

An Act Made to Provide for Commodities Exchange Market

Preamble: Whereas, It is expedient to regulate a commodities market, a clearing and settlement house and a warehouse for development and operation of commodities exchange market and protection of investors;

Now, therefore, be it enacted by the Legislature-Parliament in accordance with sub article (1) of Article 296 of the Constitution of Nepal.

Chapter-1

Preliminary

1. **Short Title and Commencement:** (1) This Act may be called "Commodities Exchange Market Act, 2074 (2017).

(2) This Act shall come into force on 91th day as of its assent.

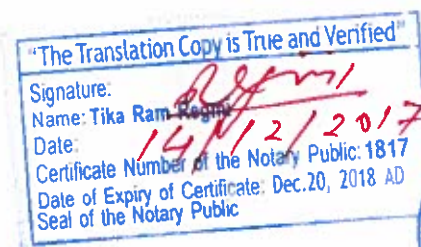
2. **Definition:** Unless the subject or context otherwise requires, in this Act,-

(a) "Court" means a commercial bench of the court as the Government of Nepal may, by notification published in the Nepal Gazette, appoint.

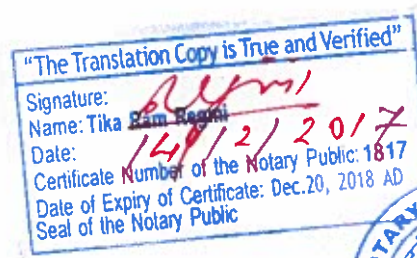
(b) "Chairperson" means the Chairperson of the Board.



- (c) "License" means the License issued in accordance with Section 5 of the Act.
- (d) "Trading" means buying and selling of commodities options contract, clearing and settlement, transfer and other acts related thereto to be done in a Commodities Exchange Market.
- (e) "Prescribed or as prescribed" means prescribed or as prescribed in Rules made under this Act.
- (f) "Board" means the Securities Board of Nepal constituted in accordance with the prevalent securities laws.
- (h) "Clearing and Settlement House" means a body corporate holding a license to undertake clearing and settlement business.
- (g) "Investor" means a person to purchase commodities by the use of commodities contract in a commodities exchange market.
- (h) "Commodities" means the commodities as prescribed to be traded by the use of commodities contract in a commodities exchange market.
- (i) "Commodities Exchange Market" means a body corporate holding a license pursuant to Section 5 of the Act.



- (j) "Commodities Trading Business" means a commodities trading business to be undertaken in accordance with subsection (1) of Section 19.
- (k) "Commodities Traders" means a body corporate holding a license to undertake commodities trading business.
- (l) "Derivatives" means a commodities options contract entered into for buying and selling of commodities between a buyer and seller stating therein price, quantity, and quality as well as handover date of such commodities to be executed at least in thirty days following the contract.
- (m) "Warehouse" means a body corporate holding a license to operate a Warehouse.
- (n) "Entity" means a company or a body corporate incorporated in accordance with the prevailing law.
- (o) "A Body Corporate" means a public limited company incorporated in accordance with the prevailing law, or a body corporate established with provisions to issue securities publicly through a stock exchange market.



Chapter-2

Provision Relating to License

3. **Trading Not to Be Undertaken Without License:** (1) No one can undertake the following businesses without obtaining a license in accordance with this Act:-

- (a) A commodities exchange market,
- (b) A commodities trading business,
- (c) A clearing and settlement business, and
- (d) A warehouse

4. **Application to Be Given to Obtain License:** (1) A body corporate wishing to operate a commodities exchange market shall have to submit an application, along with details, documents and application fee as prescribed, in a prescribed format to the Board for obtaining a license for operation of the Commodities Exchange Market.

(2) A body corporate wishing to operate a commodities trading house, a clearing and settlement house and a warehouse shall have to submit an application, along with details, documents and application fee as prescribed, in a prescribed format to the Board for obtaining a license for operation of the commodities trading business, the clearing and settlement business and the warehouse.

5. **License to Be Given:** (1) The Board shall issue a license in a format as prescribed within **one hundred twenty days** in the case of a commodities exchange market and within **ninety days** in the case of a commodities trading business, a clearing and settlement business, or a warehouse if the Board is satisfied that it promotes the interests of investors and the general

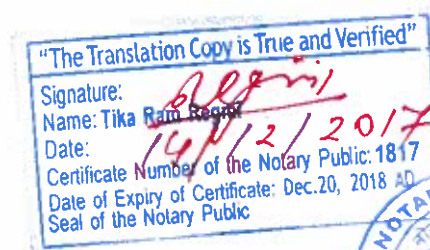


public after making an assessment based on the application and documents so received in accordance with Section 4.

(2) The Board may issue an order asking to submit additional details, or make further clarifications on the details or documents submitted stipulating a maximum time -limit of thirty days to do so, if it deems necessary to ask additional details or make clarifications on the details or documents so submitted by the applicant while studying the application and documents furnished pursuant to subsection (1) above.

(3) The concerned applicant shall have to submit additional documents or clarifications further as per the order issued in accordance with subsection (2) above.

6. **License to Be Denied:** Notwithstanding anything contained in Section 5 above, the Board may deny issuing license to the applicant taking into view of the country's economic situation, development of industrial sector, viability of commodities market as well as protection of investors' interests, and a written notice containing the basis and reasons so denied shall forthwith be provided to the applicant.
7. **Terms to Be Prescribed:** The Board may prescribe terms and conditions while issuing a license and it shall be the duty of the licensee to comply with such terms & conditions.
8. **Provision Related to Duration and Renewal of License:** (1) The license shall remain valid for a period of three years.



(2) An application, along with prescribed fees, in a format as prescribed shall be submitted to the Board for renewal of license prior to ninety days of its expiration of validity pursuant to subsection (1) above.

