or class as well as on private types or on samples or on stamped bales may be made or entered into outside Greater Bombay, between members or between a member and non-member, subject to these By-laws, either at fixed prices or "On call" prices.

**Delivery Contracts
for foreign cotton.**

- (d) Delivery Contracts may be entered into between two parties whether members or not for delivery of foreign cotton subject to these By-laws or subject to C.A.I. arbitration or containing words or abbreviations to a similar effect.

(NOTE:- Delivery Contracts for cotton containing the term "Buyer's Selection", "Fair Average Quality", "Best Average Quality", "Fair Average Quality of the Season", "Best Average Quality of the Season", or equivalent wording entered into subject to the By-laws of the Association, shall for purposes of the By-laws be taken to be and construed to be of the quality "Fine" in grade and if there is no staple stipulation in any such contract, "the basic staple of the respective description", permitted to be traded in by the Board under By-law 66.

In the case of Delivery Contracts for cotton "Fine" with specific staple stipulation and containing the term "Buyer's Selection" or for cotton "Equal to sealed or type sample" containing the term "Buyer's Selection", made subject to the By-laws of the Association, the term "Buyer's Selection" will not confer any additional right on the Buyer except those mentioned under the By-laws.

Further, in the case of Delivery Contracts for cotton for specific stations from the areas tenderable against standard descriptions in the schedule appended to clause 66(A)(a) (4) will not confer any additional right on the buyer except those mentioned under the By-laws).

Conditions of Valid Tender

- (B) (a) In respect of Delivery Contracts the following conditions shall be requisite for a fair tender:-
- (1) The cotton, if sold by standard description given in the Schedule appended to clause (4) of By-law 66(A)(a) above, shall be of the description sold and shall have been pressed in the areas mentioned in column 2 of the said Schedule shown opposite the respective standard descriptions in column 1 of the said Schedule.
 - (2) Each bale shall bear the specific mark prescribed for the factory in which it is pressed, in conformity with the provisions of the Cotton Ginning and Pressing Factories Act, 1925 (12 of 1925) and the Rules thereunder.
- On failure to fulfil any of these conditions, a tender shall be held to be not a fair tender and will be liable to the consequences provided under these By-laws.
- (b) In the event of any bale in a tender being unmarked, or wrongly marked, or bearing marks not sufficiently clear to locate the origin of such bales and therefore not bearing the Special Mark as required by proviso (2) to sub-clause (a), a certificate from the factory to the effect that those bales in the lot were pressed in the factory and specifying the press marks of the bales so pressed in the factory, if rendered by the seller, shall be proof of the press marks on the bales and the buyer shall be bound to take delivery of such bales or the lot. If no such certificate is produced by the seller, such bale may be rejected by the buyer and invoiced back at the spot rate of the basic cotton fixed for the day following the day of such rejection. In case of disagreement and resort to arbitration under By-law 38, the cotton may be rejected by the buyer and invoiced back at such rate as may be fixed by the arbitrators or umpire and in case of appeal, by the Board. The buyer shall also be entitled to a fixed penalty of Rs.12.50p for the whole unit of 50 bales tendered with marks not sufficiently clear to locate the origin of such bales, irrespective of the number of bales so rejected.

- Time of Tendering** 67.- All Cotton contracted for under a Delivery Contract shall be ready and the delivery order (except as provided under By-law 89) shall be tendered not later than 1 p.m. on the latest date for delivery specified in the contract.
- 67A.- Time for delivery in N.T.S.D. Contracts may be extended from time to time by mutual consent but such extension or extensions shall not go beyond the period prescribed in the order permitting such trading. If the contract is not performed till the last date or partly performed till the last date of the contract, the party in default will be liable for resultant consequences.

- Unit of tender** 68.- If the contract be for 55 bales or less, only one tender shall be made; if for more and in multiples of 50 bales the tender shall be made in multiples of 50 bales, and if the contract be in multiples of 55 bales the tender also shall be made in multiples of 55 bales, any number of bales above such multiple being made a separate tender.
- Should with the consent of the buyer part only of a lot be tendered and such part be arbitrated upon, such arbitration shall refer only to that part, and the balance of the lot shall be considered as a separate lot for arbitration.
- Delivery order or Railway Receipt or Sampling Order cannot be passed on.** 69.- (a) A Delivery Contract or the rights or responsibilities under such contract or under any delivery order or sampling order or railway receipt or bill of lading or warehouse receipt or any other documents of title relating thereto shall not be transferable.
- Havalas in respect of Delivery Contracts are not permitted.
- Substitution of one variety by another.** (aa) Substitution either partly or wholly of any variety for which delivery contract is entered into by an equivalent or any other suitable variety/varieties shall not be allowed except when both the buyers and sellers mutually so agree for reasons that the quality of the contracted variety is not suitable or that the contracted variety is not available or for any other genuine reason.
- (b) Subject to the provisions of these By-laws, the Buyer under all Delivery Contracts must weigh over and take delivery of the quantity purchased and no settlement of contracts shall be allowed except in the following circumstances :-
- (i) when the Buyer or the Seller becomes insolvent;
 - (ii) when there is a serious crop failure which makes it difficult for the Seller to perform his part of the contract and the Board is of the opinion that it is a reasonable view;
 - (iii) where there are substantial grounds for apprehending that the Buyer is likely to fail to take delivery of contracted cotton or make adequate payment therefor promptly or that the Seller is likely to fail to effect delivery of the contracted cotton in time and such failure is likely to result in a greater financial loss subsequently;
 - (iv) when there is a failure of the Buyer to pay for the cotton delivered by the Seller under previous contract/s or failure of the Seller to deliver cotton against contracts due for delivery earlier;

- (v) such other circumstances which the Board may lay down from time to time with the approval of the Forward Markets Commission.

Settlements or substitution of one variety partly or wholly by another when made shall be duly reported to the Association by both the parties concerned within six days and shall be examined by a Committee of the Board. If on a consideration of the report made by the Committee, the Board considers that a particular settlement or substitution as the case may be was not warranted by the circumstances, the Board may take such disciplinary action as they may deem proper against the parties concerned.

Time allowed for arbitration regarding quality

70.- Subject to the provisions of By-law 51 the arbitration (if any) on cotton tendered against a Delivery Contract must be held not later than three days after the date of the delivery order, or, in the case of cotton tendered by railway receipt or bill of lading, after the unloading of the cotton on its arrival at a Railway Terminus or a Dock in Bombay, or three days after the tender of the railway receipt or the bill of lading, whichever is later.

An additional 24 hours shall be allowed for sampling and arbitration when the cotton is stored at any of the places enumerated in By-law 86 other than Sewri.

- 70A.- (1) If on the tender by the seller to the buyer of a delivery order, railway receipt or a Bill of Lading, against a delivery contract the buyer shall refuse to accept the same, the seller shall give to the buyer a notice placing on record such non acceptance and if the buyer shall not take up the delivery order, railway receipt or Bill of Lading by 1.30 p.m. on the day following delivery of such notice the seller shall either
- (a) sell the cotton so tendered on account and at the risk of the buyer and shall intimate to the buyer such sale within four days of the delivery of the notice to the buyer, or
- (b) close out the contract at the market rate of the day following the day of delivery of the notice to the buyer.
- (2) If the seller, being entitled to sell the cotton on account and at the risk of the buyer, shall not intimate to the buyer such sale within the time aforesaid, he shall be deemed to have closed out.

Failure to hold arbitration.

71.- If owing to the neglect of the buyer, no arbitration is held within the period specified in By-law 70 on cotton tendered against a Delivery Contract, the buyer must take the cotton without allowance, provided it is of the description sold.

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In cases where an arbitration is demanded by the buyer, if the seller refuses or neglects to hold such arbitration within the time specified in By-law 70 the buyer may, provided samples have been allowed by the seller, apply for arbitration and the award in such arbitration shall be binding on both parties subject to the usual right of appeal.

If, however, samples have not been allowed by the seller, the buyer shall have the right to refuse the cotton and may after giving notice in writing to the seller act as if there had been a failure to tender, in the manner provided for in By-law 74. For this purpose the market rate of the day shall be the spot rate of the day following the latest day allowed for arbitration.

In the event of the buyer exercising his option of buying in the market under By-law 74, he shall do so not later than the day following the last day allowed for arbitration and shall give due intimation of such purchase to the seller.

Notice of appeals 72.- In the case of Delivery Contracts the appellant, under By-law 36 or 37, shall give notice of his appeal to the opposite party before 12.30 p.m. on the day following the day on which the arbitration or appeal against survey award was concluded except in the case of an arbitration in which at least one of the parties is from any place in India outside Bombay, in which case before 12.30 p.m. on the fifth day following the day on which arbitration or appeal against survey award was concluded.

Buyer's rights if tender not approved 73.- (1) Cotton will be considered "not a fair tender" if it is declared not of the description sold, or if it is found to be false or fraudulently packed, or is awarded an allowance exceeding 1.1/2% on the ground of its being watered or water-packed cotton or containing extraneous matters in each of which cases the cotton shall be deemed to be rejected and the buyer shall either -

(i) invoice it back at the spot rate of the day following that on which the final award is given under By-law 36 or, in cases of arbitrations other than those regarding quality under By-law 38, at such rate as may be fixed by the arbitrators or umpire and, in case of appeal by the Board,

or

(ii) buy at a reasonable rate on account and at the risk and expense of the seller, cotton of the description sold.

Such a tender in the event of the buyer electing to exercise his right of invoicing back shall also be liable to such penalty not exceeding Rs.14 per quintal as may be fixed and imposed by the Board.

- (2) In an arbitration for inferiority of quality, the buyer shall be entitled to demand the award of a "full allowance" (i.e. as opposed to an allowance merely justifying rejection) provided he informs the Secretary when submitting samples for survey under By-law 36 and in that event he shall be bound to take the cotton with the allowance awarded in the final award. When "full allowance" has been awarded the fact shall be mentioned in the award.

If, when a "full allowance" has not been demanded in time by the buyer and if the cotton is not declared "not a fair tender", the final award-

- (a) exceeds the difference between the class contracted for and the class immediately below it, or
- (b) the cotton tendered is awarded as being below the staple length contracted for or below the staple length of sealed or type sample, or
- (c) exceeds such difference (if any) as is specified in the contract as justifying rejection, the buyer shall-
 - (i) take the cotton with the allowance fixed in arbitration in which case he shall so intimate to the seller by 1.30 p.m. on the day following the date of the final award, or
 - (ii) Reject the cotton in which case he shall either-
 - (a) invoice it back to the seller at the spot rate of the cotton contracted for fixed for the day following the date of the final award, or
 - (b) buy at a reasonable rate on account and at the risk and expense of the seller, cotton of the description sold.

In the event of the buyer invoicing back the cotton he shall receive from the seller a penalty not exceeding Rs.14 per quintal as may be fixed and imposed by the Board.

- (3) In an arbitration for inferiority of quality, the Surveyors, Panel of Surveyors and/or the Super Appeal Committee shall have power to fix the difference in value between the grades according to the rate at which such cottons are sold in spot in Bombay when no grade difference is fixed by any authority competent under these By-laws to do so and also difference in value, for less than 1mm "Off" in staple. The difference in value for 1mm "Off" in staple and for more than 1mm "Off" in staple awarded in arbitration in respect of Delivery Contracts shall be fixed by the Committee under By-law 34A, on application of either of the parties.

- (4) Deleted.
- (5) All purchases on account under this By-law shall, at the instance of the seller, be subject to arbitration under By-law 38 on the question of the price, provided the seller shall have communicated his objection to such purchase in writing to the purchaser within 48 hours after the receipt by him of the intimation of such purchase. In any such arbitration on the question of price there shall be taken into account the room rate of the cotton contracted for.
- (6) (a) In the event of the Buyer not intimating to the seller his election to -
- (i) take the cotton with the allowance
 - or
 - (ii) reject the cotton
 - or
 - (iii) buy on account

he shall be deemed to have elected to exercise his right of invoicing back, in which case, he shall receive or pay the difference between the rate at which the cotton is deemed to have been invoiced back and the contract rate or the last settlement rate, as the case may be.

- (b) In the event of the Buyers 'buying on account' he shall pay to or receive from the seller the difference, if any, between the rate he paid for the cotton so bought after adjusting the mutual allowance, if any, and the contract rate or the last settlement rate.
- (7) (1) In the event of the Buyer electing to exercise the right of buying in the market he shall give notice of his intention to the Seller before 1.30 p.m. on the day following the date of the final award, and he shall buy on the second day following the date of the final award and shall intimate his purchase to the seller before 1.30 p.m. on the next succeeding day.
- (2) If by 1.30 p.m. on the day following the date of the final award the buyer -
- (i) being entitled to elect to take the cotton with the allowance awarded, has not intimated such election, in which case he shall be deemed to have rejected the cotton, or

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- (ii) being entitled to elect to buy in the market has not intimated his intention of buying in the market, he shall be deemed to have elected to exercise his right of invoicing back and the spot rate for invoicing back shall be that of that day.
- (3) In the event of the Buyer after having given due notice of his intention to buy, not intimating his purchase to the Seller within the time above specified, the cotton shall be deemed to have been invoiced back and the spot rate for invoicing back shall be at the option of the Seller to be declared by him in writing that of either the first or the third day following the date of the final award.
- (4) Whenever used in this By-law the expression final award means the award in arbitration if there is no appeal, or the award on appeal if there is no super appeal or the award on super appeal if there is a super appeal.

Sellers' right to withdraw tender.

If, when a lot of cotton is tendered under jaitha terms before the due date of the contract, the quality of the cotton should be objected to buy the Buyer, the Seller shall be allowed to withdraw the tender and make a new tender within the contract time, provided no arbitration has been held on the cotton; but no withdrawal of any tender shall be allowed after an arbitration has been held. Cotton tendered by a Railway Receipt or a Bill of Lading shall not be withdrawn except in the case of cotton not arriving within the time stipulated in the contract, in which case a fresh tender from the jaitha or godown may be made on the due date.

Note :- For purposes of this By-law the invoicing back rate in the case of Delivery Contracts by description permitted to be traded in by the Board under By-law 66A(a)(4) and By-law 66(A)(b) shall be the spot rate for the day fixed by the Daily Rates Committee and in the case of other delivery contracts, it shall be the spot rate that may be fixed by the Special Committee under By-law 34A, on application by either of the parties.

Failure to tender.

74.-

- (1) If the Seller fails to tender a delivery order for cotton sold or any portion of it or, in case the cotton or any portion of it for which a delivery order has been passed is not actually then ready for delivery at Tank Bunder or on the Sewri Cotton Depot (including the Grain Depot of the Port Trust) or in the vicinity of the docks on a jaitha or in a godown the Buyer shall -
 - (i) buy at a reasonable rate in the market, before 1.30 p.m. on the day following the failure to tender, on account and at the risk and expense of the seller, cotton of the description sold, or

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- (ii) invoice back at the spot rate of the cotton contracted for plus such penalty, if any, not exceeding Rs.14/- per quintal as the Board may see fit to impose.
- (2) In the event of the Buyer electing to exercise the right of buying in the market he shall intimate his purchase to the Seller before 6 p.m. on the day following the failure of the Seller to tender as aforesaid or the failure of the seller to have the cotton ready for delivery as aforesaid and in the event of his failing so to do he shall be deemed to have invoiced back the cotton at the spot rate of the cotton contracted for and shall be entitled to apply to the Board to fix a penalty not exceeding Rs.14/- per quintal.
- (3) All purchases on account under this By-law shall, at the instance of the Seller, be subject to arbitration under By-law 38 on the question of the price; Provided the Seller shall have communicated his objection to such purchase in writing to the purchaser within 48 hours after the receipt by him of the intimation of such purchase and there shall be taken into account in any such arbitration the room rate of the cotton contracted for.

