

THE KARACHI COTTON ASSOCIATION  
BY - LAWS  
GENERAL  
**DEFINITIONS :**

In these By-Laws unless there be something in  
the subject matter or context inconsistent therewith:-

- (1) “The Association” means the Karachi Cotton Association.
- (2) “Acting Chairman” means any person appointed to perform the duties of the Chairman or Vice-Chairman.
- (3) “The Articles” means and includes the Articles of Association and any modification or alteration thereof for the time being in force.
- (4) “An Authorized Representative” for the purposes of these By-Laws means the authorized representative registered under Article 16-A.
- (5) “Badla” means a transaction in cotton for future delivery in which contracts are made for the purchase of a certain number of bales of a grade for a certain period of delivery, and for the sale of an equal number of bales of the same grade for another period of delivery.
- (6) “Board” means the Board of Directors of the Karachi Cotton Association, acting through at least a quorum of their number at a meeting of that Board duly called and constituted.
- (7) “Broker” means a Cotton Broker licensed by the Board in accordance with Article 13.
- (8) “A Burst Bale” in case of bales bound in iron hoops means a bale which has had one or more hoops opened, but does not include a bale which has been opened outright. A bale is considered opened outright when all the hoops have been burst; a repressed bale is a “burst bale” which has been fully repressed. A bale repaired by hand should be described as a repaired bale. In case of bales not bound in iron hoops but bound in any other permissible manner, the expression: “A Burst Bale”, “A bale opened outright”, “Repressed Bale” and “A Repaired Bale” shall have the meanings as may be determined from time to time by the Board.
- (9) “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, 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 or the contract rate, which-ever is the later in date, after adjusting such allowances as may be awarded under By-Law 74.
- (10) “The By-Laws” means the By-Laws of the Association for the time being in force and shall include any ruling or interpretation in relation to one or more By-Laws given by the Board: the expression “subject to these By-Laws” wherever occurring shall mean “subject to the By-Laws of the Association”.

- (11) "Chairman" includes the Vice-Chairman or any Acting Chairman for the time being.
- (12) "Classes or Grades" of cotton includes Grade **Super**, Grade 1, Grade 2, Grade 3, Grade 4 and Grade 5, Saw-ginned.
- (13) "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.
- (14) "Delivery Contracts" means "Forward Contracts" other than Hedge Contracts. "Factory Selection Contract" means a contract specified as such.
- (15) "Due Date" means the latest date for delivery. In the case of a hedge contract, this will be the 25th of the delivery month upto 12 Noon. In the case of a forward delivery contract, it will be the last date of the period for delivery specified in the contract upto 12 Noon. 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.
- (16) "False or Fraudulent Packing" means Packing of a bale of cotton:-
- (a) in such a manner as to contain in different parts of the bale, cotton of different grades or cotton of materially different staples or cotton of different crops;
  - or
  - (b) in such a manner to contain in any part of the bale any by-products such as waste, fly, or other by-products of a cotton mill available after raw cotton is passed through the blow room;
  - or
  - (c) in such a manner as to contain in any part of the bale any concealed substance other than raw cotton;
  - or
  - (d) 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 (a), (b), (c) and (d) above, the packing complained of is such as materially reduces 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.
- (17) "Floor Committee" means the Committee appointed by the Board under By-Laws No. 77.
- (18) "A bale" means a full pressed bale pressed and packed in the usual manner bound with new iron hoops and covered with hessian or cloth in the manner specified below:

- (a) Shall be bound with new iron hoops having a maximum width of 3/4" with not less than 9 rounds (Galas) except in the case of Cumings press, in which case, 2 hoops with 4 rounds (Galas) will be used for such presses installed in Sargodha, and 3 hoops with 6 rounds (Galas) for such presses installed in Nawabshah and shall be wrapped with serviceable (untorn) hessian or cloth covering at least three "long" sides of the bale. This will not include instances where new/ serviceable hessian/cloth has been torn by the hoops in the process of high density pressing; or
- (b) as may be prescribed by the Board from time to time.
- (19) "Hedge Contracts" means the contracts specified in Schedule "A" hereto.
- (20) "The Invoicing Back Rate" in the case of rejection of a tender means the spot rate of the grade of the cotton tendered for the day as specified in By-Law 57 (a) or 57 (b), as the case may be, exclusive of any penalty provided for in these By-Laws.
- (21) "Market Rate of the Day or the Room Rate" means the daily rate for ready and/or forward cotton fixed and registered by the Daily Rates Committee, Appeal Committee appointed by the Board or by the Board itself as the case may be.
- (22) "Member" for the purposes of these By-Laws, means a person, firm or company duly elected to any class of membership of the Association and shall include a "Clearing House Member" appointed by the Board.
- (22)(A) A "Clearing House Member" for the purposes of these By-Laws means a person, firm or company who is duly appointed by the Board to any category of membership of the Clearing House of the Association as laid down in By-Law 48-A and is entitled to operate hedge trading subject to the By-Laws of the Association. The members of the Association and non-members who are not members of the Clearing House will be entitled to do hedge business through the members of the Clearing House.
- (23) "A Nominated Representative" means a person registered under Article 16(c).
- (24) "Non-Working Day" means a day other than a working day.
- (25) "Notice Board" means each and all of the Notice Boards of the Association in the premises occupied by them and such other premises or places as the Board may notify from time to time.
- (26) "The Office" means the Registered Office for the time being of the Association.
- (27) "Official Year" means the period from the 1st of July to 30th June.
- (28) "Option in Goods" means an agreement, by whatever name called, for the purchase or sale of a right to buy or sell, or a right to buy and sell, goods in future, and includes a tezi, a mandi, a tezi-mandi, a gali, a put, a call or a put and call in goods.
- (29) "Place of Business" means an office where in the opinion of the Board such Member or his firm is carrying on a bona fide business or dealing in cotton.

(30) “Public Measurer” means a person recognised as such by the Board or any other person or persons appointed by the Board to carry out the function of such Measurer.

(31) “Secretary” or other designation of an Official, means the person or persons whom the Board may for the time being have appointed to act in the capacity so designated.

(32) “Seedy Cotton” means cotton containing seeds or cut seeds as a result of defective ginning.

(33) “Spot Rate” means the average market value of cotton of different grades adjusted to Grade 3 (Base Grade) of the Association, staple length 1-1/32”, Micronaire ~~3.8~~–4.9, NCL (No control limit) of Pakistan Cotton Standards for staple cottons, and Superfine Standard for Sindh Desi and Fine Standard for Punjab Desi and Bahawalpur Desi by the class and staple differences in force at the time, and shall when the circumstances so require, be deemed to include any rate for ready cotton fixed, by the Board e. g. in the case of insolvency of or suspension of payment by a member or of a crisis in the trade, actual or anticipated.

(34) “The Trading and Clearing House Committee” means the Committee appointed by the Board to supervise and control the Clearing House and decide any dispute arising out of the working of the Hedge contracts subject to right of appeal to the Board.

(35) “Trading Day” means a day on which the sale and purchase of Hedge and Delivery Contracts are permitted.

(36) “Trading Hours” are the hours during which business is permitted by the Board from time to time.

(37) “Trading Ring” means such space or spaces in the Cotton Exchange Building of the Karachi Cotton Association, I.I. Chundrigar Road, Karachi, as the Board may, from time to time, determine and which shall have been notified by the Board as reserved for trading in Hedge Contract.

(38) “Working Day” means a day other than a Sunday, a public Holiday or a Cotton Market holiday.

(39) “Working Hours” or “Office Hours” are the hours fixed by the Board from time to time.

## **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.

2. (A) Every candidate for membership of the Clearing House of the Association of any category as laid down in By-Law 48-A shall sign and submit an application in the form as prescribed by the Board and who after having been interviewed may be duly appointed by the Board as member of the Clearing House of the category applied for on such terms and conditions including cash deposit and bank guarantee as may be laid down by the Board from time to time. The Board will have power to lay down, change or alter the maximum number of members of the Clearing House including members of different categories as it may deem proper from time to time. The Board will have power to change category of member or Trading limit as and when deemed fit by the Board.

### **REGISTER OF MEMBERS**

3. The Board shall cause a register to be kept containing particulars of the style, constitution and address in Karachi of the persons, firms and companies who are members of the Association including in the case of a firm (or of a “pedhi”) the full names of all the partners and in the case of a Hindu Joint Family, the name and address of its manager.

### **NOTIFICATION OF CHANGE IN CONSTITUTION OR ADDRESS**

4. A Member shall promptly notify the Association in writing of any change in the name under which, or the address at which, his business is carried on, and in the case of a firm (or of a “pedhi”) any change in the personnel of the partners and in the case of a Hindu Joint family, any change in the personnel of its management upon which the Board may take such action as the Articles or these By-Laws permit. In particular the Board, if they think fit and notwithstanding such change, may, on such terms as they think it right to impose, continue the membership of a firm or “pedhi” or Hindu Joint Family or a company without a fresh application for membership or any fresh deposit.

### **ADMISSION TO THE ROOMS**

#### **VISITORS**

5. Members may, with the permission of any Director, introduce to the rooms of the Association strangers visiting Karachi.

### **ADMISSION TO ROOMS**

6. No person shall be admitted to the rooms of the Association unless he is a member, or a constituent of a member, or unless he is a visitor introduced under By-Law 5 or is a party to an arbitration or appeal under these By-Laws.

### **ADMISSION TO TRADING HALL, RING, ETC.**

No person shall be admitted to the Trading Hall, the Trading Ring and any other premises notified by the Board as reserved for trading in Hedge Contracts unless he is a member of the Association holding and in possession of a membership badge, or a Director in possession of a Director’s badge, or a licensed Broker of the Association holding and in possession of a licensed broker’s badge prepared and issued by the Association or is a visitor introduced under By-Law 5 holding a special visiting card of entry signed by the Secretary of the Association for a definite period without trading facilities.

## **RIGHT TO TRADE IN THE RING, ETC.**

Licensed brokers of the Association only in the possession of the distinctive broker's badge issued by the Association will be permitted to trade, within the Trading Hall, Trading Ring or any other premises notified by the Board as reserved for Hedge trading.

All persons making use of the Trading Hall Ring shall be amenable to the jurisdiction of the Association and in particular shall be subject to the Disciplinary By-Laws of the Association.

All orders, acts and proceedings of the Trading and Clearing House Committee shall be subject to the general and/or special orders of the Board.

## **NOTICES**

### **NOTICES**

7. (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 by a certificate in writing made and signed by the person serving the notice. 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 Urdu vernacular daily newspaper published in Karachi.

## **SUSPENSION OF PAYMENT, INSOLVENCY AND LIABILITY OF MEMBERS**

### **INABILITY OF A MEMBER TO MEET HIS LIABILITIES**

8. (a) 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 other-wise 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 the 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 the 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 of 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 14.

(b) All liabilities under any contracts including ready transactions whether reached amicably by mutual arrangements or by awards of arbitrators shall be settled within 7 days. In case of default being reported to the Association by the complaining party, a Special Meeting of the Board will be immediately convened, to consider the default and the parties shall have the right to present documentary evidence in support of their case. If the Board is satisfied regarding the default, a notice of 48 hours shall be given by the Association to the party concerned to meet their obligations. In case of failure to comply with the decision of the Board, the name of the party will be posted as defaulter.

(c) On the receipt of a notice under clause 8 (a), if the Board is of the opinion that in the interest of the trade it is expedient to close the cotton market for a specified period, the Board may, for such time as it may deem necessary, close the market.

(d) Simultaneously, with the service of notice under clause 8 (a), the member shall automatically stand suspended from the membership of the Association and in that case the provisions of By-Law 19 shall not apply.

### **INVESTIGATION BY BOARD**

10. 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 sub-joined 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-Laws 8 (a) and 8 (b).

### **SUSPENSION TO FOLLOW ON FAILURE**

11. When the failure of any member has been investigated whether at his own instigation or by order of the Board, 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 Pakistan, he shall be suspended from all 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 reasonable time after such event, furnish the Board with a correct statement of his affairs signed by him.

### **REINSTATEMENT**

12. 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 "Provided that where the Board declares to accept his application for reinstatement, it shall always be subject to the provisions of clause (k) or, as the case may be, clause (1) of By-Law 16."

### **COMPROMISE TO BE REPORTED**

13. Where there has been a compromise between members of any such obligation as aforesaid, each of them shall, in the course of 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 16 to 28 inclusive. Anything short of a cash settlement shall be held to be a compromise for purposes of this By-Law.

(a) Every contract which shall be made subject to the By-Laws of the Association, whether it be entered into by two members, or by a member and a non-member or by two non-members, shall be deemed to provide as one of the terms thereof that any difference of any nature whatsoever arising out of such contract shall be referred to arbitration in accordance with the By-Laws of the Association and that holding of such an arbitration and the obtaining of an award there-under 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 upon or arising out of such contract, except to enforce the award in such arbitrations.

(b) Non-members requesting for arbitration in case of Factory Selection Contract under By-Law No. 39-II shall have to pay to the Karachi Cotton Association, a fee of Rs. 750/- for every 100 bales or part thereof subject to a minimum of Rs.1500/-No such request for arbitration will be entertained by the Association unless the prescribed fee is sent along with the letter or request for arbitration. This fee will be in addition to the fees payable to the arbitrators and/or the umpire for work done by them.



**CLOSING OF CONTRACTS IN CASE of INSOLVENCY,  
LUNACY OR DEATH, ETC.**

**CLOSING OF CONTRACTS TO WHICH A MEMBER IS A PARTY**

14. If before the maturity of any contract to which a member is a party, one of the parties to the contract gives notice under By-Law 8 or suspends payment, or is declared a defaulter under By-Law 10 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 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 CONTRACTS**

(a) If the contract is a Hedge Contract, then upon the posting of the name of defaulting party on the Notice Board, in accordance with By-Laws 8 (a) and (b) or 10 or upon application made in writing by either party or the Board, the Board shall fix the terms of closure of the contract which shall promptly be posted on the Notice Board. 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 a 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 consideration of the relevance and importance of which they shall be the sole Judges.

**OTHER CONTRACTS**

(b) If the contract is other than a Hedge 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 authorized 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.

15. 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 8 (a) and (b) or suspends payment, or is declared a defaulter under By-Law 10 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 hereinbefore 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 14.

## **DISCIPLINARY BY-LAWS**

### **EXPULSION, SUSPENSION & FINES**

16. Every member shall be liable to expulsion, suspension and/or to payment of a fine, for any of the following acts or omissions:-

### **REFUSAL TO ABIDE BY AWARD**

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

### **UNBECOMING CONDUCT**

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

### **MISCONDUCT**

(c) For any misconduct in dealings with or in relation to the Association or any member or 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 and shall include indulging in hedge trading outside the trading hours or trading in Tezi-Mandi or other un-authorized contracts.

### **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 Provincial or Central Government in respect of trading in cotton or any notice issued by the Board, in that regard.

### **PUBLICATION OF MISSTATEMENT**

(e) For publishing or permitting to be published in any magazine, newspaper, pamphlet, circular or elsewhere any statement which by direct or implied misrepresentation or unfair concealment of material facts or otherwise is calculated to mislead the members, and/or the public with regard to the state of the cotton trade or the policy of the Board of anything relevant thereto as to all which the Board shall be the sole judges.

### **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 17, 18, 20, 21 and 23 requiring him to attend at any meeting of the Board; or to produce any books, documents, correspondence or other papers in his possession, power or control; or 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-PAYMENTS OF DIFFERENCES**

(g) For failure to pay differences under By-Law 153 and/or arbitration or appeal fees, when due, or for non-payment of any fine imposed on him pursuant of 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 obligations at maturity by conducting his business in a reckless and/or un-business like manner involving another member or other members in financial loss.

### **MISCONDUCT IN DEALINGS WITH ALLIED ASSOCIATIONS**

(i) For any misconduct in the sense of subsection 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 under-taking 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) Willful or international 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 there-under; (4) refusal or neglect to abide by and carry out any award whether in arbitration or an appeal; (5) any conduct whether by act or omission in relation to any arrangement or by 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; (6) 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.

(j) For being or continuing to be a member or a licensee or a broker of any Association (other than the Karachi Cotton Association) purporting or proposing to control or regulate the cotton dealings in Karachi of whatsoever nature or for dealing in cotton, directly or indirectly, with any member, licensee or broker of such an Association.

(k) No member who has been suspended under clause (d) of By-Law 8, shall be reinstated by the Board under By-Law 12, unless he pays or deposits with the Association a penalty of **Rs. 30/-** per bale on his net long or short position standing on the date on which he gave notice to the Association under clause (a) of By-Law 8.

(l) No member who has been suspended under By-Law 11 shall be reinstated by the Board under By-Law 12, unless he pays or deposits with the Association a penalty at the rate of **Rs. 150/-** per bale on his net long or short position standing on such date as the Board may specify.

(m) If any member is expelled from the Association as a result of his having been declared defaulter under clause (b) of By-Law 8 or otherwise, the member so expelled shall be permanently debarred from becoming member of the Association; and no other firm or company of which such member is a proprietor, partner or director, shall be considered for the membership of the Association.

(n) In case an expelled member happens to be proprietor of or partner in any other firm, or a director in any other company which firm or company is also a member of the Association, then such firm or company, as the case may be, shall also cease to be the member of the Association until the expelled member is removed from the proprietorship or partnership of such firm or from the directorship of that company.

### **MITIGATION OF MISCONDUCT**

17. Whenever one-half of the 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 three-fourths 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 members 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 to 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 20 of the rights and power of the Board under By-Laws 20 and 21 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**

18. Whenever the Board shall consider either by reason of complaint made to them in writing by one or more members or by reason of any knowledge or information acquired by the Board 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 may give notice in writing to such member or any other member or requiring him to appear before them 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 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 in relation to his conduct or that of his firm or company or of the conduct of any other member, and shall, if required by the Board, 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 enquiry whether giving particulars thereof or not. A notice under this By-Law may be given either along with or without notice under By-Law 20 and if given without such notice shall be without prejudice to the Board's right of afterwards giving notice under By-Law 20. A firm which is a member shall appear by one of its partners or an authorized representative and a company by one of its Directors and if there be no Directors then by one of its Managers or its authorized representative.

### **RESOLUTION FOR EXPULSION, SUSPENSION OR FINES**

19. Whenever one-half of the members of the whole Board are 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 three-fourths of their members present and voting at such meeting expel such member permanently, subject to the power of reinstatement by By-Law 12 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/-.

The Board's resolution for expulsion or suspension for over a period of one month of a member shall not operate unless and until it has been confirmed by the General Body of the Association at an extraordinary General Meeting called for the purpose.

### **NOTICE OF MEETING TO PASS RESOLUTION**

20. 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 OF MEETING TO CONSIDER EXPULSION, SUSPENSION OR FINE**

21. The Board 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 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 fining 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 EXPELLED, SUSPENDED OR FINED**

22. 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.

### **MEMBER MAY BE REQUIRED TO GIVE EVIDENCE**

23. The Board may by not less than 24 hours notice in writing to any member require him to attend and give evidence or make statements and/or produce any books, documents, correspondence or papers in his possession, power or control or that of his firm or company at any meeting at which any resolution for the expulsion, suspension and/or fining of any other member is proposed to be considered.

### **GRADATION OF PENALTIES**

24. 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.

### **REPRIMAND AND WARNING**

25. Whenever the Board are authorized by these By-Laws to inflict a fine, they shall be entitled to administer a severe reprimand 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**

26. Whenever the Board fine or reprimand or warn a member they may, if they think fit, post a notice thereof on the Notice Board and/or publish it in the Daily Cotton Market Report.

### **DEPRIVATION AND OBLIGATIONS DURING SUSPENSION**

27. 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 fulfill 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, 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**

28. A member expelled by a resolution passed and confirmed in accordance with By-Law 19 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.

### **TRADING AND CLEARING HOUSE COMMITTEE**

#### **TRADING & CLEARING HOUSE COMMITTEE**

29. The Trading & Clearing House Committee shall consist of at least 7 (seven) persons and maximum 15 (fifteen) appointed by the Board from time to time, five members present shall form quorum for the purpose of conducting business falling within the purview of the Trading and Clearing House Committee.

The Board may fill any vacancy in this Committee as it occurs.

## **RATES COMMITTEE**

### **DAILY RATES COMMITTEE**

30. The Board shall appoint from time to time a Daily Rates Committee consisting of 12 persons chosen from the members of the Association or their duly authorized or nominated representatives, 6 each respectively to be selected from amongst the Buyers/Exporters and Sellers/Others categories, and one Government nominated Director. The Rates Committee which shall have a quorum of 5 persons shall meet daily for the purpose of fixing and registering the market rates of different grades of cotton tender-able or sold under hedge or delivery contracts and also the spot rates for all grades. The Rates Committee shall also fix within the first fortnight of every month such sample cotton rates for the preceding month as the Board shall deem necessary. In the event of a quorum being not available, the Secretary will convene a Special Meeting of the Board for fixing these rates. 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, either (a) appoint an Appeal Committee to act in place of Daily Rates Committee with power to each body of the Appeal Committee to act in turn or as may be arranged, or (b) the Board may themselves supersede the Daily Rates Committee and in place of that Committee fix and register or confirm or revise market rates or sample rates as aforesaid.

PROVIDED ALWAYS that if at any time, the Board is of the opinion that it is not warranted in any circumstances to fix spot rates, it may suspend the functions of or disband the Rates Committee and notify the decision to the trade where upon all and several functions of the Association under the By-Law in this behalf shall forthwith be discontinued and wherever there is a reference to spot rate in the By-Law it shall be construed and deemed to refer to the price of the cotton at which it is reasonably available in the market or being sold.

Each member of the Daily Rates Committee or Appeal Committee appointed in place of the Daily Rates Committee shall be paid a fee of Rs. 50/- as conveyance charges for every meeting attended by him for the purpose of fixing these rates.

### **RATES FOR CONTRACTS FALLING DUE ON THE 25TH OF THE MONTH TO BE FIXED BY THE BOARD**

31. Rates shall be fixed and registered by the Board or the Rates Committee authorized in that behalf every week as provided for in By-Law 132 and on such other days as they shall think fit. On or about the 25th day of the month, the Board shall fix and register rates for the purpose of contracts falling due on the 25th of the month.



## **RATES TO BE BINDING**

32. The rates fixed and registered as aforesaid either by the Board, or the Appeal Committee or the Daily Rates Committee (in the two latter cases subject to the right of appeal to the Board, provided it be lodged with the Secretary before 1 p. m. on the working day following the date of the rate appealed against on payment of an appeal fee of Rs. 300/- for each Grade of cotton appealed against), shall be binding on all parties entering into contracts for sale or purchase of cotton according to these By-Laws. 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-third of the appeal fee will be retained by the Association and two-third will be refunded to the appellant. In case the appeal is rejected by the Board, the entire appeal fee in question will be forfeited and credited to the funds of the Association. It shall be no objection to a rate fixed and registered by the Board, or the Appeal Committee or the Daily Rates Committee that some or all of the members of the Board or of such Committee were themselves interested in contracts for some one or more of the descriptions of cotton for which such rate was fixed and registered. A rate once fixed and registered by the Board shall not be open to consideration.

Any or all of the members of the Rates Committee or any Appeal Committee who have fixed a rate against which an appeal has been lodged shall be allowed to attend the meeting of the Board at which the appeal is considered, but shall not be permitted to vote.

When an appeal against a rate is lodged, the Board in considering the appeal, shall be competent either to accept the appeal or to revise the rate appealed against in such manner as they deem fit.

## **ARBITRATIONS**

### **ARBITRATION REGARDING QUALITY**

33. (a) All disputes as to grade of cotton tendered against a hedge contract or a delivery contract or a special contract or against a ready transaction between a buyer and a seller (including such disputes between a member and a non-member) shall be referred (in manner to be prescribed by the Board from time to time) to the arbitration of a Survey Committee to be prescribed and appointed by the Board from time to time. The award made by such Survey Committee shall be final and binding, subject only to a right of appeal to the Appeal Committee or in respect of American Cotton to the Special Appeal Committee whose award shall be final and binding.

This By-Law will apply to all disputes as to quality of Linters and Cotton Waste of all description and Grades.

## **ARBITRATION REGARDING DAMAGED OR FALSE-PACKED COTTON**

(b) All disputes as to damaged cotton or false-packed cotton between a buyer and a seller (including such disputes between a member and a non-member) shall be referred to the arbitration of two disinterested arbitrators, each party choosing their own arbitrator. The arbitrators and the Umpire shall be chosen from a panel of arbitrators to be appointed by the Board from time to time. In disputes as to damaged cotton upon any one of the parties calling for an arbitration and appointing his own arbitrator, the other party shall forthwith appoint his arbitrator not later than 4.00 p.m. of the working day following the day of receipt of notice from the first party appointing his arbitrator, failing which the Chairman or in his absence the Vice-Chairman or in the absence of both the Chairman and the Vice-Chairman, the Secretary shall appoint an arbitrator on behalf of the party who failed to appoint his arbitrator within the time prescribed herein. The arbitrators shall appoint an Umpire and complete the arbitration within two working days following the day on which the second arbitrator was appointed. In case, the two arbitrators are unable to agree, the matter will be referred to the Umpire already nominated. The Umpire shall carry out the arbitration within two working days following the day the reference is made to him by the disagreeing arbitrators. The award of the arbitrators or of the Umpire, as the case may be, shall be final and binding on both the parties, and no appeal shall lie against the award.