(3) Notwithstanding anything contained in subsection (2) above, an application, along with double fee that of the application fee, in a format as prescribed may be submitted to the Board for renewal of license prior to at least thirty days of its expiration.

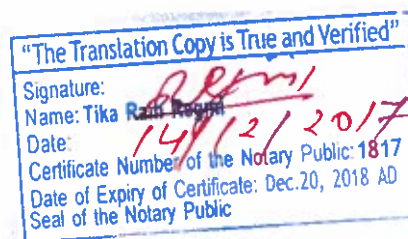
(4) The Board shall renew the validity of the license within thirty days from the submission of application and inform the same to the licensee, if application is registered for renewal pursuant to subsection (2) and (3) above.

(5) In case where the validity of the license has been expired without being renewed pursuant to this Section, the license of such entity shall be invalidated pursuant to subsection (1) of Section 35 below, and the same shall forthwith be notified to the concerned.

9. **Provision Related to Infrastructure:** (1) A body corporate holding a license shall arrange the infrastructure as prescribed required carrying on the business as per the license within **one hundred eighty days** from the license obtaining date.

Provided, however, that the infrastructure required in order to operate a warehouse shall be as prescribed by the Board.

(2) The Board may grant additional ninety days to arrange infrastructure, if additional time has been requested failing to do so pursuant to subsection (2) above.



(3) The body corporate cannot carry on business without arranging the infrastructure in accordance with this Section.

(4) In the case where infrastructure has not been arranged within the period given pursuant to subsection (2) above, the license of the body corporate shall be invalidated pursuant to subsection (1) of Section 35 below.

10. Minimum Paid-up Capital and Financial Resources to Be Maintained:

(1) The minimum paid-capital of a body corporate to operate a commodities exchange market shall not be less than **Five Hundred Million Rupees** as prescribed by the Board from time to time.

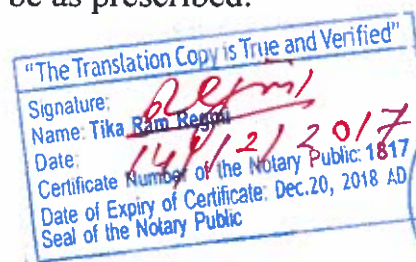
(2) The minimum paid-up capital of a body corporate to operate commodities trading business, a clearing and settlement house or a warehouse shall be as prescribed.

Chapter-3

Commodities Exchange Market

11. Prior Approval of the Board to Be Obtained: (1) Notwithstanding anything contained in the prevailing law, prior approval of the Board shall be obtained prior to incorporation of a company to operate a commodities exchange market.

(2) Other procedures to be applied for providing prior approval pursuant to subsection (1) above shall be as prescribed.



12. **Provision Related to Boards of Directors:** (1) The boards of directors of a commodities exchange market shall consist of minimum seven directors, including at least two independent directors.

(2) The qualifications for the board directors shall be as follows:

- (a) Having minimum qualifications of master's degree in economics, commerce, finance, accounting, management or law or chartered accountancy and at least five years working experience in the concerned field,
- (b) Having attained age of thirty-five years,
- (c) Not disqualified as prescribed.

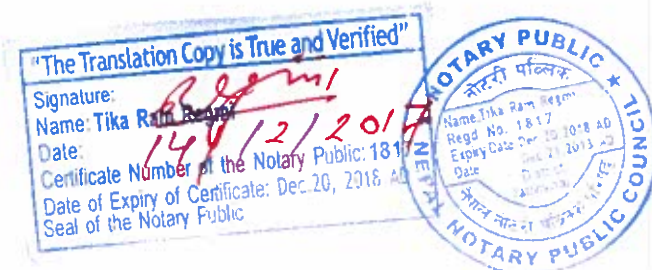
(3) In appointing board directors, representation from different segments referred to in clause (a) of subsection (2) shall be ensured to the extent possible.

(4) For the purpose of appointing independent board directors, the commodities exchange market shall have to submit a list of possible candidates to the Board in a threefold number than the vacant position.

(5) The Board shall appoint a suitable candidate as independent board director from the list submitted pursuant to subsection (4) above.

13. **Provision Related to Share of Commodities Exchange Market:** (1) No one can hold shares of more than five percent of the paid-up capital of a company operating a commodities exchange market.

(2) Notwithstanding anything contained in subsection (1) above, a foreign investor as a strategic partner can hold up to fifty-one percent shares

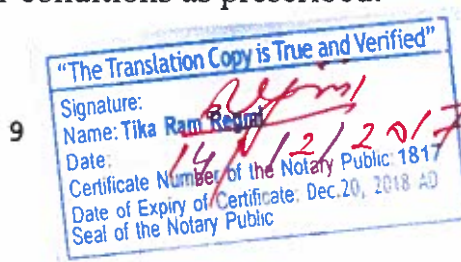


of such company with an objective of operating the commodities exchange market with foreign capital, skills, and technology.

(3) Other provisions related to the strategic partner and holding shares of the company operating the commodities exchange market shall be as prescribed.

14. **Conditions Restricting to Hold Shares of a Commodities Exchange Market:** (1) The following person or a body corporate cannot hold or purchase shares of a commodities exchange market:-

- (a) Not being elapsed a period of twelve years from the date of insolvent,
- (b) Being a shareholder of another commodities exchange market,
- (c) Being disqualified to enter into contract pursuant to the prevailing law,
- (d) Being enlisted in a blacklist, or not being completed a period of three years removing from such black list,
- (e) Being convicted of an offence of corruption, money laundering and financing in terrorist activities by a final verdict of court in the case of a natural person,
- (f) Having an overdue to make payment of government arrears,
- (h) Being convicted of a crime of moral turpitude,
- (i) Having other conditions as prescribed.