The spot rate for purpose of this By-law and By-law 75 shall be that of the due date, if a delivery order is not tendered; or if a delivery order is tendered, that of the day on which the failure to deliver occurs, or the absence of the cotton is discovered, or in the event of a dispute, of the day following the date of the final award therein.

Note :- For the purpose of this By-law, the invoicing back rate in the case Delivery Contracts by description permitted to be traded in by the Board under By-law 66(A)(a)(4) and By-law 66(A)(b) shall be the spot rate fixed by the Daily Rates Committee on the due date and in the case of other Delivery Contracts it shall be the spot rate that may be fixed by the Special Committee under By-law 34A, on application by either of the parties.

- 74A.- In each of the cases of default by the Seller or refusal to accept delivery by the Buyer, the party concerned shall communicate it to the Association in writing within 6 days of the date of default or refusal, giving reasons for such failure. The opposite party shall, if it has exercised the option available to him in the relevant clauses of invoicing back or of closing out of the contract on the basis of the spot rate, explain the reason why the particular option had been exercised by him. If any party to the contract has exercised the option to buy or sell cotton on account of the defaulting party, the said party shall give particulars of the purchase or sale, as the case may be. The Association shall from time to time examine such communication,

taking into account all relevant circumstances and if it is not satisfied with the reason or explanation furnished by the party or if it is not satisfied about the bonafides of the purchase or sale claimed to have been made, it may subject the party concerned to such disciplinary action including imposition of fine, suspension and expulsion as it may deem fit, after giving the party an opportunity of being heard in the matter. With a view to restricting the use of non-transferable specific delivery contracts only for the purpose of giving or taking actual delivery of the cotton and with a view to ensuring uniformity in dealing with the cases of failure to give or to accept delivery, the Board of the Association may frame suitable rules under this By-law with the concurrence of the Forward Markets Commission.

Failure to tender part of a lot.

- 75.- If before the buyer discovers that a portion of the cotton is not ready for delivery, he shall have weighed over a number of bales, he shall -
- (i) invoice back at the spot rate the remaining portion plus such penalty not exceeding Rs.14/- per quintal as the Board may impose, or
 - (ii) buy at a reasonable rate on account and at the risk and expense of the seller, cotton of the description sold to the extent of such portion as remains undelivered.

In the event of the buyer electing to exercise his right of buying on account he shall intimate his purchase to the seller before 6 p.m. on the day following his discovery and in the event of his failing to do so he shall be deemed to have elected to invoice back.

All purchases on account under this By-law shall, at the instance of the seller, be subject to arbitration under By-law 38 on the question of the price; provided the seller shall have communicated his objection to such purchase in writing to the purchaser within 48 hours after the receipt by him of the intimation of such purchase, and there shall be taken into account in any such arbitration the room rate of the cotton contracted for.

- 76.- No member shall enter into any Forward Contract in the commodities for which the Association is granted recognition under the Forward Contracts (Regulation) Act, 1952 otherwise than on the terms and conditions prescribed in these By-laws. Nothing contained in this clause shall apply (1) to a forward contract entered into on the terms and conditions prescribed in the By-laws of another recognised Association between members of that Association or through or with any such member, or (2) to a non-transferable specific delivery contract entered into outside Greater Bombay.

Types of Transferable Specific Delivery Contracts

- 76A.- (a) (i) For the purposes of trading in Transferable Specific Delivery Contracts in Bengal Deshi cotton, there shall be following four contracts:-

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(a) M.G. Bengal, Fine

(b) M.G. Bengal, Superfine A,

(c) M.G. Bengal, Superfine B,

and

(d) M.G. Bengal, Extra Superfine.

(ii) (a) M.G.Bengal Deshi cotton grown and pressed in the States of Uttar Pradesh, Punjab, Haryana and Rajasthan shall be tenderable against M.G. Bengal, Fine,

(b) M.G.Bengal Deshi Cotton pressed at any of the following eight stations, namely, Sri Ganganagar, Karanpur, Padampur, Kesrisingpur, Raisingnagar, Sadulshahr, Pilibhanga and Gajsingpur shall be tenderable against M.G. Bengal, Superfine A,

(c) M.G. Bengal Deshi Cotton pressed at any of the following six stations namely, Abohar, Malout, Giddarbaha, Fazilka, Muktsar and Dabwali shall be tenderable against M.G. Bengal, Superfine B,

and

(d) M.G. Bengal Deshi Cotton pressed at any of the following ten stations, namely, Sriganganagar, Karanpur, Padampur, Kesrisingpur, Raisingnagar, Sadulshahr, Pilibhanga, Gajsingpur, Sangaria and Hanumangarh shall be tenderable against M.G.Bengal, Extra Superfine.

(iii) Month of Delivery:- November, December, January, February, March, April, May and June.

(iv) Delivery Period :- 1st to the last day of the Delivery Month.

(v) Unit of trading shall be 100 bales except that in the case of M.G. Bengal, Extra Superfine Contract, the unit of trading shall be 50 bales.

(vi) The contracts shall be at fixed prices only, and on the basis of Jaitha Terms.

Conditions of Valid tender.

(b) In respect of TSD Contracts in Bengal Deshi Cotton, the following conditions shall be requisite for a fair tender:-

(i) The cotton shall be of the description sold and have been grown or pressed in any of the States of U.P., Punjab, Haryana and Rajasthan in the case of M.G. Bengal Fine, (ii) pressed at any of the eight stations namely, Sriganaganagar, Karanpur, Padampur, Kesrisingpur, Raisingnagar, Sadulshahr, Pilibhanga and Gajsingpur in the case of M.G. Bengal Superfine A, (iii) pressed at any of the six stations, namely, Abohar, Malout, Giddarbaha, Fazilka, Muktsar, and Dabwali in the case of M.G. Bengal Superfine B and (iv) pressed at any of the ten stations viz. Sriganaganagar, Karanpur, Padampur, Kesrisingpur, Raisingnagar, Sadulshahr, Pilibhanaga, Gajsingpur, Sangaria and Hanumangarh in the case of M.G. Bengal Extra Superfine;

(ii) Each bale shall bear the special mark prescribed for the factory in which it is pressed in conformity with the provisions of the Cotton Ginning and Pressing Factories Act, 1925 (12 of 1925) and the Rules made thereunder;

Unmarked bales, etc.

The provisions in By-law 66B(b) shall apply except that the additional fixed penalty shall be Rs.25/- for the whole unit of 100 bales tendered;

(iii) The cotton shall comply with the provisions of By-laws 86 and 87 in so far as they are not inconsistent with the other provisions in these By-laws relating to the Transferable Specific Delivery Contracts.

On failure to fulfil any of these conditions a tender shall be held to be "not a fair tender" and will be liable to the consequences as provided in these By-laws.

Unit of tender.

(c) Tender shall be issued for 100 bales in TSD Contracts, except in the case of M.G. Bengal, Extra Superfine Contract in which the tenders shall be issued for 50 bales.

Time for arbitration

(d) Subject to provisions of By-law 51, the arbitration, if any, on cotton tendered against a TSD Contract must be held not later than three days after the delivery order is tendered.

The Board or the Chairman thereof, if the Board shall have delegated this power to him as it is hereby authorised to do, may for special reasons extend the time for arbitration and/or appeal and/or super appeal in the case of any delivery order notwithstanding that the time allowed under these By-laws has expired.

Failure to hold arbitration

- (e) Provisions of By-law 71 shall apply to TSD Contracts by-
- (i) Substituting the words and figures and letter "By-law 76A (d)" in place of words and figures "By-law 70" wherever they occur;

- and -

- (ii) substituting the words and figures and letter "By-law 76A(g)" in place of the words and figures "By-law 74" wherever they occur.

Notice of appeals etc.

- (f) Provisions of By-law 62 regarding prohibiting withdrawal of tenders and By-law 72 regarding notice of appeals to TSD Contracts also shall apply.
- (g) The provisions of By-laws 73, 74 and 75 shall apply to TSD Contracts also except that the penalty wherever prescribed in By-law 74 shall be an automatic and fixed penalty of Rs.7/- per quintal and not subject to the discretion of the Board,

Tendering differences

- (h) The tendering differences in respect of grades of cotton tendered under TSD Contracts shall be the same as fixed by the Daily Rates Committee.
- (i) By-laws 130 to 167 (both inclusive) relating to Clearing House and tenders against Hedge Contracts shall apply to TSD Contracts.
- (j) Provisions of By-law 60A for certification of cotton tendered and its retender shall be applicable to tenders against the Transferable Specific Delivery Contracts by substituting the words and numbers "Form 5 and 6" by the words and numbers "Forms 5A and 6A" in clause (1) and by omitting clause (9).

In the event of any dispute/s or difference/s arising regarding interpretation of all the By-laws amended or newly introduced to regulate Transferable Specific Delivery Contracts, whether between two members or between a member and a non-member, such dispute/s or difference/s shall be referred to the Board, whose decision in the matter shall be final and binding.

Trading in new crops 76B.-

- (1) No member shall enter into any TSD contract/s for any Delivery before such date as may be fixed in that behalf by the Board with the previous approval of the Forward Markets Commission.

- (2) (a) No member shall enter into Delivery Contracts for any period before such date/s as may be fixed in that behalf by the Board with the concurrence of the Forward Markets Commission.
- (b) No such contracts as aforesaid shall be entered into otherwise than subject to C.A.I. By-laws and in accordance with the terms, conditions and restrictions that may be fixed in that behalf by the Board with the concurrence of the Forward Markets Commission.
- (c) The Board may, with the concurrence of the Forward Markets Commission as aforesaid, restrict the qualities, types and varieties in which the delivery contracts aforementioned are permissible and provide for the registration of such contracts in such manner as may be prescribed by the Board.
- (d) Notwithstanding anything contained in clause (a) of this By-law, the Board may, if the interest of the trade or public interest so requires, and with the previous approval of the Forward Markets Commission, prohibit members from entering into delivery contracts for sale or purchase of any variety or type of cotton as may be specified by the Board in that behalf.
- (e) The foregoing provisions in sub-clauses (a), (b), (c), and (d) of this clause shall not apply to Delivery Contracts which are made or entered into subject to By-laws of any of the Associations recognised by the Central Government under Section 6 of the Forward Contracts (Regulation) Act, 1952, at places other than greater Bombay.
- (3) Any member entering into contracts in contravention of the provisions of this By-law, may, in addition to all other penalties, be dealt with under By-law 17.

76C.- In case the circumstances require and if the Board thinks fit, emergency provisions under By-laws 51 to 52C may be applied to NTSD and/or TSD contracts as and when necessary with the concurrence of the Forward Markets Commission.

76D.- No member shall enter into a forward contract at a price at which trading in such contract is prohibited under these By-laws.

**Arbitration on
cotton bought
on account**

77.- If an arbitration is held regarding the quality of cotton bought on account under these By-laws, it shall be held on the basis of mutual allowances.

78.- In exercising the right of buying in the market the buyer shall not buy any cotton in which he has any interest nor from any person, firm or company in which he is interested.

Payment of differences when invoicing back, etc.

79.- Notwithstanding that the seller fails to tender or notwithstanding that the buyer may under the By-laws become entitled to reject cotton tendered by the seller against the contract, the buyer shall, when invoicing back or buying on account, pay to or receive from the seller at the next settlement the differences which - by reason of the fixing of rates under the By-laws, or a fall in the market prices - arise in terms of the definition in the By-laws of invoicing back or buying on account as the case may be.

In the event of the seller closing out the contract under By-law 70A, the buyer shall pay to or receive from the seller at the next settlement the differences which - by reason of the fixing of rates under By-laws, or a fall in the market prices - arise in terms of the definition in the By-laws of closing out.

By-laws 77, 78 and 79 are applicable only to TSD/NTSD Contacts.

Requirements as to Forward Contracts.

80.- (1) Delivery Contracts shall be in writing and shall contain a provision that they are subject to these By-laws or words to a similar effect. For the convenience of members, and also for securing uniformity in the use of form, suitable forms of delivery contracts are given in the Appendix.

Delivery Contracts

Form 'A' in the Appendix may be used in respect of Delivery Contracts between members. Form 'B' in the Appendix may be used in respect of Delivery Contracts between a member and a non-member.

(2) By-laws 130 to 166 (both inclusive) and 168 to 185A (both inclusive) shall not apply to Delivery Contracts : Provided, however, in the case of Delivery Contracts by description, as may be permitted by the Board under By-law 66(A)(a)(4), By-laws 130 to 148 (both inclusive) and 164 to 166 (both inclusive) shall apply.

(2A) The TSD Contracts shall be in writing and shall contain a provision that they are subject to these By-laws or words to a similar effect. Form given in the Appendix "F" headed "Form for TSD Contracts" may be used for TSD Contracts.

Hedge Contract

(3) I.C.Cs between CHEMs shall be executed through the on-line trading system of the Association. The quotes given by the authorised users will be checked on-line, matched and executed in accordance with the provisions of the By-laws of the Association and/or such rules/regulations as may be framed by the Association from time to time with the approval of the Forward Markets Commission.

(4) Hedge Contracts between members acting as commission agents on the one hand and their constituents on the other shall also be in writing and shall contain a provision that they are subject to these By-laws or words to a similar effect . Members are recommended the use of the Form given in the Appendix at "E" headed "Form of Client's Contract Note (Hedge)". By-laws 130 to 166 and 168 to 185A (inclusive) shall not apply to such contracts. Before entering into such contracts, members should, however, obtain a statement in writing from their constituent that he is not a partner in any member firm. Non-compliance with this requirement shall not render the contract void or illegal but shall render the member liable to action under By-law 17.

Maintenance of records

(5) Members shall maintain a record of all their transactions in cotton and books of account relative to the same for a period of at least three years for production whenever required.

81.- Deleted

Agency Contracts

81A.- In respect of ICC, CHEM or TM acting in any transaction on behalf of a party who is a client, shall be deemed to be a Commission Agent but responsible as a principal.

No transaction in clients account shall be appropriated by the CHEM/TM or squared up one against the other. Such transactions shall be executed through the Association's on-line trading system mentioning the client's code number in respect of each transaction and if matched, the same shall be confirmed in on-line system. The concerned CHEM shall be entirely responsible for the transactions of his client in all respect.

81B.- In case a seller or a buyer in any Hedge Contract is a CHEM, not holding a valid Sales-tax licence/ registration in the State, where the cotton is lying, he may appoint anyone holding a valid Sales-tax licence/ registration in the State concerned to take or give delivery of cotton in his outstanding contract(s). In such an event, an individual/firm/company so appointed shall be called a seller's appointee or a buyer's appointee as the case may be and the contract shall be deemed to have been transferred in the name of such appointee for the purpose of giving or taking delivery of any tender issued as per By-law 151.

It shall be presumed and implied that before informing any name to the Association under By-law 151, the seller/ buyer has duly obtained the consent of every appointee, who shall thereafter become a principal and shall act as a seller or buyer, as the case may be, in

order to fulfil the contract for the purpose of giving or taking delivery of the tender issued as per By-law 151 and shall carry out all requirements in that respect and shall be bound by these By-laws, even if he is a non-member. However, the responsibility of the seller or buyer in the Indian Cotton Contract shall not cease and he shall be fully liable for all acts or omissions or negligence or failures on the part of his 'appointee' and consequences thereof.