Provided that the proceedings under this By-Law shall not be initiated until the survey award under By-Law 33(a) has been obtained.

## **PANEL OF ARBITRATORS**

(c) As soon as possible, the Board shall, after the beginning of each official year, constitute a panel of arbitrators by appointing thereto 30 persons (15 buyers and 15 sellers), each of whom shall be a member, or an authorized or a nominated representative of a member.

Any casual vacancy on the panel shall be filled in by the Board. The panel shall continue in office until its successor has been constituted.

(d) For each day on which surveys are to be held, the Secretary shall form by drawing lots a Survey Committee of five arbitrators (on first day 3 buyers and 2 sellers, on the second day 2 buyers and 3 sellers excluding on the second day those who participated in the survey on the first day, and on the third day those who participated on the first and second day, and so on).

While drawing lots the Secretary shall also each time exclude persons interested in one or more of the surveys for the particular day; the persons thus excluded, unless interested again shall be included in the next draw. If more than one Survey Committee is required to be formed for a particular day, the same procedure as herein prescribed shall be applicable.

(e) Three members of a Survey Committee called and convened and present at the appointed time shall constitute a quorum. The Survey Committee shall elect its own Chairman who will direct by which two members a particular survey should be carried out and who will act as Umpire in the event of disagreement between two members as to their award. If there are numerous surveys which, in the opinion of the Secretary, cannot be disposed of before 3 p.m. on the day they are to be completed, the Secretary shall call in more than one Survey Committee who will separately sit to dispose of the surveys allotted to each. All the members of the Survey Committee in charge of the full number of surveys allotted shall be entitled to surveyor's fees appertaining to the surveys allotted to the Committee.

- (f) The following regulations shall be observed in regard to arbitration regarding quality :-
- (1) The names of both buyers and sellers shall be withheld from the Survey Committee.
  - (2) The parties to the arbitration shall not be allowed to be present at the time of arbitration.
  - (3) The name of station and the marks on the bales submitted for arbitration shall be withheld from the Survey Committee.
  - (4) All arbitrations and appeals held under this By-Law shall be held during such hours, but not later than 3 p.m. as the Board may from time to time prescribe.
  - (5) Notice in writing calling for an arbitration under this By-Law is not necessary.
  - (6) Arbitration samples shall be drawn by the Buyer in the presence of the Seller and brought by them to the Survey Room of the Association not later than 4 p.m. on the day preceding the day on which the arbitration is to be held.
  - (7) As soon as the arbitration award is available, the buyer shall remove the sample. Unless the sample is removed from the Survey Room of the Association within three clear working days from the date on which the arbitration or appeal takes place, it will become the property of the Association.
  - (8) All awards in arbitration shall be entered and signed by the passing members of the Survey Committee and Umpire, if any, and the Secretary to the Association shall communicate as soon as possible the award to the buyer and the seller.
  - (9) If for any reason any survey has to be postponed, it shall be postponed until not later than 3 p.m. on the following day, and such extension of the time allowed under By-Laws 55, 67 and 96.
- (g) Except in damaged cotton all arbitrations and appeals with reference to quality shall be held in the premises of the Association. Arbitrations with reference to damaged cotton (see By-Laws 93 and 94) shall be held at the place where the cotton is lying.

34. Against awards under By-Law 33 (a) an appeal shall lie to the Appeal Committee, except in respect of awards on American cotton when an appeal shall lie to the Special Appeal Committee. All appeals must be lodged with the Secretary before 1 p.m. on the day after that on which the arbitration is disposed of except in the case of C.I.F., C. & F. and F.O.B. contracts where all appeals must be lodged with the Secretary before 1 p.m. on the third business day following the date of arbitration award and should be disposed of by the Appeal Committee or Special Appeal Committee, as the case may be, before 3 p.m. on the following working day, or such other hour as the Board may from time to time prescribe. Applications for appeals must be in writing and must be accompanied by the fee as laid down in By-Law 36.

Appeal samples must be ready in the Association's office not later than 11.00 a.m. on the day appeals are to be held.

## **APPEAL COMMITTEE AND SPECIAL APPEAL COMMITTEE**

35. The Appeal Committee shall consist of twenty-four members, and the Special Appeal Committee shall consist of twenty-four members, who shall be appointed from time to time by the Board and shall hold office for the period of the official year.

All the Members of these Committees must be Members of the Association or their authorized or nominated representatives. The twenty-four members of the Appeal Committee shall be divided into two bodies of 12 and 12 who shall respectively appoint their own Chairman and sit to dispose of appeals as and when convened by the Secretary. The Special Appeal Committee shall be divided into three bodies of 8 each who shall respectively appoint their own Chairman and sit to dispose of appeals as and when convened by the Secretary.

No member shall have more than one representative on each of the Appeal and Special Appeal Committees.

## **QUORUM**

Five members shall form a quorum for each of the two groups of the Appeal Committee and for each of the three groups of the Special Appeal Committee. In case of inability to form a quorum, the Secretary is empowered to complete from the corresponding group, the total number required for a group. This applies also if on any particular day the total number of members comprising the group to be called cannot be invited by reason of some members of the group having any interest as arbitrators or Umpire or parties in any of the appeals to be disposed of on that day.

## **REGULATIONS GOVERNING CONDUCT OF APPEALS**

35. A In the event of an appeal on an arbitration award signed by member or members of the Appeal Committee or Special Appeal Committee, such Member or Members shall not form part of the Appeal Committee, or the Special Appeal Committee sitting thereon, neither shall the seller nor the buyer form part of the Appeal Committee or the Special Appeal Committee.

The following further regulations shall be observed in regard to appeals:-

- (a) The Committee shall not be informed whether appellant is buyer or seller.
- (b) The name of the appellant shall be withheld from the Committee.
- (c) The names of both buyer and seller shall be withheld from the Committee.
- (d) The marks on the bales of cotton submitted for arbitration shall not be made known to the Committee.
- (e) The award in arbitration and any remarks made on the award by the arbitrators shall not be made known to the Committee.
- (f) The survey award number as well as the name of the station of the bales submitted for appeal shall be withheld from the Committee.

## **APPEAL FEES**

36. The fee payable to the Association for an appeal under By-Law 34 shall be **Rs. 2000/-** for each unit of **100 bales** or less, and shall be paid by the party lodging the appeal at the time the appeal is lodged.

The fee payable for an appeal regarding damaged cotton (By-Law 93 and 94) shall be **Rs. 2000/-** for each unit of **100 bales** or less, and shall be paid by the party lodging the appeal at the time the appeal is lodged.

**In case of Cotton of foreign origin each unit shall construed as about 17000 kgs**

These fees shall be subject to modification from time to time by the Board. The distribution of the fees to the members of the Appeal Committee or Special Appeal Committee who sign the award shall be at the discretion of the Board.

## **APPEAL SAMPLES**

(a) In the event of an appeal, sealed samples set apart at the time of quality survey in the manner laid down under By-Law 87 shall be placed before the Appeal Committee or the Special Appeal Committee by the Association. The Appeal Committee or Special Appeal Committee shall notify their award on the appeal card which shall be filed in the office of the Association. The award shall be notified in writing to the buyer and the seller by the Secretary. The buyer will remove the sample immediately the appeal has been held.

## **ARBITRATION BETWEEN A MEMBER AND A PARTY WHO IS NOT A MEMBER**

37. When a dispute regarding quality between a member and a party who is not a member is submitted to arbitration, the party who is not a member shall pay in advance to the Association the arbitration or appeal fee and shall enjoy all the privileges and be subject to all the obligations of members under all By-Laws affecting arbitration whether original or on appeal. Should the party who is not a member when requested to do so by the member, fail or refuse to appoint an arbitrator ready or willing to act and the arbitrator is appointed by the Board at the request of the member, the member shall be responsible to the Association for the arbitration fees, and in the case of an appeal for the appeal fees, without prejudice nevertheless to the right, if any, of such member to recover the same from the party who is not a member.

## **QUALITY OF COTTON BOUGHT ON ACCOUNT**

38. If 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" and if the party on whose account the cotton is bought has refused or neglected to appoint an arbitrator, such arbitration may be held ex-parte. All purchases on account shall within 24 hours thereof be intimated to the original seller.

**ARBITRATIONS REGARDING QUESTION OTHER THAN QUALITY  
EXCEPT FACTORY SELECTION CONTRACTS**

39-I (a) Any dispute arising out of a ready transaction or out of a forward contract other than on the question of class and/or staple of the cotton tendered but including the construction of the official forward contract forms shall be referred to the arbitration of any two disinterested members from the Panel of Arbitrators referred to in By-Law 39-I (b) one to be appointed by each party. If one of the parties to the contract fails to appoint an arbitrator, after having received fifteen clear days' notice from the other party to do so, the party who has appointed an arbitrator shall have power to appoint the second arbitrator, both of whom shall then proceed to deal with the question at issue. In case the two arbitrators are unable to agree the matter shall then be referred to an umpire, who shall be nominated by the two arbitrators from among the Panel of Arbitrators. In the event of two arbitrators being unable to agree as to the name of the umpire, the Board shall appoint an umpire from among the Panel of Arbitrators. The decision of the arbitrators or umpire shall be final and binding on the parties to the contract.

(b) The Board will appoint a Panel of Arbitrators consisting of not less than 30 percent and not more than 50 percent of the number of authorized representatives on the registers of the Association every year who will hold office for one financial year or till such time as a new Panel of Arbitrators is appointed by the Board.

(c) The members of the Panel will be informed of their selection by the Secretary and they will apprise the Secretary of their consent to work on this Panel within 4 days of the receipt of intimation about their selection and a written acceptance by them will indicate that they agree to abide by terms, conditions and rules which the Board may frame from time to time in this connection.

(d) The party applying for arbitration shall file a request with the Secretary of the Association specifying:

- (i) the name and address of the other party;
- (ii) the kind and the nature of the controversy and all contract terms having reference thereto;
- (iii) the name and address of his arbitrator selected from the panel of Arbitrators constituted by the Board of the Karachi Cotton Association.

(e) Under no circumstances shall any one of the Panel of Arbitrators having a direct or indirect interest in the dispute be allowed to act as arbitrators or umpire.

(f) The two arbitrators, when appointed, shall before proceeding with the dispute nominate and appoint an umpire from the Panel of Arbitrators to deal with the dispute, in case the two arbitrators are unable to agree. In case of disagreement between the two arbitrators regarding the umpire, the Board shall appoint an umpire from the Panel.

(g) The Arbitrators shall make their award within one month after entering on the reference or after having been called upon to act by notice in writing from any party to the arbitration agreement or within such extended time as the court may allow or within such extended time as the parties may agree upon as provided for by By-Law 39-I (k) and shall send a copy of the award duly signed by them to the Secretary of the Association.

(h) If the arbitrators have allowed their time to expire without making an award or have delivered to any party to the arbitration agreement or to the umpire a notice in writing stating that they cannot agree, the umpire shall forthwith enter on the reference in lieu of the arbitrators.

(i) The umpire shall make his award within one month after entering on the reference or after having been called upon to act by notice in writing from the arbitrators stating that they cannot agree, whichever is earlier, or within such extended time as the court may allow or as the parties may agree upon as provided in By-Law 39-I (k). The umpire shall send a copy of the award duly signed by him to the Secretary of the Association.

(j) In the event of the umpire appointed by the arbitrators or by the Board, in terms of By-Law 39-I (f) resigning either before or after taking up the reference on account of any reasons whatsoever, the Board will appoint another umpire in his place from the Panel referred to in By-Law 39-I (b) and the said appointment shall be as effectual as though it had been originally made by the arbitrators or by the Board as the case may be in terms of the By-Law 39-I (b).

(k) The arbitrators and/or the umpire as the case may be, may enlarge the time for making the award from time to time with the consent of all the parties to the arbitration agreement.

#### **ARBITRATIONS GOVERNING FACTORY SELECTION CONTRACT**

39-II There will be a Panel of 36 arbitrators consisting of 18 from Buyers/Exporters and 18 from Sellers/Others groups appointed by the Board as soon as possible after the beginning of the calendar year to deal with arbitration regarding Factory Selection Contract.

All disputes arising out of Factory Selection Contracts and other forward contracts registered with the Association shall be referred to the Arbitration of two disinterested arbitrators drawn by ballot, one from the seller's panel and the other from the buyer's panel of arbitrators as appointed by the Board, by the Secretary of the Karachi Cotton Association. In the event of the arbitrators or any of them resigning either before or after taking up the reference for any reasons whatsoever, a fresh ballot shall be drawn for the appointment of another arbitrator or arbitrators as the case may be from the remaining members of the Panel in the same manner in which the original arbitrator and/or arbitrators were appointed and the appointment so made shall be as effectual as though originally made.

The Association shall also register any factory selection contract entered into between members and/or member and non-members on any mutually agreed terms and conditions between the parties and any dispute arising out such contracts shall be governed under By-Law 39-II.

All complaints will be submitted in writing to the Secretary, Karachi Cotton Association, by the parties concerned and the Secretary will draw the names of the arbitrators by ballot from the Panel of Arbitrators and announce within 24 hours of the ballot.

**Note:** The Secretary will take care to remove the names of interested parties and members of the panel who are away from the station, and so unable to give their decision as arbitrators within the specified period.

The arbitrators shall complete the arbitration within 30 days following the day of their taking over the reference.

In case the two arbitrators be unable to agree or fail to complete arbitration within 30 days; the matter will be referred to a disinterested Umpire, who will be drawn simultaneously with the arbitrators from either Panel of Arbitrators by ballot by the Chairman or in his absence by the Vice Chairman or by the Secretary from the disinterested members of the two Panels. In the event of the umpire resigning either before or after taking up the reference for any reasons whatsoever, a fresh ballot shall be drawn for the appointment of another umpire from the remaining members on the panel in the same way in which the original umpire is appointed and the appointment so made shall be effectual as though it had been made simultaneously with the arbitrators.

The umpire shall carry out the arbitration within 30 days following the day of his taking over the reference. The award of the arbitrators or of the umpire, as the case may be shall be final and binding on both the parties and no appeal shall be made against the award.

If the arbitrators or the Umpire fail, without assigning reasons to carry out the arbitration within the period specified, their name or names shall automatically be removed from the Panel of Arbitrators.

All awards made by the Arbitrators or an Umpire under By-Law 39-I or 39-II shall be implemented within two weeks from the date of their receipt in the office of the Association. In case the losing party fails to implement the award within the said period of two weeks, the defaulting member shall be liable to expulsion, suspension or payment of a fine which shall not exceed the amount of the award, or both to expulsion or suspension and the payment of such fine at the discretion of the Board. Provided however, that it shall be open to the party against whom the award has been made to deposit the amount payable by him under the award with the Association, within two weeks from the date of the receipt of the award in the office of the Association and to proceed to challenge the award in any court of law within a period of one month of depositing the amount of the award with the Association. Provided further that the provision for implementation of award shall not be applicable in the case of a dispute between a member and a non-member.

The Association shall hold such amount in deposit with them until the time of the final adjudication of the award by the court. If the award is confirmed by the court, the amount of the award or such amount as is awarded by the court, but not exceeding the amount deposited with the Association, shall be paid by the Association, out of the said deposit, to the party in whose favour the award has been given. In case the court sets aside the award the deposit held by the Association will be refunded to the depositor. No interest will be payable by the Association to either party.

If for any reasons whatsoever, the arbitrators do not take over or enter on the reference for a period of 3 months commencing from the date of communication of their appointment as arbitrators to them, they will automatically cease to function as arbitrators for that particular matter and a fresh ballot will be drawn as provided for in By-Law 39-II from among the remaining members on the panel so far as the appointment of arbitrators is concerned but the Umpire originally selected will continue to function as Umpire.



## **ARBITRATION C.I.F., C. & F. AND F.O.B. CONTRACTS**

39-III (a) All disputes arising out of C.I.F., C.& F. and F.O.B. contracts shall be referred to the arbitration of any two disinterested members from the Panel of Arbitrators appointed by the Board referred to in By-Law 39-III (b) one to be appointed by each party. If one of the parties to the contract fails to appoint an arbitrator after having received 15 days clear notice from the other party to do so, the party who has appointed an arbitrator shall have power to appoint the second arbitrator, both of them shall then proceed to deal with the question at issue. Before taking up the question at issue, the two arbitrators shall nominate an Umpire from the Panel of Arbitrators referred to in By-Law 39-III (b). In case the two arbitrators are unable to agree, the matter shall then be referred to the Umpire.

In the event of the two arbitrators being unable to agree as to the name of the Umpire, the arbitrators shall refer the matter to the Secretary, Karachi Cotton Association, who will ask the Board to appoint an Umpire from among the Panel of Arbitrators referred to in By-Law 39-III (b). The decision of the Arbitrators or the Umpire will be final and binding on the parties to the contract.

(b) The Board will appoint a Panel of Arbitrators consisting of 16 members from among the authorized representatives on the registers of the Association every year who will hold office for one official year or till such time as a new Panel of Arbitrators is appointed by the Board.

(c) The members of the Panel will be informed of their selection by the Secretary and they will apprise to the Secretary of their consent to work on this Panel within 4 days of the receipt of intimation about their selection and a written acceptance by them will indicate that they agree to abide by terms, conditions and rules which the Board may frame from time to time in this connection.

(d) The arbitrators shall make their award within two months after entering on the reference or within such extended time as the Court may allow and shall send a copy of their award duly signed by them to the Secretary of the Association.

(e) If the arbitrators have allowed their time to expire without making an award or have delivered to any party to the arbitration agreement or to the Umpire a notice in writing stating that they cannot agree, the Umpire shall forthwith enter on the reference in lieu of the arbitrators.

(f) The Umpire shall make his award within two months of entering on the reference or within such extended time as the Court may allow, and shall send a copy of the award duly signed by him to the Secretary of the Association.

## **FEE FOR ARBITRATION**

40. The fee payable to the Association for an arbitration carried out under By-Laws 33 (a) and 33(b) shall be Rs. 500/- for each party to the arbitration on each unit of 50 bales or less, each party to pay his own fee to the Association.

The fee payable for an arbitration regarding damaged cotton (By-Laws 93 and 94) shall be Rs. 500/- for each party to the arbitration on each unit of 50 bales or less, each party to pay his own fee to the Association.

These fees shall be subject to modification from time to time by the Board. In the case of an umpire being called in, neither party shall be liable for an additional fee.

The portion of the usual survey fees that would pertain to the Association had a survey taken place shall be charged, in cases where survey samples are submitted to the Association's office, but are withdrawn before the survey takes place. In cases where samples are brought to the table and examined, the full survey fees shall be charged whether a regular survey takes place or not.

41. The Association shall collect all arbitration fees and pay the same to arbitrators and umpire, less such amount as the Board may from time to time fix which must be deducted and credited to the Association for general expenses. The Association shall, however, only be responsible for the fees which have actually been collected at the end of each official year. The Board shall deal, as it thinks fit, with failure promptly to pay in fees.

#### **OPERATION OF CONTRACTS**

42. Every contract made subject to these By-Laws shall be construed and take effect as a contract wholly made in Karachi and to be fulfilled in Karachi and notwithstanding permissible or stipulated delivery of cotton outside Karachi in fulfillment thereof, any cause of action of dispute in relation to the contract shall be deemed to arise in Karachi and shall be settled in Karachi.

#### **AWARDS JUSTIFYING REJECTION**

43. In cases where an award has been given justifying rejection (except when a full allowance has been called for by the buyer), the buyer if he intends to take the cotton, shall give notice to the first seller not later than 12 Noon on the day following the day on which the award was made, whether in arbitration or on appeal. In the absence of such notice, the seller shall presume that the cotton is rejected. Appeal against the award justifying rejection must be made before 1 p.m. as provided in By-Law 34, and if an appeal is lodged, the terms of the contract or contracts should be communicated to the Secretary for guidance of the Appeal Committee or Special Appeal Committee as the case may be.

44. The office of member 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 two consecutive meetings without any leave of absence;

(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 a member of the General Body of the Association or otherwise.

A. Notwithstanding anything contained in these By-Laws, all Committees and Sub-Committees appointed under these By-Laws, except those appointed for definite periods, shall continue in office, until their successors are appointed after the conclusion of the Annual General Meeting of the Association. Upon a member vacating office on these Committees, whether by resignation or otherwise, the Board shall fill up the vacancy.

## **BY - LAWS HEDGE CONTRACT**

### **TRADING IN HEDGE CONTRACTS**

45. Trading in hedge contracts shall be opened for delivery months as specified in Schedule "A". The Board shall decide the date from which the first five hedge contracts shall commence. On maturity of any contract the next contract due will be opened for trading.

The Board may also lay down for which month or months of delivery (specified in Schedule "A" hereto) trading shall commence in respect of any or all of the hedge contracts and may also prescribe, before permitting trading for the following delivery month or months, which hedge contract or hedge contracts shall be traded in or shall not be traded in.

### **PROHIBITED TRANSACTIONS**

46. Transactions in cotton wherein delivery is not given or taken or contemplated are prohibited; and no member shall have or acquire any interest direct or indirect in such a transaction. Any member violating this By-Law may be dealt with under By-Law 16.

### **TRADING HOURS**

47. (a) "Trading Hours" shall be as fixed by the Board from time to time, as the Board may in its discretion deem it fit and the Board shall also have powers to close down hedge trading market due to death of any of its members, brokers, or on the death of any important personality or on any befitting occasion or in emergency as it may deem fit. The exercise of the Board's discretion under this By-Law shall not amount to amendment of this By-Law. No trading shall take place outside the trading hours fixed by the Board from time to time.

(b) Save as may be otherwise permitted in pursuance of the provisions of these By-Laws, no trading shall be permitted in the hedge or delivery contracts on holidays. Trading in such contracts shall only be permitted on other days during trading hours.

(c) No member shall trade in a hedge or delivery contract after 12 noon on the due date of such contract.

### **CONTRACTS OUT OF HOURS ENTITLED TO ARBITRATION**

(d) No Hedge or Delivery Contract other than those made or agreed to be made on trading days and during trading hours, shall be entitled to the benefit of arbitration appeal or clearing or any of the other privileges conferred upon members. Any member or broker found indulging in Tezi-Mandi or other unauthorized contracts or trading in hedge contracts outside the trading hours will be liable to be dealt with under the Disciplinary By-Laws of the Association.

## **NOTICES**

(e) All notices and declarations shall be given and made on working days before 4 p.m. unless otherwise provided in these By-Laws.

Any member violating this By-Law shall be dealt with in accordance with the provisions of By-Laws 16 to 28.

The Board shall have the right of suspending this By-Law or any portion of it and of altering, extending or restricting the time of trading hours whenever it shall deem it advisable.

## **HOLIDAYS**

48. (a) All Sundays shall be observed by members as whole holidays. All other days as shall from time to time be notified by the Board, shall be observed by members as whole holidays or half holidays, as the case may be. Only such days, (including Sunday) shall be deemed to be whole holidays or a half holiday, as the case may be, for the purpose of these By-Laws.

The Board may also at any time notify that for trading purposes (that is to say for the purposes of entering into contracts for the purchase and sale of cotton) any Sunday, or any day previously notified as a whole holiday, or as a half holiday shall not be a whole holiday, or a half holiday as the case may be.

## **NOTICE DUE ON WHOLE HOLIDAYS**

(b) All notices and declarations, arbitrations, appeals, due on whole holidays or half holidays, shall be deemed to be due in Karachi not later than the hour required according to the By-Laws on the next working day. No whole holiday shall be computed as forming portion of the time allowed for any purpose under these By-Laws except the calculation of interest.

## **PAYMENTS DUE ON WHOLE HOLIDAYS**

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

## **PAYMENTS MADE ON WHOLE HOLIDAYS**

(d) Payments for cotton made on a whole holiday, shall not carry interest until the succeeding working day.

## **CLOSING MARKET AND/OR ROOMS IN EMERGENCIES**

(e) In the event of an emergency, of which the Board shall be the sole judges, they may at their discretion by a resolution passed by them and posted on the Notice Board, close the market and/or the rooms on any day or days other than those above mentioned.

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 this By-Law) 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 arbitration under By-Laws 55 and 67.