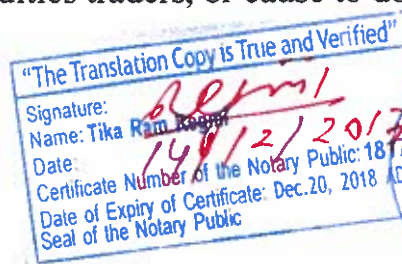
(2) If any person or a body corporate- who cannot purchase shares pursuant to subsection (1) above-has owned shares in any manner or the conditions as referred to in subsection (1) has occurred following the purchase of shares, such shares shall have to be sold or transferred to others within thirty-five days occurring such events.

(3) The Board shall forfeit such shares if those are not sold or transferred within the period set forth in subsection (2) above.

(4) The shares forfeited pursuant to subsection (3) above shall be sold as prescribed by the Board.

15. **Functions, Duties and Powers of Commodities Exchange Market:** The functions, duties and powers of a commodities exchange market shall be as follows, in addition to functions, duties and powers mentioned elsewhere in this Act:

- (a) To provide to investors a market, place, or facility to purchase, sale or exchange commodities in a same place continuously vide commodities contracts,
- (b) To provide membership to commodities traders,
- (c) To enlist, or cause to be enlisted, commodities for trading,
- (d) To operate, or cause to be operated, commodities trading in a transparent, fair and regular manner,
- (e) To monitor or supervise functions and activities of commodities traders, or cause to do so,



- (f) To apply necessary measures to protect the trading system of a commodities exchange market or reduce potential risks therein,
- (g) To execute, or cause to be executed, directions issued by the Board,
- (h) To perform, or cause to be performed, other functions as prescribed.

16. **Threshold for Commodities or Trading to Be Fixed:** (1) The threshold of commodities to be traded at once shall be as prescribed by the Board.

(2) In fixing the threshold of commodities, it may be set separately based on the nature of commodities or trading.

(3) The threshold of the commodities to be held by any natural person or a body corporate shall be as prescribed.

17. **Provision to Be Made for Protection of Investors:** (1) A commodities exchange market shall have to establish an Investor Protection Fund to protect investors from potential systemic risks.

(2) The provisions on establishment and operation of the Investor Protection Fund shall be as prescribed.

18. **Provision Related to Chief Executive Officer of Commodities Exchange Market:** The boards of directors of a commodities exchange market shall appoint a chief executive officer to function as administrative head having fulfilled the following qualifications:

"The Translation Copy is True and Verified"
 Signature: *[Signature]*
 Name: Tika Ram Regmi
 Date: 14/12/2017
 Certificate Number of the Notary Public: 1817
 Date of Expiry of Certificate: Dec. 20, 2018 AD
 Seal of the Notary Public



- (a) Having minimum qualifications of master's degree in economics, commerce, finance, accounting, management or law and at least seven years of working experience in the concerned field
- (b) Not disqualified as prescribed for.

Chapter-4

Commodities Trading Business

19. **The Business to Be Carry on By Commodities Traders:** (1) Any commodities traders shall carry on the following businesses:

- (a) Market-making business,
- (b) Investment portfolio business,
- (c) Investment consulting business,
- (d) Custodian services for commodities,
- (e) Commodities brokers
- (f) Commodities trading dealers
- (g) Other trading of commodities as prescribed.

(2) For the purpose of subsection (1) above, the commodities traders shall be classified as follows:

- (a) Market-makers,
- (b) Investments portfolio,
- (c) Investments consultants

"The Translation Copy is True and Verified"
 Signature: *[Signature]*
 Name: Tika Ram Regmi
 Date: 14/12/2017
 Certificate Number of the Notary Public: 1817
 Date of Expiry of Certificate: Dec.20, 2018 AD
 Seal of the Notary Public



- (d) Custodian,
- (e) Commodities brokers,
- (f) Commodities traders,
- (h) Other traders of commodities as prescribed.

(3) Other provisions related to commodities trading business shall be as prescribed.

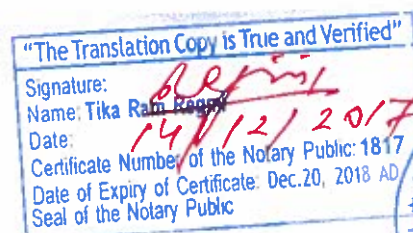
20. **Membership to Be Obtained by Commodities Traders:** (1) Any commodities traders shall be a member of a commodities exchange market as prescribed.

(2) Procedures regarding obtaining a member, membership and other provisions thereto shall be as prescribed in the Bye-Laws of the concerned commodities exchange market.

21. **Provision Related to Shareholders and Ownership:** (1) Any shareholder of one commodities trading business or member of his/her joint family shall not be allowed to hold shares of another commodities trading business.

(2) Other provisions related to holding shares of commodities trading business, as well as ownership, sale or transfer thereto shall be as prescribed.

22. **Agreement to Be Made:** Commodities traders shall enter into agreement as prescribed with investors prior to commencing trading.



23. **Records to Be Kept:** (1) ~~Commodities traders shall maintain documents~~ and details of investors showing factual identity prior to commencing trading.

(2) The commodities traders shall maintain the records of documents, details or transmission of amounts, and other activities of investors as prescribed.

24. **Insurance to Be Made:** Commodities traders shall indemnify insurance of commodities trading as prescribed by the Board.