- 82.- Deleted.
- Forward Contracts not to be cancelled**
- 83.- No Forward Contract entered into under these By-laws shall be cancelled by any of the parties thereto except as provided in these By-laws.
- 84.- Deleted.
- 84A. A contract under which delivery is to be made after the 30th of September in any year shall unless a contrary intention is expressed in the contract, be deemed to be a contract under which new crops only shall be tendered and/or delivered.
- Validity of tenders**
- 85.- In every Forward Contract made under these By-laws the buyer shall be deemed (subject to the provisions of By-laws 61 and 73) to have agreed to accept in fulfilment of such contract any cotton which may be passed either without an allowance or with an allowance awarded in arbitration or in appeal under By-law 36 or By-law 37.
- 85A.- Deleted.
- 85B. Deleted.
- Method of issuing delivery order**
- 86.- (a) The seller when issuing delivery order shall indicate therein the press marks of the cotton, press running numbers of bales and the number or name of the godown, if any, with its exact location and full address, the contract price or the rate of the last settlement (if any). The seller shall also enclose with the delivery order the prescribed form, in duplicate, for the purpose of intimating the name of an 'appointee', if any, under By-law 81B.
- (b) If cotton tendered against a TSD Contract includes lots from different stations, the number of bales from each station shall be stated in the delivery order. If this is not done by the seller, the buyer may reject all bales which are not from the same station as the bales sampled, and invoice them back at the rate of the day on which he rejects the bales, or, if the seller goes to arbitration (of which he must give notice within 48 hours to the buyer), at the rate of the day on which the final award is made, plus a penalty of Rs.5/- per quintal in either case.

- (c) No delivery order shall be issued unless at the time of the issue of such order the cotton is actually ready, at the place notified by him therefor under By-law 151.

Locality of lots tendered

87.- To constitute a valid tender under these By-laws all the bales tendered under one delivery order must -

- a) be approximately of uniform measurements, packing, lashings and weight as prescribed under BIS norms or any other law,
- b) Deleted.
- c) be in the possession of the tenderer or his pledgee or bailee and,
- d) be in one godown.

Should a tender of bales not in conformity with clause (a) hereinabove be sampled and surveyed by the Buyer, he shall not be deemed to have given up his rights under this By-law.

Failure to observe this By-law shall be treated as failure to tender.

Distinctive marks of tenders

88.- If there should be a greater number of bales in the godown of the mark tendered than the number specified in the delivery order, the buyer shall have the right to demand that the lot tendered to him be indicated specially by distinguishing mark before sampling, but the buyer shall not have the right to object to the tender for the sole reason that the bales tendered have not been separated from other bales of the same mark.

89.- Deleted.

90.- Deleted.

91.- Deleted.

92.- Deleted.

93.- Deleted.

94.- Deleted.

94A.- No cotton shall be tendered in a Hedge or TSD contract by a railway receipt or bill of lading.

Sampling for inspection and arbitration in Delivery Contracts

95.- For the purpose of inspection in respect of Delivery Contracts the buyer shall have the right of opening 4 per cent of the bales. For the purposes of arbitration a maximum of 4 per cent and a minimum of 2 per cent of the bales shall be opened (1 per cent may be opened outright). The samples are to be drawn conjointly by parties representing buyers and sellers from both sides of the bales, the buyer selecting the bales to be opened; and all samples drawn shall be used for determining the question of quality. Due allowance shall be made for the change in appearance of the hard side of the bale owing to cross packing.

No re-pressing charges shall be payable to the buyer for bales thus opened.

Burst and Re-pressed bales.

96.- Buyers shall not refuse to take delivery of any burst bale or re-pressed bale, if duly repaired or re-pressed before or at the time of weighment and no allowance or re-pressing charges shall be payable by the sellers to the buyers. In the event of there being any burst bale, which is not repressed or repaired (i.e. burst portion of the bale is not fully covered with hessian as well as loose iron band is not retightened by affixing nail) the buyer shall be entitled to re-pressing charges at Rs.50/- per bale or at such higher charges as may be determined by the Board from time to time for unrepaired or unpressed bale/s only. No charges shall be payable by the sellers for bale/s which are opened by the buyers at the time of weighment.

Delivery notices to parties

97.- In respect of TSD Contracts, the buyer shall begin to take delivery of the cotton not later than the day after the cotton is finally approved of, whether by the parties or in arbitration or on appeal, or if no arbitration is held, then after the time allowed for arbitration has expired, and he shall continue to do so at the rate of not less than 300 bales per day. In default the seller may after 48 hours' notice, weigh over the cotton at the expense and risk of the buyer, who shall then pay for it, with interest as per provisions of By-law 99C plus Rs.5/- per bale for weighing charges and such further charge for fire insurance and rent as may from time to time be fixed by the Board, failing which the seller shall have the power of resale on the account and at the risk of the buyer which he shall exercise within fifteen days after the final approval.

In the event of the seller refusing to give delivery of bales which have been approved or arbitrated on, the buyer shall have the right after giving 48 hours' notice in writing, of invoicing back at the market rate of the day on which the notice expires plus such penalty not exceeding Rs.30/- per quintal as may be fixed and imposed by the Board, or of purchasing in the market at a reasonable rate on the account and at the risk of the seller. Due intimation of such purchase shall be given by the buyer to the seller. In the event of the buyer not intimating such election within the time aforesaid or having elected to purchase and not doing so within twenty-four hours of such intimation he shall be deemed to have invoiced back at the market rate of the third day after the day upon which delivery was refused.

All purchases on account under this By-law shall, at the instance of the seller, be subject to arbitration under By-law 38 on the question of price, provided the seller shall have communicated his objection to such purchase in writing to the purchaser within 48 hours after the receipt by him of intimation of such purchase. In any such arbitration there shall be taken into account the room rate of the cotton contracted for and the "on" and "off" differences fixed in terms of By-law 55.

Note: This By-law shall not apply to Hedge Contract (ICC).

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| Weight of bales. | 98.- | (1) Against all forward contracts, the minimum/maximum weight of each cotton bale tendered shall be as required under the law. |
| | | (2) Deleted. |
| | | (3) In case of any settlement of forward contracts, the difference shall be paid and/or received on the basis of 170 kg. nett per bale. |
| | | (4) Deleted. |
| Payment. | 99.- | In all transactions, for the delivery of cotton, payment save as provided by clause (7) of By-law 54B may be demanded in cash against delivery in the sellers godowns for the whole or any portion of the bales sold, but the fact that the seller has not insisted on payment at the time of delivery shall not imply or be construed or be deemed to mean that the seller has given credit to the buyer. The seller in respect of any such delivery including any delivery under By-law 54B shall have a lien on all bales delivered and/or on all bales in his possession under the contract until payment for the same has been made in full including all charges there against and which payment can be demanded at any time. |

This lien on such cotton shall, wherever delivery has been given and payment not received, also extend to cover any goods including cloth, yarn etc. produced and/or processed, and /or goods in process in the hands of and/or also on assets of the buyer and/or his successors.

In no case, shall the buyer and/or his successor have the rights to take possession of and/or to dispose off and/or to deal with such raw cotton in any form forming the subject matter of any contract as between the seller and the buyer until the payment in full is actually made there against to the seller in terms of the aforesaid clauses hereof.

The right of possession and/or utilisation of the goods shall not vest in the buyer in any form until the actual payment thereagainst is made and/or if for any reason not made shall be subject to all the provisions of the clauses mentioned herein-above and subject to the general By-laws of the Cotton Association of India as may be existing or as may be enacted from time to time.

- 99A.- (1) In case buyer in a Hedge Contract is not a registered or licenced dealer under the current Act/Rules of the State concerned, he may either appoint someone as his appointee as per By-law 81B OR shall pay the amount of Sales tax/Purchase tax/ Central Sales tax, as may be charged in the invoice by the seller or his appointee according to Act/Rules of the State concerned.
- (2) In case the buyer in a Hedge Contract or his appointee if any, is a registered/licenced dealer in the State, where the cotton is tendered, he shall follow and abide by the Government Acts/Rules as well as the current market practice in the State concerned and shall do whatever is applicable in the State concerned, e.g.-
- (a) Where there is State Government Sales tax/Purchase tax at last stage he shall give a valid Sales tax declaration or form, as required.
- (b) Where there is a State Government Sales tax/ Purchase tax at first stage, he shall pay the amount of tax at the rate applicable, if separately charged in the invoice OR the same may be added in the price and the invoice may be prepared with the tax added price as well as mentioning therein 'TAX PAID FOR SECOND SALE'.
- (c) Where the cotton is to be taken out of State, he shall pay the Central Sales tax either charged separately or added in price at the rate as applicable and shall also issue C Form or any other necessary forms. If required, the seller or his appointee shall issue E Form to the buyer and shall also arrange for R/R or MTR as required, in accordance with the Government Act/Rules.
- 99B. Unless otherwise agreed to, in the event of any Sales tax, Purchase tax, duty of customs or excise on goods, octroi, rail freight rates, cess, town duty or any such tax of similar nature imposed, increased, decreased or remitted in respect of cotton, after the making of contract for the sale or purchase of cotton, the same shall be on buyers' account.

This provision shall apply to ready transactions also.

99C.- Unless otherwise agreed to between the parties, the interest chargeable under the provisions of the By-laws shall not exceed the rate/s prescribed by the Board from time to time. While prescribing the rates, the Board may allow compound interest at monthly or quarterly or half-yearly or yearly rests as they may deem proper.

99D.- In the event of delay on the part of the buyer to take delivery of cotton on the agreed due dates the buyer shall be liable to pay the carrying charges from the due date till the date of actual delivery at rates agreed to between the parties and in absence of such agreement, as may be prescribed by the Board from time to time.

Further, in the event of default or delay in making payment on the agreed due date, the buyer shall be liable to pay interest at rates agreed to between the parties and in absence of such agreement, as may be prescribed by the Board from time to time. Such interest shall be payable from the date of delivery till payment.

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In the event of buyer paying the dues before the agreed due date, he shall be entitled to a rebate of interest for the number of days he pays in advance.

**Responsibility of
Muccadums or
commission agents**

100.- If arbitration samples are drawn by a muccadum or commission agent who is not the buyer of the cotton, the arbitration should ordinarily be held in the name of the buyer. If the muccadum or commission agent holds the arbitration, giving his own name as the buyer, then he shall be liable to the seller for all the incidents of and following upon the contract, provided the buyer shall not thereby be relieved of responsibility therefor to the seller but the seller, although entitled to recover from either or both the muccadum and the buyer shall not recover in all more than the total value to which he is justly entitled.

101.- Deleted.

102.- Deleted.

Country damage

103.- If at the time of weighment any bales are found to be damaged by mud, water, ants, etc., the buyer shall have the right to call for an arbitration, and shall have the right to reject any bales which are declared by final award to be damaged to the extent of more than 4 kg. per bale, but he must weigh over the balance with the allowances awarded.

Cotton containing extraneous matters etc.

If, at the time of weighment, cotton bales are found to contain extraneous matters or watered or water-patched cotton, the buyer shall have a right to reject such bales which are declared by the final award to be so to the extent of more than 1.5 per cent per bale but he shall weigh and take over the balance with the allowance awarded; provided that if the buyer when demanding such arbitration shall have called for a full allowance, he shall be obliged to take all the bales with the allowance awarded.

If the buyer rejects any bales, he shall either -

- (a) invoice back the rejected bales at the spot rate of the day following that on which the arbitration under this By-law or appeal has been disposed of, OR
- (b) buy in the market at a reasonable rate on account of and at the risk and expense of the seller.

In the event of the buyer electing to exercise the right of buying on account he shall intimate his purchase to the seller before 6 p.m., on the day following his rejection and in the event of his failing so to do he shall be deemed to have elected to invoice back.

In case of disputes as to the reasonableness or otherwise of the price of such a purchase, the seller is entitled to demand arbitration provided he claims it within 48 hours of his getting the notice of purchase.

The foregoing provision under clause (b) and succeeding two paras shall not apply in case of ICC tenders.

The seller shall not be responsible for damage to bales caused by rain water after the approval of the cotton, if the cotton be not weighed over within 72 hours after final approval.

The time allowed for arbitration under this By-law is 24 hours from the time of completion of weighment.

Note .- For the purpose of estimating the extent of damage by mud, water, ant etc., 1.25 cm at either end of a bale may be taken to be equal to 2 kg.

104.- Deleted.

105.- Deleted.

106.- Deleted.

107.- Deleted.

108.- Deleted.

**Loss or damage
by fire**

109.- (A) In the event of loss or damage as the result of a fire of cotton tendered against a Forward Contract, which has been approved and stamped by the buyer, but is still in the seller's godown awaiting delivery the following procedure shall be adopted -

For all such cotton as may be totally destroyed or rendered unmerchantable the difference between the contract price or last settlement price as the case may be and the market rate of the cotton on the day following that of the fire shall be paid to or received from the buyer. On all such cotton as may, though damaged, be still merchantable an adequate allowance for damage shall be fixed by the buyer and the seller and the cotton shall then be taken by the buyer who shall pay for it at the price named in the delivery order, less (1) the allowance fixed for damaged cotton, (2) the allowance (if any) which may, before the fire, have been fixed for quality, provided always that in the event of any dispute arising either in regard to the value of the cotton on the day following that of the fire or in regard to the allowance to be paid for damage the matter shall be referred to arbitration as provided by By-law 38.

- (B) In the event of loss or damage as the result of a fire to cotton set aside by the seller for tender against a contract, for which a delivery order has been given to the buyer but which has not been finally arbitrated upon under By-law 36 the buyer shall invoice the cotton back to the seller at the market rate of the day following that on which the fire occurred. No penalty shall be allowable in such an event.

In no cases provided for under this By-law shall either party cancel the contract, but should the seller under a Delivery Contract elect to make a fresh tender under clause (B) the rights and obligations of both buyer and seller shall be the same as they would have been had no delivery order been previously passed against the contract.

Explanation.- Cotton not damaged by fire shall be deemed merchantable under this By-law if the damage by water does not exceed three per cent of the market rate of the cotton on the day following that of the fire.