48. A There would be three categories of members of the Clearing House viz. Class 'A', Class 'B' and Class 'C' with the following trading limits and members of the three categories of the Clearing House will be required to deposit with the Association the amount given below and also furnish bank guarantee to the Association as under:-

<u>Category of membership</u>	<u>Trading limit</u>	<u>Amount of deposit with KCA</u>	<u>Bank Guarantee</u>
<u>'A' Class Member</u>	<u>0 to 50,000 bales</u>	<u>Rs. 75.0 lac</u>	<u>Rs. 1.5 crore</u>
<u>'B' Class Member</u>	<u>0 to 25,000 bales</u>	<u>Rs. 37.5 lac</u>	<u>Rs. 75.0 lac</u>
<u>'C' Class Member</u>	<u>0 to 10,000 bales</u>	<u>Rs. 16.0 lac</u>	<u>Rs. 30.0 lac</u>

A member of the Clearing House will be allowed to operate hedge trading through one or more than one licensed cotton brokers of the Association appointed by him. The member so appointing the broker/brokers will be fully responsible for his/their conduct/action in hedge business undertaken by him/them on his behalf. A licensed cotton broker will also be entitled to work for one or more than one member of the Clearing House of any category.

48. A (1) No member of the Clearing House will be allowed to transact business except on marginal deposits being made by him on his net long or short position at the following rates:-

**Rs. 450/- per bale from 1 to 50,000 bales**

With the maximum trading limit fixed in By-Law 48-A, by any one member or group of members belonging to the same company. The Board will have the power to review the Marginal Deposit at any time and the Board may revise the maximum trading limit or the rates of marginal deposits.

The marginal deposit shall, however, be subject to any alteration as may be directed by the Board from time to time for such period or periods as the Board may specify.

But BADLA transactions upto the extent of 2,000 bales only each way by any one member or group of members belonging to same company are permitted free of any Marginal Deposit for the two Delivery Months operating simultaneously and any excess in BADLA transactions over this free limit is not permitted except on Marginal Deposit being made to the Clearing House of the Association at the rates prescribed above.

The said deposits shall be made on the basis of their daily position as declared in Form No. 8 by Bank Pay Order in favour of the Association or paid in the Bank/Banks notified by the Board for the credit to the "Marginal Deposit Account" of the Association without interest. The Chairman may at his discretion under special circumstances allow the Clearing House to accept Cheques from members. The Bank Pay Order or bank receipts of payments made on the form prescribed by the Board shall be submitted to the Clearing House within the time prescribed by the Board from time to time. In the case of failure by any member to pay the marginal deposit within the prescribed time, the Secretary of the Association shall promptly post the name of the party and the fact of his failure to pay the marginal deposit on the Notice Board of the Association for information of the Cotton Trade. The member whose name is so posted on the Notice Board of the Association by the Secretary shall not be entitled to trade in the hedge market thereafter until such time as he is permitted in writing to resume hedge trading by the Chairman of the Association and the fact is notified on the Notice Board of the Association. The action will be without prejudice to any other action prescribed under the By-Laws of the Association.

A (2) A member contravening or not complying with clause (1) hereto or submitting an incorrect statement under the same sub-clause shall be liable to be dealt with under By-Law 16. A member failing to make the deposit as required by clause (1) hereof being called upon by the Clearing House to do so, shall be deemed to have failed to meet at maturity his obligations and shall, in addition to all other penalties, be liable to be dealt with under By-Law 10 and other By-Laws in that behalf and in the event of such member being posted as defaulter, the deposit, if any, then standing to his credit under this By-Law shall be liable to forfeiture by a resolution of the Board and shall on such forfeiture, be subject to a first lien or charge in favour of such of the other members entitled to, and making use of the Clearing House to whom he shall then be indebted in respect of cotton transactions for the total amount of such indebtedness.

A (3) The Board shall have power at any time and from time to time to call upon all or any member to submit detailed statements in such form as the Board may prescribe, in respect of their or his position as on any date regarding hedge contracts including those of his clients. The Board shall also have power for the purpose of verifying or checking any such statement, to call for the production or 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 16.

A (4) In case the price fluctuation since the last clearing exceeds **Rs.100/- per 37.3245 kgs.** on either side, the hedge market shall automatically be closed for the day and shall open on the usual opening time of the market on the day following the day on which Hella is declared and that there will be no special clearance on account of Hella. The clearing members shall pay their losses exceeding Rs. 200,000 in accordance with their Form No. 8 to the Clearing House of the Association before the opening of hedge market and in case of failure of a member to do so, the Secretary of the Association shall promptly post the name of the party and the fact of his failure to submit the said forms and/or to pay his losses on the Notice Boards of the Association for information of the Cotton Trade, as prescribed under By-Law 77-A PROVIDED that no closure of market shall take place on the due dates.

**The Board shall powers to change the Hella Limit if the circumstances so warrant.**

If the price fluctuation since the last clearing exceeds **Rs. 100/- per 37.3245 kgs** on either side on a Settlement Rates Day the market shall be closed automatically for the day; the settlement prices shall be fixed by the Board or the Rates Committee authorized in that behalf for the purpose of weekly settlement which will take place as provided in By-Laws 121 to 139.

#### **PRESCRIPTION OF PROHIBITION OR TRADING IN HEDGE CONTRACTS**

49. With the approval of 75 percent of the Directors of the Board present (subject to a minimum limit of eight members present and a fraction being counted as an integer), the Board may from time to time and for such period as the Board may, in the circumstances, find it advisable to prescribe, prohibit trading in one or more Hedge Contracts for the sale or purchase of cotton, or of any description or class of cotton specified in Schedule "A" hereto at a higher or lower rate than such as may from time to time be fixed by the Board and the Board may absolutely prohibit such trading for a specified time, or until further notice or altogether. No resolution under this By-Law shall be effective without the previous approval of the Government of Pakistan, which shall be conveyed to the Association within 48 hours of the receipt of information from them, failing which the Board's decision as intimated to the Government shall take effect.

#### **EMERGENCY ARISING OUT OF WAR**

49. (a) If the Board, at a meeting specially convened in this behalf, resolve that, arising out of war, a state of emergency exists or is likely to occur such as shall, in the opinion of the Board make free trading in forward contracts extremely difficult, the Board may, with the previous approval of the Government of Pakistan which shall be conveyed to the Association within 48 hours of the receipt of information from them, failing which the Board's discretion shall take effect to:-

- (1) Close the market for a definite period or indefinitely or until further notice by the Board.
- (2) Fix rates for liquidation of the outstanding hedge contracts.
- (3) Fix a special settlement day;

and upon the posting of a notification on the notice board of the Association intimating the above, then notwithstanding anything to the contrary contained in these By-Laws or in any forward contract made subject to these By-Laws;

every hedge contract between a member and member or between a member and a non-member or made on behalf of constituents outstanding on the date of the said notification shall be deemed closed at the rate appropriate to such contract fixed under clause 2 hereof; and all differences arising out of every such contract between members shall be paid through the Clearing House on the Settlement Day fixed under clause 3 hereof and the Clearing House By-Laws shall apply accordingly.

If the Board are all of the opinion that notwithstanding the existence of a state of emergency as may be resolved upon under the foregoing By-Law, the action provided in clauses 1, 2 and 3 need not be immediately taken, they may at their absolute discretion by a resolution passed by them delegate their authority so to do to the Chairman, to the Vice-Chairman, to a group or groups of Directors or to an official of the Association either jointly or in order of naming, and then upon the action being taken by any of these authorities, all the provisions of the above By-Law shall be effective as if the Board themselves had taken the action.

#### **EMERGENCY ARISING OUT OF WAR PROVISION REGARDING FORWARD CONTRACTS OTHER THAN HEDGE CONTRACTS**

B. In the event of fixation of rates for closure of hedge contracts following the declaration of an emergency under By-Law No. 49-A, every forward contract (other than a hedge contract) made subject to the By-Laws of the Association and on the basis of a hedge contract, in so far as the cotton is uncalled or undelivered there-under or in so far as the price has not been fixed there-under, entered into between a member and a member or between a member and a non-member or on behalf of a constituent, shall notwithstanding anything to the contrary contained in any such forward contract made subject to these By-Laws, be deemed to be fixed on the appropriate rate of the relevant hedge contract; further, notwithstanding that the forward contracts (other than hedge contracts) referred to in this By-Law shall be so fixed, the authority which has, following the declaration of an emergency, fixed rates for closure of hedge contracts under By-Laws.

#### **PROHIBITION OF FRESH BUSINESS IN HEDGE CONTRACTS DURING A DELIVERY MONTH**

C. If at a meeting specially convened in this behalf, the Board have reason to believe that an unhealthy condition of which the Board shall be the sole judges, exists or is likely to ensue on account of operation of a section of the Trade or individual member or members or on account of operations, which in the opinion of the Board, are not in conformity with the policy or directions of the Board or with the conditions prescribed by the Government for trading in Hedge Contract, the Board may, with the approval of 75 per cent of the Directors of the Board present (subject to a minimum limit of eight members present and a fraction being counted as integer) prohibit fresh business in hedge contract or contracts (save for liquidation of existing hedge business) during the currency of the delivery month of maturity of the contract or contracts. In the event of such prohibition, the Board may require members to submit a return of their outstanding business of the delivery month in such details as the Board may prescribe, and to comply with such directions as the Board may prescribe or give. No resolution under this By-Law shall be effective without the previous approval of the Government of Pakistan, which shall be conveyed to the Association within 48 hours of the receipt of information from them, failing which the Board's decision as intimated to the Government shall take effect.

D-I If the Board shall receive a declaration signed by at least fifty members that:-

- (a) a squeeze or corner, or
- (b) a bear raid exists,



the Board shall convene a general meeting of the members of the Association for a date within three working days next after the receipt of such declaration, for the purpose of deciding whether such an emergency did or did not exist. A resolution that such an emergency exists or does not exist shall be passed by a 2/3rd majority of the members present. No resolution under this By-Law shall be effective without the previous approval of the Government of Pakistan which shall be conveyed to the Association within 48 hours of the receipt of information from them, failing which the Board's decisions as intimated to the Government shall take effect.

On the receipt of such declaration the Board may close the cotton market until the General Body takes a decision as the existence or otherwise of such emergency.

D-II If at such meeting a resolution is passed declaring that such emergency exists, the Board shall thereupon from day to day until such an emergency is declared at an end in manner hereinafter provided, and in place of every other authority otherwise competent to do so, fix spot rates for all grades of cotton and in so doing shall take into account:-

- (a) the ruling prices of similar styles;
- (b) the prices of cotton in the interior markets, and
- (c) the ruling rates of succeeding deliveries.

D-III If the resolutions passed at such general meeting shall confirm that a squeeze or corner exists, then until such emergency shall be declared at an end in manner hereinafter provided, the provision of By-Laws relating to penalty shall stand suspended.

D-IV If the resolution passes at such general meeting shall confirm that a bear raid exists then, until such emergency shall be declared at an end in manner provided hereinafter.

The buyer shall, in addition to the rights given by By-Laws 60 and 61 have the alternative right to buy, at a reasonable rate on account and at the risk and expense of the seller, cotton of any grade tender-able against the contract, subject nevertheless as follows:

(1) Where the provisions of clause of By-law 61 apply then, 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 12.30 p.m. on the day following the date of the final award and shall intimate his purchase to the seller before noon on the next succeeding day. In default of the buyer exercising the right of buying in the market as aforesaid, the buyer shall be deemed to have invoiced the cotton back in accordance with the provisions of sub-clause (1) of By-Law 61. 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 in accordance with the provisions of clause (i) of By-Law 61, save and except that 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.

(2) Where the provisions of clause (ii) of By-Law 61 apply, then, 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 12.30 p.m. on the day following the date of the final award and shall intimate his purchase to the seller before noon on the next succeeding day.

If by 12.30 p.m. on the day following the date of the final award the buyer has not intimated to the seller that he will take the cotton with the allowance fixed in arbitration or that he will buy in the market, he shall be deemed to have invoiced back the cotton and the provisions of clause (ii) of By-Law 61 shall apply accordingly. 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 in accordance with the provisions of clause (ii) of By-Law 61 save and except that 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.

(3) Where the provisions of By-Law 61 apply, then, in the event of the buyer electing to exercise the right of buying in the market:

(a) the buyer, if he does not receive from the Clearing House a delivery order, shall within 24 hours of the posting by the Clearing House of the notice under By-Law 149 give notice to the seller of his intention to invoice back or buy on account and failing giving of such intimation within the time above specified, the buyer shall be deemed to have invoiced back the cotton.

(b) the buyer, if a delivery order is tendered and if the cotton or any portion of it for which such delivery order has been passed is not actually then ready for delivery at one of the places mentioned in the contract, shall give notice to the seller of his intention to buy on account within twenty four hours of the failure to deliver or the discovery of the absence of the cotton, or in either case in the event of a dispute, on the day following the decision thereof.

(c) where sub-clause (a) or sub-clause (b) applies, the buyer shall buy on the date following the date therein provided and shall intimate his purchase to the seller before noon on the next succeeding day.

(d) 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 the due date or the third day following the due date where sub-clause (a) applies and that of the first or third day following the date specified in sub-clause (b) where sub-clause (b) applies.

(4) All purchases on account under the above provisions shall, at the instance of the seller, be subject to arbitration under By-Law 38 on the question of the price and there shall be taken into account in any such arbitration the room rate of the cotton contracted for and the "On" and "Off" differences fixed in terms of By-Law 54.

(5) A general meeting shall have power by a simple majority to declare that the state of emergency is at an end and such meeting shall be called either by the Board or on a requisition signed by at-least fifty members, in which case the general meeting shall be called within three working days of the deposit of such requisition. No resolution under this By-Law shall be effective without the previous approval of the Government of Pakistan, which shall be conveyed to the Association within 48 hours of the receipt of information from them, failing which the Board's decision as intimated to the Government shall take effect.

E. If the Government of Pakistan, after consultation with the Chairman of the Board, be of the opinion that the continuation of hedge trading is likely to result in a situation detrimental to the interests of the trade and the public and so informs the Board, the Board shall forthwith cause a notice to be posted on the Notice Board to that effect and on the posting of such notice, trading in hedge contract shall be prohibited until the Government of Pakistan, after consultation with the Chairman, permits resumption, and notwithstanding anything to the contrary contained in these By-Laws, the following provisions shall take effect:-

(a) Every hedge contract entered into between a member and a member or between a member and a non-member or between a member and his constituent then outstanding shall be deemed closed at such rate as may be fixed by the Government of Pakistan in consultation with the Chairman and all differences shall become due and payable immediately.

(b) All differences arising out of hedge contracts between members shall be paid through the Clearing House.

F. In the event of fixation of rates for closure of hedge contracts following the declaration of emergency under By-Law 49-E, every forward contract (other than a hedge contract) made subject to the By-Laws of the Association and on the basis of hedge contract, in so far as the cotton is uncalled and undelivered there-under or in so far as the price has not been fixed there-under, entered into between a member and a member or between a member and a non-member or on behalf of a constituent shall, notwithstanding anything to the contrary contained in any such forward contract made subject to these By-Laws be deemed to be fixed on the appropriate rate of the relevant hedge contract; further notwithstanding that the forward contracts (other than hedge contracts) referred to in this By-Law shall be so fixed, the authority which has, following the declaration of the emergency fixed the rates for closure of hedge contracts under By-Law 49-E, may in its absolute discretion also declare and fix rates for closure of all forward contracts and upon such a declaration all such contracts shall be deemed closed out at the rate appropriate to such contracts and all differences arising out of every such contract between a member and a member or between a member and a non-member or between a member and his constituent shall become immediately due and payable.

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

### **STATIONS TENDER-ABLE**

51. (a) Against the Pakistan Cotton Contract, **PCSI Grade-III Staple Length 1-1/32" and Micronaire as per the KCA Schedule 'A'** from all stations in Pakistan subject to such modification as the Board may, from time to time make, shall alone constitute a fair tender provided always that:-

1. The minimum marks for the purpose of Tenders shall be
  - i) Press Marks of the factory as allotted by the Provincial Government.
  - ii) Only saw-ginned cotton is tender-able.
  - iii) Stations tendered.

iv) Crop year - Either marking should coincide with the year in which the cotton season starts or the name of the full season be mentioned in which the cotton is grown and produced (e.g. 1994-95, 1995-96) be mentioned which shall be accepted for purposes of tenders.

v) Check Lot No. should be given on the bales tendered.

2. **Each unit of 100 bales equivalent to 17000 kgs. (each bale of 170 kgs. with variation of 3% plus/minus) tendered is one and of one and same description.**

3. It conforms to By-Laws 83, 84 and 85. On failure to fulfill any of these conditions, the tender will be considered “not a fair tender” and will be liable to the consequences provided for in By-Law 57(b).

**NOTE:** Under Pakistan Cotton Contract, various cottons tender-able against the contract cannot be tendered under one and the same delivery order.

(b) In the event of any bale in a tender being unmarked or wrongly marked and therefore not bearing press-marks required by proviso (1) to sub-clause (a) such bale may be rejected by the buyer and he shall be entitled to such amount, if any, as may be imposed by way of penalty from time to time by the Board, but shall be liable to weigh over and accept delivery of each unit of 50 bales tendered that shall comply with the conditions contained in sub-clause (a) less any such bale or bales rejected under the sub-clause.

52. The staple of each cotton tender-able against the Hedge Contract shall be of the length specified in Schedule “A” in reference to this contract and in strength and uniformity shall be up to the standard for the specific grade generally recognized and accepted in the Karachi Market.

53. The spot values of the various grades of cottons tender-able under the hedge contract shall be fixed for every working day during the delivery month by the Rates Committee or any Appeal Committee as the Board may direct or by the Board. Such rates fixed by the Rates Committee or the Appeal Committee shall be subject to a right of appeal to the Board to be submitted, to the Secretary before 1 p.m. on the day following the day on which the disputed rate or rates were fixed, each appeal to be accompanied by a fee of Rs. 300/- for each grade of cotton appealed against. A rate once fixed and registered by the Board shall not be open to reconsideration. When an appeal is withdrawn before the meeting of the Board has been called, half the fees paid shall be refunded to the appellant. In the event of appeal being successful the fees paid will be refunded, as per By-Law 32.

The question whether the Rates Committee, or the Appeal Committee, or the Board themselves in super-session of any or all of these other two bodies, shall fix the spot values under this By-Law shall be determined by the Board from time to time.

Grade 3 cotton shall be tendered at the official room rate of the day against hedge contract for each delivery month. The tendering differences between the basis of the contract and the spot value of the other grades, tender-able against the hedge contract for each delivery month shall be fixed by the Board at a meeting at which at least two-third of its members are present and if there is no quorum at the said meeting, then at the subsequent meeting the tendering differences may be fixed by the Board and a decision taken and shall be notified ordinarily five working days before the opening of the new contract for each delivery month and the basis so fixed shall remain in force for the contract relating to that delivery month.

PROVIDED that the tendering differences so fixed may be changed for **April and June** contracts even during the currency of these contracts with the approval of the Government. In fixing the tendering differences, the Board shall keep in view the relative intrinsic value and the market conditions of the tender-able grades and the spot rate differences between the grade 3 and other tender-able grades ruling in the past.

In the event of an emergency arising under By-Law 49, the Government of Pakistan shall have the power to fix daily spot rates.

#### **MUTUAL ALLOWANCES**

54. All arbitrations and appeals regarding quality under By-Laws 33 and 34 shall be subject to "mutual allowances." "ON" allowances shall not exceed **Super Grade** and **1/8"** above the basic staple. "OFF" allowances shall not exceed Grade 4 and 1/16" "OFF" the basic staple length.

#### **PERIOD OF ARBITRATION**

55. Arbitration (if any) on cotton tendered against the Hedge Contract must be held not later than three clear working days after the date of the delivery order.

The Board may for special reasons extend the time for arbitration and/or appeal in the case of any delivery order notwithstanding that the time allowed under the By-Laws may have expired.

#### **FAILURE TO ARBITRATE**

56. (a) If owing to the neglect of the buyer, no arbitration is held within the period specified in By-Law 55 on cotton tendered against the Hedge Contract, the seller shall have the right either (1) to insist on his taking the cotton without allowances provided it is of the description specified in Delivery Order or (2) to hold an ex-parte arbitration subject to the right of appeal.

(b) 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 55, the buyer may, provided samples have been allowed by the seller, hold an ex-parte arbitration and the award in such arbitration shall be binding on both the parties subject to usual right of appeal.

(c) 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 60. For the purposes of this By-Law, the market rate of the day shall be the market rate of the latest day allowed for arbitration.

## **BUYER'S RIGHT IF TENDER NOT APPROVED**

57. (a) If the final award on survey or appeal, as the case may be for inferiority of quality exceeds the difference between the class contracted for and Grade 4 and/or 1/16" 'OFF' the basic staple lengths, the buyer shall have the option of one or other of the following courses, one of which he shall be bound to follow, viz (1) he may take the cotton with the allowance fixed by the surveyors or in the case of appeal by the Special Appeal Committee or (2) he may reject the cotton in which case he shall invoice back to the seller at the spot rate of the grade tendered as obtaining on the next working day after the day on which appeal ought to have been filed but it is not filed or in the case of appeal on the working day following the day on which the appeal is disposed of.

PROVIDED it is noted on the survey card before the survey is held, the buyer shall have the right to demand that the surveyors award a full allowance (i.e. as opposed to an allowance merely justifying rejection), but should the buyer exercise this right, he shall be bound to take the cotton with the allowance given in the final award and shall be deemed to have forfeited his option of rejection. When a full allowance has been awarded, the fact shall be noted on the award.

If the surveyors find a lot seedy, they are authorized to award penalty up to **Rs. 11/- per 37.3245 Kilograms**, which may be increased or decreased by the Board. If this penalty added to the possible "OFF" allowances awarded for grade make the tendered cotton more than Grade 4 "OFF", the lots tendered shall be rejected.

Buying on account in the hedge contract shall not be permitted except as provided in By-Laws 61, 88 and 93.

Any tender rejected under this By-Law viz. By-Law 57 (a) shall also be liable to a fixed penalty of **Rs. 11/- per 37.3245 Kilograms**.

## **REJECTION OF TENDERS**

(b) Cotton will be considered "not a fair tender" if it is declared not to be of the description stipulated, or if it does not conform to By-Law 51, or if the final award in survey or appeal, as the case may be, for inferiority of quality exceeds the Grade 4 and/or 1/16" "OFF" the basic staple length, in which case the cotton shall be rejected and the buyer shall be entitled to invoice back to the seller at the spot rate of the grade tendered of the working day following the day on which the final award is given under By-Law 33 or 34.

In case of By-Law 51, the cotton shall be invoiced back at the spot rate of the grade mentioned on the delivery order of the working day following the day on which the cotton is rejected.

In case of arbitration other than those regarding quality under By-Law No. 39 at such rate as may be fixed by the arbitrators or umpire.

Any tender rejected under part (b) of this By-Law shall also be liable to a fixed penalty of **Rs. 33/- per 37.3245 Kilograms**.

If the cotton be found to be fraudulently packed, it shall be similarly penalized.

### **NO WITHDRAWAL ALLOWED**

58. No withdrawal of any tender under a Hedge Contract shall be allowed.

### **NOTICE OF APPEAL TO OTHER PARTIES**

59. Immediately an appeal is lodged by an appellant under By-Law 34, the Secretary shall forward to the opposite party a letter containing the terms of the appeal lodged and this shall be deemed sufficient notice to the opposite party of the lodging of the appeal.

### **FAILURE TO TENDER**

60. If the seller fails to tender a delivery order for the cotton specified in the Delivery Order or if the cotton or any portion of it for which a delivery order has been passed is not actually then ready at the place mentioned in the Delivery Order, the buyer shall invoice back at the spot rate of the cotton contracted for plus a penalty of **Rs. 55/- per 37.3245 Kilograms.**

The spot rate for purposes of this By-Law and By-Law 61 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 delivery occurs, or the absence of the cotton is discovered; or in the event of a dispute, of the working day following the day on which the final award is given.

### **FAILURE TO TENDER FULL OR COMPLETE LOT**

61. If before the buyer discovers that a portion of the cotton is not ready for delivery, and he has weighed over a number of bales, he shall have the option to one of the following courses:-

(i) He may invoice back at the spot rate the remaining portion only together with such penalty as the Board may impose under By-Law 60.

(ii) He may buy on account and at the risk and expense of the seller such portion as remains undelivered, provided always that he shall intimate his purchase, to the seller within 24 hours of such purchase, and in the event of there being any dispute as to reasonableness or otherwise of the price paid by him, such dispute shall be referred to arbitration as provided for in these By-Laws.

### **TENDERING MACHINE GINNED COTTON**

62. For the purpose of tenders against the Hedge Contracts, Machine Ginned Cotton shall mean saw-ginned cotton.

### **BY-LAWS REFERRING SPECIALLY TO CONTRACTS FOR FORWARD DELIVERY OF SPECIFIED GRADES**

#### **STATIONS TENDER-ABLE**

63.(a) Against Delivery Contracts, cotton mentioned in the contract shall constitute "a fair tender" as described in Schedule "B" provided it is of the description sold and bears Press-mark in conformity with the provisions of By-Law 51-(a).