Chapter-5

Clearing and Settlement Business

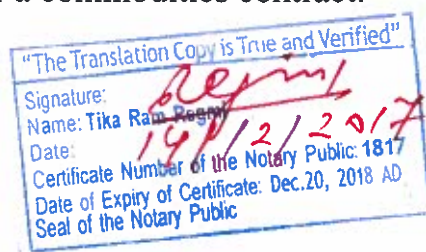
25. **To Appoint Clearing and Settlement Agent:** (1) A commodities exchange markets shall appoint a clearing and settlement agent to carry out clearing and settlement functions.

(2) In appointing the clearing and settlement agent, the commodities exchange market shall enter into agreement as prescribed with the clearing and settlement agent, and a copy of such agreement shall be provided to the Board within fifteen days of its signature by the commodities exchange market.

(3) Appointment of the clearing and settlement agent and other provisions thereto shall be as prescribed.

26. **Trading to Be Undertaken By Clearing and Settlement Agent:** (1) A clearing and settlement house shall make clearing and settlement of the commodities sold or purchased as per a commodities contract.

14



(2) Other businesses related to clearing and settlement to be carried out by the clearing and settlement agent shall be as prescribed.

Chapter-6

Warehouse

27. **Warehouse to Be Designated:** (1) A commodities exchange market shall, for the purpose of undertaking trading pursuant to Section 28, designate a warehouse to a body corporate holding a license in accordance with Section 5 above.

(2) In doing so, the commodities exchange market shall enter into agreement with the warehouse, and a copy of such agreement shall be provided to the Board within fifteen days of its signature.

(3) Other provisions to designate the warehouse by the commodities exchange market shall be as prescribed.

28. **Trading to Be Undertaken By Warehouse:** (1) A warehouse shall carry on the following trading:

- (a) To store up the commodities related to trading to be undertaken in a commodities exchange market, and issue a receipt related thereto,
- (b) To protect the commodities stored up pursuant to clause (a) above, and hand over such commodities after their trading,

"The Translation Copy is True and Verified"
Signature: *[Signature]*
Name: Tika Ram Regmi
Date: 14/12/2017
Certificate Number of the Notary Public: 181
Date of Expiry of Certificate: Dec.20, 2018
Seal of the Notary Public




(2) Other provisions related to operation of the warehouse shall be as prescribed.

Chapter-7

Functions, Duties and Powers of the Board

29. **Functions, Duties and Powers of the Board:** (1) The Board shall perform the following functions, duties and powers, in addition to those as referred to elsewhere in this Act:

- (a) To advise the Government of Nepal on matters related to development of a commodities exchange market and commodities trading,
- (b) To approve long-term and short-term programs and policies for development of the commodities exchange market,
- (c) To carry out feasibility study on operation of the commodities exchange market,
- (d) To register commodities and commodities contracts to be traded at the commodities exchange market,
- (e) To issue order to close down the commodities exchange market stipulating a time period, or suspend the trading of a body corporate holding a license for a certain period of time,
- (f) To give directions to the commodities exchange market to enlist any commodity, or remove from the listing, or suspend any trading,

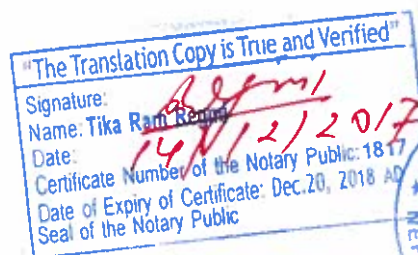
"The Translation Copy is True and Verified"
Signature: 
Name: Tika Ram Regmi
Date: 14/12/2017
Certificate Number of the Notary Public: 1817
Date of Expiry of Certificate: Dec. 20, 2018 AD
Seal of the Notary Public



- (g) To issue orders to suspend trading until rectification of defect in an electronic trading system of the commodities exchange market, if any defect occurred or reform required in the system,
- (h) To manage and regulate purchasing, selling and, handing over of the commodities and commodities contract registered at the Board,
- (i) To regulate and monitor the functions and activities of the body corporate holding a license and the parties involved in trading,
- (j) To endorse Bye-Laws of the body corporate holding a license,
- (k) To issue directions to the body corporate holding a license to make necessary provisions for protection of investors,
- (l) To coordinate with other regulatory entities to supervise and regulate the commodities and commodities contract,
- (m) To issue necessary directions to make reform in financial and managerial aspects of the body corporate holding a license,
- (n) To perform other functions as prescribed.

30. **The Board May Issue Order or Direction:** (1) The Board may issue necessary orders or directions to a body corporate holding a license to do or not to do any function in accordance with this Act, the Rules or Bye-Laws made there under keeping in view of circumstances of a commodities exchange market and trading of commodities, and interests of the investors.

(2) The Board may issue an order to the body corporate holding a license to initiate necessary action against the boards of directors, officials or staffs, if this Act, or the Rules or Bye-laws made there under or any order or direction given by the Board are violated by them,



(3) The Board may issue directions to do or not to do any functions under this Act, or the Rules or Bye-Laws made there under to the body corporate, the parties involved in trading, or the boards of directors or the staffs of the concerned body corporate based on the inspection or supervision report submitted pursuant to Section 32 below.

Chapter-8

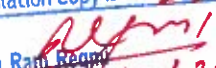
Regulation, Inspection, and Supervision

31. **Powers to Regulate:** (1) The Board shall have the full powers to regulate, or cause to regulate, a body corporate holding a license and parties related to trading to be carried on through a commodities exchange market.

(2) The Board may issue any order, direction, or notice or circular on matters as it deems necessary for the purpose of regulation to be made pursuant to subsection (1) above.

32. **Inspection and Supervision to Be Done:** (1) The Board may, at any time, inspect or supervise, or cause to do so, as to whether this Act, or the Rules, the By-Laws or any order or direction issued there under are followed or not by a body corporate holding a license in carrying on trading.

