

**THE SECURITIES AND EXCHANGE BOARD OF INDIA**  
**EXIT ORDER IN RESPECT OF**  
**THE INDIAN COMMODITY EXCHANGE LIMITED (PAN: AABCI9479D)**

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1. The Indian Commodity Exchange Limited (hereinafter referred to as “**ICEX**” or “**the Exchange**”), having its registered office at office no.1002, 21<sup>st</sup> Century Business Centre, Upper Ground Floor, Surat Ring Road, Athwa, Choryasi, Surat, Gujarat-395007, is a company limited by shares and was granted recognition under Section 6 of the Forward Contracts (Regulation) Act, 1952 (hereinafter referred to as “FCRA”) (since repealed w.e.f. September 28, 2015), vide notification S.O. No. 2565 (E) dated October 09, 2009 by Central Government, on a permanent basis, in respect of forward contracts in all commodities in which Section 15 of FCRA was applicable and the commodities to which neither section 17 nor section 15 of FCRA was applicable.
2. The said recognition was granted subject to the condition that the Exchange shall comply with such directions as may be issued, from time to time, by erstwhile Forward Markets Commission (hereinafter referred to as “**FMC**”). As per section 28A (1) of the FCRA, pursuant to the merger of FMC with Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”), all the associations recognized under FCRA were deemed to be recognized stock exchanges under the Securities Contracts (Regulation) Act, 1956 (hereinafter referred to as “**SCRA**”) and hence, ICEX is deemed to be a recognized stock exchange under the SCRA.
3. Vide Order No. SEBI/ED/VSS/CDMRD/CDMRD\_DEA/1/2022-23 dated May 10, 2022, the recognition granted to ICEX was withdrawn by SEBI due to non-compliance with the minimum net-worth requirement, circular issued by SEBI, observations of SEBI pursuant to inspection and infrastructural requirements. However, the Exchange had filed an appeal against the said SEBI Order before the Securities Appellate Tribunal (hereinafter referred to as “SAT”).
4. SAT vide its Order dated June 13, 2022, in the matter of Indian Commodity Exchange Limited v. SEBI (*Appeal No. 266 of 2022*) set aside the SEBI Order dated May 10,

2022 and the direction of SEBI notifying permanent withdrawal of recognition of ICEX, subject to conditions stated in paragraph 20 of the said Order:

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*(i) All trading operations on the appellant's Exchange would remain suspended until the appellant raises the requisite funds and complete all compliances to the satisfaction of SEBI within one year from today.*

*(ii) The monies available in the Investor Protection Fund and Investor Services Fund of the appellant will only be utilized for settlement of any claims, if any, and shall not be utilized for any other purposes.*

*(iii) If within the stipulated period, the appellant raises the requisite funds and completes all compliances it would be open to the appellant to move an appropriate application before SEBI for resuming trading operations which will be duly considered and appropriate order would be passed by SEBI.*

*(iv) In the event requisite funds are not raised and compliances are not made within the period prescribed as aforesaid it would be open to the respondent to pass an appropriate order for withdrawal of the recognition of the appellant's Commodity Derivative Exchange after giving an opportunity of hearing to the appellant.”*

5. The Exchange vide its letter dated February 22, 2023 stated that in view of SAT Order dated June 13, 2022, the management of ICEX explored all possible ways and means to raise the requisite funds. However, the applicable shareholding norms for recognized stock exchanges as per Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 (hereinafter referred to as “**SECC Regulations**”) restricts maximum shareholding up to 5 percent, which makes it unattractive for the new investors to invest in the Exchange.
6. ICEX, thus, requested SEBI to consider allowing the new investors to invest in equity shares of the Exchange up to 51 percent for a period of 5 years. It was also stated

that in case SEBI declines the request of the Exchange then SEBI may consider the said letter as voluntary surrender of the recognition granted to the Exchange.