(b) In the event of any bale in a tender being unmarked or wrongly marked and therefore not bearing press marks as required by sub-clause (a), such bale may be rejected by the buyer and he shall be entitled to such amount, if any, as may be imposed by way of a penalty, from time to time, by the Board but shall be liable to weigh over and accept delivery of every bale tendered which shall comply with the conditions contained in sub-clause (a) less any such bale or bales rejected under this sub-clause.

#### **TIME OF TENDERING**

64. All cotton contracted for under a Delivery Contract shall be ready and the Delivery Order shall be tendered not later than 12 noon on the latest date for delivery specified in the contract.

#### **UNIT OF TENDER**

65. If the contract be for 50 bales; or less, only one tender shall be made, if for more and in multiples of 50 bales, tender shall be made in multiples of 50 bales.

#### **DELIVERY ORDER**

66. Subject to the provisions of these By-Laws, the last buyer, as declared by the Association, under all Delivery Contracts must weigh over and take delivery of the quantity purchased.

#### **TIME ALLOWED FOR ARBITRATION REGARDING QUALITY**

67. Subject to the provision of By-Law 48, the arbitration (if any) on cotton tendered against a Delivery Contract must be held not later than three clear working days after the date of the Delivery Order.

#### **FAILURE TO HOLD ARBITRATION**

68. If owing to the neglect of the buyer, no arbitration is held within the period specified in By-Law 67 on cotton tendered against a Delivery Contract, the buyer must take the cotton without allowance, provided it is of the description sold.

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 67 the buyer may, provided samples have been allowed by the seller, hold an ex-parte arbitration and 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 71. For the purposes of this By-Law the market rate of the day shall be the market rate of the latest day allowed for arbitration.

In the event of the buyer exercising his option of buying in the market under this By-Law, he shall do so on the working day following the last day allowed for arbitration and shall give due intimation of such purchase to the seller.



## **NOTICE OF APPEAL**

69. In the case of Delivery Contracts the appellant under By-Law 34 shall give notice of his appeal to the opposite party before 12 Noon on the following day on which the arbitration was concluded.

## **BUYER'S RIGHT IF TENDER NOT APPROVED**

70. If the final award in arbitration or on appeal for inferiority of quality exceeds the difference between the class contracted for and one grade immediately below it and staple length by 1/32" "OFF", the buyer shall have the option of any one of the following courses, one of which he shall be bound to follow, viz:-

(i) He may take the cotton with the allowance fixed by the arbitrators, or by the Appeal Committee, or Special Appeal Committee, or

(ii) He may reject the cotton in which case he may either buy in the market at a reasonable rate on account and at the risk and expense of the seller, or invoice it back to the seller at the spot rate of the cotton contracted for.

(iii) The buyer shall have the right to demand that the arbitrators award a full allowance (i.e. as opposed to an allowance merely justifying rejection), but should the buyer exercise this right he shall be bound to take the cotton with the allowance given in final award and shall be deemed to have forfeited his option of rejection. When a full allowance has been awarded, the fact shall be noted on the award. If the cotton is declared to be fraudulently packed, or if the arbitrators or in the case of an appeal, the Appeal Committee or the Special Appeal Committee shall declare the cotton to be "not a fair tender", the buyer shall invoice it back at the spot rate of the cotton contracted for plus such penalty, if any, not exceeding **Rs. 22/- per 37.3245 Kilograms** as the Board may see fit to impose.

In the event of the buyer exercising the option of buying in the market, he shall do so on the day following the date of the final award in arbitration or appeal, and shall intimate his purchase to his seller within 24 hours of such purchase.

In the event of the buyer exercising his option of invoicing the cotton back to the seller at the rate aforesaid, he shall notify his seller within 24 hours of the date of the final award in arbitration or appeal.

## **SELLER'S RIGHT TO WITHDRAW TENDER**

If, when a lot of cotton is tendered before the due date of the contract, the quality of the cotton should be objected to by the buyer, the seller shall be allowed to withdraw the tender and make a new tender within the contracted 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.

The Spot Rate for invoicing back under this By-Law shall be that of the working day following the day on which the survey is held, and in case of appeal, shall be that of the working day following the day on which the appeal takes place.

## **FAILURE TO TENDER**

71. If the seller fails to tender a delivery order for the 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 the place mentioned in the delivery order, the buyer shall have the option of one or other of the following courses, one of which he shall be bound to follow, viz. (1) he may buy in the market on the same day at a reasonable rate on account and at the risk and expense of the seller or (2) he may invoice back at the spot rate of the cotton contracted for plus a fixed penalty of **Rs. 55/- per 37.3245 Kilograms** provided always that in the event of the buyer exercising the option of buying in the market, he shall intimate his purchase to the seller within 24 hours of such purchase and that in the event of there being 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 39.

The spot rate for purposes of this By-Law and By-Law 72 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 delivery 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.

## **FAILURE TO TENDER PART OF A LOT**

72. 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 have the option of one of the following courses:

- (i) He may invoice back at the spot rate the remaining portion only together with such penalty as the Board may impose under By-Law 71, or
- (ii) He may buy on account of and at the risk and expense of the seller such portion as remains undelivered, giving intimation to the seller as in By-Law 71.

## **TENDERING HAND MACHINE GINNED COTTON**

73. All Delivery Contracts shall be understood to be for Machine Ginned cotton unless it is specifically stated to the contrary in the contract.

## **GENERAL BY-LAWS RELATING TO ALL FORWARD CONTRACTS**

### **ARBITRATION ON COTTON BOUGHT ON ACCOUNT**

74. 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" and if the party on whose account the cotton is bought has refused or neglected to appoint an arbitrator, such arbitration may be held ex-parte. All purchases on account shall within 24 hours thereof be intimated to the original seller.

75. 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" OR "BUYING ON ACCOUNT"**

76. 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.

## **FORWARD CONTRACTS BETWEEN MEMBERS—HOW MADE**

77. Delivery contracts between members shall be made on the official form given in the Appendix. Hedge Contracts between members may be verbal or in writing and when in writing shall be in one or other of the forms given in the Appendix. Whether verbal or written, all contracts shall be subject to the By-Laws provided that, in case of Delivery Contract, By-Laws 142 and 141 inclusive shall not apply. Every Forward Contract in units of **100 bales** shall be registered with the Association and every buyer and seller of each unit of **100 bales** shall pay to the Association **Rs. 20/-** for each unit of **100 bales** bought or sold. Every buyer and seller shall at the same time pay **Rs. 5/-** for each unit of **100 bales** bought or sold direct to the Karachi Cotton Association Dispensary as contribution or "laga". If any person, whether buyer or seller, fails to pay this "laga" to the Karachi Cotton Association Dispensary, he shall be liable to be debarred by the Association from making any hedge contract with the members.

A. The Clearing House shall maintain a separate Khata (individual accounts sheet) for every individual member who may be trading in hedge contracts. Every member trading in hedge contract shall submit to the Clearing House of the Association a statement of his daily transactions and profit and loss made at the Cotton Hedge Market within the time and in the manner prescribed by the Board accompanied by Acceptance Letter for every transaction duly signed by the respective brokers of the buyer and the seller and countersigned by responsible representative duly authorized by the contracting parties in this behalf. The Chairman may at his discretion under special circumstances allow the Clearing House to accept cheques from members. In the event of the cumulative losses of a member exceeding Rs. 200,000/- on any day, he shall pay the **entire amount** in full by Bank Pay Order or bank receipts paid into the account of the Association in the prescribed form in the Bank/Banks specified by the Board within the time fixed by the Board. The losses so paid will either be set off against the balance due by or to him from the members or will be refunded, in full or part, as the case may be, in the next clearing whether weekly or special. In the case of failure of a member to submit the aforesaid statement and acceptance letter and to pay the accruing losses, if any, within the prescribed time, the Secretary of the Association shall promptly post the name of the party and the fact of his failure to submit his statement and or to pay his losses on the Notice Board of the Association for information of the Cotton Trade. The member whose name is so posted on the Notice Board of the Association by the Secretary will not be entitled to trade in the hedge market thereafter until such time as he is permitted in writing to resume hedge trading by the Chairman of the Association. This action will be without prejudice to any other action prescribed under the By-Laws of the Association.

Every member having an outstanding position in the hedge contract shall submit the afore-said statement of his daily transactions and profit and loss every working day, irrespective whether he has done any business during the day or not.

B. Each and every hedge transaction taking place in the trading Hall of the Association including sales and purchases made on the same rates shall be reported to the Clearing House of the Association by members without any exception the same day on the form and in the manner prescribed by the Board in this behalf.

C. Names of parties once given by a broker to the opposite broker not be changed except with the written approval of the members of the Floor Committee on duty.

D. The Board shall appoint a Floor Committee consisting of 15 members of whom ordinarily 3 members shall be on duty in the Trading Hall. The names of the members to be on duty in the Trading Hall during trading hours shall be notified by the Secretary of the Association in advance. The members of the Committee on duty shall take cognizance of the conduct of members and brokers in the Trading Hall of the Association, shall maintain good order and decorum, and enforce all provisions of the By-Laws and Rules of the Association relating thereto, and shall have the authority to declare the opening, closing, highest and lowest rates of the Hedge Market. Such members of the Committee shall take necessary measures to ensure that members or brokers do not indulge in hedge trading outside trading hours or in Tezi Mandi and other unauthorized contracts within the premises of the Cotton Exchange Building. They shall also have the power to recommend to the Board penalties or actions against members and brokers found guilty as provided in the By-Laws and Rules of the Association. Pending orders of the Board, the Secretary of the Association shall have power to suspend license of any broker concerned and notify the same on the Notice Board of the Association. The Board shall give their decision as far as possible within 48 hours (exclusive of Sundays and Cotton Market Holidays) of the receipt of the Committee's recommendation.

E. It shall be obligatory on the brokers trading in the Ring to furnish the name of the buyer/seller to the opposite broker forthwith and should any broker fail to do so, the aggrieved broker will report the matter to the members of the Floor Committee on duty who shall call upon the broker concerned to furnish the name of the buyer or seller within 15 minutes, failing which, they will take such action as they deem appropriate.

F. Notwithstanding anything provided in these By-Laws, the Chairman shall be empowered to inquire into the financial condition of any member making contracts in the Ring and if the Chairman arrives at the conclusion after making such an inquiry that the financial condition of a member is such that his further trading in the Ring may be hazardous to those with whom he might deal, or if he is unable to obtain from such member adequate and satisfactory information as to his financial condition, the Chairman shall forthwith order such member to cease making further contracts in the Ring. Such order shall remain in effect until rescinded by the Chairman.

A member ordered to cease making contracts under these By-Laws shall, however, be entitled to a hearing before the Board. If an immediate hearing is requested, it should be held not later than the opening of trading on the next working day following such order.

A member who is the subject of an inquiry or order under this By-Law shall immediately furnish to the Chairman all information requested by the Chairman respecting his financial condition, in such form and manner as the Chairman may require.

G. Notwithstanding anything to the contrary contained in the By-Laws for the time being in force, the Government of Pakistan shall have power to limit, in consultation with the Chairman, the volume of trade in the Hedge Contract of any individual member, if the interests of the trade or public so require.

#### **AGENCY CONTRACTS**

78. (a) Contract between agents and their constituents, e.g. between a member and a party who is not a member acting as an agent and a member acting as his constituent, shall be subject to the By-Laws and shall be in writing in the form given in the Appendix.

(b) A member whose constituent has agreed to sign the prescribed form of contract and fails or refuses to do so after terms have been arranged shall be treated in all respects as if he had done so and both parties shall have the rights and remedies by these By-Laws.

(c) No member shall trade or enter into any hedge contract through or on behalf of another member and no member shall act as an agent or on behalf of another member in respect of any hedge contract. The Board of Directors may by a resolution exempt a member who is not normally resident in Karachi from the operation of this By-Law.

(d) Notwithstanding anything provided in these By-Laws, the Chairman shall have the powers to enquire into the trading activities of any member or members making contracts and if the Chairman arrives at the conclusion, after making such an enquiry, that any breach of this By-Law has been committed the Chairman shall forthwith order such member or members to cease making further contracts. Such order shall remain in force until rescinded by the Chairman and the member violating this By-Law shall be liable to expulsion, suspension and/or payment of a fine.

A member ordered to cease making contracts under this By-Law shall, however, be entitled to a hearing before the Board. If an immediate hearing is requested, it should be held not later than the opening of trading on the next working day following such order.

A member who is subject of any enquiry or order under this By-Law shall immediately furnish to the Chairman all information required by the Chairman respecting his contracts in such form and manner as the Chairman may require.

79. No forward contract entered into under these By-Laws shall be cancelled by one of the parties there to.

80. Ringing out of Hedge and/or Forward Contracts shall be done automatically and compulsorily by the Clearing House of the Association every week in the manner prescribed by the Board from time to time and it shall be obligatory on every member to submit ringing out forms as and when called for by the Clearing House. Non-compliance will render such a member liable to disciplinary action under the By-Laws of the Association.

81. 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**

82. In every forward contract under these By-Laws the buyer shall be deemed (subject to the provision of By-Laws 57 and 70) to have agreed to accept in fulfillment of such contract any cotton which may be passed either without an allowance or with an allowance awarded in arbitration or appeal under By-Law 33 or 34.

## **METHOD OF ISSUING DELIVERY ORDER**

83. The seller when issuing a delivery order must (unless it is stated in the delivery order that the bales bear no private marks) insert in it the mark or marks of the cotton, as prescribed under By-Law 51 (a) (1) the contract price or the rate of the last settlement (if any), the day on which the right to hold an arbitration on the cotton will expire, and the exact place where the cotton is lying.

If cotton tendered against a forward 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 back at the rate of the working day following the day on which he rejects the bales, or, if the seller goes to arbitration (of which he must give notice within 24 hours to the buyer), at the rate of the day on which the final award is made, plus a penalty of **Rs. 20/- per 37.3245 Kilograms** in either case or as may be fixed by the Board from time to time.

No delivery order shall be issued unless at the time of the issue of such order the cotton is actually ready at the Thole Produce Yard, or at Karachi or at such other place as may be determined and notified from time to time by the Board.

## **STANDARD TO BE DECLARED**

84. The seller shall declare in his Delivery Order the standard under which his cotton is to be surveyed.

If he declares a standard against which his cotton is not entitled to be surveyed, the tender shall be treated as "not a fair tender" unless both buyer and seller consent to an alteration in the Delivery Order declaring the correct standard.

## **LOCALITY OF LOTS TENDERED**

85. To constitute a valid tender under these By-Laws, all the bales tendered under one Delivery Order must be:-

- (a) Having press marks as prescribed under By-Law 51 (a);
- (b) approximately of uniform measurement;
- (c) in the possession of the tenderer or his pledgee or bailee;
- (d) in one plinth at the Thole Produce Yard or at Keamari or at such other place as may be notified by the Board, where delivery of cotton should take place;

(e) for tendering of cotton in ginning factories in the up-country, the KCA will appoint Controllers at suitable places in Sindh and Punjab. The Controller would draw samples in the presence of buyer and seller or their authorized representatives. The sample will thereafter, be sealed and signed by the Controller in the presence of buyer and seller or their authorized representatives and sent to the Association for evaluation which will convey the result. Final decision regarding survey and appeal will be made by the Association.

#### **TENDERING POINTS**

- a) **All ginning factories which are members of the PCGA**
- b) **All Textile mills which are members of the APTMA**
- c) **Within Municipal limits of Karachi, Hyderabad, Lahore  
Multan, Faisalabad and PQA (Bin Qasim Area)**

#### **BURST AND REPRESSED BALES**

(f) At least 50% of the bales tendered under any delivery order must be sound bales otherwise the tender shall be deemed to be as unfair tender with all the penalties and consequences as provided for in the By-Laws.

Should a tender of bales not of uniform measurement 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 the provisions of By-Laws (a), (b), (c), (d) and (e) shall be treated as failure to tender with all the consequences thereof.

#### **DISTINCTIVE MARKS OF TENDER**

86. If there should be a greater number of bales on the plinth 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 a 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.

#### **TENDER, SAMPLING AND WEIGHMENT ETC.**

#### **SAMPLING FOR INSPECTION & ARBITRATION**

87. For the purposes of arbitration both under By-Law 33(c) and By-Law 35, 6% of the bales may be opened. The samples are to be drawn conjointly by representing buyers and sellers, the buyers selecting the bales to be opened and all samples drawn shall be used for determining the question of quality. **One sample of 2 Kilograms** be drawn for the purpose of survey and other sample of **2 Kilograms** be drawn for the purpose of appeal from the same bale selected by the buyers for sampling and at the time of arbitration under By-Law 33-(c) one of such sample will be used for the purposes of quality survey and the other sample shall be sealed in the presence of arbitrators which fact will be certified in writing by atleast three arbitrators of the Survey Committee and that the said sealed sample will be set apart and delivered into the custody of the Secretary for the purposes of appeal, if desired by any of the parties under By-Law 35. The sealed sample so set apart for the purposes of appeal shall be re-opened in the presence of the Special Appeal Committee. There shall be no repressing charges due to the buyer on bales opened by him.

## **LACK OF UNIFORMITY JUSTIFYING REJECTION**

In case a sample drawn from one of the bales opened for arbitration purposes contains such inferior cotton as to justify rejection, the arbitrators and/or the Appeal Committee, or Special Appeal Committee, shall reject the whole lot on account of its inferior quality on the assumption that a corresponding portion of the total number of bales may be inferior in quality. Due allowance shall be made for the change in appearance of the hard side of the bale owing to cross packing.

## **DELIVERY**

88. The buyer shall begin to take delivery of cotton not later than 7 working days after the cotton is finally approved whether by the parties or in arbitration or appeal, or if no arbitration is held, then after the time allowed for arbitration has expired. The buyer shall complete deliveries within 15 days of the final approval whether by parties or in arbitration on appeal, or if no arbitration is held, then after the time allowed for arbitration has expired. In default (failure to begin taking delivery by the buyer as described above), the seller may after 48 hours notice weigh over the cotton at the expense and the risk of the buyer who shall be liable to pay for it with interest at 20% per annum (subject to such changes in the rate of interest as may be made by the Board from time to time), plus Rs. 6/- per bale for weighing charges and such further charges for fire insurance and rent as may from time to time be fixed by the Board. The seller shall then have the option to proceed as per By-Law 146, or on the expiry of 15 days i.e. the maximum time allowed under this By-Law, the seller after another 24 hours notice to the buyer shall have the powers of resale at the market rate or invoice back on the spot rate of the description of cotton concerned on the date following the date of expiry of notice on the account and at the risk of the buyer, plus such penalty not exceeding **Rs. 11/- per 37.3245 Kilograms** as may be fixed and imposed by the Board, from time to time. Due intimation of such sale or invoicing back shall be given by the seller to the buyer within 24 hours of such sale or invoicing back.

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 spot rate of the day on which the notice expires plus such penalty not exceeding **Rs. 11/- per 37.3245 Kilograms** as may be fixed and imposed by the Board, or of purchasing in the market at a reasonable rate on account and at the risk of the seller. Due intimation of such purchase shall be given by the buyer to the seller within 24 hours of such purchase, and in the event of there being any dispute as to the reasonableness or otherwise of the price paid by him, such dispute shall be referred to arbitration as provided for in these By-Laws.

## **MENDING OF BALES**

89. The seller has a right to require the buyer first weigh over the bales of cotton as they are, with the usual repressing charges for burst bales, and to mend the bales afterwards, unless mutually agreed to the contrary.

## **WEIGHT OF BALES**

90. (1) Against all forward contracts (except those delivery contracts in which a special weight is specified for delivery in the contract) the following shall be the minimum and maximum nett weight tenderable against 50 bales of any particular description:-



<b>Description</b>	<b>Minimum</b>	<b>Maximum</b>
<b><u>All Type of cotton of Pakistan growth</u></b>	<b><u>16.49 Metric Tones</u></b>	<b><u>17.51 Metric Tones</u></b>
<b><u>All Types of Foreign growth</u></b>	<b><u>16.49 Metric Tones</u></b>	<b><u>22.7 Metric Tones</u></b>

Within these limits the cotton shall be taken at the price per **37.3245 Kilograms** stated in the delivery order.

Accounts between intermediate parties shall in all cases be adjusted on the basis of **17.00 Metric Tonnes per 100 bales with a tolerance of 3%**.

(2) In the event of any lot of **100 bales** weighing less or more than laid down in the above scale such shortage or excess as the case may be shall at the option of the buyer be adjusted between the original seller and the last buyer at the market rate of the day on which the final weighment of the lot takes place.

Short weight allowance will be governed by By-Law 117 (a) as amended by the Board from time to time.

(3) The last buyer shall not be bound to take any unopened bales of any description the nett weight of which is either less than **164.90 Kilograms or more than 175.10 Kilograms.**

(4) If any lot of Cotton weighs on an average less than **164.90 Kilograms** per bale nett, the last buyer shall be entitled to receive from the seller an allowance, between the weight herein mentioned and the average weight of the tendered lot calculated at a rate to be prescribed by the Board from time to time.

#### **FOREIGN GROWTH**

**Accounts between intermediate parties shall be adjusted on the basis of 17,000 kgs (17.00 tons) per lot and the number of bales will be adjusted according to average weight of the bale with a tolerance of 3%**

(5) If the iron hoops or hessian/cloth used are not in accordance with the requirements of By-Law 1-(18) the seller shall pay a penalty to the buyer as under :-

#### **ON ACCOUNT OF HOOPS**

(a) For every missing gala a penalty of **Rs. 11/-** per Gala per bale. Bales broken in handling and bales which are opened for sampling will be exempted.

(b) If old iron hoops are used a penalty of Rs. 30/- per bale.

## **ON ACCOUNT OF HESSIAN OR CLOTH**

If the bale is not wrapped with new/serviceable hessian or cloth a sum of Rs. 30/- per bale and/or if inadequate hessian or cloth is used then a further penalty of Rs. 10/- per side per bale. In case of a dispute as to whether a bale(s) is not pressed in accordance with By-Law 1-(18) the matter shall be referred to arbitration and the arbitration shall be carried out as per procedure laid down in By-Law No. 33 (b) para 1.

### **PAYMENT**

91. In all transactions for the delivery of cotton payment may be demanded in cash against delivery at the seller's plinth and/or godown of any portion of the bales purchased, but the fact that the seller has not insisted on payment at the time of delivery shall not imply that he has given credit to the buyer, and the seller shall be deemed to have a lien on all bales delivered until payment for the same has been made in full, which payment can be demanded at any time.

### **CLAIMS FOR EXCESS MEASUREMENT**

92. Measurement shall be 36.256 shipping Metric Tonnes M (32 Tons of 40 c.ft) per 100 bales or as may be prescribed from time to time by the Board, and the charge for excess measurement shall be such as may be prescribed by the Board from time to time.

Claims for excess measurement must be sent in not later than seven working days after the complete lot has been received by the buyer.

Measurement, in absence of mutual settlement, shall be ascertained by the Measurer of the Association and measurement fees payable in this connection shall be borne by the losing party. For measurement purposes 9 burst bales (including those opened for arbitration) per each lot of 50 bales shall be excluded. Any burst bales shall be measured in a properly repaired state, not open.

### **COUNTRY DAMAGE**

93. If at the time of weighing any bales are found to be damaged by mud, water, ants, etc., the buyer shall have the right to call for an arbitration, and to reject any bales which are declared by the arbitrators to be damaged to the extent of more than 8.1647 Kilograms. per bale, but he must weigh over the balance with the allowance awarded; provided that the buyer may at the time of the aforesaid arbitration call for a full allowance on the damaged bales in which case he shall be obliged to take all the bales with the allowance awarded.

If the buyer rejects any bales, he shall have the following options one of which he must follow:-

- (a) he may invoice back the rejected bales at the spot rate of the working day following that on which the arbitration or appeal has been disposed of;
- (b) he may buy in the market at a reasonable rate on account of and at the risk and expense of the seller, giving to the seller due intimation of his purchase.

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 24 hours of his getting the notice of purchase.

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 the period laid down in By-Law 88.

The provisions of By-Law 33 relating to arbitrations on quality shall apply so far as applicable to arbitrations under this section also, except that there shall be no restriction on the hour of commencing the arbitration.

**Note:**

The time allowed for arbitration under this By-Law is 48 hours from the time of completion of weighment.

For the purpose of estimating the extent of damage 1/2 inch at either end of a bale may be taken to be equal to 2.7216 Kilograms.

**Note:**

The above By-Law applies to all bales, including stamped bales.

**COTTON AFFECTED BY RAIN**

94. In the case of cotton wetted by rain buyer shall have the option of taking the cotton so wetted within 72 hours of purchase, with an allowance; or of being allowed to postpone delivery until the bales are dried, with no allowance. It is incumbent upon the buyer to declare to the seller immediately the rain ceases whether he intends to take delivery within 72 hours with an allowance or not. If the buyer does not take delivery, the seller shall be entirely free from all responsibility as to further damage caused by subsequent rain. Should the seller desire to receive part payment against his cotton, he must agree to the bales being removed to the buyer's plinth pending final delivery when the bales are dry.