On call contracts 110.- When cotton is sold on call the following provisions shall apply in supersession of any provisions of these By-laws repugnant thereto -

- (1) General
- (a) In this By-law relative Hedge Contract means the Hedge Contract on which the on call contract is based.
 - (b) Unless it is otherwise stipulated in an on call contract the person entitled to call the cotton shall be the buyer.
 - (c) cotton shall be called in lots each of which shall be of the smallest unit (or a multiple thereof) of the Hedge Contract.
 - (d) Any agreement extending or altering the period within which or the date on which it was by the contract agreed that the cotton should be called shall be void, unless the cotton remains in the possession of the seller, in which case no agreement as to such extension or alteration shall be valid unless made in writing and signed by both parties thereto.
 - (e) Deleted

- (2) Date of making call.-
- (a) Where the contract is on spot terms (i.e., when the cotton sold is cotton ready for delivery) or where the contract is for future delivery and where the provisions of sub-clause (b) do not apply, the call if it be the seller's call shall be made not later than the last working day preceding the delivery period or if it be the buyer's call, not later than the day preceding the first day of the delivery period of the relative Hedge Contract provided that, whether the call be that of the seller or the buyer, if before such date the cotton shall have been weighed over, the call shall be made not later than the day following completion of weighment.
 - (b) Where in terms of the contract the call is to be made before a particular date, the call shall be made out not later than one hour from the opening of trading in the Trading Ring on such date.
 - (c) When default is made in calling the cotton under the foregoing provisions of this clause, the price shall be fixed on the market rate of the relative Hedge Contract registered for the latest day upon which the cotton should have been called and the party in default shall pay to the other a minimum penalty of Rs.7/- per quintal, which may be increased to a maximum of Rs.14/- per quintal at the discretion of the Board provided that any penalty above the minimum penalty shall only be levied if 75 per cent of the Directors (a fraction to be counted as an integer) voting at the meeting are in favour of it.
 - (d) Notwithstanding the foregoing provisions of this clause, no person shall be entitled to call cotton while trading in the relative Hedge Contract is prohibited or, subject to the proviso hereinafter in this clause contained, while maximum and minimum prices are fixed for the relative Hedge Contract under By-law 52. If the last day for calling cotton shall fall during such period then, notwithstanding anything contained in the contract or these By-laws to the contrary, the price shall be fixed on the opening rate of the relative Hedge Contract in the Trading Ring immediately after the expiration of such period. The Board shall fix such opening rate and their fixation shall be final. If the maximum and minimum prices fixed shall continue to be in force till the due date, the price shall be fixed by the Board and their fixation shall be final. Provided that a buyer and a seller by agreement may call cotton while maximum and/or minimum prices are fixed for

the relative Hedge Contract but shall only do so if they agree the price for the cotton called and such price is based on a price of the relative Hedge Contract which is at or below the maximum and at or above the minimum fixed.

(3) Fixation of price

- (a) The person entitled to demand fixation of the price shall not be entitled to do so except during hours when trading is open in the Trading Ring or unless by giving a valid havala of the relative Hedge Contract.
- (b) When the buyer is entitled to fix the price and the seller intimates to him that he is buying a Hedge Contract of the relative Hedge Contract against fixation, and, when the seller is entitled to fix the price and the buyer intimates to him that he is selling a hedge of the relative Hedge Contract against fixation, the price at which the cotton called, against which such hedge is bought or sold, shall be fixed on the price of such hedge so bought or sold.
- (c) When the seller or the buyer, as the case may be does not so intimate, then, unless the parties shall agree the fixation price, the party entitled to fix the price shall offer and the other party accept a contract or contracts of the relative Hedge Contract at such rate as the party entitled to fix the price of the on call contract shall specify and the price of the on call contract shall be fixed accordingly. Where the on call contract is for 55 bales or a multiple thereof, such contract or contracts of the relative Hedge Contract shall, in the aggregate, be for the same quantity of bales as in the on call contract and, in other cases, such contract or contracts of the relative Hedge Contract shall in the aggregate, be for the nearest number of 55 bales exceeding the quantity in the on call contract.
- (d) In the event of the buyer electing, under By-laws, to invoice back cotton rejected before the cotton has been called the price shall be fixed on the market rate of the relative Hedge Contract registered for the day on which the buyer elected to invoice back.
- (e) Deleted.

GENERAL BY-LAWS RELATING TO SAMPLING AND DELIVERY

Liability for bales once weighed

111.- Subject to the provisions of By-law 75 in no case shall any claim be made by a buyer on bales which have once passed the scale except on the ground of fraud, false packing, or the presence of foreign substances in the bales. And no claim on the ground of fraud, false packing or the presence of foreign substances in the bales shall be made after expiration of one year from the date of weighment of the cotton or after 31st December of the next cotton season whichever is earlier.

- Sample Cotton.** 112.- All samples or loose cotton taken by the buyer and/or his representative whether for inspection and approval or after approval shall be duly weighed and a receipt shall be given for the same to the seller before removal from the jaitha or godown.
- Tares.** 113.- The weight of tares shall be settled at the seller's jaitha or godown at the time of delivery and the allowance fixed shall be entered by the buyer or his representative in the receipt granted by him for the bales delivered.

In the event of the lot purchased consisting of bales from more than one press the tares of the bale from each different press shall be separately ascertained.

In case of delivery at upcountry centres, the buyer shall ascertain the tare from the present factory and shall accept the normal tare of the factory concerned. When or where this is not possible, the buyer and the seller may amicably settle the tare or may ascertain it by weighing the actual tare after fully opening any two bales (one selected by the buyer and the other by the seller) and the average tare shall be the tare of each bale for the whole lot. The Controller shall mention the tare in his certificate and in case of retender of the lot the same shall be accepted.

OUTSTATION DELIVERY CONTRACTS

- 114.- Notwithstanding anything to the contrary contained in these By-laws but to that extent only the following By-laws Nos.114A to 114F inclusive shall apply to Delivery Contracts under which delivery is to be made at any place outside Bombay.
- 114A.- (1) If the Contract is for delivery by tender of a railway receipt (which includes a motor transport receipt) or a bill of lading the seller shall be entitled to the full payment of the invoice value of cotton consigned on presentation to the buyer of the receipt or bill of lading.
- (2) Weighment shall be completed within two days of the arrival of the goods at such places as may be stipulated in the contract or if no place is so stipulated, at the destination shown in the railway receipt or bill of lading or as may be mentioned in the contract. If weighment shall not be so completed the invoice weights shall be taken as final.
- 114B.- If the contract is for delivery outside Bombay without a railway receipt or Bill of Lading weighment shall be completed within one week of tender and payment shall be made against completion of weighment.

- 114C.- (1) Unless the contract provides that the quality shall be passed by the buyer before despatch or delivery of cotton, any dispute as to quality shall be intimated by the buyer to the seller within seven days of the arrival of the cotton at the destination named in the railway/truck receipt or bill of lading. In the case of a dispute as to the quality, the buyer shall be bound to take delivery of cotton if it is adjudged in the final award as not more than 1 1/2 Grade "Off" and not more than 2mm "Off" in staple than the contracted grade and staple or from the approved sample. If the final award exceeds either of the deficiencies stated above, the buyer may take the cotton with full allowance or invoice back the cotton at the spot rate of the cotton contracted for, fixed for the day following the date of the final award.
- (2) For the purpose of a survey, the buyer shall draw samples in the presence of the seller from two bales out of every fifty bales tendered. Such samples shall be sealed by the buyer and the seller and shall be forwarded by the buyer to the Secretary of the Association along with the basic type or basic sample, if any, by railway parcel not later than the third day following the day upon which the samples were drawn. The Secretary shall arrange for the holding of the survey as soon as may be convenient after receipt of the samples. In the event of either party to the contract refusing or neglecting to attend when samples are drawn or to seal the samples when drawn the other party to the contract shall draw and seal the samples and send the samples so sealed to the Secretary of the Association who shall arrange for the holding of the survey. An appeal shall lie from the award of the surveyors or umpire, as the case may be, provided that such appeal is lodged with the Secretary of the Association before 12.30 p.m. on the fifth day following the date of the award. A Super Appeal shall lie from the Appeal award provided such Super Appeal is lodged with the Secretary of the Association before 12.30 p.m. on the fifth day following the date of the Appeal award and the award of the Super Appeal shall be final.
- 114D. Interest from the due date of payment shall be charged as per provisions of By-law 99C.
- 114E.- The buyer shall not take delivery except upon presentation to the carrier of the railway receipt (which includes a motor transport receipt) or Bill of Lading and if he shall contravene this By-law action under the disciplinary By-laws may be taken against him.

- 114F.- (1) Where the contract is F.O.R. point of destination, the seller shall be responsible for all risks of the goods until they shall have been delivered into the custody of the carriers and he shall provide at his expense but for account of the buyer an insurance cover against fire for the transit risks until the goods reach the place named in the railway receipt (which includes a motor transport receipt).
- (2) Where the contract is F.O.R. point of despatch, the seller shall be responsible for all risks of the goods until they shall have been delivered into the custody of the carriers and the transit risks shall thereafter be the responsibility of the buyer; it being the duty of the seller to advise the buyer promptly of the loading to enable the buyer to arrange cover for the transit risks.
- (3) Where in the case of Indian cotton, the contract is on C.I.F. terms, the seller shall provide a marine insurance cover on warehouse to warehouse terms as may be currently available.

BY-LAWS REFERRING SPECIALLY TO READY TRANSACTIONS

- Definition of a Ready Transaction.** 115.- Transactions in Ready cotton are made on the basis of bales approved and stamped by the buyer and the cotton sold is understood to be equal in quality to and of the same description as that contained in the stamped bales and to be ready in the seller's jaitha and/or godown at the time of sale.
- Ready contracts how made** 115A.- (i) Contracts for the sale and purchase of Ready cotton shall be subject to the By-laws. They may be verbal or in writing.
- Note.- For convenience of members suitable forms are provided in the Appendix.
- (ii) Except as expressly provided by these By-laws, trading in Ready Contracts is permitted on all days other than public holidays.
- Delivery.** 116.- Immediate delivery against cash is contemplated and the buyer shall in all cases complete taking delivery of the cotton within eleven days from the day of purchase.
- Pucca sampling** 117.- For the purpose of final inspection and/or approval (pucca sampling), the buyer shall be entitled to sample 5 per cent .of the bales offered for sale by bursting one hoop of 3 per cent and two hoops of 2 per cent.
- He shall, however, be entitled to burst two hoops of one bale however small the lot may be.

- Stamped bales.** 118.- All bales sampled and approved by the buyer at the pucca sampling shall be immediately stamped by him and shall remain in the seller's possession in trust until all the bales sold on them shall have been finally delivered or rejected. The buyer shall then immediately take delivery of his stamped bales.
- 119.- Deleted.
- 119A.- Deleted.
- Sampling orders.** 120.- The giving or accepting of a pucca sampling order shall not of itself bind either the seller or the buyer, but once pucca samples have been drawn both parties shall be bound in the terms previously agreed upon, provided always that the samples shall be approved and the bales shall be stamped by the buyer within a reasonable time on the day of issue of the pucca sampling order.
- Notice of weighment.** 121.- The seller shall give delivery to the buyer of cotton sold by him under these By-laws at any reasonable time demanded by the buyer, but the buyer shall give the seller at least 6 hours' notice before coming for weighment and should he have done this and the seller be nevertheless unable to give delivery at the hour stipulated, the buyer shall for 24 hours be relieved of his obligations under By-law 116 and the seller shall be bound to give delivery if required to do so by the buyer within 24 hours and at the time specified by the buyer.
- Refusal to give or take delivery.** 122.- Should the seller neglect or refuse to give delivery as provided in By-law 121 the buyer may, after giving 48 hours' notice in writing to the seller, buy in the market at a reasonable rate and at the risk and expense of the seller similar cotton to that contained in the bales stamped by him; provided always that he shall do so not later than the day following that on which the 48 hours' notice expired, and that if there be any dispute as to the reasonableness or otherwise of the price paid by him, such dispute shall be referred to arbitration as provided by By-law 38.
- Should the buyer refuse or neglect to take delivery the seller may, after giving 48 hours' notice in writing to the buyer weigh over the cotton at the risk and expense of the buyer who shall then pay for it with interest calculated as per provisions of By-law 99C plus 50 P per bale for weighing charges and such further charge for fire insurance and rent as may from time to time be fixed by the Board, failing which the seller shall have the power of resale on the account and at the risk of the buyer and shall within 24 hours of such resale give intimation thereof to the buyer.

Refusal to arbitrate.

If arbitration is resorted to under By-law 38 the seller shall allow samples to be drawn from the bales stamped by the buyer for inspection by the arbitrators. Should the seller refuse to allow such samples to be drawn the arbitration shall be held on samples drawn from bales which may have already been delivered to the buyer out of the lot, or should no bales have been delivered then on samples drawn by the buyer at the time of approval. Should no such samples be available the arbitrators shall decide the question by taking as their basis the difference between the price at which the original purchase was made and the rate (on the day of the original purchase) of the official standard which may most nearly represent the quality bought or of which the price can be most nearly ascertained.

Ready transactions.

123.- By-laws 73 clause (1), 96, 103, 104, 105, 106, 109, 111, 112 and 113 apply also to ready transactions.

Rights and Obligations in regard to bales of inferior quality.

124. (a) If the allowance be upto 1/2 per cent. of the selling price of the cotton the buyer shall weigh over the cotton with such allowance.

(b) If any allowance be awarded in excess of 1/2 per cent., with a minimum of 40 P per quintal of the contract price of the cotton, the buyer shall either -

(i) take the bales with the allowance, or

(ii) reject them:

but due notice of his exercising the right of rejection must be given to the seller before 1 p.m., on the day following that on which the arbitration and/or appeal and/or super appeal is finally disposed of. Failing such notice the buyer must weigh over the bales with the allowance awarded.

Refusal to arbitrate on quality.

125.- Should the seller neglect or refuse to hold an arbitration as provided in By-law 105 the buyer (1) may take delivery of the bales without allowance or (2) may after giving 48 hours' notice to the seller in writing cancel the purchase in respect of the undelivered bales and may replace them by buying in the market as provided in By-law 122.

Should the buyer neglect or refuse to hold an arbitration as provided for in By-law 105 the seller may after giving 48 hours' notice in writing either (1) cancel the sale in respect of the undelivered bales or (2) weigh over the cotton at the risk and expense of the buyer as provided in By-law 122.

Penalty for undue delay in weighing.	126.-	In the case of all purchases of ready cotton the buyer shall after seven days from and excluding the date of purchase (or such extension as he may be entitled to under By-law 121) lose his right to object to the quality of bales not yet weighed over by him (provided such bales are of the description sold) and shall take delivery of the same without allowance though they may be inferior to the bales stamped by him.
Weights to be accepted in ready transactions.	127.-	The buyer of a ready lot shall not be bound to accept any bale the nett weight of which is less than 150 kg. or more in ready than 200 kg. unless other weights have been specified in the memoranda of sale and purchase.
Charity Allowance.	127A.-	Out of the invoice value of their purchases, Mills situated in Greater Bombay, acting as agents of the Society for the Prevention of Cruelty to Animals, may deduct 10 P per bale and remit the same every half-year to the Society for the Prevention of Cruelty to Animals through the Bombay Millowners' Association. The respective Mills shall give a receipt to that effect to the merchants concerned. The purchasing Mills shall contribute at the rate of 5 P per bale on a half-yearly basis which shall be passed on through the Bombay Millowners' Association to the Bombay Cotton Merchants' & Muccadums' Association Ltd., to be utilised towards maintenance of the Charitable dispensary run by that body at the Cotton Depot, Sewri and obtain a receipt to that effect.

STANDARDS

Fixing of Standards	128.-	(1) The Committee of Surveyors appointed by the CAI and the Committee of Surveyors appointed by any other recognised Associations permitted by the Forward Markets Commission to regulate trading in N.T.S.D. Contracts in all the varieties of cotton grown in India, hereinafter referred to as Joint Surveyors Committee, shall together prepare or cause to be prepared by such agency or at such time as the respective Boards of the Associations together may from time to time decide or approve of two sets of standards, viz :- (i) The Working Standards, and (ii) The Reference Standards, of various grades of cotton of the respective growths tenderable against the Hedge, TSD and Delivery Contracts and report the same to the Joint Standards Committee referred to in clause (4).
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The minimum number of grades for which standard samples shall be prepared shall be Extra Superfine, Superfine, Fine (Basis), Fully Good, Good to Fully Good and Good.