(2) The Board may carry out on-site inspection and supervision of the body corporate holding a license by deputing a team of expert or its own staffs, or carry out off-site inspection and supervision by examining the information, data, documents, records and details of the body corporate holding a license, when necessary.

"The Translation Copy is True and Verified"
Signature: 
Name: Tika Ram Regmi
Date: 14/12/2017
Certificate Number of the Notary Public: 1817
Date of Expiry of Certificate: Dec. 20, 2018
Seal of the Notary Public



(3) The Board may form a team of expert for the purpose of carrying out inspection and supervision pursuant to subsection (2) and the facilities of the team shall be as prescribed by the Board in its formation.

(4) The team of expert or staffs of the Board may inspect or supervise the information, data, documents, records and details of the body corporate holding a license or take interview of the concerned persons while carrying out the inspection and supervision of that body corporate.

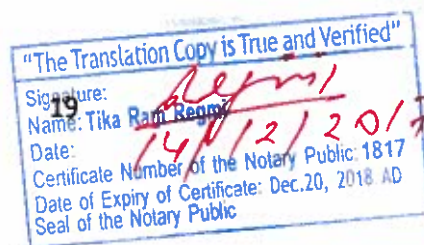
(5) The team of expert or the staffs of the Board may seal off a room or place having the information, data, documents, records and details relating to trading of the body corporate, by keeping their records with the team, or cause to be kept the records with the custody of the body corporate, when necessary.

(6) The team of expert or the staffs of the Board shall have to submit a report to the Board within fifteen days following its completion of inspection and supervision of the body corporate.

(7) Other provisions related to inspection and supervision shall be as prescribed.

33. **Information, Data and Details to Be Sought:** (1) The Board may seek any information, data, or details from a person related to a body corporate holding a license or its trading.

(2) The Board or an authorized person from the Board may seek any information, data, or details from the body corporate or a person holding a license during the inspection and supervision time pursuant to Section 32, when necessary.



(3) It shall be the duty of the concerned body corporate or person holding a license to provide such information, data or details sought pursuant to subsection (1) or (2).

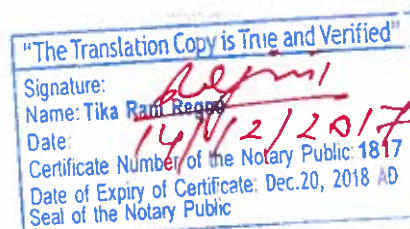
34. **Suspension of License:** (1) The Board may suspend a license of a body corporate holding for a time being if such body corporate has acted against this Act or the Rules or the By-Laws made there under, or not complied with the orders, or directions issued by the Board, or not submitted to the Board financial and other details related to trading.

(2) The body corporate holding a license shall not carry on any trading during the period of suspension pursuant to subsection (1).

35. **Provision related to Invalidation of license:** (1) The Board may invalidate the license of a body corporate holding a license on the following grounds:

- (a) If the validity period of the license is expired without being renewed pursuant to Section 8,
- (b) If the infrastructure is not arranged pursuant to Section 9,
- (c) If business operation of a commodities exchange market, a commodities trading business, a clearing and settlement house or a warehouse is closed down,
- (d) If it is declared insolvent in accordance with the prevailing law, or wind up by any means,
- (e) If application is submitted for invalidation of a license.

(2) The Board may invalidate a license of a body corporate on the following conditions:



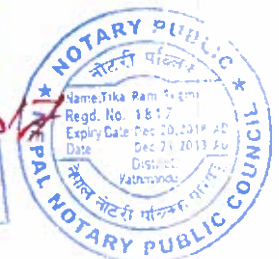
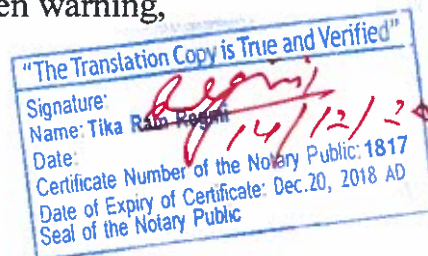
- (a) If terms and conditions set forth in the license are violated,
- (b) If this Act or the Rules or Bye-Laws made there under are violated,
- (c) If a commodities exchange market, a commodities trading house, a clearing and settlement house and a warehouse is operated against the interests of investors,
- (d) If orders or directions given by the Board from time to time are violated,
- (e) If details related to finance and trading submitted during the suspension period sought by the Board are not furnished,
- (f) If amounts to be paid pursuant to this Act are not paid.

(2) An opportunity to file clarifications before invalidation of license shall be given to the body corporate holding a license.

(4) The liabilities created with the functions/activities of the body corporate holding a license occurred before the invalidation of the license shall not be affected due to invalidation of license pursuant to subsection (1) and (2) above.

36. The Board May Take Action: (1) The Board may take the following one or more than one actions against a body corporate holding a license, the boards of directors, its officials, or staffs in opposition to non-compliance of the orders or directions given by the Board in accordance with this Act, or the Rules or Bye-Laws made there under:

- (a) To reprimand or give written warning,

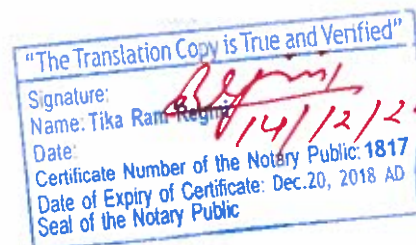


- (b) To issue directions to get reformative measures,
- (c) To ban trading in whole or partial,
- (d) To suspend or stop the services to be provided by the Board,
- (e) To issue an order for suspension,
- (f) To issue an order not to provide facilities including salary, allowance to the board directors of a body corporate holding a license,
- (g) To issue an order to the concerned body corporate holding a license to remove board directors from the position, or give retirement to its staffs from the service.

