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PUBLIC CONSULTATION SUBMISSION

Subject: Comments and Suggestions on Draft Mineral Exchange Rules, 2026

Prefatory Note: *LexMentor Legal Research and Policy Advisory is a legal research and policy engagement platform committed to advancing evidence-based scholarship on resource governance, constitutional law, and regulatory policy in India. We welcome the Ministry of Mines' initiative to publish the Draft Mineral Exchange Rules, 2026, for public consultation pursuant to the insertion of Section 18B in the Mines and Minerals (Development and Regulation) Act, 1957 vide the MMDR Amendment Act, 2025, effective 1st September 2025. We commend the Ministry for conducting this consultative exercise and submit the following recommendations in the spirit of constructive engagement.*

I. On the Objectives and Scope of Application (Rules 3 and 4)

Observation: Rule 3(2) explicitly excludes instruments regulated by SEBI under the Securities Contracts (Regulation) Act, 1956. However, the boundary between commodity derivatives and physical delivery-based mineral contracts may, in practice, be unclear, particularly for processed mineral forms and metals that are also traded as commodity derivatives on SEBI-regulated exchanges.

Recommendations:

- The Ministry should, in coordination with SEBI and the Indian Bureau of Mines (IBM), issue a joint clarificatory circular delineating the precise boundary between SEBI-regulated commodity derivatives and IBM-regulated delivery-based mineral contracts.
- Rule 4 should expressly include price transparency and market accessibility for MSMEs and small mining lessees as stated objectives, so that the mineral exchange does not become accessible only to large corporate entities.

II. On Net Worth Requirements and Inclusivity (Rule 11)

Observation: The minimum net worth threshold of Rs. 50 crore for a mineral exchange, while appropriate for ensuring financial stability, may limit entry to well-capitalised corporate entities only. No provision exists for a phased entry mechanism or lower-threshold pilot exchanges for specific minerals or regional clusters.

Recommendations:

- The Rules should empower the IBM to prescribe tiered net worth requirements based on the scale, geographic coverage, or commodity type of the proposed exchange, consistent with the tiered model under SEBI's stock exchange framework.
- A sunset clause or periodic review mechanism should be introduced so that the Rs. 50 crore threshold is regularly reassessed in line with economic conditions.

III. On Ownership Structure and Demutualisation (Rule 12)

Observation: Rule 12 correctly adopts a demutualised ownership model. However, the five-year window for non-member shareholders to divest shareholdings exceeding 25% may create temporary governance risks during the transition period.

Recommendations:

- The Rules should require that during the transition period, mineral exchanges file quarterly governance compliance reports with the IBM.
- A clearer definition of "persons acting in concert" that draws not only from SEBI's Takeover Code but also from competition law principles under the Competition Act, 2002, would strengthen the anti-concentration framework.

IV. On Governance and Board Composition (Rules 14 and 15)

Observation: Rule 14(3) requires that independent directors represent diverse fields, including law, finance, economics, and mineral administration. However, there is no explicit mandate for representation from environmental experts or tribal community representatives, which is a notable gap given that mineral extraction directly affects these communities.

Recommendations:

- At least one independent director should have demonstrable experience in environmental law, tribal rights, or community welfare, consistent with the constitutional protections afforded under

Articles 244 and 338A of the Constitution of India and the Panchayats (Extension to Scheduled Areas) Act, 1996.

- The disqualification criteria under Rule 15 should be expanded to explicitly include persons with undisclosed conflicts of interest arising from shareholding in mining companies or mineral-dependent industries.

V. On Price Discovery and Market Manipulation (Rule 21 and Definitions)

Observation: The definition of "market manipulation" under Rule 2(1)(x) is modelled substantially on securities market jurisprudence. However, the physical commodity market operates differently from financial markets. Legitimate supply-side actions, such as a miner temporarily curtailing production due to safety concerns, could inadvertently fall within the definition of manipulation.