**BALES OF INFERIOR QUALITY**

95. If at the time of weighment (except as provided under By-Law 116) some of the bales which have not yet passed the scale shall be suspected of being inferior in quality to the stamped bales they shall be set aside until the buyer shall have weighed as many bales as he may consider to be equal to his stamped bales and the scale shall not be stopped either by the seller or the buyer so long as any portion of the lot sold shall not have been either weighed or set aside by the buyer as inferior.

**RIGHT OF SURVEY FOR INFERIORITY**

96. Either party shall have the right to call for an arbitration under By-Law 33 on the bales set aside as inferior by the buyer. Such arbitration must be held not later than the first working day following that on which it has been demanded in writing either by the buyer or by the seller.

The Survey fees to be borne by the losing party.

### **METHOD OF SURVEYING FOR INFERIORITY**

97. For the purpose of estimating the inferiority of the bales set aside for arbitration 5 percent shall be selected by the buyer and 5 percent by the seller with a minimum of 2 bales on each side and the samples drawn from the bales thus selected shall be severally compared by the arbitrators with samples drawn conjointly by the buyer and the seller from all bales stamped by the buyer and the allowance, if any, shall be based on the average inferiority of the bales surveyed to the average quality of the stamped bales. Allowances awarded shall be based on the inferiority in quality of the bulk of the cotton contained in the bales.

### **BUYER'S OPTION ON AWARD JUSTIFYING REJECTION**

98. If an allowance be awarded which, added to the allowance, if any, already given in arbitration under By-Law 33 would justify rejection, the buyer shall have the option of the following courses, one of which he shall be bound to follow viz:-

- (a) He may take the bales with the allowance awarded.
- (b) He may reject them, in which case he shall follow the procedure laid down in By-Law 61 or By-Law 72 according as the contract is a hedge or a delivery contract.

If the buyer elects to take the bales, he shall give notice to the seller as prescribed by By-Law 43 and in the absence of such notice the seller shall presume that the cotton is rejected.

### **BUYER'S RIGHT ON SELLER'S FAILURE TO ARBITRATE**

99. Should the seller neglect or refuse to hold an arbitration as provided in By-Law 96, the buyer may proceed as if there had been a failure to arbitrate under By-Law 56 or 68, as the case may be.

### **LOSS OR DAMAGE BY FIRE**

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

For all such cotton as may be totally destroyed or rendered un-merchantable, the difference between the contract price or last settlement price as the case may be and the market rate of the cotton on the working 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, and adequate allowance for damage shall be fixed by the buyer and the seller and the cotton shall 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 working 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 these By-Laws.

(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 either finally approved by the buyer or finally arbitrated upon under these By-Laws the buyer shall invoice the cotton back to the seller at the market rate of the working day following that on which the fire occurred.

In no case 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.

## **GENERAL BY-LAWS RELATING TO SAMPLING AND DELIVERY**

### **LIABILITY FOR BALES ONCE WEIGHED**

101. Subject to the provisions of By-Laws 61 and 72 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.

### **SAMPLE COTTON**

102. All samples or loose cotton drawn by any party 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 by the party drawing the sample before removal from the plinth or godown. The party drawing the samples shall be bound to pay for them:-

(a) At the sample cotton rate fixed by the Board for the month during which the samples were drawn, or, in case of disagreement as to the quality of cotton submitted as a sample from a particular lot, at the sample rate of the grade by which the lot was subsequently sold.

(b) If he is the buyer of the lot at the rate which he pays for the cotton, provided the samples in question were drawn within two months of the date of purchase, otherwise at the sample cotton rate as specified above.

### **TARES**

103. The weight of tares shall be settled to the nearest 0.1134 Kilogram at the seller's plinth or godown at the time of delivery before the bales are removed.

In the event of the lot purchased consisting of bales from more than one press the tares of the bales from each different press shall be separately ascertained. For the purpose of ascertaining the tare of any given lot one bale selected by the buyer is to be tared. Should the tare found not be approved by the seller, then one more bale selected by the latter is to be opened, and the average of both bales taken as the tare of the lot. But the seller shall pay the pressing charges of the bale opened by him. If the tare of the bale selected by the buyer differs from the tare of the bales selected by the seller by 0.4536 Kg. or more, then the tare of the lot shall be taken to be 0.2268 Kilogram per bale less than the tare of the bale selected by the buyer. The average tare ascertained shall be accepted as final by both buyer and seller.

**BY-LAWS RELATING SPECIALLY TO READY TRANSACTIONS**

**DEFINITION OF A READY TRANSACTION**

104. (a) 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 plinth and/or godown at the time of sale.

(b) All transactions whether ready or for forward specific delivery shall be regularly reported by the Members, or caused to be reported by the broker concerned to the Association. Such transactions shall be reported on the prescribed proforma shown in the schedule by 12.00 Noon on each working day and shall include the transactions made since 12.00 Noon of the immediately preceding working day or as notified by the Board from time to time.

**P R O F O R M A**

**THE KARACHI COTTON ASSOCIATION**

Name of Buyer/Seller						Date
Bales	Station	Grade	Rate	Names of Seller/Buyer	Fixed Unfixed	Delivery

SIGNATURE (BUYER/SELLER/BROKER)

105. (a) In case of ready transactions on "on call" unless mutually agreed otherwise, the rate shall be fixed within business hours, also the rate shall stand fixed on the basis of the following day's official rate of the stipulated hedge contract and shall be binding on both the parties.

(b) Immediate delivery against cash is contemplated but the buyer shall (in the absence of any other agreement in writing with the seller) complete taking delivery within 11 days including holidays from and including the day on which the transactions were concluded.

106. Sample drawn from one bale out of 100 bales or less will be considered as pucca sample.

**RIGHT AND OBLIGATIONS IN REGARD TO BALES OF INFERIOR QUALITY**

107. In case of inferiority of quality and failing amicable settlement, the buyer shall proceed according to By-Laws 95 and 96. If any allowance is awarded, the buyer shall have the option to (a) take the bales with the allowance awarded or (b) invoice them back at the spot rate of the day following that of arbitration or appeal, or (c) buy in the market similar cotton for the account and at the risk of the seller. But due notice in writing of his exercising the option must be given to the seller before the arbitration takes place. Failing such notice, the buyer shall take the cotton with the allowance awarded. Purchase on account shall be made on the day following the arbitration or appeal.

### **BUYING ON PUCCA SAMPLES**

108. The buyers prepared to buy on Pucca Sample shall be entitled to open upto 5 percent of the bales in order to ascertain the quality of the lot.

### **STAMPED BALES**

109. 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 the transaction is completed. The buyer shall then immediately take delivery of his stamped bales.

### **BALES OF INFERIOR QUALITY**

When weighing over a lot in which more than one bale has been stamped and the stamped bales are not of equal quality, the buyer must weigh over from the said lot the same proportion of inferior bales as was found among the stamped bales.

### **BALES BURST AND REPRESSED**

110. The buyer shall be entitled to receive repressing charges from the seller on all burst bales other than those burst by him.

### **SAMPLING FOR INSPECTION AND ARBITRATION**

111. For the purposes of arbitration, 6% of bales may be opened. The samples are to be drawn conjointly by parties representing buyers and sellers, the number of bales to be opened being selected half by the seller and half by the buyer and all samples drawn shall be used for determining the question of quality. One sample of 2 Kilograms be drawn for the purpose of survey and another sample of 2 Kilograms be drawn for the purpose of appeal from the same bale selected by the buyer and the seller conjointly for sampling and at the time of arbitration under By-Law 33 (c), one of such sample will be used for the purposes of quality survey and the other sample shall be sealed in the presence of the arbitrators which fact will be certified in writing by at least three arbitrators of the Survey Committee and that the said sample will be set apart and delivered into the custody of the Secretary for the purposes of appeal if desired by any of the parties under By-Law 35 the sealed samples so set apart for the purposes of appeal shall be re-opened in the presence of Special Appeal Committee. There shall be no repressing charges due to the buyer on bales opened by him.

### **BUYER'S RIGHT TO DELIVERY**

112. The seller must give delivery of the cotton sold by him under these By-Laws at any reasonable time demanded by the buyer.

### **REFUSAL TO GIVE OR TAKE DELIVERY**

113. Should the seller neglect or refuse to give delivery as provided in By-Law 112, the buyer may, after giving 48 hours' notice in writing to the seller, buy in 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 39-1 (a).

## **REFUSAL TO ARBITRATE**

If arbitration is resorted to under By-Law 39-1 (a), 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.

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 at 20 percent per annum (subject to such changes in the rate of interest as may be made by the Board from time to time) plus Rs. 6.00 per bale for weighing charges or as may be fixed and announced by the Board from time to time and such further charge for fire insurance and rent as may from time to time be fixed by the Board, failing which, the seller after 48 hours 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.

## **BY-LAWS APPLYING TO READY TRANSACTIONS**

114. By-Law 70 (iii) beginning "if the cotton is declared fraudulently packed, etc." 33, 34, 35, 36, 37, 38, 39, 89, 93, 94, 95, 96, 100, 101, 102 and 103 apply also to ready transactions.

## **REFUSAL TO ARBITRATE ON QUALITY**

115. Should the seller neglect or refuse to hold an arbitration as provided in By-Law 96, the buyer (1) may take delivery of the bales without allowance or (2) may after giving 48 hours' notice to the seller (a) invoice back in respect of the undelivered bales, or (b) purchase at the risk and expense of the seller.

The buyer shall disclose his option in his notice.

Should the buyer neglect or refuse to hold an arbitration as provided for in By-Law 96, the seller may, after giving 48 hours' notice in writing, either (1) invoice back in respect of undelivered bales, or (2) sell the cotton at the risk and expense of the buyer.

The seller shall disclose his option in his notice.

## **PENALTY FOR UNDUE DELAY IN WEIGHING**

116. In the case of all purchases of ready cotton the buyer shall, after 11 days from and including the date of purchase, 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.



**NOTE:-** Non-working days shall be deemed to be included in the permissive period of days for weighing but that, if the last day of this period is a non-working day, the working day following shall be deemed as the last day of the permissive period.

### **WEIGHTS AND PACKING TO BE ACCEPTED IN READY TRANSACTIONS**

117. The buyer of a ready lot shall not be bound to accept any unopened bale, the nett weight of which is less than **164.90 Kilograms or more than 175.10 Kilograms in the case of Saw Ginned Cotton.** **In case of foreign cotton net weight should not be less than 164.90 kgs or more than 227 kgs.**

(a) If any lot of **Saw Ginned** Cotton weighs on an average less than **164.90 Kilograms** per bale nett, the buyer of the ready lot shall be entitled to receive from the seller an allowance between the weights herein mentioned and the average weight of the tendered lot calculated at a rate to be prescribed by the Board from time to time. **In case of foreign cotton net weight should not be less than 164.90 kgs or more than 227 kgs.**

(b) Short weight differences for bales weighed on holiday are to be based on the Market Rates of the following day.

(c) The seller shall be liable to make such payment to the buyer as prescribed in the By-Law 90 (5) or as the Board may prescribe from time to time in this behalf if a bale is not full pressed bale and this shall also apply to the Cotton tendered against the Hedge Contract.

### **STATION AND MARKS IN READY TRANSACTIONS**

118. In the case of a transaction for ready delivery, the name of the station and marks shall be those contained in the Railway Receipt covering the cotton.

## **S T A N D A R D S**

### **STANDARDS**

119. The Board shall from time to time appoint a Standards Committee consisting of not less than four and not more than 16 (sixteen) members.

The functions of the Standards Committee shall be to prepare or to have prepared by such agency and at such times as the Board may from time to time decide or approve of, three sets of Standards, viz:-

- i) The Working Standards,
- ii) The Appeal Standards,
- iii) The Reference Standards of various grades of cotton tender-able against the Hedge Contracts; but the Standards so prepared shall not be available for use until they have been passed at meetings of the Board convened for the purpose.

The three complete sets of Standards shall be kept in possession of the Secretary in the Association's Survey Room.

The Working Standards shall be available in the Settlement of Arbitrations.

The Appeal Standards shall be available in the settlement of appeal to the Appeal Committee or the Special Appeal Committee and for inspection at any time by the Board.

The Reference Standards shall mainly be available for the use of the Standards Committee and the Board as the basis for any revision of the Appeal and Working Standards.

120. The Appeal and Working Standards may be examined from time to time by the Standards Committee and if at any time, in their opinion, any standard has changed from its original condition, the Standards Committee may under the authority of the Board delegated to them take necessary steps to revise or replace it in order to bring it into accord with the corresponding Reference Standards.

New Standards 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 Board may from time to time determine.

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 Board shall have power to instruct the Standards Committee to prepare or to have prepared new sets of Standards to replace such as have been so destroyed or damaged subject to the provisions of By-Law 119.

## **BY-LAWS RELATING TO THE CLEARING HOUSE**

### **PURPOSES OF THE CLEARING HOUSE**

121. A Clearing House shall be maintained for the purpose of facilitating the transmission of documents, and payments, settlements, etc., between contracting parties and shall be under the management of the Trading and Clearing House Committee appointed by the Board.

The Trading and Clearing House Committee appointed by the Board shall direct and supervise the general management and control of the Trading Ring and the hours for trading therein and regulate admission to and prohibition of the use of the Trading Ring through the Secretary of the Karachi Cotton Association, under the directions of the Board and in accordance with the Rules and By-Laws formulated by the Board and in force from time to time.

(a) A clock shall be placed inside the Trading Ring and a Bell shall be rung five minutes before the opening and again at opening time and ten minutes before the closing and again at closing time.

### **CLEARING HOUSE HOURS OF BUSINESS**

122. Subject to the holidays fixed by the Board, the Clearing House shall, unless otherwise determined by the Board, remain open on all week days i.e. Monday to Thursday from 9.00 a.m. to 4.30 p.m. except on Fridays from 9.00 a.m. to 12.30 p.m. and 2.00 p.m. to 4.30 p.m.

### **FORMS**

123. The Balance Sheets, Instruction Forms, Delivery Orders and Vouchers used for the purpose of the Clearing House shall be in the form sanctioned by the Board and shall be in English.

## **DISPUTES**

124. 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, or by the Chairman of the Board, whose decision shall be binding upon the parties in the dispute, subject (on payment of the appeal fee of Rs. 1000/-) 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 and they shall be paid accordingly.

## **FEEES FOR DECIDING CLEARING HOUSE DISPUTES**

125. A fee not exceeding Rs. 500/- may be charged by the Clearing House Committee or Sub-Committee for deciding disputes and it will be competent to the Clearing House Committee to decide what amount of fees shall be paid by each party.

## **FINES FOR DISOBEDIENCE**

126. All members shall pay attention to and obey notices issued by or on behalf of the Board or the Secretary of the Association regarding the working of the Clearing House, and the Board are hereby empowered to impose fines, not exceeding **five hundred rupees** in each case for neglect of, or disobedience to such notices. In case of errors or omissions or illegibility in the making up of Instruction Forms, Balance Sheets and other documents, and delay in submitting them or any of them to the Clearing House, the fine shall not exceed **Rs. 300/- per unit of 100 bales** for each day following the due date and for each error or omission or illegibility or delay. The Board may, by a resolution, depute the Chairman or any Officer of the Association to deal with and impose fines for breach of this By-Law.

## **PAYMENTS TO BE MADE THROUGH CLEARING HOUSE**

127. All payments by or to a member in respect of differences on cotton transactions (other than transactions in ready cotton) shall be made through the Clearing House and any such payment not made through the Clearing House shall be deemed and taken to be a compromise which must be reported in terms of By-Law 13.

## **EXCEPTION**

Difference on Delivery Contracts for cotton equal to stamped bales or sealed or type samples in which delivery is stipulated to be taken within a period of six weeks from the original date of contract, need not be passed through the Clearing House.

## **PAYMENTS**

128. Payments into the Clearing House shall be made by Bank Pay Orders or paid into the account of the Association with bank or banks prescribed by the Board into the Settlement Account of the Association. The Chairman may at his discretion under special circumstances allow the Clearing House to accept cheques from members. The Bank's Pay Order/Bank Receipts/Cheques shall be submitted to the Clearing House in accordance with the instructions issued by the Clearing House from time to time. The Clearing House will deposit the Bank Pay Orders or Cheques with bank/banks notified by the Board for credit to the Settlement Account of the Association. Outward payment shall be made by the Clearing House by cross and order cheques "Payee's Account".

## **HOURS**

129. The hours of the clearing shall be fixed by the Board who shall give reasonable notice of any alteration therein, provided that the hour of outward payments, shall depend on debtor members dues having been paid into the settlement Account as required under By-Law 128.

## **SETTLEMENT DAYS**

130. All Delivery Contracts other than those excepted under By-Law 127 and Hedge Contracts shall be subject to periodical settlements through the Clearing House and in every case the parties to the contract must be members of the Association. Settlements of differences due on open contracts and of other liabilities to be settled through the Clearing House shall be made weekly on days which shall be notified in a calendar to be published annually. The day on which Balance Sheets are required to be submitted to the Clearing House shall be known as Settlement day.

Notwithstanding anything contained in the By-Laws every Monday shall be a Settlement Day. If any Monday is Due Date or is a Bank Holiday, the immediately following Banking Day shall be a Settlement Day.

## **ALTERATIONS OF SETTLEMENT DAYS, ETC.**

131. *Notwithstanding* anything contained in these By-Laws, the Board shall have power at any stage to cancel, pre-date, postpone, alter to a fixed date or dates, amalgamate, fix additional and special, Settlement Days, Settlement Rates Days, days for payment of differences, inward payment days and/or outward payment days.

In the event of there being a holiday, on any of the days mentioned in the para 1 above and the Board not having had the time to fix another day in lieu thereof, the working day preceding the day affected will automatically become Settlement Day, Settlement Rates Day, day for payment of dues, etc., as the case may be.

## **SETTLEMENT RATES**

132. Notwithstanding anything contained in these By-Laws, the following procedure shall apply for the purposes of Settlements in respect of all positions of Hedge Contracts and/or all Forward Delivery Contracts. The settlement prices shall be fixed by the Board or the Rates Committee authorized in that behalf at 10.30 a.m. (or at such other hour as may be prescribed by the Board from time to time) on every Thursday. In the event of any Thursday being a Cotton Market Whole Holiday, the Settlement prices shall be fixed on the preceding Trading Day.

In the case of Delivery Contracts, the settlement price of the corresponding Hedge Contracts (as given in Schedule B) under/or all Forward Delivery contracts under which the cotton contracted for would be tenderable, shall be the basis for the periodical settlement. Such allowance as shall be agreed upon by the parties in their contract to cover any difference between the cotton contracted for and the cotton which is the basis of the Hedge Contract and/or all Forward Delivery Contracts shall be added to or deducted from the said settlement price. In the case of contracts for descriptions which are not tenderable against any Hedge Contract and/or all Forward Delivery Contracts, the parties may either agree in their contract upon an allowance above or below one of the Hedge Contracts and/or all Forward Delivery contracts for the purposes of their periodical settlements or may apply to the Board to fix settlement rates.

For the settlement of Delivery Contracts (under By-Laws 70 and 71) application for the illegibility or delay. The Board may, by a resolution, depute the Chairman or any Officer of the Association to deal with and impose fines for breach of this By-Law.

### **SETTLEMENT STATEMENT**

133. Members shall exchange settlement accounts not later than 2. p.m. on the day immediately preceding Settlement Day, and shall check the same and adjust any discrepancies.

Failure to comply with this By-Law will be dealt with under By-Law 126.

**NOTE:** It will be convenient to prepare Settlement Accounts on Form I given in the Appendix and to exchange them at the Clearing House, but by arrangement between the parties, the accounts may be prepared in any form and exchanged in any manner agreed upon.

### **CONTRACTS TO BE INCLUDED**

134. All contracts entered into upto and including the day on which the prices are fixed shall be included in each Settlement.

### **METHODS OF PREPARING SETTLEMENT BILLS**

135. The following procedure shall be followed in making up settlement bills:-

The differences payable are to be calculated to the exact figures in rupees.

### **CALCULATION OF DIFFERENCES**

136. In the case of contracts coming under the 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**

137. Settlement accounts shall show the balance of bales, if any, carried forward from the last settlement at the settlement prices together with all new business entered into at the contract prices (vide By-Law 134) Purchases from and sales to the same persons, firms or companies of the same quantity and description of cotton for the same month or months of delivery after appearing in one settlement statement shall be deemed "closed contract" and shall not be shown in subsequent settlement statements.

### **VOUCHERS**

138. Members from whom money is due on settlements shall hand over to the members to whom it is due before 10.30 a.m. on each Settlement Day Vouchers (Form 2 given in the Appendix) showing what sum is to be claimed after which no voucher can be withdrawn without the written consent of the other party.

## **FILING OF BALANCE SHEETS ETC.**

139. Balance Sheets (Form 3) shall be prepared and sent into the Clearing House at the hour and on the day fixed by the Board as Settlement Day in that regard together with Vouchers (Form 2).

## **INWARD PAYMENT DAY**

Members handing into the Clearing House the Balance Sheets and Statements after the hour on the day so fixed shall be charged a late fee at the rate of Rs. 5/- per hour or part of an hour and no Balance Sheet or Statement shall be accepted later than 3.30 p.m. on the date fixed. Members, whose Balance Sheets, in conjunction with the said statements, show a debit balance, shall attach their Pay Order for the amount with the Balance Sheet, which shall be handed into the Clearing House not later than the time on the day specified in the Clearing House Notice which day shall be called the "Inward Payment Day" and the members whose Balance Sheets, in conjunction with the said statements, show a credit balance, shall be paid the sums due to them as and when the Chairman directs its payment.

**NOTE:** Vouchers once submitted with the Balance Sheets to the Clearing House shall not be allowed to be withdrawn without the consent in writing of the other party or parties concerned.

## **TENDERS AGAINST HEDGE CONTRACT**

### **INSTRUCTION FORMS**

140. On the first and last working day of each delivery period and on every Tuesday and Saturday between these dates (except when such days fall on a holiday fixed by the Board or on Settlement Days or Settlement Rates Days), members who shall have entered into Hedge Contract for the delivery of cotton during such delivery period shall send into the Clearing House not later than 12 noon (except on the due date of the contract when it shall be accepted up to 1.00 p.m.) a full list of such contracts in units of **100 bales** on Form 4 (Instruction Form) a separate statement of contracts for each description of cotton being submitted. Members sending into the Clearing House Instruction Forms on days other than due date between 12 noon and 1.00 p.m. shall be charged a late fee of Rs. 5/-. These forms are for the information of the Clearing House and will be returned to the members submitting them when finished with.

On the due date the Clearing House may accept Instruction Forms between 1.00 p.m. to 2.00 p.m. on receipt of Rs. 100/- as a penalty per each Form and between 2 to 3 p.m. on receipt of an additional Rs. 100/- as a penalty per each Form. If between 1.00 p.m. and 3.00 p.m. the Clearing House finds that a Form is missing the member who has failed to put in the Form in question may be called upon by the Clearing House to submit the Form together with the penalties provided in this By-Law. If the Form is not forthcoming during these hours, the member on receiving a tender will become the last buyer.

In the absence of a member's Instruction Form required as above, the member in question on receiving a tender becomes the last buyer.

## **EXPLANATION**

No instructions 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.

## **TENDER DAYS**

141. The days referred to in By-Law 140 shall be known as Tender Days which however may be varied by the Board from time to time by posting a notice on the Board.

## **TENDERS**

142. Any member desiring to tender cotton against a Hedge Contract shall send into the Clearing House not later than 1.00 p.m. on any one of the Tender Days and on due date particulars of his tender on the Clearing House Delivery Order Forms (Forms 5 and 6). These forms shall specify the contract price or last settlement price, if any, the marks and the description of the cotton tendered, the standard under which it is to be surveyed, the exact place where the cotton is lying, the date of issue of delivery order and in Form 5 the names of the seller and of his immediate buyer. The name of the last buyer when ascertained shall be entered in Form 6 by the Clearing House. The name of the last buyer shall be posted on the Notice Board of the Association as soon as practicable. The Clearing House shall give each tender a registered number and shall enter in the delivery order the difference in value between the standard basis of the contract and the particular description of cotton tendered under the contract; this difference to be calculated on the spot values as fixed and dealt with under By-Laws 53 and 84. The Clearing House shall pass delivery orders on to other parties who have contracts for the same description and quantity of cotton.

## **PASSING ON OF DELIVERY ORDERS**

143. The Clearing House shall have power to pass on delivery orders in the manner laid down in the By-Laws particularly By-Law 142 and the first seller and the last buyer shall thereby be deemed for the purposes of By-Laws to have made a contract the one with the other in the appropriate form prescribed by 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.

## **LAST BUYERS**

144. When the passing on of the deliver order has been completed, the Clearing House shall hand to the buyer whose name appears last thereon (and who shall be known as the "Last buyer") the pucca Delivery Order (Form 6) which shall be stamped with official stamp of the Clearing House.