- (2) The Joint Surveyors Committee or Surveyors shall also prepare or cause to be prepared in the like manner, standards for various staple lengths from 17mm to 40mm with a difference of 1 mm in between each staple standards and for further staple lengths as may be decided by the respective Boards of the Associations in consultation with each other from time to time and report the same to the Joint Standards Committee referred to in clause (4) below. Standards of various staple lengths shall be prepared from any suitable varieties approved by the respective Boards in consultation with each other from time to time.
- (3) There shall be a Joint Standards Committee consisting of not more than five persons chosen by the Board of the CAI from the members of the Association or their authorised or nominated representatives and not more than five persons chosen by the Board of any other recognised Associations permitted by the Forward Markets Commission to regulate trading in N.T.S.D. contracts in all the varieties of cotton grown in India from the members of those Associations or their authorised or nominated representatives for the purpose of passing these standards prepared or cause to be prepared by the Joint Surveyors Committee. The quorum for the meeting of the Joint Standards Committee shall be six. If there is no quorum on the meeting day, the meeting shall stand postponed to the next working day and the number of persons present at such adjourned meeting shall form the quorum. The respective Boards may grant an honorarium to the members of the Standards Committee.
- (4) The senior-most Surveyor/Secretary shall, after the standards have been passed by the Joint Standards Committee report to the Board-
 - (i) the number of standards prepared and passed,

and

- (ii) the reason for not preparing or passing any other standard or standards.
- (5) The secretary shall from time to time notify to the members of the Association the passing of standards by the Joint Standards Committee. It shall be competent to any member or members of the CAI and of any other recognised Associations permitted by the Forward Markets Commission to regulate trading in N.T.S.D. Contracts in all the varieties of cotton grown in India and the Textile Commissioner to inspect the same, on condition of not being touched in the case of standards for grades, and to prefer an appeal against any standard or standards to the Joint Standards Appeal Committee hereinafter referred to within ten days from the date of such notification, on payment in advance of an appeal fee of Rs.200/- per standard. In the event of the appeal being successful, one half of the fee shall be refunded to the appellants.
- (6) The Board shall, from time to time, appoint a Joint Standards Appeal Committee consisting of six persons, three chosen from the members of the CAI and three chosen from the members of any other recognised Associations permitted by the Forward Markets Commission to regulate trading in N.T.S.D. Contracts in all the varieties of cotton grown in India, or their duly authorised or nominated representatives, including the Chairman of the respective Boards. The respective Board, may grant an honorarium to any member of such Committee.
- (7) After an inspection of the standard or standards appealed against the Joint Standards Appeal Committee shall have power to revise the same. The unanimous or majority decision of the Joint Standards Appeal Committee shall be final and binding.
- (8) The complete sets of standards shall be kept in possession of the Secretary in the Rooms of C.A.I. and of any other recognised Associations permitted by the Forward Markets Commission to regulate trading in N.T.S.D. Contracts in all the varieties of cotton grown in India.

- (9) The Working Standards shall be available to the Surveyors or umpire in surveys and to the Panel of Surveyors in appeal and to the Supper Appeal Committee for reference and to the Boards for inspection at any time of the C.A.I. and of any other recognised Associations permitted by the Forward Markets Commission to regulate trading in N.T.S.D. Contracts in all the varieties of cotton grown in India.

Revision of Standards.

- 129.- (1) The Working Standards may be examined from time to time by the Surveyors, Panel of Surveyors, or the Super Appeal Committee or Joint Standards Committee and if at any time, in their opinion, any Standard has changed from its original condition, they may with the joint prior permission of the Boards of the respective Associations, take necessary steps to revise or replace it subject to the provisions of By-law 128 in order to bring it into accord with the corresponding Reference Standard.
- (2) New Standards for growths of grades of cotton for which there have been no Standards previously, shall come into use with effect from such date or dates as the Boards of the respective Associations may from time to time determine.
- (3) In the event of any Standard or Standards in use for the year being destroyed or damaged by fire or through any other cause whatsoever, the Boards shall jointly have power to instruct the Joint Surveyors Committee to prepare or to cause to be prepared new sets of Standards to replace such as have been so destroyed or damaged subject to the provisions of By-law 128.

BY-LAWS RELATING TO THE CLEARING HOUSE

- Purposes of the Clearing House** 130.- A Clearing House shall be maintained for the purpose of facilitating, registering, clearing and/or settlements of contracts transacted in ICC, issue of tenders in case the contracts transacted in ICC result in delivery, inward/outward payments receivable from or payable to the various CHEMs, under these By-laws and/or any other rules/regulations made thereunder by the Association, transmission of documents between the contracting parties, receiving of trading returns, preparing the outstanding trading account of every CHEM and such other acts that may be necessary for effectuating transactions in ICCs. The Clearing House shall be under the management of the Board and the Clearing House Committee appointed by the Board.
- Clearing House hours of business** 131.- Subject to holidays fixed by the Board, the Clearing House shall unless otherwise determined by the Board remain open daily from 10 a.m. to 6 p.m., but shall be closed on Saturday at 2.30 p.m. except when the due date falls on a Saturday, when it shall remain open till 6 p.m.
- Forms** 132.- Delivery Orders and other necessary forms used for the purposes of the Clearing House shall be in the form sanctioned by the Clearing House Committee appointed by the Board and the Board.
- 132A.- Under a contract, the parties to which are members entitled to use the Clearing House (CHEMs), the seller shall have the right to correct in a delivery order any bona fide mistake or error with regard to marks on bales and the number, designation or particulars of identification of the godown or place where the cotton he tenders is lying provided that he intimates such mistake or error to the buyer and to the Clearing House not later than the time of sampling or within 48 hours of the receipt by the Clearing House of the delivery order whichever of such times shall be earlier. The Clearing House may correct any bona fide errors in the transmission and passing on of delivery orders and/or any bona fide errors in settlement clearings.
- 133.- In respect of contracts transacted in the ICC, every Member entitled to making use of the Clearing House (CHEM) shall at all times abide by the Rules and Regulations laid down by the Clearing House and as directed by the Clearing House.
- Disputes** Any dispute arising out of the working of the Clearing House shall be settled by the Clearing House Committee, or such Sub-Committee as may be appointed by the Board for this purpose, whose decision shall be binding upon the parties in the dispute, subject (on payment of the appeal fee of Rs.1,000/-) to a right of appeal to the Board within three days of the date of the decision appealed against. The Board may in giving their decision, direct by whom such fees shall be paid.

- 133A.- The Board or the Chairman thereof, if the Board shall have delegated the power to him as they are hereby authorised so to do, shall have power for the purpose of verifying or checking any statement submitted by a CHEM under Clause 1 and 4 of By-law 148B I or any other By-laws to call for the production of the Books of any Member or Members, and/or to call for any explanation from any CHEM and/or their member/non-member clients and/or cause inspection of the stock of cotton held by the Member/Members. Failure or negligence to submit any such statement or to produce any such book or to give any such explanation shall be liable to be dealt with under the By-laws relating to disciplinary action.
- Fees for deciding Clearing House disputes**
- 134.- A fee of Rs.500/- may be charged by the Clearing House Committee or Sub-Committee for deciding all disputes which shall be paid by the party who refers the dispute.
- 134A.- If any complaint be made to the Clearing House Committee by any CHEM that any client has failed to meet any of his obligations under the By-laws including payment, if any, due from him under any settlement, the Clearing House Committee shall be entitled to investigate the circumstances and if it finds on such investigation that the client has failed to meet any of his obligations, communicate its finding to the Board to be dealt with under By-law 11A, the provisions of which shall apply to Non-member clients as well. Without prejudice to their rights against the defaulting client under these By-laws the CHEMs shall be fully responsible to discharge their liabilities under the transactions entered into by them for and on behalf of their defaulting clients.
- Fines & disobedience**
- 135.- All CHEMs/TMs and their clients shall pay attention to and comply notices issued by or on behalf of the Board or the Clearing House regarding the Indian Cotton Contract; and the Board are hereby empowered to impose fines not exceeding one hundred rupees in each case for neglect or non-compliance of such notices, or for errors or omissions or delay in submitting any required information to the Clearing House. The Board may by a resolution authorise the Chairman or Clearing House Committee to deal with and impose fines for breach of this By-law. The fine imposed on any of the CHEMs/TMs or their clients under this By-law shall be over and above their other liabilities and obligations under these By-laws.
- Payments to be made through Clearing House.**
- 136.- All payments to or by a member in respect of differences on Hedge and/or T.S.D. Contracts and, except as provided in By-law 139, all payments or differences in respect of Delivery Contracts by description that may be permitted by the Board under By-law 66(A) (a) (3) including "on call" contracts in respect of such descriptions as well as differences in respect of Delivery Contracts for declared descriptions of specific class permitted by the Board under By-law 66(A)(b) and other liabilities relative to such contracts, shall be made through the Clearing House or as directed by the Clearing House. Any member violating this By-law shall be liable to be dealt with in accordance with the provisions of By-laws 17 to 29 and for any default in payment under By-law 11.

- Payments.** 137.- Payments into the Clearing House shall be made by paying the amounts into the Clearing Bank or into the Clearing House of the Association in such manner as the Board may direct from time to time.
- Hours.** 138.- The day/hours of the clearing may be altered by the Board who shall give reasonable notice of any such alteration provided that the hour of outward payments shall depend on debtor members' dues having been paid into the Settlement Account.
- Settlement Days.** 139.-
- (1) All ICCs between CHEMs shall be subject to daily settlements except on Bank holidays. Settlement of differences due on outstanding contracts and of other liabilities arising out of ICCs for any reason whatsoever shall be made by CHEMs through the Clearing House.
 - (2) Each trading day shall be a settlement day unless it is declared not as one, at the discretion of the Board and/or the Clearing House.
 - (3) All contracts entered into on each day shall be included in that day's settlement. There shall be a daily settlement rate in respect of each contract month.
 - (4) In respect of contracts transacted in the ICC, account- sheets shall be prepared and sent by the Clearing House to the CHEMs on all working days before 6.00 p.m. A statement showing amounts due to and from the CHEMs shall also be sent by the Clearing House to the Clearing Bank. On receipt thereof, the Clearing Bank shall debit the amount due from the CHEMs to their respective accounts. In case there is short fall in any account and/or if the required amount is not paid by any CHEM before 11 a.m. on the next day, the Clearing Bank shall intimate the name of such CHEMs to the Clearing House without any delay. After receiving the intimation, the Clearing House shall pass the information as soon as possible to the Secretary, who shall do the needful in consultation with the Clearing House Committee. In such circumstances alone, the outward payments may be suspended otherwise the Clearing Bank shall credit the accounts of all the CHEMs, whose names are shown in the statement of the Clearing House by the amount due to them, on the next working day.

Any CHEM who fails to make the payment due from him either in part or in full, shall be barred from trading from the date of his default. All the outstanding contracts of the defaulting CHEM in all the ICCs shall be dealt with under By- law 15 and also in the manner as provided in By-law 165 and other By-laws of the Association. On paying his dues, the Board shall decide as to whether he should be allowed to trade in ICC and if allowed from which date.

- 140.- Deleted.
- Settlement rates** 141.- For the purpose of settlement clearings in respect of ICCs, settlement prices for the delivery months traded shall be fixed by the Clearing House on each trading day based on weighted average of contracts traded in ICC during the whole day of every trading day. The settlement prices so fixed shall be subject to the conditions, if any, applicable to the contract under By-law 148C.
- Settlement Statement** 142.- CHEMs will receive from the Clearing House account-sheets not later than 6 p.m. on every working day. They should check the same and inform the discrepancies, if any, to the Clearing House by 11 a.m. on the next day. If no discrepancies are pointed out, it shall be presumed that statements are correct and no subsequent disputes are accepted. In case they have dues to pay, they must have sufficient balance in their account with the Clearing Bank otherwise it is obligatory for them to arrange for the payment of shortfall, if any, by 11 a.m. on the next day.
- Failure to comply with this By-law will be dealt with under By-law 135 and/or 136.
- 143.- Deleted.
- 144.- Deleted.
- Calculation of differences** 145.- In the case of contracts coming under settlement for the first time differences shall be calculated between the contract price and the settlement rate. In the case of contracts coming under subsequent settlements, differences shall be calculated between settlement rates.
- Closed contracts** 146.- Settlement accounts shall show the balance of open position, if any, carried forward from the last settlement at the settlement prices, together with all new business entered into at the contract prices . Purchases from and sales to the same persons, firms or companies of the same quantity of cotton for the same month or months of delivery after appearing in one settlement statement shall be deemed closed contracts, and shall not be shown in subsequent settlement statements.
- 147.- Deleted.
- 148.- Deleted.
- 148A.- Deleted.

**Statements of
business done**

- 148B I (1) Every CHEM of the Association shall whenever so required by the Chairman, submit statements in such form and in such manner as may be prescribed showing the contracts entered into by him (a) on his own account and (b) on account of each of his constituents separately,
- (2) Deleted.
- (3) Deleted.
- (4) Where the Forward Markets Commission considers it expedient so to do, it may call for periodical information relating to any Indian Cotton Contract entered into by CHEMs in such form and in such manner as may be specified.

In particular, and without prejudice to the generality of the foregoing power such information may relate to -

- (i) contracts entered into by a CHEM with another CHEM on his own account,
- (ii) contracts entered into by a CHEM on behalf of each of his clients,

Members handing into the Clearing House the Statements required under clauses (1) and (4) of this By-law, after the hour on the day as may be fixed by the Association, shall be charged a late fee of Rs.10/- per hour.

- (5) A member contravening or not complying with clauses (1) & (4) hereof or submitting an incorrect statement under the same clauses shall be liable to be dealt with under By-law 17.
- II. The Board or the Chairman thereof, if the Board shall have delegated the power to him as they are hereby authorised so to do, shall have power, for the purpose of verifying or checking any statement submitted by a CHEM under clause 1 and 4 hereof, or any other By-laws to call for the production of the books of any member or members, and/or to call for any explanation from any member or members. A member failing or neglecting to submit any such statement or to produce any such books or to give any such explanation shall be liable to be dealt with under By-law 17.

- 148C.- There shall be an automatic stoppage of trading in ICC, when on any day the market registers a fall or rise in prices by Rs.100/- per quintal from the settlement rate of the previous day or when the market registers a fall or rise in prices by Rs.100/- per quintal on the first day the contract is traded from the opening rate of such contract. In such an event, the market shall continue to remain opened as usual but the trading shall take place upto plus/minus Rs.100/- limits as mentioned hereinabove. However, in case there is a rise or fall of Rs.100/- per quintal in the settlement prices of any delivery or deliveries for consecutive 3 working days it shall be at the discretion of the Board or a Committee constituted by the Board for the purpose to order continuance or closure of the market or closing out of the contract or fixing of ceiling/floor rates on such conditions as it may deem fit in the interest of the trade in consultation with the Forward Markets Commission.
- 148D.- In the event of any difficulty arising out of any matter relating to the Clearing House, the Board shall have powers to deal with the same in any manner deemed proper by them.
- 148E.- The Clearing House shall not be deemed to guarantee the title, genuineness, regularity, or validity of any goods or any documents, passing through the Clearing House, the object of maintaining the Clearing House being to facilitate the delivery and payment in respect of the goods or documents between Members.
- 148F.- The Clearing House shall not be deemed to guarantee the financial obligations of any CHEM to any of the parties with whom he has dealings. The Clearing House shall not be deemed to guarantee the delivery, the title, genuineness, regularity or validity of any goods or any documents passing through the Clearing House.
- 148G.- CHEMs of the Association shall not be responsible in any respect for any delay on the part of the Clearing House in the course of its operations.
- 148H.-
- a) The President, in his sole discretion, may close the market for such time not exceeding 2 days for any reason he may deem proper.
 - b) In the absence of the President, the Vice-President of the Association and in the absence of both the President and the Vice-President, such Director of the Board as is authorised by the Board may exercise the power under clause (a) above.
 - c) The Board may, in its sole discretion close the market for such time not exceeding 5 days for any reason they may deem proper and with the permission of the Forward Markets Commissions for such period exceeding 5 days as the Board consider necessary or desirable.