Recommendations:

- The definition of "market manipulation" should include a safe harbour provision for actions taken in compliance with statutory mining obligations, environmental directions, or force majeure conditions.
- IBM should publish an illustrative list of prohibited and permitted conduct (analogous to SEBI's informal guidance mechanism) to provide regulatory certainty to market participants.

VI. On Insider Trading Provisions (Rules 2(1)(t) and 2(1)(u))

Observation: The definition of "insider" is broadly worded and could inadvertently capture government officials who have access to mineral production data in their official capacity, thereby creating a chilling effect on legitimate regulatory oversight.

Recommendations:

- Rule 2(1)(t) should include an express carve-out for government officials acting in their official capacity, provided they do not personally transact on the exchange.
- IBM should institute a structured information barrier to prevent leakage of price-sensitive production data between its regulatory division and any technical arms that interact with market participants.

VII. On Grievance Redressal and Dispute Resolution (Rule 20)

Observation: Rule 20 establishes a grievance redressal forum headed by an independent director. However, the absence of timelines for resolution and the lack of an appellate mechanism beyond IBM may lead to prolonged disputes with no effective remedy for affected parties.

Recommendations:

- Mandatory time-bound resolution of grievances should be prescribed: 30 days for acknowledgement and 90 days for final resolution at the exchange level.
- Unresolved disputes involving financial defaults should be made arbitrable under a specialised mineral trade arbitration panel or referred to the National Company Law Tribunal, where applicable.
- A public grievance register, accessible on the exchange's website in machine-readable format, should be mandated to ensure accountability and transparency.

VIII. On Digital Infrastructure and Audit Trails (Rule 2(1)(d))

Observation: The definition of "automated audit trail" is forward-looking and appropriate. However, the Rules are silent on data localisation, cybersecurity standards, and resilience requirements for the electronic trading system, an omission that could expose the exchange to systemic operational risks.

Recommendations:

- IBM should, by way of a separate circular or schedule, prescribe minimum cybersecurity and IT infrastructure standards for mineral exchanges, aligned with CERT-In guidelines and the Information Technology (Amendment) Rules, 2026.
- All electronic trading systems should be subject to mandatory third-party audits at least once a year.

IX. On the Schedule of Fees (Rule 18 and Schedule)

Observation: The Schedule prescribes one-time registration fees, annual fees, and renewal fees but provides no guidance on fee waivers or concessions for exchanges serving specific underserved mineral-producing regions or small-scale miners.

Recommendations:

- A concessional fee structure should be considered for exchanges that commit to listing minerals produced by small-scale or artisanal miners, as a measure to promote inclusive market participation consistent with the National Mineral Policy, 2019.

X. General Drafting Observations

The following rule-specific drafting corrections are respectfully suggested:

Rule	Observation	Suggested Correction
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Rule 6(b)	"Demutualised" is defined in an Explanation but not cross-referenced consistently throughout the Rules.	Define once under Rule 2 and cross-reference in Rule 6(b).
Rule 8(5)	The ninety-day timeline for disposal of registration applications may be insufficient for complex or contested cases.	Provide for one extension of 30 days with written reasons recorded by the authority.
Rule 9(2)	Existing trading platforms are given six months to register with no transitional safe harbour for ongoing contracts.	Add a limited safe harbour clause for contracts concluded before the Rules come into force.
Rule 27	Revocation grounds include "market manipulation" without specifying whether a conviction, finding, or prima facie satisfaction of the authority is required.	Clarify the standard of proof required before revocation proceedings are initiated.

XI. Conclusion

LexMentor submits that the Draft Mineral Exchange Rules, 2026, represent a significant and welcome step towards organised, transparent, and regulated mineral trading in India. The framework correctly adopts principles of demutualisation, fair price discovery, and regulatory oversight by the Indian Bureau of Mines.

With targeted improvements in the areas of inclusive governance, environmental and tribal representation, consumer protection, cybersecurity, and grievance redressal, these Rules can serve as a model for commodity market regulation in the developing world. LexMentor remains available for any further engagement or clarification the Ministry may require.

Respectfully submitted,

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New Delhi | *April 17, 2026* | contact.lexmentor@gmail.com

End of Submission