37. **Penalty to Be Imposed:** (1) The Board may impose the following penalties performing the following functions without obtaining a license pursuant to Section 5:

- (a) From **One Million Rupees up to Five Million Rupees**, if a commodities exchange market is operated or name of commodities exchange market used,
- (b) From **Two Hundred Thousand Rupees up to One Million Rupees**, if a clearing and settlement business or a warehouse is operated,
- (c) From **One Hundred Thousand Rupees up to Five Hundred Thousand Rupees**, if a commodities trading business is operated.

(2) The Board may impose penalty from **Fifty Thousand Rupees up to Three Hundred Thousand Rupees** against a body corporate holding a license, if trading is operated against subsection (3) of Section 9 by it.



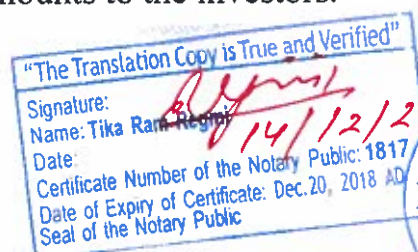
(3) The Board may impose penalty at the rate of one hundred rupees per day against a body corporate holding a license failing to submit information or details or report pursuant to Section 48 or 49 from the date of elapsing a time-limit to submit thereof.

(4) The Board may impose penalty against a body corporate holding a license from **One Thousand Rupees up to Five Hundred Thousand Rupees** failing to comply with orders or directions given under this Act or the Rules made there under or the prescribed terms.

(5) The Board may impose penalty from **Fifty Thousand Rupees up to Two Hundred Thousand Rupees** against board directors or officials or staffs of a body corporate holding a license failing to submit information, data, documents, records, or report within a prescribed time demanded by the Board to do so during the time of inspection and supervision or investigation conducted in accordance with this Act.

(6) The Board may impose penalty from **Two Hundred Thousand Rupees up to One Million Rupees** against a body corporate holding a license failing to maintain, or prepare or submit the accounts, ledger, report or similar documents in accordance with this Act, or the Rules or Bye-Laws made there under.

(7) The Board may impose penalty from **One Million Rupees up to Five Million Rupees** against a body corporate holding a license making any damages or losses to investors acting against this Act, or the Rules or Bye-Laws made there under, or orders or directions given by the Board, and get recovered such damaged or lost amounts to the investors.



(8) The Board may impose penalty from **Twenty-Five Thousand Rupees up to One Hundred Thousand Rupees** failing to comply with the code of conduct pursuant to section 60.

Chapter-9

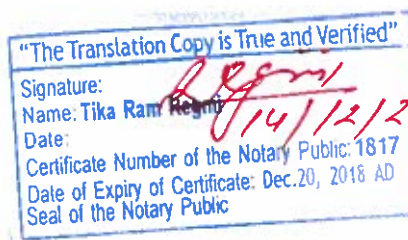
Offence and Punishment

38. **Time-limit to File Complaint:** (1) For any offence to be punished pursuant to this Act a complaint shall be filed within one year from the date of the crime occurred, or knowing to occur.

(2) A case has to be filled in a court within a period of six months from lodging the complaint pursuant to subsection (2) above.

39. **Offence to Be Considered to Commit:** an offence shall be considered to commit under this Act, if anyone has acted, or cause to be acted, the following acts:

- (a) making fluctuation in the price from time to time, or keeping the price constant, or increased or decreased by doing forged or false trading or circular trading, cause to be done the same, or keeping hoard of a huge quantity of commodities for an unreasonable period of time restricting other to enter into contract with an intention to have an effect on the price of any commodities contract,
- (b) making impact on a commodities exchange market by keeping the market price of commodities contract increased, decreased or constant on its own or jointly with an intention of having direct or



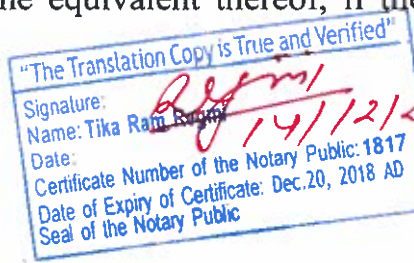
indirect impact on trading or restricting buying and selling of commodities contracts,

- (c) having published false, or forged or wrong or speculated report or making a promise by such report, or carried on trading to show that active trading of any commodity is going on in a commodities market, or making believed with a *mala fide* intent hiding any fact or information,
- (d) Having used or misused or planned to use or misuse, the technology with a *mala fide* intent of causing damage or lose to, or getting wrong benefits from, anyone,
- (e) Having done any acts in this regard, or carried on any fraudulent trading by falsifying other.
- (f) Having destroyed, or made false, or hid any document, report or record kept in accordance with this Act, or this Rules or the by-laws made there under.
- (g) Having damaged or wrongly used a electronic trading system installed by a body corporate holding a license in accordance with Section 44 with a *mala fide* intent of making damage or lose to anyone,
- (h) Having abetted or motivated anyone to commit acts referred to in from clause (a) to (f).

40. **Punishment:** (1) The following punishment shall be imposed on anyone committing the following offences:

- (a) In case any person who commits any offence referred to in clause (a) of Section 39, he/she shall be ordered to have recovered the claimed amount, with a fine equivalent thereof, if the amount is

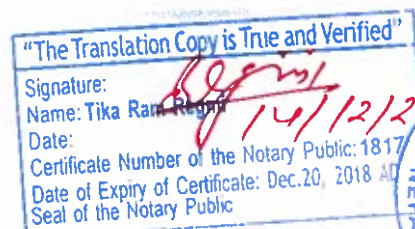
25



known, and a fine up to **Five Hundred Thousand Rupees** and imprisonment for a period up to five years, if the claimed amount is not known.