TENDERS AGAINST HEDGE AND TSD CONTRACTS

Tender Days 149.- For TSD, the first and last working day of each delivery period and for ICC 16th and last working day of each delivery month (except when such day falls on a holiday fixed by the Board or on a Settlement Day) shall be known as Tender Days. Tender Days may however be varied from time to time by the Board or by the Chairman, if the Board shall have delegated this power to the Chairman as it is hereby authorised to do, by posting a Notice on the Board to that effect.

Instruction Forms for TSD Contracts only 150.- On Tender Days members who shall have entered into TSD Contracts for the delivery of cotton during any delivery period shall send into the Clearing House, Form 4A (Instruction Form) for TSD Contracts. Such form shall contain a full list of such contracts in units as permitted for TSD Contracts and the net long or net short interest of the member at foot of the form.

Such forms are for the information of the Clearing House and will be returned to members when finished with. The time to file Instruction Forms shall be as follows-

On every Tender Day which is not the due date, at or before 12 noon, and with a late fee of Rupee one between 12 noon and 1.30 p.m. On every Tender Day which is the due date, at or before 3 p.m. On every Tender Day if it be not due date, at or before 2 p.m.

Provided that the work of passing on of Tenders has not been completed, Instruction Forms may be submitted after the last time above specified under a late fee of Rs.50 on days other than the due date and under a late fee of Rs.100 on the due date.

In the absence of a Member's Instruction Forms as required above the member in question on receiving a Tender becomes the buyer.

Should a member make a mistake or mistakes in his Instruction Form submitted on the due date to the Clearing House and discover the same whilst the work of passing on of Delivery Orders is in progress, the Clearing House shall permit him to rectify the same by amending his Form on payment of a penalty of Rs.25. If such member subsequently discovers that he has made a further mistake or mistakes in his Form, he may call at the Clearing House again and the Clearing House shall permit him to rectify the same on payment of a further penalty of Rs.25.

Should a mistake or mistakes be discovered by the Clearing House, it shall immediately notify the member concerned of the same and the member shall be permitted to amend his Form in the Clearing House on payment of a penalty of Rs.25 for each such notification. If the member fails to amend the Form, within three hours of his being notified, the Form will be taken as correct and Delivery Orders shall be passed on accordingly.

Provided that on Tender Days other than the due date the correction of mistakes shall be permitted on payment of a penalty of Rs.5 per mistake.

Explanation. -

No instruction shall be given to the Clearing House regarding purchases from and sales to the same firms of the same quantity and description of cotton for the same month or months of delivery, whether such purchases and sales have passed through a settlement or not, and no tenders shall be made or received against such sales or purchases.

150A.- Deleted.

**Tenderers against
ICC or TSD
Contract**

151.- Any member desiring to tender cotton against ICC and/or a TSD Contract shall send into the Clearing House not later than 2 p.m. on any Tender Day particulars of his tender on the Clearing House Delivery Order Forms as prescribed. These forms shall specify the contract price, or last settlement price, if any, the press marks, press running numbers and the other description of the cotton tendered, the exact location of the place with address where the cotton is lying and the name of the client if any. The Clearing House shall give each tender a registered number. The Clearing House shall pass delivery orders on the buyers who have outstanding contracts for delivery during the month, as per the principles approved by the Board. The names of the buyers alongwith the names of the tenderers shall be posted on the notice boards of the Association as soon as practicable.

In respect of ICC, the seller shall also enclose with the delivey order the prescribed form, in duplicate, for the purpose of intimating the name of an 'appointee' if any, under By-law 81B.

The Clearing House shall forward an original copy of such form along with the delivery order, while passing on to the buyer concerned.

In the event of the buyer, on receipt of any delivery order, intends to appoint anyone as his 'appointee' under By-law 81B, he shall intimate his name in the prescribed form in duplicate, original to be sent to the seller and the other copy to be sent to the Association not later than 48 hours after receipt of any delivery order.

Passing on of delivery orders

152.- After delivery orders have been assigned by the Clearing House, the respective seller and buyer or their respective appointees, if any, shall be deemed for the purposes of the By-laws to have made a contract the one with the other according to the By-laws without prejudice to the contracts made by both or either of them with intermediate parties or between other intermediate parties inter se.

Allocation of Tenders

153.- (i) In case of a contract resulting in delivery, the CHEM, who issues the delivery order, shall furnish the same to the Clearing House and the Clearing House shall at its discretion assign such delivery order on "random basis" or on any other norms as may be determined by the Board to any of the CHEMs holding open positions as buyers, whose names appear in the list maintained under By-law 49.

(ii) When the passing on of the delivery order has been completed, the Clearing House shall insert the name of the buyer in the same and shall affix the official stamp of the CH.

154.- Deleted.

155.- Deleted.

Re-tenders

156.- Cotton rejected during any particular delivery period shall not be re-tendered during the same delivery period.

Weighing over

157.- In respect of ICC, the buyer shall make the necessary arrangements with regard to sampling, weighment and appeal, if any, under By-law 36.

Payment for Cotton

158.- In respect of ICC the buyer shall pay for the cotton after weighment at the rate at which the delivery order was issued from the Clearing House \pm ON/OFF as fixed under By-law 55 subject to test results for the actual weight delivered.

In case of any settlement or invoicing back, price difference shall be paid or received for 93.5 quintals per unit of 55 bales.

Adjustment of differences on Delivery Orders passed through the Clearing House

159.- The Clearing House shall insert in the delivery order the rate of the delivery order. The Clearing House shall also work out the differences payable/ receivable, if any, among the parties concerned and debit/credit the same in the next settlement.

159A.- Deleted.

160.- If within seven days after the due date of payment in respect of which a delivery order has been passed on by the Clearing House, the Clearing House has received no intimation from either the seller or the buyer of the non-delivery of the relative cotton the Clearing House shall conclude that the cotton has been delivered and paid for. This By-law is applicable to TSD contracts only.

Tender fee

161.- For every tender of 55 bales of cotton the tenderer shall pay a registration fee of Rs.50. The Clearing House shall collect tender fees through the Clearings by debiting the amount to the concerned members.

161A.- In case of ICC, every CHEM shall pay a Clearing House fee upto Rs.100/- per unit of 55 bales at the rate as may be decided by the Board from time to time in respect of all purchases as well as sales (on his own account or on client's account) passing through the Clearing House for settlement. In addition, Rs.5 shall be payable for every settlement as account statement charges.

The fees collected shall wholly belong to the Association.

A contingent fee at the rate as may be decided by the Board from time to time but subject to a maximum of Re.1/- per bale shall be collected from all the CHEMs. The amount so collected shall be credited to a separate fund called "Contingency Fund" and the same shall be utilised towards liabilities which may arise on account of any contingency including defaults.

CHEMs and TMs shall be entitled to recover Clearing House fees from their constituents in respect of business done on behalf of the constituents.

The Board of Directors or a Committee appointed by them shall be entitled to call for inspection of books of accounts of the members to ascertain if full amount of Clearing House fees has been paid and if it is found that a member has not paid the full amount or he has paid less than what is due under this By-law, he shall be liable to be dealt with under the disciplinary By-law 17.

Adjustment of differences on rejections

162.- Differences (inclusive of penalty as provided under the By-laws) due on Delivery Orders which are rejected and invoiced back at the market rate shall be paid into the Clearing House by the party concerned at the following settlement.

Adjustment of differences on failure to tender

163.- In cases where the seller fails to tender against ICC and/or TSD Contracts penalties payable under the By-laws and differences shall be settled at the following settlement.

163A.- For the purposes of Hedge Contract, the provisions of the By-laws namely 1, 31, 31A, 31B, 34, 34A, 36, 41, 47 to 65, 79, 80(3), 80(4), 80(5), 81, 81A, 81B, 83, 84A, 85, 86, 87, 88, 96, 98(1), 99, 99A, 99B, 99C, 99D, 103, 109, 110, 113, 130 to 159, 161 to 181 and 223 as amended or added from time to time shall be applicable.

163B.- Deleted.

163C.- Deleted.

163D.- Deleted.

163E.- Deleted.

163F.- Deleted.

163G.- Deleted.

163H.- Deleted.

163I.- Deleted.

163J.- Deleted.

163K.- Deleted.

BY-LAWS RELATING TO FAILURE TO PAY DIFFERENCES

Adjustments of differences on failure of members

164.- The liabilities or the accruals (receivable) of all the CHEMs in respect of contracts transacted or cleared by them in all the ICCs shall be determined and communicated to them daily by the Clearing House through account sheets as provided under By-law 49(a) and 139(4). All the CHEMs who are to make payments to the Clearing House shall first "Pay in" on receipt of intimation from the Clearing House. On receipt of all such "Pay in", the Clearing House will arrange "Pay out" on the next day. Where for any reason, a CHEM fails to pay the

sum(s) due to the Clearing House as shown in the Account Sheet or part of such sum(s), the Clearing House shall forthwith declare him a defaulter, stop all payments due to him and square up all his outstanding contracts in all the deliveries through a broker appointed by the Chairman or in his absence the Vice Chairman for the purpose on the next earliest working day.

The amount due from such defaulting CHEM including the amount of loss if any in respect of all his outstanding contracts squared up by the Association as stated above shall be recovered by the Clearing House from the security deposits, margins, receivables in all deliveries, etc. standing to his credit. If, even after the adjustment of such amounts, there is a shortfall in total amount of his "Pay in", the same shall be distributed among all the CHEMs who have to receive payments from the Clearing House on that day proportionately according to the amount payable to them.

The CHEMs who have not received their full dues on account of such default, will have the right to claim their receivable dues from the defaulting CHEM and they can take recourse to legal action to recover the same.

Besides, such defaulting CHEM will also be a debarred member and his trading and clearing privileges will stand suspended immediately. The Association will take action to remove the member concerned. His trading privileges will be reinstated after he has settled all his previous dues and made arrangements to the satisfaction of the Board that the default will not recur.

Procedure on failure of members

- 165.-
- A. In case of the failure, suspension of payment or insolvency of a CHEM, the procedure as mentioned in By-law 164 shall be followed.
 - B. However, in case of a contract transacted in the ICC, in respect of which a delivery order has been issued, the seller member fails to fulfil any of his obligations under the contract other than the obligations mentioned in clause A hereof, the opposite buyer member shall immediately notify such failure to the Clearing House. The Clearing House on receipt of such information close out the outstanding contracts in respect of which the default has taken place and the buyer shall invoice back the cotton and shall also be entitled to receive penalty as provided under the By-laws.
 - C. In the case of a contract transacted in ICC, in respect of which delivery order has been issued, the opposite buyer who has received the delivery order, fails to fulfil any of his obligations under the contract other than the obligations mentioned in clause A hereof, the failure will be dealt with in the same manner as provided in clause (B) of this By-law.

Penalty on failure to pay differences

- 166.-
- Any CHEM who fails for any reason to pay any difference or any other sum due under these By-laws as and when due shall be treated as having failed to meet at maturity his liabilities to another member or other members or to the Association. If he fails to give notice under By-law 9 the Board shall at once take action under By-law 11 and the other By-laws in that behalf.

167.- Deleted.

TRADING RING BY-LAWS

168.- Unless there be something in the subject or context inconsistent therewith, the following expressions shall have the following meanings.

- 1) Trading Ring means such space or spaces in the Cotton Exchange at the Cotton Green, Sewri and/or such place or places as the Board may from time to time determine with the prior approval of the Forward Markets Commission and which shall have been notified by the Board as reserved for trading in ICC.
- 2) Authorised user means a person or persons who shall be appointed by a CHEM/TM and/or their permitted clients to do on line trading in their account and on their behalf. Each person shall be given identification code by the CH, as required.
- 3) Deleted.

169.- Deleted.

170.- Deleted.

171.- Deleted.

172.- Deleted.

173.- Deleted.

174.- Subject to the By-laws for the time being in force, the Board shall direct and supervise the general management and control of the on-line trading and regulate the same as may be required from time to time.

174A.- Deleted

- 175.- The Board and/or CH Committee shall only be entitled to order for the connection or disconnection of any CHEM/TM and/or their permitted clients for on-line trading in accordance with these By-laws.
- 176.- No person shall be entitled to trade on line unless he is lawfully authorised and also registered with the Association.
- 177.- Authorised users of CHEMs, TMs and their permitted clients only shall be entitled to trade on-line. Upon making a written application to the secretary in the prescribed form, CHEMs, TMs and their permitted clients be entitled to two users codes on payment of annual fee of Rs.300/- per user. If any one requires codes for more than two users, the CH Committee shall permit extra users codes on payment of Rs.500/- per code.

The user code can be transferred to the name of another person nominated by the same member on payment of a fee of Rs.200/-. A new user code shall be issued in the place of the existing one on payment of Rs.100/-.

- 178.- Deleted.
- 178A.- Deleted
- 178B.- All CHEMs/TMs shall be fully responsible for transactions entered into or any acts done by the users and/or the clients permitted by them.
- 178C.- All appointments or changes in the names of the users shall be forthwith intimated to the CH.
- 178D.- A register of such authorised users/ clients will be maintained.
- 179.- Deleted.
- 180.- Deleted.

- 181.- For any act of indiscipline or misbehaviour, the CH Committee, after giving an opportunity of being heard may impose a fine upto Rs.1000/- in addition to the financial implications of the misbehaviour AND/OR suspend the use of on line trading for maximum three working days. Such party shall also be liable to bear the monetary losses arising out of his misbehaviour and/or be liable to disciplinary action, if any under the By-laws. However, the suspension may be removed by the Chairman, if thought fit, after hearing an appeal, if any.
- 182.- Deleted.
- 183.- All persons making use of the on-line trading shall be amenable to the jurisdiction of the Association and in particular shall be subject to the disciplinary By-laws.
- 184.- Deleted.
- 184A.- Deleted.
- 185.- Deleted.
- 185A.- Deleted.



INDEMNITY TO MEMBERS OF THE BOARD

- 185B.- (i) Every member of the Board shall be indemnified out of the funds in the hands of the Board for the purposes of or in relation to the Clearing House, against all costs, expenses, losses or claims which the Board or any member of the Board may incur or become liable for by reason of any act or thing done or omitted by any servant or agent of the Board in or concerning the affairs of the Clearing House, provided such member was not himself a party to such act or omission.
- (ii) No liability shall attach either to the Association or the Board or of the Members nominated by the Association to the Clearing House Committee as the case may be, by reason of anything done or omitted to be done by the Clearing House in the course of its operation, nor shall the Association or the Board or any Director of the Board be liable to answer in any way for the title, ownership, genuineness, regularity of any documents passing through the Clearing House nor shall any

liability attach to the Association, the Board or any Director of the Board in any way in respect of such documents.

BY-LAWS RE. C.I.F., C & F AND F.O.B. CONTRACTS AND CONTRACTS FOR COTTON IMPORTS TO ARRIVE AND FOR FORWARD DELIVERY

186.- Notwithstanding anything to the contrary contained in these By-laws but to that extent only, the following By-laws Nos.186 to 222 inclusive, shall also apply to -

- (a) Contracts for cotton imports to arrive and for Forward Delivery entered into subject to the By-laws of the Association and under which delivery is to be made either in Bombay or at any place outside Bombay;
- (b) Delivery Contracts for Indian cotton entered into subject to the By-laws of the Association on C.I.F. terms under which delivery is to be made at any place outside Bombay or to a mill anywhere in India.