## **RE-TENDERS**

145. The last buyer shall not be permitted to re-tender any Delivery Order which has been handed to him by the Clearing House. In very exceptional cases and upon cause shown the Board may for the sole purpose of rectifying a bonafide mistake permit a re-tender of a delivery order on such terms as the Board may from time to time determine and with or without a monetary penalty not exceeding Rs. 5/- per 37.3245 kilograms as in the opinion of the Board the circumstances justify.

Under no circumstances, a lot once rejected in final arbitration can be re-tendered during the same delivery month.

### **WEIGHING OVER**

146. The last buyer shall make the necessary arrangements with regard to sampling, arbitration and appeal and shall proceed to weigh over the cotton in accordance with By-Law 88 unless he is entitled to reject and elects to do so.

When cotton is weighed over, it shall be paid for within 24 hours of weighment, failing which and on receipt of a report to this effect from the seller, the Board shall investigate the matter and if failure to make payment within the stipulated period is proved, the buyer shall be deemed to have failed to meet his obligations and he shall be dealt with under By-Law 10.

### **PAYMENT FOR COTTON**

147. The last buyer shall pay for the cotton at the rate at which the delivery order was issued from the Clearing House, and subject to the provisions of By-Law 90, for the actual weight delivered, but for the purposes of settlement and for the adjustment of accounts between intermediate parties on delivery orders passed on, the weight of all bales shall be considered to be **17.00 Metric Tonnes per 100 bales.**

### **ADJUSTMENT OF DIFFERENCES ON DELIVERY ORDERS PASSED THROUGH THE CLEARING HOUSE**

148. The Clearing House shall insert in Member's Instruction Forms against the number of the delivery order the rate of the delivery order. Members shall then work out their own differences, obtain the usual vouchers from the opposite party and claim or acknowledge the sum due on the notified Settlement Day in the Balance Sheet sent into the Clearing House.

### **ADJUSTMENT OF DIFFERENCES ON COTTON WEIGHED OVER**

149. If within 18 days after the cotton is finally approved whether by the parties or in arbitration or in appeal or if no arbitration is held then after the time allowed for arbitration has expired, if the Clearing House receives no intimation from either the first seller or the last buyer of the non-weighment of the relative cotton, the Clearing House shall conclude that the cotton has been weighed over and paid for and shall include the delivery order in the list of delivery orders to be published by the Clearing House for the collection of differences.

In the event of the original seller notifying to the Clearing House within the above-mentioned period that the cotton is not weighed over, the Clearing House shall forthwith publish on the Notice Board of the Association the fact of such non-weighment, mentioning the names of the first seller, the last buyer, all the middle parties concerned in the delivery order and the number of delivery order not so weighed over. It shall be obligatory on the original seller to take all necessary steps laid down in By-Law No. 88 and on his failure so to act within that period, no responsibility for that cotton shall thereafter attach to the intermediate parties.

The Clearing House shall retain the Marginal Deposit against the bales involved in Delivery Order till the conclusion of the transactions involved to the satisfaction of the Clearing House.



### **TENDER FEE**

150. For every tender of **100 bales** of cotton the first tenderer shall pay a registration fee of **Rs. 10/-**. Each succeeding tenderer shall pay **Rs. 10/-** for each of his contracts entered on the tender form. The Association shall collect tenders fees by issuing bills. Members failing to pay the fees within 15 days of the date of the bills, will be liable to the penalties prescribed in By-Law 16.

### **ADJUSTMENT OF DIFFERENCES ON REJECTION**

151. Differences (inclusive of penalty as provided by By-Law 57) due on delivery orders which are finally rejected and invoiced back at the market rate shall be paid into the Clearing House by the party concerned at the following settlement which may be the next Settlement Day or the notified Settlement Day according as the circumstances may require.

### **ADJUSTMENT OF DIFFERENCES ON FAILURE TO TENDER**

152. In cases where the seller fails to tender against a Hedge Contract, penalties payable under By-Law 60 and differences due to or from intermediate parties shall be settled at the next Settlement Day in accordance with the By-Laws dealing with periodical settlement of contracts.

### **BY-LAWS RELATING TO FAILURE TO PAY DIFFERENCES**

#### **ADJUSTMENT OF DIFFERENCES ON FAILURE OF MEMBER**

153. Where for any reason a member to or by whom differences are due at a settlement fails to pay the same or part thereof as and when due, his balance sheet if submitted and the balance sheet of parties to or from whom the said member was to have paid or received differences shall be adjusted by the Clearing House as the facts and figures may require.

#### **PROCEDURE ON FAILURE OF MEMBERS**

154. In case of the failure, suspension of payment or insolvency of a member who has made a tender, or to whom a tender has been made, the following procedure shall be followed:-

(i) If the member who has failed, suspended payment or becomes insolvent, is an intermediate party on a delivery order, his name shall be struck off the delivery order and the seller of the cotton to, and the buyer of the cotton from, the said member shall be deemed to have made as at that date a contract between themselves for the sale and purchase of the cotton in question by the one to or from the other at the rate mentioned in the delivery order. These parties shall immediately notify to the Clearing House, the amount payable by them to or recoverable by them from the intermediate defaulting parties as differences between the rates mentioned in their Instruction Forms and the rates in the delivery orders.

(ii) If the buyer shall fail, suspend payment or become insolvent the seller of the cotton to him shall buy the cotton from him at the rate fixed by the Board and take in all respects the position and responsibilities of the last buyer in relation to the cotton in question as they may exist at the date of the failure, suspension of payment or insolvency. The posting of a member as a defaulter and the declaration by the Clearing House of his immediate seller as the last buyer shall be deemed to be a sufficient notice to such a last buyer that he is to take delivery of cotton. It shall not be permissible for such a last buyer to plead the original seller's omission to give notice to him to take delivery of the cotton as a defence for not taking its delivery in accordance with the By-Laws.

(iii) If the seller shall fail, suspend payment or become insolvent his immediate buyer shall become the first seller, and shall buy back the cotton from the last buyer at a price which shall be fixed by the Board. The immediate buyer of the cotton from the original first seller shall there upon invoice it back to the original first seller at the same price at which he has bought the cotton back from the last buyer.

#### **PENALTY ON FAILURE TO PAY DIFFERENCES**

155. Any member who fails for any reason to pay 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 8, the Board shall at once take action under By-Law 10 and the other By-Laws in that behalf.

#### **INDEMNITY TO MEMBERS OF THE BOARD**

156. 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 the 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.

#### **BY-LAWS RELATING TO FACTORY SELECTION CONTRACTS**

##### **DEFINITION**

157. Factory Selection Contract will be a Delivery Contract Transferable/Non-Transferable.

##### **TENDER-ABLE COTTON**

158. Against Factory Selection Contract only Cotton ginned and pressed at the place or places mentioned in the Contract shall constitute a fair tender provided it is of the description sold and ginned from Kapas selected and approved by the buyer's representative at the factory. Kapas will be ginned and pressed in the presence of the buyer's representative. The Cotton shall bear press marks in conformity with the provisions of the Cotton Control Act enforced by the Central, Provincial and State Governments.

## QUANTITY

159. Against all Factory Selection Contracts, the following shall be the minimum and maximum nett weight tender-able against each lot of 100 bales:-

**Saw ginned 100 B/s. Min. 16.49 Metric Tonnes Max. 17.51 Metric Tonnes . Within these limits, the cotton shall be taken at the price stated in the contract.**

Accounts for the purpose of settlement between parties shall be adjusted on the basis of **17.000 Metric Tonnes nett for 100 bales of Saw Ginned cotton. In case of foreign cotton net weight should not be less than 164.90 kgs. or more than 227 kgs.**

For the purpose of clearing in case of transferable contract, the basis of **17.000 Metric Tonnes** nett for 100 bales roller ginned saw ginned cotton shall apply.

In the event of any lot of 100 bales weighing less or more than laid down in the above scale, such shortage or excess as the case may be, shall be adjusted.

- (a) In case of non-transferable contracts between the buyer and the seller.
- (b) In case of transferable contracts all the parties to the contract, at the market rate of the day on which the final weighment of the lot takes place.

If any lot of **Saw Ginned cotton weighs on an average 164.90 Kilograms per bale nett**, the buyer shall be entitled to receive from the seller an allowance between the weight herein-mentioned and the average weight of the tendered lot calculated at a rate to be prescribed by the Board from time to time. **In case of foreign cotton net weight should not be less than 164.90 kgs. or more than 227 kgs.**

The buyer shall not be bound to take any **open or** unopened bales of any description, the nett weight of which is **either less than 164.90 Kilograms or more than 175.10 Kilogram. In case of foreign cotton net weight should not be less than 164.90 kgs. or more than 227 kgs.**

## WEIGHMENT

160. TARE. The weight of tares shall be selected to the nearest 0.1134 Kilogram (1/4 lb.) at the time of delivery.

In the event of the lot having been pressed at more than one press, the tares of the bale from each different press shall be separately ascertained.

For the purpose of ascertaining the tare of any given lot, one bale selected by the buyer is to be tared. Should the tare found not be approved by the seller, then one more bale selected by the latter is to be opened, and average of both bales taken as the tare of the lot. But the seller shall pay the pressing charge of the bale opened by him. If the tare of the bale selected by the buyer differs from the tare of the bale selected by the seller by 0.4536 Kilo or more than the tare of the lot shall be taken to be 0.2268 Kilogram per bale less than the tare of the bale selected by the buyer. The tare thus ascertained shall be accepted as final by both buyer and seller.

## **SAMPLE COTTON**

All samples or loose cotton drawn by any party 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 by the party drawing the sample, who shall pay for them at the rate of the contract.

## **COUNTRY DAMAGE**

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 to reject any bales which are declared by the arbitrators to be damaged to the extent of more than 8.1647 Kilograms per bale, but he must weigh over the balance with the allowance awarded; provided that the buyer may at the time of the aforesaid arbitration call for a full allowance on the damaged bales, in which case he shall be obliged to take all the bales with the allowance awarded.

If the buyer rejects any bales, he shall have the following options, one of which he must follow:-

- (a) he may invoice back the rejected bales at the spot rate of the working day following that on which the arbitration or appeal has been disposed of;
- (b) he may buy in the market at a reasonable rate on account of and at the risk and expense of the seller, giving to the seller due intimation of his purchase.

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 24 hours of his getting the notice of purchase.

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

The time allowed for arbitration under this By-Law is 48 hours from the time of completion of weighment.

**NOTE:**For the purpose of estimating the extent of damage 1/2" at either end of a bale may be taken to be equal to 2.7216 Kilogram.

**NOTE:**The above By-Law applies to all bales, including stamped bales.

## **COTTON WETTED BY RAIN**

In the case of cotton being wetted by rain, the buyer shall have the option of taking the cotton so wetted with allowance. If the allowance is not settled amicably, the buyer shall refer it to the Secretary Karachi Cotton Association, who will arrange survey by the Standards Committee within 48 hours and their decision shall be binding on the parties.

In no case shall any claim be made by a buyer on bales which have once passed the scale except on grounds of fraud, false-packing or the presence of foreign substance in the bales.

## **BURST BALES**

The buyer shall be entitled to receive repressing charges from the seller on all burst bales other than burst by him. If the number of burst bales is more than 10% the charge of additional burst bales will be double the ordinary charges.

## **DELIVERY**

161. In case the seller fails to complete pressing of the cotton selected by the buyer 5/7 days before due date as mentioned in clause 6 of the contract or fails to give selection as required under clause 6, the buyer shall have the following options:-

- (a) To extend the delivery period of the contract. This option must be exercised on or before the due date.
- (b) To take delivery at Karachi from a ready lot belonging to the seller.
- (c) Invoice back on the spot rate of the due date.
- (d) Buy in seller's account on the first working day following the due date in the local ready market.

The buyer shall inform the seller in writing the day before maturity of the contract as to the option he decides to exercise.

In case the buyer's representative does not report at the factory on appointed date as laid down in clause 6 of the contract, the seller will gin and press the cotton on account of the buyer on the appointed date informing the buyer on the same day.

If the buyer fails to send his representative and the seller gins and presses cotton and decides to dispatch it to his own plinth, the buyer shall bear all expenses for removal of cotton from seller's plinth to his own plinth. If the buyer fails to take delivery as provided for in clause 9 of the contract, the seller shall have the following options:-

- (a) To give an extension.
- (b) To invoice it back on spot rates of the last day allowed under the contract for delivery.
- (c) Sell on buyer's account on the last day allowed under the contract for delivery. Seller shall give 48 hours notice in writing to the buyer of his intention to sell on his account. Intimation regarding re-sale on buyer's account shall be given to the buyer within 24 hours of such re-sale in local ready market.

The seller will inform the buyer in writing the day before the last day allowed under the contract for delivery as to the option he decides to exercise.

NOTE: Options: Both in respect of Buyer and Seller will not apply to Factory Selection Contracts Transferable with Clearings.

## **PRESSING**

Measurement shall be 36.256 (M ) Shipping Metric Tonnes (32 tons of 40 c. ft) per 100 bales or as may be prescribed from time to time by the Board, and the charge for excess measurement shall be such as may be prescribed by the Board from time to time.

Claim for excess measurement must be sent in not later than two working days after the complete lot has been weighed over by the buyer.

Measurement in the absence of mutual settlement, shall be ascertained by the Measurer of the Association and measurement fees payable in this connection shall be borne by the losing party. For measurement purposes 12 burst bales (including those opened for arbitration) per each lot of 100 bales shall be excluded. Any burst bales measured shall be measured in a properly repaired state, not open.

Bales shall be bound with iron hoops and covered with hessian or cloth. The seller be liable to make such payment to the buyer as provided for in the By-Law 90 (5) or as the Board may prescribe from time to time in this behalf if a bale is not a full pressed bale, and this By-Law shall also apply to the cotton tendered against Hedge Contract.

## **PAYMENT**

162. Final payment of cotton shall be made within 7 working days of the completion of weighment, failing which, interest at the rate of 14 per cent per annum shall be paid by the Buyer to the Seller on such amount as may be found due and payable by the Buyer to the Seller. In case of pending arbitration, interest may be awarded at the rate of 14 per-cent per annum to be calculated from 7th working day after the due date of delivery or from such other date thereafter as may be decided by the Arbitrators or the Umpire, as the case may be.

In case the cotton is consigned to buyer's plinth, the buyer shall pay 90% of the contract value as advance against presentation of R.R. accompanied by Insurance Cover and Factory Weight Note. 90% shall be calculated on the basis of minimum weights mentioned in By-Law 90 (regarding quality) or the weight given in R. R. or the Factory Weight Note whichever is lower.

Payment against R. R. presented before 1.00 p.m. on working days and 11.30 a.m. on Saturday, shall be made on the same day, failing which the buyer shall pay interest at 14% per annum, until the payment is made.

In case the cotton is consigned to seller's plinth and R. Rs. are endorsed in favour of buyer, this By-Law shall not apply and the buyer shall have the option to pay 90% advance on arrival of the cotton at his plinth.

## **CLEARING**

163. All transferable contracts shall be registered by the buyers and Sellers respectively with the Association on the day following the date of transaction.

The settlement rates shall be fixed by the Board or the Rates Committee authorized in that behalf at 12 Noon on every Saturday. In the event of Saturday being a whole holiday, the rates shall be fixed on the preceding working day.

Under clause (11-b) of the Official Factory Selection Contract Form of The Karachi Cotton Association, clearing of differences shall be made by the following Tuesday individually among the parties. In case of Tuesday or the day or days following being closed day/days, the same shall be done on the following working day.

In case of default in payment of clearing differences, the matter shall be reported by the aggrieved party to the Association for suitable action under the BY-Laws of the Karachi Cotton Association.

In case of default in submission of cheques in payment of clearing differences, when reported by the aggrieved party to the Association, the party shall be deemed to have failed to meet at maturity his obligations and shall, in addition to all other penalties, be liable to be dealt with under By-Law 10 and other relevant By-Laws 8, 15 in that behalf. All clearance cheques shall, in future, be deposited in the Association Clearing House on Tuesday or any other day notified for the purposes of special clearing by the Association between 9.00 a.m. and 2.30 p.m. by the parties concerned. Cheques received after 2.30 p.m. on Tuesday or any other day notified for the purpose of special clearing by the Association will only be accepted on payment of late fee of Rs. 50/- per cheque till 4.00 p.m. All late fee cheques should be made payable to The Karachi Cotton Association "Payee's Account Only". No deposit cheques even with late fee will be accepted after 4.00 p.m. on Tuesdays or any other day notified for the purposes of special clearing by the Association. Cheques received on Tuesday or any other day notified for the purposes of special clearing by the Association will be ready for collection on Wednesday or any other day notified for the purpose of special clearing by the Association and are to be collected by the parties to whom they are due on those days between 9.30 a.m. and 12.30 p.m. PROVIDED parties to whom such cheques are due have also deposited the cheques for the amounts due by them, failing which, the cheques due to the parties who have not deposited the cheques for the amounts due by them will be withheld by the Association and such withholding will not be considered a default on the part of those parties who deposited the cheques for the amounts due by them. Such cheques will be returned to the parties who had issued the same and in lieu thereof the said parties will issue fresh cheques for similar amounts in the name of The Karachi Cotton Association, who, on encashment of the same, shall hold the said amounts for the benefit only of those members to whom any money is due by the defaulter in respect of that particular clearing.

## **B R O K E R S**

164. i) Members shall deal with or through only such Cotton Brokers as are licenced by the Board in accordance with the rules framed by the Board by virtue of the powers vested in them pursuant to Article No. 13.

ii) Any dispute between a member and a broker shall be referred to the arbitration of two disinterested members of the Board. If one of the parties fails to appoint an arbitrator within 48 hours' notice given by the other party, the Chairman of the Board shall appoint another arbitrator.

The arbitrators shall have power to appoint an umpire. The decision of the Arbitrators or the umpire as the case may be shall be final and binding.

iii) Any member violating these provisions shall be liable to be dealt with under the disciplinary By-Laws of the Association and no transaction entered into through a broker other than a licenced broker, shall be entitled to the privileges of arbitration, appeal, clearing or any of the other privileges under the By-Laws conferred upon members.

iv) Notwithstanding anything contained in clause (i), (ii) and (iii) of this By-Law, members may deal in stray bales, bales in unmerchantable condition and other odd lots not exceeding 25 bales through uncertified brokers, but that such transactions so dealt in shall not be entitled to the privileges of arbitration, appeal, clearing or any other privileges under the By-Laws conferred upon members.

### **C. I. F. CONTRACTS**

165. 1.(a) The rules as to cotton sold upon CIF terms shall, so far as the same can be applied, be applicable also to cotton sold upon C & F and F.O. B terms.

(b) A Bill of lading duly signed by the Shipping Company shall be accepted as conclusive evidence of the date of shipment.

2. Should the buyer be able to prove within 2 weeks of receipt of the documents 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 under By-Law 39-III and it shall be at the discretion of the arbitrators to decide either that the buyer shall accept the lot at an allowance as fixed by the arbitrators, or that the buyer shall have the option of invoicing back the sale under rule 11 or of accepting it at an allowance as fixed by the arbitrators.

3. Claims, if properly substantiated, for falsely packed or un-merchantable cotton shall be allowed at the value of the sound cotton on the day when the controller's survey was made and provided that such claims are made within 45 days of the last day of landing.

4. Claims for loss or gain in weight or for variation in tare or for country damage shall be made within 28 days from the last day of landing but if more than 25% of the cotton requires picking and mending, claims may be sent in within 42 days from the last day of landing. Claims for loss/gain in weight, for variation in tare and for country damage shall be made at the invoice price.

5. When 95% of the cotton contracted for has arrived, claims for loss/gain in weight may be made subject to a final weight adjustment on the arrival of the balance of the cotton.

6. If cotton is sold on C.I.F. or C. & F. or F. O. B. terms "on call", the call must be made not later than two business days after the declaration of marks and ships' names; in default thereof, the price for the uncalled cotton shall be fixed on the basis of the official spot rate 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 the seller the insurance premium necessary to cover any increased value from the date of declaration to the date of call. The extension of call shall in no case be extended beyond the tenth day after the last day of the landing.

7. The buyer is not entitled to sample before weighing without the consent of the seller.

8. Weighing and sampling shall take place at the port of discharge on arrival and in the presence and under the control of buyer's and seller's representatives. The names of seller's representatives for this purpose shall be given to the buyer on or before tendering of invoice. Samples for arbitration amounting to 10% of the bales landed shall be sealed jointly by buyer's and seller's representatives.



9. Should the buyer draw samples as per rule 8, an allowance shall be made in favour of the seller for the samples drawn.

10. Should the seller fail to ship within the period specified in the contract, or within the extended period in the event of an extension having been mutually agreed upon in writing, the buyer shall have the option of invoicing back the sale at the official spot rate ruling in Karachi on the day following the last date of the agreed or extended period of shipment, as the case may be. In this case, the seller shall pay the buyer a penalty to be determined in arbitration under By-Law 39-III.

(a) If for any reason, a foreign sale or contract has not been fulfilled either by the buyer or the seller, the member concerned shall inform the Association in writing within three days after the shipment day about the position regarding non-fulfillment of the contract with relevant details and that information will be treated by the Association as strictly confidential.

(b) A member failing to report non-fulfillment of a foreign contract or sale as mentioned above is liable to be subject to the disciplinary By-Laws of the Association.

11. In the case of sales made against payment on presentation of documents or on any other terms in which payment within a specified period is stipulated, should the buyer fail to take up the documents on presentation or to pay within the stipulated period, the seller shall have the option, after giving 4 days telegraphic notice, to invoice the sale back at the official spot rate in Karachi ruling on the day following that on which the notice expired. In this case, the buyer shall pay the seller a penalty to be determined in arbitration under By-Law 39-III.

12. In sales where an irrevocable letter of credit is stipulated, should the buyer fail for any reason whatsoever, including non-availability of foreign exchange, to open an irrevocable letter of credit 30 days before the last day of the shipping period stipulated in the contract or 30 days before the last day of the extended period in the event of an extension having been mutually agreed upon, the seller after giving four days telegraphic notice, shall have the option to invoice back the sale at the spot rate of the day following that on which the notice expired. In this case, the buyer shall pay the seller a penalty to be determined in arbitration under By-Law 39-III. For the purpose of this rule, a confirmed credit means a credit which conforms in every respect to the terms of the contract.

13. Cotton shall be invoiced back on the basis of the standard weight as laid down by the Karachi Cotton Association, from time to time and in force on the day on which the sale is invoiced back.

14. In invoicing back sales which have been made in a currency other than Pakistani currency, the following shall be the procedure for the conversion of the spot rate:-

(a) For C.I.F. Sales: To the official spot rate shall be added the item of Rs. 10/- per maund of 40 kilograms representing handling charges plus Export Duty, if any, ruling on the day on which the sale is invoiced back. The sum total of these items shall be converted into the foreign currency in which the sale was made at the Bank's buying rate of the day on which the sale was invoiced back. A further addition shall be made of the marine/war risk insurance and of the ocean freight to the port of destination ruling on the day on which the sale is invoiced back.

(b) For C & F sales, the procedures as per 14(a) shall be applicable, but the item of marine/war risk insurance and ocean freight shall be omitted in the addition.

(c) For FOB sales, the procedure as per 14(a) shall be applicable, but the item of marine/war risk insurance shall be omitted in the addition.

15. In the event of the buyer instituting a claim for quality, and failing amicable settlement, the buyer shall claim arbitration within 28 days of the last landing date of the cotton. Thereafter, samples drawn as per rule 8 shall be dispatched to Karachi by sea or by air at buyer's option. The samples shall be consigned to the Secretary, Karachi Cotton Association, Cotton Exchange, I. I. Chundrigar Road, Karachi, with a covering letter giving full particulars of the claim and shall be arbitrated in accordance with By-Laws Nos. 33-a, 33-b, 33-c, 33-d, 33-e, 33-f, 33-g, 34, 35, 35-A, 36, 37 and 38..

16. Unless otherwise arranged between buyer and seller, carrying charges for storing cotton on buyer's account in Karachi shall be 1/2% per 15 days or part thereof.

17. All disputes arising in respect of CIF or C & F or FOB contracts other than for quality shall be referred to arbitration under By-Law 39-III.

# The Karachi Cotton Association

## Schedule "A"

For the purpose of trading in Hedge Contract, there shall be only one Hedge Contract called Pakistan Cotton Contract. The Pakistan Cotton Contract shall be the only permissible contract.

The basis for this contract shall be Grade 3 (Saw-ginned) basic staple length 1-1/32" Micronaire **3.8** - 4.9 NCL. Cotton local or foreign below Grade 4 and staple length below 31/32" will be rejected.