7. There is no regulatory provision to allow investors other than certain eligible entities to hold more than 5 percent stake in any recognised stock exchange. Thus, SEBI accepted the aforementioned letter of ICEX as voluntary surrender of the recognition granted to ICEX and intimated the Exchange about the same vide email dated March 29, 2023.
8. Accordingly, ICEX vide email dated May 25, 2023 submitted a resolution passed by the shareholders of the Exchange, approving the voluntary surrender of recognition granted to ICEX. Pursuant to the same, the exit process was initiated in terms of relevant provisions specified in SEBI Master Circular on Commodity Derivatives Segment dated August 04, 2023 (hereinafter referred to as “**Master Circular**”).
9. Clause 15.5 of the Master Circular makes provision with respect to the “mandatory requirements/exit policy” for all commodity derivatives exchanges. In terms of clause 15.5.4 of the Master Circular, the following conditions are required to be complied in case exchange proposes to surrender its recognition voluntarily:

*“15.5 Mandatory requirements / exit policy*

*15.5.1 ...*

*15.5.2...*

*15.5.3...*

*15.5.4 In case any stock exchange proposes to surrender its recognition voluntarily or whose recognition is proposed to be withdrawn by SEBI, the concerned stock exchange shall be directed to comply with the following:*

- I. The concerned stock exchange shall not alienate any of its assets without taking prior approval of SEBI.*
- II. Treatment of the assets of de-recognised stock exchange:*

- A. *The concerned stock exchange shall be permitted to distribute its assets subject to certain conditions as laid down in the circular as well as other guidelines that may be issued by SEBI, Government, or any other statutory authority, from time to time.*
  - B. *For the purpose of valuation of the assets of the exchange, a valuation agency shall be appointed by SEBI. All the valuation charges shall be paid by the concerned exchange.*
  - C. *The quantum of assets for distribution will be available after payment of statutory dues including income tax, transfer of funds as specified in para III below, payment of dues as specified in para IV below, refund of deposit (refundable) to the stock brokers/clearing members including their initial contribution / deposit to Settlement Guarantee Fund/ Trade Guarantee Fund (SGF/TGF) and contribution to SEBI as specified in para V(D) below.*
- III. *The concerned stock exchange shall transfer the Investor Protection Fund or any such fund to the Investor Protection and Education Fund established by SEBI ("SEBI-IPEF").*
- IV. *The concerned stock exchange shall pay the following dues to SEBI:*
  - A. *The dues outstanding to SEBI and the annual regulatory fee.*
  - B. *The outstanding registration fees of brokers/trading members of such de-recognised stock exchanges as specified in the Securities and Exchange Board of India (Stock Brokers) Regulations, 1992 till the date of such de-recognition.*
  - C. *Dues of the brokers to SEBI shall be recovered by the stock exchange out of the brokers' deposits/capital/share of sale proceeds/winding up of proceeds dividend payable, etc, available with the exchange.*
  - D. *The stock exchange shall be liable to make good any shortfall in collection of dues of the brokers to SEBI.*

V. *Other Conditions*

- A. In case any stock exchange, after de-recognition, continues as corporate entity under the Companies Act, 2013, its shall not use the expression 'stock exchange', 'commodity derivatives exchange' or 'exchange' or any variant in its name or in its subsidiaries name so as to avoid any representation of present or past affiliation with the exchange.*
- B. The Sale/distribution/transfer of assets/ winding up of such exchanges/ companies shall be subject to the applicable laws in force.*
- C. The concerned exchange to set aside sufficient funds in order to provide for settlement of any claims, pertaining to pending arbitration cases, arbitration awards, not implemented, if any, liabilities/claims of contingent nature, if any, and unresolved investors complaints/ grievances lying with the exchange; and*
- D. In case of de-recognition and exit, the stock exchange shall contribute up to 20% of its assets (after tax) towards SEBI-IPEF for investor protection and in order to cover future liabilities, if any. The contribution may be decided by SEBI taking into account, inter alia, the governance standards of the commodity derivatives exchange and estimation of future liabilities.”*

10. The condition mentioned in clause 15.5.4.II(A) of the Master Circular, is a general clause for necessary compliance by the Exchange.