Definitions

187.- Universal Standards means Standards for grade and colour which may be promulgated from time to time under the Agreement between the Association and the Department of Agriculture, Washington, D.C., U.S.A.

To ship means to load On Board a ship.

Shipment means according to the context the loading of cotton as provided in this By-law or any number of bales so loaded.

Prompt or Immediate Shipment or Sailing means shipment or sailing not earlier than date of contract but not later than 14 days after.

Shipping or Shipped means loading or loaded on board a ship.

Shipping Documents means documents of title required by the contract corresponding to the form of shipment contemplated thereunder.

A On-Board Bill of Lading, Shipped or On-Board Bill of Lading means a Bill of Lading which is signed on behalf of the ship by the Captain or duly authorised Agent of the ship, declaring that the cotton has been actually received On-Board the ship for shipment.

A Port Bill of Lading means a Bill of Lading which is signed on behalf of the ship by the Captain or duly authorised Agent of the ship, both vessel and cotton being in port and the cotton itself having been actually delivered to the Captain, the shipowner or the authorised

Agent in port of shipment.

A Custody Bill of Lading is a Bill of Lading which is signed when the cotton is in the port and duly delivered to the Captain, the ship-owner or the authorised Agent and a Master's or Agent's receipt must be furnished proving that the cotton has been actually shipped within three weeks from the date of Bill of Lading. Substitution of another vessel of different ownership for the one named in the Bill of Lading is only permissible in case the named vessel is lost or in case of accident or other unforeseen event of force majeure.

Marine Insurance means insurance against the risks accepted in an ordinary form of Lloyd's Policy, together with risk of particular average and country damage and risks mentioned in By-law 209, but excluding war risk.

Invoice Cost in connection with marine insurance means the invoice cost of goods including additional charge for differences in freight and war risk.

Any amount over the invoice cost and stipulated percentage shall be for seller's account in case of total loss only.

Total Loss means the loss of the whole or part of a shipment, admitted as such by the underwriters. In case of a portion of the shipment being so admitted any excess in amount of the policy beyond the amount stipulated shall be dealt with pro rata.

About in connection with the number of bales or the weight of cotton means 5 per cent. more or less.

The Last Day of Landing means the last free day as allowed by the Bombay Port Trust and the respective Port Authorities at other landing ports.

A Lot of cotton is a number of bales placed under one mark.

A Dispute or Difference touching or arising out of any contract shall include any dispute, difference or question with regard to the construction, meaning or effect of such contract or the rights or liabilities of any person or persons thereunder.

Jurisdiction to be in India.

188.- Every C.I.F., C. & F. and F.O.B. contract for sale or purchase of cotton and contracts for cotton imports to arrive and for Forward Delivery made subject to these By-laws or subject to Cotton Association of India arbitration or subject to Bombay arbitration, or containing words or abbreviations to a similar effect, shall be construed and shall take effect as a contract made in India and in accordance with the laws of India and shall be deemed in all respects to be subject to these By-laws, including in respect to arbitration, and the parties to such contract shall be deemed to have submitted to the jurisdiction of the Bombay High Court for the purpose of giving effect to the provisions of these By-laws.

**C.I.F. Contract
how performed.**

- 189.- A. (1) The Seller under a C.I.F. contract shall, unless otherwise agreed-
- (a) ship cotton of the description contained in the contract within the period mentioned in the contract ;
 - (b) procure a contract of affreightment evidenced by a Bill of Lading under which the cotton is to be delivered at the destination contemplated by the contract ;
 - (c) arrange for marine insurance upon the terms common to the trade as per By-law 209 unless otherwise specified in the contract, which will be available for the benefit of the Buyer ;
 - (d) make out an invoice debiting the Buyer with the agreed price ; and
 - (e) tender these documents to the Buyer or the Buyer's representative at the place named in the contract as soon as reasonably possible after shipment.

Against tender of such documents the Buyer shall pay the price agreed upon.

- (2) The incidents of a C. & F. contract shall be the same as of a C.I.F. contract except that the seller shall not be obliged to arrange for marine insurance.
- (3) The Buyer under a F.O.B. contract must name the ship upon which the cotton is to be delivered and the Seller must put them safely On-Board, pay the charge of doing so, and give possession of them to the ship upon the terms of a reasonable and ordinary Bill of Lading or other contract of carriage. When the Buyer does not so name the ship the Seller shall ship during the contracted period as in case of a C.I.F. contract. In the case of American cotton the Seller may ship on a Conference Vessel if it is legally compulsory for him to do so under a Conference Agreement even in the case of an F.O.B. Contract.
- (4) Sudan and Egyptian cottons shall not be shipped in the same hold with American cotton.
- (5) In the case of cotton shipments to India the date of shipment should not precede the date of Import Licence.

**Date of shipment
not to precede
Import Licence
date.**

- B. In respect of foreign cottons all purchases and sales will be with NO REJECTION Clause unless otherwise specified. The buyer shall pay the full invoice amount to the seller for the cotton and shall not withhold any moneys pending settlement of disputes or retain any moneys pending results of arbitration for quality, etc. As soon as the award on quality or any other matter is finalised, the parties shall settle differences forthwith.
- C. In the case of contracts for foreign cottons resold on terms other than C.I.F., C. & F. and F.O.B. such as Dock Delivery or F.O.R. Station, all the rights and the liabilities and the remedies to be adopted by the parties in any contingency shall be the same as in the case of C.I.F. Contracts.

190.- The time of shipment or sailing should be stated in the contract. The Bill of Lading as defined in By-law 187 duly signed shall be accepted as evidence of the date of shipment stipulated for in the contract. The date of sailing shall be that when the ship actually sails from the port of embarkment. The seller has the right to ship on any day of the contracted shipping period.

191.- It shall not be a breach of the contract if the cotton, or any portion is shut out from the vessel or vessels named provided the Bill of Lading conforms with the definitions in these By-laws. This shall apply only to contracts for shipment and not to contracts for sailing or clearance.

192.- Unless otherwise provided for in the contract, the Seller shall effect the shipment with a Port Bill of Lading or with an On Board Bill of Lading. However, for cotton to be shipped from United States Ports, the Seller has the option to ship on "Custody Bill of Lading" subject to prior consent of the Buyer.

193.- In case of any dispute regarding delayed shipment or delayed fulfilment of the contract it shall be referred to arbitration according to the procedure laid down in By-law 38.

Delay in shipment.

194.- In any dispute arising out of delayed fulfilment of a contract, if evidence is produced -

- (a) by the seller to prove that the delay in fulfilment ;
- (b) by the buyer to prove that the delay in taking delivery;

was caused by unforeseen obstruction to traffic, strike, lockout, riot, quarantine or some other unforeseen contingency which was completely outside the control of the party at fault, then Arbitrators appointed to determine a dispute arising therefrom shall consider such evidence when deciding what allowance (if any) shall be awarded in respect of the failure to complete the contract within the time limits laid down.

Force Majeure. 195.- If the Seller can furnish sufficient proof that he could not execute his contract because purchase or sale of the relative cotton was prevented by unforeseen stoppages in communications, strikes, lockouts, riots, quarantine or by other circumstances of force majeure or by any act on the part of Government or if Buyer cannot take delivery of the cotton as a result of such unforeseen circumstances, and should the two contracting parties fail to come to an agreement, then the arbitrators shall take these facts into consideration in giving their decision.

Failure to perform other than Force Majeure. If owing to any circumstances whatsoever other than those mentioned above, any such contract has not been or is not to be performed, it shall not be treated as cancelled, but shall be closed by being invoiced back to the seller in accordance with the provisions of By-law 219.

196.- Should the documents contain some irregularity in form or omissions not pertaining to essential requisites, the buyer shall nevertheless provide for the payment of the seller's invoices, provided the seller assumes full responsibility that the said irregularities or omissions shall in no way alter regular execution of the contract.



ARBITRATIONS AND APPEALS

General. 197.- C.I.F., C. & F. and F.O.B. contracts for the sale or purchase of cotton and contracts for cotton imports to arrive and for Forward Delivery made subject to these By-laws or subject to Cotton Association of India arbitration or subject to Bombay arbitration or containing words or abbreviations to a similar effect, shall be in writing.

Every such contract shall be deemed to provide as one of the terms thereof that any dispute or difference arising between the parties thereto touching or arising out of such contract shall be referred to arbitration in accordance with the By-laws of the Association and that the holding of such an arbitration and obtaining of an award thereunder shall be a condition precedent to the right of any party to such contract to commence legal proceedings against the other party in respect of any such difference as aforesaid, and that neither party under such contract shall have any right of action against the other touching or arising out of such contract, except to enforce the award in any such arbitration.

Whenever any dispute or difference arises between parties arising out of any such contract, it shall be referred to arbitration under the following By-law in regard to quality. In regard to disputes other than those relating to quality the provisions of By-law 38 shall apply to such arbitration as regards the procedure, and of By-law 41(b) as regards fees.



QUALITY

- General** 198.- Whenever any dispute or difference as to quality shall arise in respect of C.I.F., C.& F. and F.O.B. contracts and contracts for cotton imports to arrive and for Forward Delivery, entered into subject to these By-laws or subject to Cotton Association of India arbitration or subject to Bombay arbitration or containing words or abbreviations to a similar effect, such difference shall be referred to arbitration under this By-law, and the provisions of By-laws 35 and 36 shall apply to such arbitration save as herein expressly provided.
- Separate arbitration for each shipment** When cotton shall arrive by more than one vessel there shall be a separate arbitration for each shipment unless otherwise agreed.
- Appeal**
(i) in respect of U.S.A. & Mexican Cottons In respect of U.S.A. and Mexican Cottons, an appeal shall lie from the Arbitrators' or Umpire's Award to an Appeal Committee constituted of three Surveyors appointed under By-law 35 and a representative nominated by the American Cotton Shippers Association who is ordinarily resident in Bombay. If no such nomination is made or the nominee so appointed is not present, then the appeal shall be disposed of by the Panel of three Surveyors appointed under By-law 35, provided such appeal is lodged with the Secretary before 12.30 p.m. on the seventh day following the date of survey award.
- (ii) in respect of East African and Pakistan Cottons** In respect of East African and Pakistan Cottons an appeal shall lie from the Arbitrators' or Umpire's Award, to an Appeal Committee constituted of three Surveyors appointed under By-law 35 and a person who shall be called upon from the relevant panel of the two panels of three persons each nominated by the Board from time to time from amongst the Importers of Uganda cotton and Pakistan cotton respectively, in Bombay, provided such appeal is lodged with the Secretary before 12.30 p.m. on the seventh day following the date of survey award. If no such panel is nominated or the person called from the panel is not present, then the appeal shall be disposed of by the Panel of three Surveyors appointed under By-law 35.
- (iii) in respect of other cottons** In respect of all other cottons, appeal shall lie from the Award of the Surveyors as per provisions of By-law 36(6), provided such appeal is lodged with the Secretary before 12.30 p.m. on the seventh day following the date of survey award.
- The Award of Surveyors where no appeal is preferred and the unanimous or majority Award of the Appeal Committee or Panel, shall be final and binding on the parties.
- Time for arbitration** 199.- Unless otherwise agreed to between the parties concerned for extension of time an application for arbitration on quality in respect of all cotton shall be made within 30 days after the last date of landing of the consignment contracted for, but, if the cotton is to be fumigated, shall be made within 30 days from the date of the last landing.

Samples for arbitration from outside Bombay must be despatched to the Association within 50 days after the last date of landing, but if the cotton is to be fumigated, samples from such cotton must be despatched within 60 days from the last landing date.

- 200.- The time for applying for or holding an arbitration or the time for the submission of samples may be extended at the discretion of the Board, provided an application in writing, on grounds considered satisfactory by the Board, is made within a reasonable time by either of the parties to the contract. In the event of extension of time by the Board for holding arbitration, the Buyer shall immediately inform the Seller of the extension of time by a cable.



MUTUAL ALLOWANCES

- 201.- When cotton is sold with Mutual Allowance in grade and staple, if the grade is equal to and the staple better than or the staple equal to and the grade better than the contract quality, the Seller or the Buyer (as the case may be) shall be entitled to an allowance, as hereinafter mentioned.
- 202.- When cotton is sold without Mutual Allowance either on sample or on grade with a specified length of staple, any deficiency in staple shall not be counter balanced by the grade of the cotton tendered being above the grade contracted for, nor shall any extra length of staple be set off against a deficiency in grade.

When cotton is sold with Mutual Allowance and the grade is equal to and the staple better than, or the staple equal to and the grade better than what is called for under the contract, the Seller shall be entitled to an allowance.

Special provisions re. U.S.A. and Mexican Cottons.

In contracts for U.S.A. and Mexican cottons sold on grade, unless "average" has been expressly stipulated in the contract, cotton shall be required to be even running, but bales of a better grade may be set off to the extent of 15 per cent. of the whole quantity of each grade, submitted for arbitration, against bales of inferior grade, provided that such inferior bales are not more than a half grade below the quality specified. Credit shall not be given for more than a quarter grade.

In arbitrations based on Universal Standards, "full grade" shall be read in place of "half grade" and "half grade" in place of "quarter grade".

- 203.- Arbitration upon U.S.A. and Mexican cottons sold to "average" any particular grade shall be settled by classing the different lots, placing grades or fractions of grades above, against grades or fractions of grades below, and passing whatever part turns out an average of the grade guaranteed, making an allowance on the remainder.

Determination of differences

204.- Except when fixed differences in value between grades and between staples for arbitration purposes have been agreed between the parties to the contract, the arbitration shall proceed on the basis of the ruling differences in value between grades and between staples as quoted in the market appropriate to the country of origin of the cotton on :

- (1) the eleventh day after the last date of landing unless the cotton is fumigated in which case it shall be the 21st day after the last date of landing ;
- (2) where arbitration on quality has been held before the tenth day after the last date of landing or in the case of cotton fumigated before the 21st day after the last date of landing, the arbitration shall proceed on the basis of the ruling difference in value between grades and between staples as officially quoted in the market appropriate to the country of origin of the cotton on the day previous to the date of arbitration ;
- (3) where quotations for the appropriate day are not available for any reason, the quotation available for the next business day thereafter, shall be taken into consideration.

As regards East African Cotton.

In respect of East African Cotton, the award in arbitration as regards quality shall state the grade difference between the cotton contracted for and the cotton tendered. Such grade difference in value shall be as prevailing in Bombay on the date of shipment i.e., on the date of Bill of Lading or if that happens to be a holiday on the working day immediately following it. The grade differences in value shall be fixed by a Committee to be constituted by the Board from time to time for the purpose, subject to a right of appeal to the Board, as provided in By-law 34A except that the appeal may be lodged within twenty-one days. Such grade differences in value that may be fixed by the Committee or the Board on appeal, shall be fixed taking into consideration the lower staple according to such grade difference.

Classification of U.S.A. Cotton.

205.- On a contract made with any party in the United States of America for shipment from any place in the United States of America, if an Appeal Award is made which does not state the classification, the Appeal Committee shall, upon request of either of the parties to the contract and the payment of the prescribed additional fee, issue a certificate showing in detail the true classification for grade and colour of such cotton based upon a comparison of the samples with the Universal Standards or with a type or other sample on which the cotton has been sold, as the case may be. Requests for classification must be made to the Secretary not later than noon on the fifth business day following the date of the Appeal Award.