Against this contract, the following Grades of Pakistan Cotton and foreign growths will be tender-able :-

- |    |   |                      |
|----|---|----------------------|
| 1. | Grade Super (Saw-ginned)<br>Micronaire <b>3.8</b> - 4.9 NCL | Basic staple 1-1/32" |
| 2. | Grade 1 (Saw-ginned)<br>Micronaire <b>3.8</b> - 4.9 NCL     | Basic staple 1-1/32" |
| 3. | Grade 2 (Saw-ginned)<br>Micronaire <b>3.8</b> - 4.9 NCL     | Basic staple 1-1/32" |
| 4. | Grade 3 (Saw-ginned)<br>Micronaire <b>3.8</b> - 4.9 NCL     | Basic staple 1-1/32" |
| 5. | Grade 4 (Saw-ginned)<br>Micronaire <b>3.5</b> - 4.9 NCL     | Basic staple 1-1/32" |

**Cotton with Mic. upto 3.5 Mic. value will be tenderable with discount in respect of Grade Super, 1, 2 & 3, and upto 3.2 Mic value will be tender-able with discount in respect of Grade 4.**

CLASS: Grade 3 meaning the Standard Box of Grade 3 of Pakistan Cotton Standards for each kind of tender-able cotton and **equivalent** foreign growths.

MOISTURE: Not exceeding 8.5%

**The Board shall have powers to exclude any growth from tender which the Board may decide at its discretion before the commencement of the new cotton season**

STANDARDS: The following standards shall be prepared for the contracts:-

<u>COTTON</u>	<u>MICRONAIRE, NCL</u>	<u>STANDARDS</u>
Saw-ginned	3.8 - 4.9, NCL	GRADE Super
Saw-ginned	3.8 - 4.9, NCL	GRADE 1
Saw-ginned	3.8 - 4.9, NCL	GRADE 2
Saw-ginned	3.8 - 4.9, NCL	GRADE 3
Saw-ginned	3.5 - 4.9, NCL	GRADE 4
Saw-ginned	3.5 - 4.9, NCL	GRADE 5

The above description will also include foreign growths.  
Each cotton to be surveyed against its relevant standards.

#### **MUTUAL ALLOWANCES**

In respect of Saw-ginned Cotton, Class, upto **Super** Grade and in respect of staple "ON" upto 1/8" above the basic staple terms of each cotton and upto 1/16" "OFF" the basic staple.

Cotton below Grade 4 and below 1/16" "OFF" basic staple length shall be rejected except in Grade 3 where below 1/32" "OFF" shall be rejected.

**MONTHS OF DELIVERY:** OCTOBER, DECEMBER, FEBRUARY, APRIL, JUNE.

Trading in hedge contract shall be done for five delivery months simultaneously.

#### **PERIOD OF DELIVERY:**

From 1st to 25th of every delivery month.

NOTE: For the purpose of By-Law 57, "OFF" allowances for staple less than the basic length shall be fixed from time to time by the Board or the Special Rates Committee authorized by the Board in that behalf. Tenders below Grade 4 and/or 1/16" "OFF" of the basic staple length shall be discounted at double the allowances for the first half of "OFF" class.

## The Karachi Cotton Association

### Schedule "B"

<u>Hedge Contract</u>	<u>Delivery Contract</u> <u>(Description)</u>		<u>Place</u> <u>Tender-able</u>	
Pakistan Cotton Contract	Fine Machine Ginned	Grade	Micronaire	All Stations in Pakistan
"	"	Grade Super	3.8 - 4.9	-do-
"	"	Grade 1	3.8 - 4.9	-do-
"	"	Grade 2	3.8 - 4.9	-do-
"	"	Grade 3	3.8 - 4.9	-do-
"	"	Grade 4	3.5 - 4.9	-do-
"	"	Grade 5	3.5 - 4.9	-do-

The above description will also include foreign growths.

## **COTTON BROKER'S LICENCE**

Rules Governing Cotton Broker's Licence framed by the Board by virtue of the powers vested in them pursuant to Article No. 13

### **TITLE**

1. These rules may be cited as the Cotton Broker's Licence Rules.

### **DEFINITIONS**

2. In these rules, unless there be something in subject or context inconsistent therewith, the following expressions shall have the following meanings respectively (namely):-

- (1) "The Association" means the Karachi Cotton Association.
- (2) "The Articles" means and includes the Articles of Association, and any modification or alteration thereof for the time being in force.
- (3) "Board" means the Board of Directors of the Karachi Cotton Association acting through at least a quorum of their number at a meeting of that Board duly called and constituted.
- (4) "Broker" means a broker holding the Cotton Broker's Licence granted by the Board under these rules.
- (5) "Brokers Advisory Committee" means the Advisory Committee formed by the Board under these rules and acting through a quorum.
- (6) "A Member" for the purposes of these rules means and includes original Member or Member of the Association.

### **MAXIMUM NUMBER OF LICENCES**

3. The maximum number of licences to be issued shall for the time being be 350. The Board may at any time by a resolution register an increase in this number.

### **ELIGIBILITY FOR BEING LICENSED**

4. (1) An authorized representative of a Member of the Association, shall be eligible, provided he applies in the form prescribed by the Board. The licence so granted may, at the discretion of the Board, be without any fees whatsoever. An authorized representative holding a Broker Licence shall not be eligible to seek election as Director.

(2) Any individual (other than an authorized representative of a member of the Association) applying for a licence shall be eligible, provided he applies in the form prescribed by the Board and provided his application is recommended by the Brokers Advisory Committee formed under these rules. The application shall be accompanied by the licence fee or Rs. 5000/-.

## LICENCE FEES

5. The licence fee payable with each application shall be Rs. 5000/-. Every licensee shall pay an annual renewal fee of not less than Rs. 5/- or not more than Rs. 250/- as the Board may fix in consultation with the Brokers Advisory Committee.

## BROKERS ADVISORY COMMITTEE

6. (1) CONSTITUTION:- At the commencement of every year, the Board shall form a Brokers Advisory Committee consisting of 12 members, six of whom shall be the authorized representatives registered under Article 16(a) including the Chairman and the Vice-Chairman of the Board, and the other six shall be brokers elected by the licensed brokers in the election held by the Karachi Cotton Association, convened by a notice posted on the NOTICE BOARD of the Association. The representatives of the Karachi Cotton Association, shall in every case be nominated by the Board. The Chairman and Vice Chairman of the Board shall be the Chairman and the Vice-Chairman of the Brokers Advisory Committee. The Brokers Advisory Committee will elect one of their members to be the Chairman of any meeting of the Committee at which both the Chairman and Vice-Chairman of the Board are absent. Four members shall constitute a quorum subject to the condition that at least one of those present shall be other than the representatives of the brokers.

(2) FUNCTIONS:- The functions of the Committee will be:-

- i) To recommend applicants for the grant of licences.
- ii) To advise the Board in regard to Cotton Market Holidays and trading hours.
- iii) To hear and decide disputes between brokers.
- iv) To advise the Board on any matter concerning Brokers and on any other matter that the Board may place before the Committee.

(3) DISQUALIFICATION:- A person shall ipso facto cease to be a Member of the Brokers Advisory Committee:-

- (a) upon resignation, or
- (b) if he suspends payment or is adjudicated an insolvent or if a petition be filed by him for winding up his affairs or those of his firm or company, or if he compounds with his creditors, or
- (c) if he becomes of unsound mind, or
- (d) if he absents himself from two consecutive meetings of the Brokers Advisory Committee, but the person disqualified under clause (d) shall be eligible for re-election.

Upon a member of the Brokers Advisory Committee vacating office whether by resignation or otherwise, the Board shall fill up the vacancy.

## **DISPUTE**

7. (1) Any dispute between a broker and another broker may be referred to the Brokers Advisory Committee. The decision of the Brokers Advisory Committee shall be final and binding. Every application referring any dispute to the Brokers Advisory Committee shall be accompanied by a fee of Rs. 50/- which will be credited in full to the Karachi Cotton Association. The Brokers Advisory Committee in giving their decision may direct by whom the fee shall be paid.

(2) Any dispute between a Member and broker shall be referred to the arbitration of two disinterested members of the Board. If one of the parties fails to appoint an arbitrator within 48 hours notice given by the other party the Chairman of the Board shall appoint another arbitrator. The arbitrators shall have powers to appoint an umpire. The decisions of the Arbitrators or the Umpire as the case may be shall be final and binding.

## **PENALTIES FOR INFRINGEMENT OF THE TERMS OF LICENCE**

8. A Licence granted under these rules shall be suspended or cancelled as the Board may decide, if a Licensee:-

- (1) violates any term of the licence, or
- (2) violates trading By-Laws of the Association, or
- (3) does not abide by the arbitration award given under these rules, or
- (4) absconds or suspends payment, or
- (5) becomes insolvent or of unsound mind, or
- (6) becomes a Member, or a licensee or a broker of any Association (other than the Karachi Cotton Association), purporting or proposing to control or regulate the Cotton dealings in Karachi of whatsoever nature, or deals in Cotton directly or indirectly, with any Member, licensee or broker of such an Association, or
- (7) remains absent from the Karachi Cotton Market for more than one year without taking leave of absence from the Karachi Cotton Association.

Upon the death of a licensee, his licence shall ipso facto be cancelled.

A licence once cancelled can not be renewed, and the individual whose licence is cancelled shall not be eligible for the grant of a new licence until one year after cancellation.

Suspension of a licence can be removed at the discretion of the Board upon payment of such penalty as the Board may impose, the penalty not exceeding Rs. 50/-.



### **TRANSFERABILITY**

(8) In the event of a licensed broker desiring to give up the Brokerage business and applying for transfer of the Licence to another person qualified to hold a licence, the Board may, in their absolute discretion, permit the transfer. Every transferee accepting a transfer shall pay Rs. 10,000/- as transfer fee which must accompany the application for transfer and the transferee shall be bound by the condition of the licence and rules and regulations of the Association in force from time to time including those relating to the disciplinary jurisdiction of the Karachi Cotton Association, over Licensed Brokers. The Board may invite objections from the trade against the transfer from and to a particular person before the transfer is sanctioned. Except as herein above provided every transfer of a licence shall be null and void.

### **JURISDICTION**

9. (1) All Brokers under these rules shall be amenable to jurisdiction of the Karachi Cotton Association, and in particular shall be subject to the disciplinary By-Laws of the Karachi Cotton Association.

(2) All fees, penalties, etc., payable under these rules and paid to the Karachi Cotton Association, shall be the property of the Karachi Cotton Association and no broker shall have any claim thereto.

### **AMENDMENT OF THESE RULES**

10. The Board may, at their discretion, at any time or from time to time, suspend, cancel, amend, or add to these rules.

**FORM OF APPLICATION FOR A COTTON BROKER'S LICENCE**

The Secretary,  
The Karachi Cotton Association,  
Karachi.

Dear Sir,

I hereby agree, if approved, to be a licenced Cotton Broker in terms of Article No. 13 of the Karachi Cotton Association, and undertake to conform to and be bound by the Memorandum and Articles of Association, the By-Laws of the Association in force from time to time, and the rules and regulations in force from time to time, governing this licence.

- (a) Name of the Applicant \_\_\_\_\_
- (b) Residential address in Karachi \_\_\_\_\_
- (c) Office address in Karachi \_\_\_\_\_
- (d) Native Place \_\_\_\_\_
- (e) Address at the Native Place \_\_\_\_\_
- (f) Name or Names of Partners \_\_\_\_\_
- Signature of the Applicant \_\_\_\_\_
- Date \_\_\_\_\_

We, the undersigned, being Members of the Karahi Cotton Association, certify that to the best of our information the details given above are true, and recommend the grant of the licence to the applicant.

Date \_\_\_\_\_ 20 \_\_\_\_\_

---

N.B. A licence fee of Rs. 5000/- and the renewal fee that may be fixed by the Board from time to time must accompany this application.

**FORM OF APPLICATION FOR TRANSFER OF A  
COTTON BROKER'S LICENCE**

The Secretary,  
The Karachi Cotton Association,  
Karachi.

Dear Sir,

I request you kindly to transfer to me the Certificate No \_\_\_\_\_ held by Mr. \_\_\_\_\_ and I hereby agree, if approved to be a licensed Cotton Broker in terms of Article No. 13 of the Karachi cotton Association, and undertake to conform to and be bound by the Memorandum and Articles of Association, the By-Laws of the Association in force from time to time governing this licence.

The sum of Rs. \_\_\_\_\_ being the amount of transfer fee is sent herewith.

- (a) Name of the Transferee \_\_\_\_\_
- (b) Residential address in Karachi \_\_\_\_\_
- (c) Office address in Karachi \_\_\_\_\_
- (d) Native Place \_\_\_\_\_
- (e) Address at the Native Place \_\_\_\_\_
- (f) Name or Names of Partners \_\_\_\_\_

Date \_\_\_\_\_ Signature of the Applicant \_\_\_\_\_

We, the undersigned being Members of the Karachi Cotton Association, certify that to the best of our information the details given above are true, and recommend the transfer of the licence to the applicant.

Date \_\_\_\_\_

I hereby declare that I desire to give up Cotton Brokerage Business and that my Certificate No.....be kindly transferred to Mr. \_\_\_\_\_

\_\_\_\_\_  
TRANSFERER

Date. \_\_\_\_\_

\_\_\_\_\_  
ATTESTED BY

**OFFICIAL FORM OF CLIENTS' CONTRACT NOTE**

No. C .....

Sold  
Bought for account of

\_\_\_\_\_

Bales \_\_\_\_\_

Cotton \_\_\_\_\_

\_\_\_\_\_

Rate \_\_\_\_\_

Delivery \_\_\_\_\_

Quality \_\_\_\_\_

\_\_\_\_\_

Measurement 36.256 ( M ) Shipping Metric Tonnes (32 Tons of 40 **cubic**. ft.) \_\_\_\_\_

\_\_\_\_\_

Pucca/Kacha Adat (Commission) \_\_\_\_\_

\_\_\_\_\_

Brokerage \_\_\_\_\_

Remarks \_\_\_\_\_

Karachi \_\_\_\_\_

**OFFICIAL FORM OF CLIENTS' CONTRACT NOTE**

Memo of Contract No. \_\_\_\_\_

Made in Karachi this \_\_\_\_\_ day of \_\_\_\_\_ **20**

To \_\_\_\_\_ of \_\_\_\_\_

I/We have this day sold/bought in Karachi by your order and for your account subject to the By-Laws of the Karachi Cotton Association, in force from time to time and subject also to my/our usual charges and terms of business \_\_\_\_\_

( \_\_\_\_\_ ) full pressed bales of \_\_\_\_\_

\_\_\_\_\_ Cotton, for delivery in Karachi

From \_\_\_\_\_ to \_\_\_\_\_

at the seller's option at the price of Rupees \_\_\_\_\_

**per 37.3245** Kilograms.

Delivery against Cash.

Measurement not to exceed 36.256 (M3) Shipping Metric Tonnes (32 tons of 40 c.ft.) per 100 bales if bound in iron hoops and in case of bales bound in any other permissible manner so much as may be prescribed from time to time by the Board.

Weight of **100 bales** to be dealt with under the By-Laws.

Pucca/ Kacha Adat (Commission) and brokerage at \_\_\_\_\_ to be paid by you to me/us.

Clearing House charges Rs. 5/- per **100 bales** to be paid by you to me/us.

I/We are not responsible for any errors in telegrams or for any delay in the transmission of telegrams.

This contract shall not be cancelled.

A margin of Rs \_\_\_\_\_ (or Rs \_\_\_\_\_ **per 100 B/s**) to be paid to and maintained with me/us until completion of this contract. Difference between the contract price and the market price arising against you owing to fluctuations of the market to be paid by you in cash to me/us in Karachi as and when they arise. In addition to the above, the deposit (not carrying interest) payable under By-Law 48A, namely, at a rate per bale as laid down the said By-Law shall, when demanded be made by you to me/us in Karachi.

In the event of our executing orders without margin money we shall not be deemed to have waived our right to insist on payment of margin money.

Cotton for tender against forward sales or failing Cotton, sufficient money to enable me/us to purchase suitable cotton for tender must be provided by you and in my/our hands at least five working days before the last date on which cotton is tender-able, or in the case of open purchases sufficient money to enable me/us to take delivery of the cotton when tendered must be provided by you and in my/our hands before the first day of the month of delivery failing the receipt of the money it shall be optional with me/us to either close the contract or part thereof immediately or at such later time as, I/We may deem fit or to take delivery of the cotton tendered without giving you any further notice notwithstanding any objections or instructions to the contrary.

If you fail to comply with any of the above terms and conditions or to sign and return the annexed Confirmation Note within three days, after receipt of this advice, I/We shall be at liberty to buy back/sell out the cotton at the market rate without consulting you and at your risk any time or other indulgence given to be for your account and risk.

In the event of any dispute arising between you and me/us out of this transaction the matter shall be referred to arbitration as provided by By-Laws No. 33 and 39 of the Karachi Cotton Association.

Every sale and/or purchase made subject to these By-Laws shall be construed and take effect as a contract wholly made and completely to be fulfilled in Karachi.

**(OFFICIAL FORM OF CLIENTS' CONTRACT NOTE (CONTD.))**

**(R E V E R S E)**

**EXTRACT FROM KARACHI COTTON ASSOCIATION BY-LAWS**

"All disputes as to quality of cotton tendered against a hedge contract or a delivery contract or a special contract or against a ready transaction between a buyer and a seller (including such disputes between a member and a non-member) shall be referred (in manner to be prescribed by the Board from time to time) to the arbitration of a Survey Committee to be prescribed and appointed by the Board from time to time. The award made by such Survey Committee shall be final and binding, subject only to a right of appeal to the Appeal Committee or in respect of American cotton to the Special Appeal Committee whose award shall be final and binding."

"All disputes as to damaged cotton or false packed cotton between a buyer and a seller (including such disputes between a member and a non-member) shall be referred to the arbitration of two disinterested arbitrators, each party choosing their own arbitrator. The arbitrators will have power to appoint an umpire. The arbitrators and the umpire shall be chosen from a panel of arbitrators to be appointed by the Board from time to time. The award made by the arbitrators or the umpire as the case may be shall be final and binding, subject only to a right of appeal to the Appeal Committee whose decision shall be final and binding."

Any dispute arising out of a ready transaction or out of a forward contract other than on the question of class and/or staple of the cotton tendered but including the construction of the official forward contract forms shall be referred to the arbitration of any two disinterested members from the Panel of Arbitrators referred to in By-Laws 39-I (a) 39-I (b) one to be appointed by each party. If one of the parties to the contract fails to appoint an arbitrator, after having received fifteen clear days notice from the other party to do so, the party who has appointed an arbitrator, shall have power to appoint the second arbitrator, both of whom shall then proceed to deal with the question at issue. In case the two arbitrators are unable to agree the matter shall then be referred to an umpire, who shall be nominated by the two arbitrators from among the Panel of Arbitrators. In the event of two arbitrators being unable to agree as to the name of the umpire, the Board shall appoint an umpire, from among the panel of arbitrators. The decision of the arbitrators or umpire shall be final and binding on the parties to the contract.

**OFFICIAL FORM OF CLIENTS' CONTRACT NOTE**

Confirmation of Contract No. \_\_\_\_\_

Made in Karachi on \_\_\_\_\_

Messrs \_\_\_\_\_

I/We hereby confirm having sold/bought through you in Karachi subject to the By-Laws of the Karachi Cotton Association, and subject also to your usual terms, charges and conditions of business \_\_\_\_\_ ( \_\_\_\_\_ ) full-pressed bales of \_\_\_\_\_ cotton for delivery in Karachi from \_\_\_\_\_ to \_\_\_\_\_ at the seller's option at the price of Rupees \_\_\_\_\_ **per 37.3245 Kilograms.**

I/We have entered into this transaction through you on my/our own account and not on account of any other person whomsoever.

I/We undertake to abide by all the By-Laws of the Karachi Cotton Association, and to comply with all your terms and conditions of business and I/We hereby authorize you in the event of my/our failing in this undertaking, to close this contract or any portion thereof at your option (without obligation) for my/our account either immediately or at such later time as you may deem fit without giving me/us any further notice notwithstanding any objections and/or instructions from me/us to the contrary.

In the event of any dispute arising between you and me/us out of this transaction, I/We agree to put the matter to arbitration as provided by By-Laws Nos. 33 and 39 of the Karachi Cotton Association, and to abide by the arbitration award.



**OFFICIAL FORM FOR FORWARD CONTRACT**

**CONTRACT NOTE**

No. \_\_\_\_\_

Karachi \_\_\_\_\_ **20**

BUYER \_\_\_\_\_

SELLER \_\_\_\_\_

We have this day sold to you subject to the By-Laws of the Karachi Cotton Association,  
( \_\_\_\_\_ ) bales of \_\_\_\_\_

cotton at Rs \_\_\_\_\_ **per 37.3245 Kilograms.** delivered in full-pressed bales  
in Karachi.

Measurement 36.256 (Shipping Metric Tonnes (M3) (32 tons of 40 cubic feet) per 100  
bales if bound in iron hoops and in case of bales bound in any other permissible manner so much  
as may be prescribed from time to time by the Board of the Association.

Delivery from \_\_\_\_\_  
to \_\_\_\_\_ at seller's option.

The quality to be Grade 3 which means the standard Grade 3 box prepared /adopted by  
the Karachi Cotton Association for each kind of tender-able cotton.

This Contract shall not be cancelled.

All disputes of whatsoever nature shall be referred to arbitration in terms of arbitration  
clause contained in By-Laws No. 33 and 39.

This Contract is subject to periodical clearance as prescribed by the Board from time to  
time.

Remarks

Brokers

Buyer

**OFFICIAL FORM FOR FORWARD CONTRACT**

**CONTRACT NOTE**

No. \_\_\_\_\_

Karachi \_\_\_\_\_ **20**

BUYER \_\_\_\_\_

SELLER \_\_\_\_\_

We have this day sold to you subject to the By-Laws of the Karachi Cotton Association,  
( \_\_\_\_\_ ) bales of \_\_\_\_\_

cotton at Rs \_\_\_\_\_ **per 37.3245 Kilograms.** delivered in full-pressed bales  
in Karachi.

Measurement 36.256 (Shipping Metric Tonnes (M3) (32 tons of 40 cubic feet) per 100  
bales if bound in iron hoops and in case of bales bound in any other permissible manner so much  
as may be prescribed from time to time by the Board of the Association.

Delivery from \_\_\_\_\_  
to \_\_\_\_\_ at seller's option.

The quality to be Grade 3 which means the standard Grade 3 box prepared /adopted by  
the Karachi Cotton Association for each kind of tender-able cotton.

This Contract shall not be cancelled.

All disputes of whatsoever nature shall be referred to arbitration in terms of arbitration  
clause contained in By-Laws No. 33 and 39.

This Contract is subject to periodical clearance as prescribed by the Board from time to  
time.

Remarks

Brokers

Seller

**OFFICIAL FORM FOR DELIVERIES AGAINST  
DELIVERY CONTRACTS**

No. \_\_\_\_\_ Karachi \_\_\_\_\_ **20**

Time for Arbitration expires on \_\_\_\_\_ **20**

To

\_\_\_\_\_  
\_\_\_\_\_

Please deliver to \_\_\_\_\_

\_\_\_\_\_ bales of \_\_\_\_\_ cotton

sold as \_\_\_\_\_

as specified below, lying in \_\_\_\_\_

and take a receipt for the same.

Against Contract No. \_\_\_\_\_ Date \_\_\_\_\_

<b>Mark</b>	<b>Bales</b>	<b>Price</b>	<b>Terms</b>

Signature \_\_\_\_\_

**The Karachi Cotton Association**  
**COTTON CLEARING HOUSE**  
 Settlement Statement

Karachi \_\_\_\_\_ **20**

Messrs \_\_\_\_\_ Settlement due \_\_\_\_\_ **20**

This Statement shows:- The number of bales on Contract with you for the Purchase and/or Sale of Cotton for Forward Delivery which we carried forward from last Settlement and the Purchases from and/or Sales to you which we made prior to to-day.

It is agreed that payment or receipt of the Cash balances specified below shall be accepted in fulfillment and termination of such Contracts for the Purchase and Sale of equal quantities of Cotton for Delivery during this Statement identical periods as shown to be closed.

Date of contract or last Settlement	Name of Contract	No of Bales in <b>100's</b>		Price of Contract or Settlement Prices	No. of bales C/Forward		PAYMENT DUE			INTEREST							
		Bought from you	Sold to you		Bought from you	Sold to you	in our favor	in your favor	DUE DATE	Days	In our favor	in your favor					

E.&O.E.

Signature .....

Signature .....

Reg. No. \_\_\_\_\_

**The Karachi Cotton Association**  
**COTTON CLEARING HOUSE**

Settlement dated \_\_\_\_\_ **20**

Messrs \_\_\_\_\_

Please Claim at the above settlement:-

Rs. \_\_\_\_\_

(Amount in words) \_\_\_\_\_

Signature \_\_\_\_\_

N. B. Members should also show the amount in words.

**The Karachi Cotton Association  
COTTON CLEARING HOUSE**

Karachi \_\_\_\_\_ 20

BALANCE SHEET OF Messrs \_\_\_\_\_

<b>Due to us</b>	<b>Rs.</b>	<b>Due from us</b>	<b>Rs.</b>
Balance paid into Bank		Balance payable by Cotton Clearing House	
Total Rupees		Total Rupees	

Voucher for all claims appearing in above column must accompany this statement in order to avoid delay in payment of Settlement.