11. In terms of condition mentioned in clause 15.5.4.II(B) of the Master Circular, SEBI appointed Chartered Accountancy firm L.S. Nalwaya & Co. (FRN: 115645W), as the valuation agency on February 13, 2024 for valuation and verification of assets and

liabilities of ICEX. The Valuation Report dated July 18, 2024 was received by SEBI on July 22, 2024.

12. With respect to compliance of various other conditions specified in the Master Circular and settlement of liabilities of ICEX, from the findings in the report submitted by the valuation agency and also from the undertaking dated October 3, 2024 (hereinafter referred to as the “**Undertaking**”) submitted by ICEX, it is noted as follows:

12.1 *The Exchange in its Undertaking has submitted that the statutory dues as on date is paid up to date. It has undertaken to pay if any such dues arise in the future.*

12.2 *With respect to condition mentioned in clause 15.5.4.III, the Exchange has transferred the funds of ICEX IPF Trust amounting to Rs. 16,17,40,592/- to SEBI IPEF on October 3, 2024.*

12.3 *The Exchange has undertaken to refund all their Brokers BMC/Deposit/Margin/additional margin lying with the Exchange to the extent of Rs. 6,35,59,735/-.*

12.4 *With respect to condition mentioned in clause 15.5.4.IV (A), the Exchange has paid regulatory fees amounting to Rs. 1,18,000/- for FY 2023-24 on April 30, 2024.*

12.5 *With respect to condition mentioned in clause 15.5.4.V (A), the Exchange has undertaken to change its name after such de-recognition.*

12.6 *The Exchange has submitted in its Undertaking that there are no investors' complaints and arbitration cases pending. It has undertaken to resolve any complaints/arbitration cases come within the law of limitation as applicable to security trading.*

12.7 *With respect to condition mentioned in clause 15.5.4.V (D) of the Master Circular, the Exchange has contributed towards SEBI IPEF an amount of Rs. 1,00,000/- on November 8, 2024.*

13. I have considered the aforesaid facts pertaining to ICEX and the relevant documents, valuation report, submissions by ICEX placed on record for the purpose of considering the grant of exit to ICEX in terms of the Master Circular. It is observed that all the known liabilities of ICEX have been brought out in the valuation report. I

note that ICEX has substantially complied with the conditions contained in the Master Circular and has further submitted a written undertaking to state that it does not have any third party liabilities or undisclosed liabilities in respect of futures trading and that it undertakes to assume complete responsibility for financial implications of any such claims that may arise at any future date against ICEX. On the basis of such Undertaking, I am of the view that there is no case to disallow exit to ICEX in terms of clause 15.5 of the Master Circular.

14. I, therefore, in exercise of the powers conferred upon me by virtue of section 19 read with provisions of Section 11(1), Section 11(2) (j) of the Securities and Exchange Board of India Act, 1992 and Section 5 and 12A of the SCRA read with regulation 13 of SECC Regulations, permit the exit of the ICEX as a stock exchange and thus the consequent withdrawal of recognition granted to ICEX. I also hereby direct it to:

- 14.1 comply with its tax obligations under Income-tax Act, 1961;
- 14.2 comply with the undertakings given by it to SEBI;
- 14.3 comply with other consequential conditions of Master Circular;
- 14.4 change its name and in case, after exit as a stock exchange, it continues as a corporate entity under the Companies Act 2013, it shall not use the expression 'exchange' or any variant in its name or in the name of its subsidiary so as to avoid any representation of present or past affiliation with the stock exchange;
- 14.5 maintain database of all transactions on its platform for the previous years as per the requirement of prevention of Money Laundering Act (PMLA), 2015; and
- 14.6 continue to comply with all applicable laws even after the exit, if the law so demands.

15. This direction shall come into force on the date of the Notification of withdrawal of recognition granted to the ICEX in the official gazette.

**DATE: December 10, 2024**

**PLACE: MUMBAI**

**V.S. SUNDARESAN**

**Executive Director**

**SECURITIES AND EXCHANGE BOARD OF INDIA**