SAMPLING AND WEIGHMENT

- General** 206.- The Buyer shall not be entitled to draw samples before weighing without the consent of the Seller. The Buyer may draw samples at the port of discharge. If he draws samples before weighing with the consent of the Seller, then he shall pay for the samples at the invoice price. Sampling expenses shall be at Buyer's charge. Samples for arbitration shall be drawn in the presence of the Seller's Controllers or Representatives and sealed by them. The Controllers' fees for supervision of drawing of samples shall be payable by the Seller.
- American Cotton** In respect of American cotton, samples for arbitration shall be drawn separately from each bale for purposes of arbitration on quality. The weight of samples shall be equivalent to not less than 170 grams per bale.
- Egyptian and Sudan Cotton** In respect of Egyptian and Sudan cottons, samples for arbitration shall be drawn from a minimum of three bales and a maximum of five per cent. of the bales. The weight of samples shall be equivalent to not less than .8 kg per bale.
- Other Cottons** In respect of all other cottons, samples shall be drawn from a maximum of 4 per cent. and a minimum of two bales. The weight of the samples shall be equivalent to not less than 2 kg per bale sampled.
- Weighing and sampling to be at port of discharge** 207.- Weighing and sampling shall take place at the port of discharge on arrival in presence and under control of Buyer's and Seller's representatives. The name of Seller's representative for this purpose i.e. the Controller shall be given to the Buyer on or before tendering of invoice. If the Seller fails to give the name of Controller, then on application of the Buyer, the Association shall appoint a Controller on behalf of the Seller.

DELIVERY

- General** 208.- Cotton sold under C.I.F., C. & F. and F.O.B. Contracts as well as contracts for cotton imports to arrive and for Forward Delivery shall be taken delivery of by the Buyer, without undue delay. Any portion not taken delivery of by the third day after the last day of landing shall, for the purpose of the contract, be considered to have been taken that day and charges for watching and quay rent, if any, shall be for the account of the Buyer.
- Where bales are short delivered for reasons other than those usually cover by marine and war risks, they shall be settled for according to the provisions of By-law 213.

INSURANCE

- 209.- (1) Marine Insurance may be provided for either by means of a Policy or a Certificate of Insurance, and the expression "Policy of Insurance" shall be deemed to include a Certificate of Insurance; such Certificate shall be tenderable as one of the requisite shipping documents and no exception shall be taken to such Tender on this ground and such Tender shall be deemed a good Tender.
- (2) Marine insurance ordinarily shall -
- (i) provide cover in ordinary course of transit for 30 days upto final warehouse in India at Invoice value plus 10 per cent.;
 - (ii) cover all risks of physical loss or damage from the external cause irrespective of percentage including country damage;
 - (iii) in case of American Cottons, in addition, cover loss or damage while in process of fumigation.
- (3) In the case of sales C. & F., F.O.B., etc. shippers are to furnish clean bill of lading without they or their forwarding agents indemnifying the carriers in any way and the Buyers may call for a declaration by the shippers that no indemnity has been furnished to obtain clean bill of lading by stipulating in the letters of credit or otherwise.
- (4) The cost of stamping documents presented for payment in Indian Union, if incurred, shall be borne by the Seller. In all other cases the cost shall be borne by the Buyer.
- (5) Deleted.

TARE

- 210.- Unless otherwise stipulated in the contract all cotton shall be sold with actual tare which shall be ascertained by the Buyer in the presence of Seller's Controller at the port of discharge at the time of delivery in the manner following, unless declared and guaranteed by the Seller.

The actual tare shall be ascertained by taring 5 per cent. of the bales or a minimum of 4 bales taken indiscriminately, stripped of their canvas and tared as follows :-

For American Cotton the tare shall be ascertained by weighing the canvas separately and also collectively, but the allowance for canvas made on the invoice shall in no case exceed the rate as ascertained by the latter mode. The allowance shall be calculated at the exact

relative proportion of the weight of the bales stripped to the total weight of the whole lot. The allowance for canvas must be calculated on the weight of the bales after the weight of the bands has been deducted. In other growths the tare shall be ascertained by weighing the canvas, bands, ropes or wires separately and also collectively, but the tare allowed in the invoice shall in no case exceed the rate as ascertained by the latter mode. The allowance shall then be calculated on the whole lot in the exact relative proportion of the number of bales stripped to the number of bales.

Mended bales of all descriptions shall be tared separately.

211.- If actual tare has been demanded by the Buyer and it shall prove not to exceed the allowance for tare the whole expense (including supervision charges, if any) of taring shall be borne by the Buyer, otherwise such expense shall be borne by the Seller.

**Arbitration,
Conciliation,
Appeal and Super
Appeal Fees**

212.- 1. The Fees in arbitration and conciliation and appeals and super appeals in respect of quality or other than quality shall be as decided by the Board from time to time and as provided in the Rule Books and notified to all concern by displaying it on the Notice Board of the Association.

(2) It shall be a condition precedent to the hearing of any appeal that the fee for the appeal shall have been paid to the Association by the Appellant.

(3) The Association shall be responsible only for the fees actually collected but the Board shall deal, as it thinks fit, with failure to pay any fees.

**CLOSURE OF CONTRACTS IN SPECIAL CASES AND
ARBITRATION THEREON.**

213.- If either party to a contract for the purchase or sale of any foreign cotton made subject to these By-laws or subject to Cotton Association of India By-laws or subject to Bombay Arbitration or containing words or abbreviation to a similar effect, shall suspend payment or be declared insolvent or enter into any arrangement or composition with or assignment for the benefit of his creditors generally or if a Receiver of his assets or property shall be appointed by any Court or if the Directors pass a resolution that they are satisfied and any such party, if carrying on business alone has become incapable of managing his affairs owing to illness or other physical or mental infirmity or has died without leaving executors or others willing or able to take over his liabilities under the contract or in case either party shall being a company goes to liquidation, or if a Receiver shall be appointed on behalf of the holders of debentures issued by the company then either party to such contract may send to the Chairman a written statement of such facts as he deems to be material with a request to take steps to have the contract closed and the Chairman shall be entitled but

the Chairman shall be entitled but shall be under no obligation to appoint two Arbitrators (with power to appoint an Umpire) whose duty it shall be to decide whether such contract shall be closed or not and if they so decide that such contract shall be closed they shall fix the prices and terms of such closure subject nevertheless to appeal to the Board by notice in writing to the Secretary before noon on the third business day following the date of the award in arbitration.

WEIGHT

214.- Unless otherwise stipulated in the contract, the average gross weight per 100 bales for all descriptions of U.S.A. and Mexican Cottons shall be 22,680 kg. In each case a variation of 5 per cent. shall be allowed. If it be found that the delivered weight is under or above the 5 per cent. variation, a settlement shall be made for the differences in the market value on such deficiency or excess between the invoice price and the value in the country of origin at the date of shipment. Any weight adjustment shall be made on each invoice.

In the case of Egyptian cotton, the variation in landing weight is permitted upto 2 per cent. from the contract weight. If it be found that the delivered weight is under or above the 2 per cent. variation, a settlement shall be made for the difference in market value of such deficiency or excess between the invoice price and the market value in Alexandria at the date of shipment.

If no variation in weight is expressed in the contract then the permitted variation shall be 3 per cent. with the exception of contracts for Egyptian and Indian cotton in which case the permitted variation shall be 2 per cent.

215.- Gross landing weight shall be ascertained by weighing the cotton at Port of Discharge on arrival, before sampling (or if already sampled an allowance to be made for the samples drawn) :-

- (1) In case of sea or country damage, the condemned bales shall be accounted for at the average gross invoice weight, but bales that will mend shall be weighed and the customary allowances deducted from gross landing weight for water in pickings and rags.
- (2)
 - (a) Any bale condemned or not delivered shall be calculated as delivery at the average gross invoice weight in respect of guaranteed weight and at the average quality of the remainder of the shipment.
 - (b) A "No Mark" bale accepted in lieu of a bale short tendered from the ship shall be calculated as delivery at the average gross landing weight and at the average quality of the "marked bales".
 - (c) The weight of missing bands and missing tops shall be added to the landing weight.

- (3) When 95 per cent. of the cotton contracted for has arrived, claims for loss in weight may be made subject to a final weight adjustment upon arrival of the balance of the cotton.

216.- Should the Buyer (1) in case of interior Shipments within six weeks of arrival of cotton (2) in case of Shipment from a Port within four weeks of arrival of cotton, be able to prove that the particulars as stated in the Bill of Lading are incorrect and/or not in accordance with the terms of the contract, the matter shall be referred to arbitration and it shall be at the discretion of the Arbitrators to decide either that the Buyer shall accept the cotton with an allowance as fixed by the Arbitrators, or that the Buyer shall have the option of closing the contract under the provision of By-law 219.

FALSE PACKING

217.- Disputes as regards false-packing shall be referred to arbitration according to the provisions contained in By-law 36. Samples for arbitration shall be drawn by the Controller appointed by the Association from all the bales suspected to be false-packed and submitted to the Association. An Appeal shall lie against the award of the Surveyors to the respective Appeal Committee, whose decision shall be final and binding on both parties. In respect of falsely packed or unmerchantable cotton, the Seller shall be entitled to call upon the Buyer, within a period of fifteen days from the date of receipt by him of the Controller's certificate or the award, as the case may be, substantiating the claim, to have the cotton returned to the Port of Discharge at the Buyer's expense. If the Seller shall have exercised such right, the Buyer shall be entitled to the full value of sound cotton on the day of the return of the cotton provided the claim shall have been originally made by the Buyer within three months from the last date of the landing of the cotton complained of by him. If the Seller shall not have exercised the right of return within the time aforesaid, the Buyer shall be entitled to sell out such cotton with all faults at the Seller's risk, account and expense.

SALES "ON CALL"

218.- If the cotton is sold on C.I.F. or C.& F. or similar terms "on call" on a month or months of delivery of a Futures Delivery Contract the call must be made not later than the last working day preceding the delivery month. In respect of "on call" cotton based on New York or New Orleans the "call" shall be made not later than the day before the first notice day for the delivery month. In default thereof, the price for the uncalled cotton shall be fixed on the highest price paid in the closing range for the relevant delivery on that day. Should however the Seller agree, the call may be extended at the request of the Buyer in which case the Buyer shall undertake to pay to the Seller the insurance premium necessary to cover any increased value from that day to the date of call. The extension of call shall in no case extend beyond the date of shipment. Cotton sold "on call" based on a double

month delivery period must be called or transferred before the close of the last business day but one of the first named month.

INVOICING BACK

219.- In all cases where a contract or part of a contract is to be closed by being invoiced back to the Seller, the Buyer shall give written notice to the Seller (or if non-resident in Bombay, the Buyer may give such notice telegraphically) and the invoicing back price, unless agreed upon between Buyer and Seller, shall be the price fixed on application by either of the parties by the Committee constituted by the Board under By-law 204. The Committee in fixing the invoicing back price shall take into account the ascertained value of the cotton contracted for on the appropriate date in the Market appropriate to the country of origin of such cotton translated to the value at the port of destination and subject to any relevant variation that may have taken place in the costs of freight and insurance and in the rate of Exchange, Import and Export Duty or Tax or any other charges.

The value of the month or months of delivery (on which if the Arbitrators have decided that the cotton is to be invoiced back) shall be fixed by mutual agreement between Buyer and Seller not later than the second business day following the date of Arbitration Award or Appeal Award and if the Buyer and Seller shall not have come to an agreement then the invoicing back price shall be the price fixed by the Committee constituted by the Board under By-law 204 subject to a right of appeal to the Board at the request of either of the parties as on the day following the date of the final Award. The fees for fixing such rates and appeal fees shall be as provided in By-law 34A.

In all cases where the Buyer has the option of taking the cotton at an allowance or of invoicing it back, such option shall be declared not later than the next business day following the date of the final award; otherwise he shall forfeit his option and shall be obliged to take the cotton at the allowance.

In cases when a specific growth is declared against a contract for shipment from "any port" the price of invoicing back must follow the declaration, i.e., that of the growth specified.

STANDARDS

220.- Complete sets of current Universal Standards of American growth shall be kept in possession of the Secretary in the Arbitration and Appeal Rooms. They shall be available in the settlement of Arbitrations and Appeals and open to the inspection of Members on condition of not being touched.

The Standards shall be examined regularly by the Appeal Committee, and if at any time in their opinion any standard has changed from its original condition, the Committee shall take the necessary steps to replace the same.

Universal Standards means Standards for grade and colour which may be promulgated from time to time under the Agreement between the Association and the Department of Agriculture, Washington, D.C., U.S.A.

- 221.- The grade standards shall be prepared and maintained by the Association as per provisions of By-law 128 (except that a separate Standards Committee for East African Cotton shall be appointed by the Board from time to time) for adjudication of quality on imported Kenya and Uganda Cottons:

Provided that in the event of an agreement between the Cotton Association of India, and the East African Cotton Exporters Association, Kampala, the standard prepared by the L.M.B. Kampala viz. UNWE (Extra Superfine), UNUG (Superfine), Selling Standard (Fine) and UNFA (Fully Good to Fine) shall be adopted subject to the approval of the said Standards by the Association. The Standards for other Descriptions and Grades of East African Cotton may be prepared and maintained by the Association.

The Board shall have power to adopt from time to time Standards prepared by the appropriate authorities in other countries for use in arbitrations on cottons imported from those countries.

- 222.- The Standards for other Foreign Cottons may also be prepared and maintained by the Association as per provisions of By-law 128, but in duplicate (one set of which shall be designated the Reserve and the other Working Standard) for adjudication of quality.

The Working Standards shall be available in the settlement of Arbitrations and Appeals and open to the inspection of Members on condition of not being touched.

The Working Standards shall be examined regularly by the appropriate Appeal Committee with Reserve Standard and if at any time in their opinion any standard has changed from its original state, the Committee concerned shall take the necessary action for restoration subject to the provisions of By-law 128.

A week's notice should be given to members by posting notices on the Notice Boards of the Association of any proposed alteration and the Standard so altered shall not come into use until a fortnight from the date of its confirmation.

New Standards for growths or grades of cotton for which there have previously been no Standards shall come into use as soon as they have been confirmed.

In the event of any Standard or Standards except the Universal Standards of American Cotton in use for the year being destroyed or damaged by fire or through any other cause whatsoever, the Board shall have power to instruct the Surveyors to prepare or to cause to be prepared new sets of Standards to replace such as have been so destroyed or damaged subject to the provisions of By-law 128.

Miscellaneous.

223.-

- (i) The Board shall have the power to vary suitably from time to time as may be found necessary the provisions of the By-laws relating to units of trading, units of price quotations, weightment, measurement, surveys, the terms of contract, forms and other related matters, for the purpose of switching over from the existing system to the metric system of weights and measures, in respect of contracts already entered into or to be entered into. The decisions of the Board in this behalf shall be final and binding upon all the members of the Association and also on all persons dealing with the Association and/or the members of the Association.
- (ii) In the event of any dispute or difference arising regarding interpretation of the By-laws as amended from time to time whether between two members, or between one member and one non-member or between two persons, whose contract stipulates that they will be governed by the rules and regulations of the Cotton Association of India, such dispute or difference shall be referred to the Board, whose decision in the matter shall be final and binding.
- (iii) The unit for price quotations be one quintal (100 kg).