- (b) In case any person who commits any offence referred to in clause (b) of Section 39, he/she shall be ordered to have recovered the claimed amount, with a fine equivalent thereof, if the amount is known, and a fine up to **Four Hundred Thousand Rupees** and imprisonment for a period up to four years, if the claimed amount is not known,
- (c) In case any person who commits any offences referred to in clause (c), (d), or (e) of Section 39, he/she shall be ordered to have recovered the claimed amount, with a fine equivalent thereof, if the amount is known, and a fine up to **Three Hundred Thousand Rupees** and imprisonment for a period up to three years, if the amount is not known,
- (d) In case any person who commits an offence referred to in clause (f) of Section 39, he/she shall be ordered to have recovered the claimed amount, with a fine equivalent thereof, if the amount is known, and a fine up to **One Million Rupees** and imprisonment for a period up to one year, if the amount is not known,
- (e) In case any person who commits an offence referred to in clause (g) of Section 39, he/she shall be punished a half of the punishment to be imposed against a main wrongdoer.

(2) In case where any person who commits any offences referred to in Section 39 through a body corporate holding a license,



such wrongdoer, board directors, officials or staffs thereof, shall be punished in accordance with subsection (1) above.

(3) In case where board directors, officials or staffs of the body corporate holding a license as mentioned in clause (1) above have not been identified, the punishment as referred to in clause (1) shall be imposed on the boards of directors, officials or staffs thereof working as chief of that body corporate.

Chapter-10

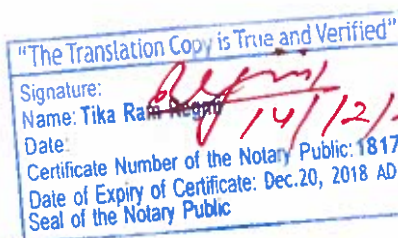
Miscellaneous

41. **Provision Related to Fund:** (1) The following amounts to be accrued to the Board in accordance with this Act shall be deposited into the Board's Fund, in addition to the amounts to be deposited into such Fund in accordance with the prevailing securities related law:

- a) Amounts chargeable for application fees,
- b) Amounts chargeable for License fees,
- c) Amounts chargeable for license renewal fees,
- d) Amounts chargeable for fines
- e) Other amounts chargeable in accordance with this Act.

(2) Provisions related to utilization of the amounts to be accrued into the Fund pursuant to subsection (1), accounting and auditing thereof, shall be as referred to in the prevailing securities related law

42. **Appointment of Auditor:** (1) In case where a body corporate holding a license does not carry out audit of its accounts within a prescribed time, or an auditor cannot be appointed due to any other reasons, the Board may



cause to have audited the accounts, records, cash, including property in kind thereof by appointing an auditor, when necessary.

(2) The remuneration of the auditor so appointed in pursuant to subsection (2) shall be borne by the body corporate holding a license.

43. **Provision Related to Service and Regulation Fees:** (1) The service fee by a body corporate holding a license in providing service shall be as prescribed.

(2) The amounts as prescribed out of the total service fees received by the body corporate within one fiscal year shall be made available to the Board as regulation fees.

44. **Electronic Trading System to Be Installed:** (1) A body corporate holding a license shall establish an electronic trading system to be used for carrying on its trading electronically.

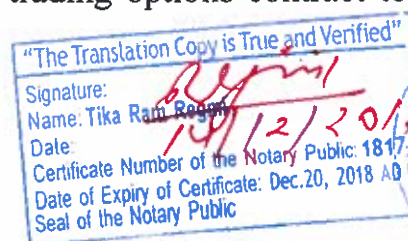
(2) The electronic trading system shall be secured, suitable and reliable.

(3) The Board may, or cause to make audit of the electronic trading system, when necessary.

(4) The Board may issue necessary directions to make reforms in the electronic trading system, if it deems necessary.

(5) It shall be the duty of the body corporate to comply with the directions issued in accordance with clause (4).

45. **Special Provision Related to Commodities Contract:** (1) Conditions, terms and standards of commodities trading options contract to be entered



into on rights and liabilities with regard to purchase and sale of commodities in the future shall be as prescribed.

(2) Trading options of commodities shall not be applied until application of the conditions, terms and standards as referred to in subsection (1) above.

46. Trading to Be Carried on in a Foreign Commodities Exchange Market:

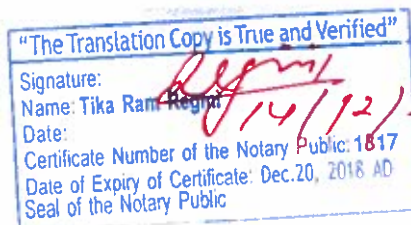
The traders who perform as a market-maker, or counter-party, or trading of similar nature in a commodities exchange market shall purchase or sale commodities contracts in a foreign exchange market to deal with the risks to be occurred in carrying on trading in accordance with this Act.

47. Approval to Be Obtained to Do Trading in Foreign Currency: In case where trading may be required to be carried on in foreign currency, it shall be done after getting approval from the concerned entity in accordance with the prevailing law related to foreign exchange.

48. Information and Report to Be Provided: A body corporate holding a license shall have to submit the prescribed information and reports in connection with trading and business to the Board as prescribed.

49. Report to Be Given: In each fiscal within four months from the date of its ending, a body corporate holding a license shall have to submit an annual report to the Board containing the functions, activities, details of commodities trading carried on during the preceding fiscal year.

50. Report to Be Made Public: Reports on the functions and activities of the Board about regulation, inspection and supervision of a body corporate holding a license, reports as to whether orders or directions given the Board



in accordance with the Act, or the Rules or the By-laws made there under complied with or not by the body corporate, and information and details submitted by that body to the Board in accordance with Section 48 shall be made public as prescribed.