Certified Correct for purposes of Settlement.

Signature \_\_\_\_\_

**THE KARACHI COTTON ASSOCIATION  
COTTON CLEARING HOUSE**

**INSTRUCTION FORM**

From \_\_\_\_\_ to THE COTTON CLEARING HOUSE

Please act for us in the disposal of Tenders against the following contracts  
For \_\_\_\_\_ Cotton \_\_\_\_\_ Delivery:-

Date \_\_\_\_\_ Signature \_\_\_\_\_  
(To be signed by a principal)

**THE CLEARING HOUSE IS NOT RESPONSIBLE FOR ERRORS**

C. H. D/O No.	Bought from	Contract No.	Delivery Order rate	Settlement or Purchase Price	Sold to	Contract No.	Delivery Order rate	Settlement of Sale Price	C.H. D/O No.

Note:- Each Contract entered above is to be for **100 Bales** and the price must invariably be written in full against each entry.

**THE KARACHI COTTON ASSOCIATION  
COTTON CLEARING HOUSE  
OFFICIAL DELIVERY ORDER FORM**

(Original Tenderer)

\_\_\_\_\_

(Tendered \_\_\_\_\_)

Karachi \_\_\_\_\_ **20**

Time for Arbitration expires on \_\_\_\_\_ **20**

To Messrs \_\_\_\_\_

I/We beg to tender to you against my/our Contract with you dated the \_\_\_\_\_  
\_\_\_\_\_, the Cotton specified below, the Pucca Delivery Order Form for which  
I/We have this day lodged with the Cotton Clearing House.

**PARTICULARS OF TENDER**

**100 Bales** of \_\_\_\_\_ Cotton, lying in \_\_\_\_\_

Marks	Contract or last Settlement Price	Terms

I/We desire that this cotton shall be surveyed under the following standard:-

\_\_\_\_\_

(Signature) \_\_\_\_\_



**THE KARACHI COTTON ASSOCIATION  
COTTON CLEARING HOUSE  
OFFICIAL DELIVERY ORDER FORM**

(Original Tenderer)

\_\_\_\_\_

(Tendered \_\_\_\_\_) Karachi \_\_\_\_\_ **20**

Time for Arbitration expires on \_\_\_\_\_ **20**

To Messrs \_\_\_\_\_

I/We beg to tender to you against my/our Contract with you dated the \_\_\_\_\_, the cotton specified below, the Pucca Delivery Order Form for which I/We have this day lodged with the Cotton Clearing House

**PARTICULARS OF TENDER**

**100 Bales** of \_\_\_\_\_ Cotton, lying in \_\_\_\_\_

Marks	Contract or last Settlement price	Terms

I/We desire that this cotton shall be surveyed under the following standard:-

\_\_\_\_\_

(Signature) \_\_\_\_\_

<u>No.1</u> Price	To..... D..... <b>20</b>	<u>No. 3</u> Price	To..... D..... <b>20</b>
<u>No.2</u> Price	To..... D..... <b>20</b>	<u>No. 4</u> Price	To..... D..... <b>20</b>

**THE KARACHI COTTON ASSOCIATION  
COTTON CLEARING HOUSE  
OFFICIAL DELIVERY ORDER FORM**  
(Notice to Plinth Keepers)

Karachi \_\_\_\_\_ 20

To \_\_\_\_\_

I/We have this day tendered the Cotton specified below the Pucca Delivery Order Form for which has been lodged with the Cotton Clearing House.

**PARTICULARS OF TENDER**

**100 Bales of** \_\_\_\_\_ Cotton

Where lying \_\_\_\_\_

Marks \_\_\_\_\_

\_\_\_\_\_

Signature \_\_\_\_\_

\_\_\_\_\_

**To be filled in by th Association**

This Delivery Order has been passed on to the Last Buyers

Messrs \_\_\_\_\_

\_\_\_\_\_

Karachi.

**THE KARACHI COTTON ASSOCIATION  
COTTON CLEARING HOUSE  
PUCCA DELIVERY ORDER**

Karachi \_\_\_\_\_ **20**

First Seller \_\_\_\_\_

Last Buyer\* \_\_\_\_\_

Time for Arbitration expires on \_\_\_\_\_ **20**

To.

\_\_\_\_\_  
\_\_\_\_\_

Please deliver to\*

**100 Bales** of \_\_\_\_\_ Cotton

as specified below, lying in \_\_\_\_\_

and take a receipt for the same.

Against Contract No. \_\_\_\_\_ dated \_\_\_\_\_

Marks	Contract or last Settlement Price	Terms

The Cotton is to be surveyed under the following Standard:

\_\_\_\_\_  
(Signature) \_\_\_\_\_

\* N.B. Last buyer's name to be filled in by Clearing House Each tender to be **100 bales**.

**THE KARACHI COTTON ASSOCIATION  
COTTON CLEARING HOUSE  
PUCCA DELIVERY ORDER**

Karachi \_\_\_\_\_ **20**

First Seller \_\_\_\_\_

Last Buyer\* \_\_\_\_\_

Time for Arbitration expires on \_\_\_\_\_ **20**

To.

\_\_\_\_\_  
\_\_\_\_\_

Please deliver to\* \_\_\_\_\_

**100 Bales** of \_\_\_\_\_ Cotton

as specified below, lying in \_\_\_\_\_

and take a receipt for the same.

Against Contract No. \_\_\_\_\_ dated \_\_\_\_\_

Marks	Contract or last Settlement Price	Terms

The Cotton is to be surveyed under the following Standard:

\_\_\_\_\_

(Signature) \_\_\_\_\_

Passed on to be Last Buyer Messrs \_\_\_\_\_

by their immediate Sellers Messrs \_\_\_\_\_

at Rs \_\_\_\_\_

Karachi,

Secretary

\* N.B. Last buyer's name to be filled in by Clearing House Each tender to be **100 bales**.

**THE KARACHI COTTON ASSOCIATION  
COTTON CLEARING HOUSE  
ACCEPTANCE LETTER**

Karachi \_\_\_\_\_

We confirm having done the following business in hedge contract, subject to the By-Laws of the Karachi Cotton Association, and in case unprovided for by the By-Laws of the Karachi Cotton Association, in accordance with the usage of the Karachi Cotton Market and By-Laws of the Karachi Cotton Association, relating to Insolvency, Suspension of Payment, etc.

Date of Contract	Hedge Contract	Quantity	Rate per <b>37.3245 Kgs</b>	Delivery Month	Name of the . Buyer	Name of the Seller

1. \_\_\_\_\_  
Signature of the Buyer's Broke  
(Broker Licence No \_\_\_\_\_)

1 \_\_\_\_\_  
Signature of the Buyer

2. \_\_\_\_\_  
Signature of the Seller's Broker  
(Broker Licence No. ....)

2. \_\_\_\_\_  
Signature of the Seller

Note:- This Acceptance Letter shall be prepared by the Seller's Broker.

1. This contract shall not be cancelled by the contracting parties but shall be subject to ringing out as per relevant By-Laws of the Karachi Cotton Association.

2. All disputes arising out of this contract shall be subject to the relevant By-Laws of the Karachi Cotton Association.

NOTE:- This contract (acceptance letter) shall be signed by the contracting brokers and responsible representatives duly authorized in writing by the contracting members in this behalf.

**THE KARACHI COTTON ASSOCIATION**

**COTTON CLEARING HOUSE**

CONFIDENTIAL

Particulars of my/our Net Open Position in respect of \_\_\_\_\_ contracts with other members entitled to the use of the Clearing House at the close of business on \_\_\_\_\_ together with Profit and Loss worked out thereon.

Total cumulative Loss since last settlement Rs. \_\_\_\_\_ Previous Losses Paid since last settlement \_\_\_\_\_ Previous Profit Accrued since last settlement \_\_\_\_\_ Delivery Month \_\_\_\_\_

Total cumulative Profit since last settlement Rs \_\_\_\_\_ Rs \_\_\_\_\_ Rs. \_\_\_\_\_

Serial No.	Bought from	No. of Bales	Contract Rate	Loss	Profit	Sold to	No. of Bales	Contract Rate	Loss	Profit
	Total....					Total o...				

<u>Last Closing Rate</u>	1	2	3	Net open Position... ..... B/s. ..... Long/Short  ..... Signature of Members
Rs. _____	Previous Net Opening Position	On Today's Business	Net of Column 1 & 2	
<u>To-day's Closing Rate</u>	LONG      SHORT			
Rs. _____	Profit	Profit	Profit	
Date. _____	Loss Rs. _____	Loss Rs. _____	Loss Rs. _____	



Reg. No. \_\_\_\_\_ From No. 10

**THE KARACHI COTTON ASSOCIATION  
COTTON CLEARING HOUSE**

Confirmation Slip for Weekly Ringing out  
Contracts for the week ending \_\_\_\_\_

At the close of my/our business in respect of  
Hedge Contract for \_\_\_\_\_

Delivery, I/We confirm having sold \_\_\_\_\_

Bales at Rs. \_\_\_\_\_ to Messrs \_\_\_\_\_

\_\_\_\_\_

Countersigned by the Buyer      Signature of the Seller

\_\_\_\_\_

Reg. No. \_\_\_\_\_ From No. 10

**THE KARACHI COTTON ASSOCIATION  
COTTON CLEARING HOUSE**

Confirmation Slip for Weekly Ringing out  
Contracts for the week ending \_\_\_\_\_

At the close of my/our business in respect of  
Hedge Contract for \_\_\_\_\_

Delivery, I/We confirm having sold \_\_\_\_\_

Bales at Rs. \_\_\_\_\_ to Messrs \_\_\_\_\_

\_\_\_\_\_

Countersigned by the Buyer      Signature of the Seller

\_\_\_\_\_

Note:- This confirmation slip shall be prepared by the Seller



From,

Messrs: \_\_\_\_\_

Karachi \_\_\_\_\_

Date \_\_\_\_\_

To,

The Secretary,  
The Karachi Cotton Association,  
Karachi.

Dear Sir,

**CONFIRMATION OF ACCEPTANCE LETTERS**

We are forwarding herewith Acceptance Letters specified below, for checking and confirmation as required by the Clearing House of the Association.

Please return the Acceptance Letters after done with.

Yours faithfully,

(To be signed by a  
responsible  
representative of the firm)

Encl,

\_\_\_\_\_ A/L for \_\_\_\_\_ B/s.

**THE KARACHI COTTON ASSOCIATION**  
**(COTTON CLEARING HOUSE)**

Telephone No. 2412570/2416497

Karachi \_\_\_\_\_

Messrs \_\_\_\_\_  
Karachi.

Dear Sirs,

I am forwarding herewith the Acceptance Letters, specified below, received by the Clearing House for being forwarded to you under the rules of the Association.

I believe they will be found in order. If, however, there are any discrepancies, they should be intimated to Clearing House immediately.

Yours faithfully,

Secretary

Encls:-

\_\_\_\_\_A/Ls for \_\_\_\_\_B/s

**THE KARACHI COTTON ASSOCIATION**

The Cotton Exchange,  
I. I. Chundrigar Road,

Telephone No. 2412570/2416497

Karachi \_\_\_\_\_ **20**

From  
The Secretary,  
The Karachi Cotton Association,  
(Cotton Clearing House),  
Karachi.

To  
Messrs \_\_\_\_\_  
Karachi.

Dear Sirs,

With reference to the Weekly Clearing held on \_\_\_\_\_ and subsequent ringing out as per your Compulsorily Ringing Out Form No. 9 dated \_\_\_\_\_ I have to inform you that your position at the close of your business as on \_\_\_\_\_ in respect of \_\_\_\_\_ Delivery being squared is rung out, at Rs. \_\_\_\_\_

Yours faithfully,

Secretary

**THE KARACHI COTTON ASSOCIATION**

The Cotton Exchange,  
I. I. Chundrigar Road,

Telephone No. 2412570/2416497

Karachi \_\_\_\_\_ 20

From  
The Secretary,  
Karachi Cotton Association,  
(Cotton Clearing House),  
Karachi.

To  
Messrs \_\_\_\_\_  
Karachi.

Dear Sirs,

With reference to Weekly Clearing held on \_\_\_\_\_ and  
subsequent ringing out as per your Compulsorily Ringing Out Form No. 9 dated \_\_\_\_\_  
\_\_\_\_\_ I have to inform you that your net open sales position for \_\_\_\_\_  
\_\_\_\_\_ bales in Saw Ginned Grade 3 Hedge Contract in respect of \_\_\_\_\_  
\_\_\_\_\_ Delivery at the close of your business as on \_\_\_\_\_  
\_\_\_\_\_ has been adjusted against the following buyers at Rs. \_\_\_\_\_

Serial No.	Name	No. of bales

Yours faithfully,

Secretary

**THE KARACHI COTTON ASSOCIATION**

The Cotton Exchange,  
I. I. Chundrigar Road,

Telephone No. 2412570/2416497

Karachi \_\_\_\_\_ 20

From  
The Secretary,  
Karachi Cotton Association,  
(Cotton Clearing House),  
Karachi.

To  
Messrs \_\_\_\_\_  
Karachi.

Dear Sirs,

With reference to Weekly Clearing held on \_\_\_\_\_ and subsequent ringing out as per your Compulsorily Ringing Out Form No. 9 dated \_\_\_\_\_ I have to inform you that your net open purchases position for \_\_\_\_\_ bales in Fine Machine Saw Ginned Grade 3 Hedge Contract in respect of \_\_\_\_\_ Delivery at the close of your business as on \_\_\_\_\_ has been adjusted against the following sellers at Rs. \_\_\_\_\_

Serial No.	Name	No. of bales

Yours faithfully,

Secretary

Official  
Factory Selection Contract Form  
of  
The Karachi Cotton Association

No \_\_\_\_\_ Karachi \_\_\_\_\_

1. This Contract is a transferable/non-transferable Contract

Buyers \_\_\_\_\_

Sellers \_\_\_\_\_

We have this day sold to/bought from you.

2. Quantity \_\_\_\_\_ (B/S)

\_\_\_\_\_ Bales of Cotton

100 B/s. 17.000 Metric Tonnes

(a) Variation of plus/minus 3% of 170 Kilograms per bale allowed.

(b) Differences on weight beyond variation limits to be paid or received at the official spot rate of the Karachi Cotton Association, on the days of weighment.

(c) Extra allowance for short weights will be governed by the By-Law No. 117 of the Karachi Cotton Association, as amended from time to time and allowance will be paid by seller to buyer at the rate in force on the day of weighment.

3. QUALITY:- Buyer's Selection. Fair average quality \_\_\_\_\_ of the period of contract free from 3rd picking of \_\_\_\_\_ station in sound, dry and merchantable condition, Ginning at \_\_\_\_\_ Pressing at \_\_\_\_\_

PRICE: Rs..... (in words Rupees ..... **per 37.3245 Kilograms** F.O.R. Karachi **plus Sales Tax, if any.**

5. WEIGHMENT:- At buyer's plinth at Karachi within 5 working days of unloading of cotton. If the buyer fails to weigh within 5 days, factory weight notes will be final. In case the seller does not send his representative for weighment, the buyer after giving 48 hours notice in writing will weigh over and buyer's weight will be final. Insurance at sellers' plinth will be covered by the sellers and at buyers' plinth by the buyers.

6. DELIVERY:- F. O. R. Karachi to be delivered in buyer's plinth delivery from \_\_\_\_\_ to \_\_\_\_\_ as under:-

(a) The pressing to be completed at up-country station five days earlier than the date of delivery, for Sind stations and seven days earlier for Punjab and Bahawalpur State stations. If the buyer declares when the cotton is ready that it is for dispatch to a destination other than Karachi, the weighment shall be done at the factory and the seller shall take out R/R accordingly. Freight and Terminal Tax shall be adjusted while no transit insurance charge shall be made to the seller. The seller to inform the buyer at least seven days before the date of selection of kapas and commencement of ginning at the factory. In case the buyer's representative does not report at the factory on the appointed date, the seller will gin and press cotton on account of the buyer.

(b) On production of documentary or reliable evidence, due allowance will be given to the seller for non-availability of wagons.

7. **PRESSING:** In accordance with the rules and regulations laid down by the Karachi Cotton Association, from time to time.

8. **INSURANCE:** Sellers shall cover Rail Transit Insurance up to buyers plinth.

## **PAYMENT**

(a) At Karachi 90% of the contract value as advance against the R/R accompanied by Insurance Cover and Factory Weight Note and final account shall be settled in accordance with the By-Laws of the Karachi Cotton Association, thereafter. In case the seller consigns the cotton to his own plinth, the buyer shall take delivery within 7 days of receipt of the notice of arrival against payment. The seller will bear all expenses of loading and delivery charges up to the buyer's plinth. In the event of the buyer failing to take delivery within 7 days, the seller will weigh over after giving 48 hours' notice in writing which weight will be final. The buyer will bear all expenses of weighment, insurance, plinth-rent and interest under the By-Laws of the Karachi Cotton Association, from the date of weighment.

(b) The seller shall dispatch cotton strictly in accordance with the priority established in the order of pressing and as applicable to the declared destination and shall maintain a priority register thereof. The penalty for the breach of priority shall be **(Re. 1/-) per 37.3245 Kilograms** applicable on the quantity given precedence and which shall be divided equally between the intermediate parties.

(c) Refusal to pay 90% of the contract value as advance will be dealt with under By-Laws of the Karachi Cotton Association.

10. **CONDITIONS:** The buyers have to select kapas and supervise ginning (which must be free from seeds and cut-seeds), and pressing which shall be done at sellers' risk as is customary. Kapas to be dried and yellow to be picked at sellers' expenses, as customary. If the factory possesses F. E. C. & Cotton Opener, the kapas and the cotton lint will be passed through the above, if desired by the buyers.

11. CLEARING

(a) In case of Factory Selection Contract being a non-transferable delivery contract, the transactions concerning the contract will not be subject to the payment of any clearing differences.

(b) In case of Factory Selection Contract being a transferable delivery contract, all settlements of differences up or down between the inter-mediatory parties shall be made as defined by the Karachi Cotton Association, from time to time.

(c) The Factory Selection Contract originally entered into as transferable or non-transferable delivery contract, as the case may be, will not be inter-changeable at any step or stage during the period of contract.

12. ARBITRATION:- All disputes to be referred to arbitration under rules of the Karachi Cotton Association, Karachi. This contract is subject to the By-Laws of the Karachi Cotton Association, in force from time to time.

Sellers\_\_\_\_\_

Brokers\_\_\_\_\_

Buyers\_\_\_\_\_



**FORM OF APPLICATION FOR MEMBERSHIP**

To,  
The Secretary,  
The The Karachi Cotton Association,  
Karachi.

Dear Sir,

I/We hereby agree, if elected to become a member/members of the Karachi Cotton Association, and undertake to conform to and be bound by the Memorandum and Articles of Association and the By-Laws of the Association in force from time to time and to be liable for all periodical Settlements at whatever dates in respect of all contracts entered into by me/us prior to ceasing to be a member/members whether by resignation or otherwise.

- (a) i) Name of Person, Firm or Company applying for Membership \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
- ii) State whether Sole Proprietary concern, Joint Hindu Family concern, Partnership concern or a Limited Liability Company \_\_\_\_\_  
\_\_\_\_\_
- iii) In case of a Limited Liability Company, State:  
AUTHORIZED CAPITAL \_\_\_\_\_  
  
SUBSCRIBED CAPITAL \_\_\_\_\_  
  
PAID UP CAPITAL \_\_\_\_\_
- iv) Name or Names of Bank or Banks \_\_\_\_\_
- (b) i) Full Office Address and Phone No. in Karachi \_\_\_\_\_  
\_\_\_\_\_
- ii) Residential Address in Karachi \_\_\_\_\_
- (c) List of all Branch Establishments both in Pakistan and abroad, state which is the Head Office \_\_\_\_\_

- (d) i) Name of the Sole Proprietor in case of a Joint Hindu Family, the name of Karta  
\_\_\_\_\_
- ii) Names of Partners, or in case of a Limited Liability Company, names of Directors and/or Managers \_\_\_\_\_  
\_\_\_\_\_
- iii) Name of Munim or Munims or other representatives  
\_\_\_\_\_
- (e) Name or names of Branches, Firms or Companies, in or outside Pakistan, which the applicant is also a partner or a Sole proprietor
- (f) i) Nature of business , if various, specify main business or businesses \_\_\_\_\_  
\_\_\_\_\_
- ii) Since when have you a place of business in Karachi (specify period)\_\_\_\_\_  
\_\_\_\_\_
- iii) Since when have you been dealing in actual cotton and where? (Specify period & place) \_\_\_\_\_  
Attach documentary proofs regarding your cotton transaction within the last two years \_\_\_\_\_
- iv) State if member of any other Association in Karachi controlling or dealing in raw cotton, in your own name or as Partner, Director or Managing Director of any other concern \_\_\_\_\_  
\_\_\_\_\_
- (g) Applicant's relationship to the Firm or Company on whose behalf he applies (whether Partner, Director, Munim, Manager or duly authorized representative) \_\_\_\_\_  
\_\_\_\_\_

I/We hereby, if elected as Member/Members, appoint \_\_\_\_\_  
\_\_\_\_\_ as my/our authorized representative and \_\_\_\_\_  
\_\_\_\_\_ as my/our nominated representatives under and for the purpose of Articles 16/A and 16/C respectively.

Signature of person making the application \_\_\_\_\_

Date \_\_\_\_\_

We, the undersigned being members of the Karachi Cotton Association, do respectively propose and second the above-named as an applicant for Membership.

Proposer: \_\_\_\_\_

Secunder: \_\_\_\_\_

Date. \_\_\_\_\_ 20

Note:- (1) A deposit of **Rs 100,000/-** for Membership under Article 7 and Rs. 350,000/- for Membership under Article 5 (c), as the case may be and the Annual Subscription fixed by the Board together with **Rs. 20,000/-** admission fee must be paid with the application.

(2) In case of a Partnership concern, the Partnership Deed (Original) together with its Photostat Copy be forwarded along with the application. The Photostat Copy will be retained in the office for record while the Original Partnership Deed may be collected by the Party on the disposal of the application.

(3) In case of a Limited Liability Concern, a copy of Memorandum and Articles of Association and a certificate from the Auditors of the Company, certifying the Paid Up Capital of the applicant be forwarded along with the application.

(4) In case of Sole Proprietary concern, a declaration on Rs. 20/- Stamp Paper duly attested by a First Class Magistrate be forwarded with the application.

Registered No \_\_\_\_\_ Elected \_\_\_\_\_

Deposit paid on \_\_\_\_\_ Board Res. No. \_\_\_\_\_

Date \_\_\_\_\_

**AFFIX HERE  
SPECIAL ADHESIVE  
STAMP (COURT FEES)**

To,  
The Board of Directors of the

**KARACHI COTTON ASSOCIATION**

Gentlemen,

We (names of existing registered partners) \_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_ carrying on business under the style and firm of \_\_\_\_\_  
which firm so constituted is a Member of the Karachi Cotton Association, do hereby intimate to you.

That the personnel of the said firm has been changed as from \_\_\_\_\_  
\_\_\_\_\_ day of 20 by the resignation of (names of partners resigning) \_\_\_\_\_  
\_\_\_\_\_ any by the admission into partnership of (names of new partners)  
\_\_\_\_\_

That as from the \_\_\_\_\_ day of \_\_\_\_\_ 20  
the firm's name has been changed from \_\_\_\_\_  
\_\_\_\_\_ to \_\_\_\_\_

In the event of your agreeing to record such change in the personnel and change in firm name and to continue the Membership of the said firm as differently constituted and under such altered firm name as aforesaid without a fresh application for Membership and without any fresh deposit WE the said (all the partners except the retiring partner) \_\_\_\_\_  
\_\_\_\_\_

DO HEREBY JOINTLY AND SEVERALLY UNDERTAKE to conform to and be bound by the Memorandum and Articles of Association and the By-Laws of the Association in force from time to time and to accept responsibility for the liabilities arising out of cotton transactions made by the said firm prior to the said change in personnel and name.

AND WE the said (names of all partners as well as of retiring partner) \_\_\_\_\_  
DO HEREBY JOINTLY AND SEVERALLY AGREE that the deposit standing in the name of the said firm of \_\_\_\_\_  
shall be subject to all liabilities both of the said firms as constituted before the said change(s) and as now constituted.

Yours faithfully,

\_\_\_\_\_  
\_\_\_\_\_

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# **THE KARACHI COTTON ASSOCIATION**



**BY-LAWS AND RULES**  
AS AMENDED 31<sup>ST</sup> MARCH, 2005