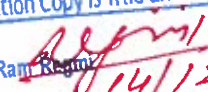
51. **Order and Direction to Be Complied With:** It shall be the duty of the all concerned to comply with orders or directions issued by the Board in accordance with this Act or the Rules made there under.

52. **Fine to Be Recovered:** (1) The fines imposed in pursuant to Section 37 shall be paid by the concerned person to the Board within thirty days of fine imposition.

(2) In case where such fine is not paid within thirty days the Board may recover such amount from movable or immovable properties of the concerned person as equivalent of government arrears.

53. **Appeal to Be Filed:** The concerned party may file an appeal to a High Court within thirty days from the date of a decision taken to invalidate a license pursuant to subsection (2) of Section 35, or action taken pursuant to Section 36, or a fine imposed pursuant to Section 37, if not satisfied with the decision of the Board.

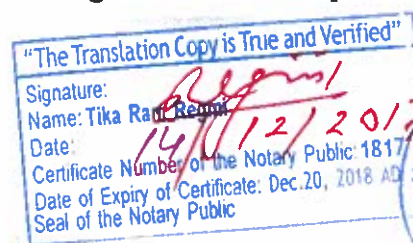
54. **The Government of Nepal to Be Plaintiff:** (1) The Government of Nepal shall be plaintiff in the case bearing punishment pursuant to Section 39 of this Act, and such case shall be deemed to be included in the Schedule- 1 to the State Cases Act, 2049.

"The Translation Copy is True and Verified"
Signature: 
Name: Tika Ram Regmi
Date: 14/12/2017
Certificate Number of the Notary Public: 1817
Date of Expiry of Certificate: Dec. 20, 2018 AD
Seal of the Notary Public



(2) The Board shall render necessary assistance to the concerned officer to conduct investigation and prosecution of offences referred to in subsection (1).

55. **The Government of Nepal May Give Order:** The Government of Nepal may, from time to time, give order to the Board on policy matters such as commodities exchange markets, commodities trading business, clearing and settlement business, operation of warehouse, development of commodities exchange market, and protection of the interests of investors, and it shall be the duty of the Board to comply with the direction of the Government.
56. **Assistance to Be Rendered to the Board:** It shall be the duty of all concerned to render assistance to the Board in performing the functions to regulate and manage the matters related to a commodities exchange market, a commodities trading business, a clearing and settlement house, operation of a warehouse, development of commodities exchange market and protection of the interests of investors.
57. **Delegation of Powers:** The Board may, as required, delegate some of the powers conferred to it by this Act to the Chairperson, boards of directors, or its employees.
58. **Liaison with the Government of Nepal:** The Board shall liaise with the Government of Nepal through the Ministry of Finance.
59. **Action to Be Taken to Officials:** In case where the officials designated the responsibilities pursuant to this Act, or the Rules made there under do not perform the prescribed functions or activities on time or performed with a *mala fide* intent, action shall be taken against him/her pursuant to the prevailing law.



60. **Code of Conduct to Be Enforced:** (1) The Board shall enforce the code of conduct to be followed by a body corporate holding a license.

(2) It shall be the duty of a body corporate holding a license to comply with the code of conduct implemented pursuant to subsection (1) above.

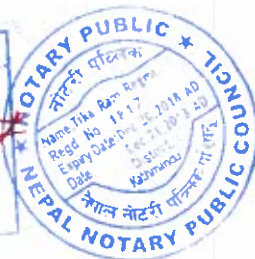
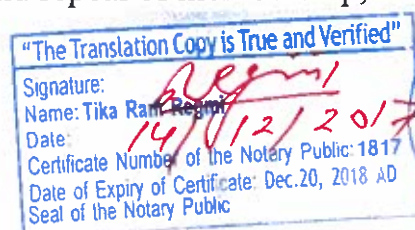
(3) The body corporate holding a license shall enforce the code of conduct, by framing it, for its own boards of directors and employees.

61. **Powers to Frame Rules:** The Board may frame necessary Rules for the implementation of this Act with approval of the Government of Nepal, Ministry of Finance.

62. **By-laws may be framed:** (1) The Board may frame necessary By-laws to regulate and manage a commodities exchange market, a commodities trading business, a clearing and settlement house, Warehouse operation and trading in accordance with this Act or the Rules made there under.

(2) A body corporate holding a license may, with the approval of the Board, frame necessary By-Laws on the following subjects under this Act or the Rules made there under:

- (a) Listing of commodities, trading operation, and trading system,
- (b) Commodities exchange market, commodities traders, clearing and settlement house, and membership of warehouse, membership fees, professional decorum of the members, and suspension and repeal of membership,



- (c) Commodities exchange market, commodities trading business, clearing and settlement business, and operation of warehouse and other necessary provisions for protection of the interest of investors,
- (d) Terms and conditions of the service, facilities and code of conduct for the employees of a commodities exchange market, a commodities trading business, a clearing and settlement business, and a warehouse,

63. **Guidelines to Be Framed:** The Board may frame guidelines on the following matters for making commodities trading efficient in accordance with this Act and the Rules made there under:

- (a) Operation of a commodities exchange a market, commodities trading business, a clearing and settlement business, and a warehouse,
- (b) Regulation of commodities trading, including other necessary matters.

64. **This Act to Prevail:** In respect of the matters contained in this Act, this Act shall prevail, and in respect of other matters, the prevailing law shall prevail.

"The Translation Copy is True and Verified"
Signature: *[Signature]*
Name: Tika Ram Regmi
Date: 14/01/2017
Certificate Number of the Notary Public: 1817
Date of Expiry of Certificate: Dec.20, 2018 AD
Seal of the Notary Public

