



BHARAT WEB3
ASSOCIATION

FAIR TRADING Guidelines



01 Introduction

The Bharat Web3 Association ("the Association") is dedicated to fostering a fair, transparent, and secure environment for trading within the Web3 ecosystem, encompassing decentralized applications, blockchain technologies, and digital assets. These Guidelines apply to all members of the Association, including employees, directors, and all member organizations and their affiliates. The guidelines aim to prevent unethical trading practices, such as trading against users and price manipulation, and to uphold the integrity of the market across all associated entities. Additionally, these guidelines are designed to align with relevant Indian regulations and international best practices to ensure comprehensive compliance and ethical standards.

02 Applicability

These Guidelines have been prepared collaboratively through discussions with the Bharat Web3 Association (BWA) Compliance and Legal Subcommittee and our member VDA platforms. The Guidelines shall come into force as per the schedule in Annexure 1. For the purposes of these guidelines "affiliate" shall mean a person / entity which holds more than 10% control in the BWA member entity or a person/ entity in which the BWA member entity holds more than 10% control directly or indirectly.

03 Principles for Fair Trading

3.1 Confidentiality and Non-Disclosure

Employees, Directors and all member organizations and affiliates of the Association shall not communicate, provide, or allow access to any unpublished price sensitive information, relating to any policy development or any Virtual Digital Assets (VDAs), whether listed or unlisted, to any person or entity outside the Association, except when such communication is necessary for legitimate purposes, performance of duties, or compliance with legal obligations.

3.2 Non-Discrimination

The Association shall not favor any member organization over another. All services and opportunities shall be provided impartially in accordance with the membership agreements executed with BWA.

3.3 Core Principles

All trading activities must adhere to the following principles to ensure fairness across the market, as applicable:

- **Clear Information Disclosure:** Member firms must provide transparent and accurate information on trading rules, fees, market prices, and asset listings. This includes timely updates and comprehensive documentation accessible to all users.
- **Prevention of Market Manipulation:** Ensure measures are in place to prevent practices like pump-and-dump schemes, spoofing, wash trading, and insider trading, which distort the market and harm participants.
- **Security and Privacy:** Ensure that platforms use appropriate security measures, such as encryption and multi-factor authentication, to safeguard users' assets and personal data.
- **Fair Listing Criteria:** Member organisations providing centralized exchange services to ensure adherence to the BWA token listing guidelines, ensuring that all tokens are evaluated based on predefined, transparent criteria without bias.
- **Investor Education:** Provide users with a platform which facilitates users access to educational resources which would help to foster informed decision-making. This includes tutorials, webinars, and detailed guides on trading practices and risk management.
- **Grievance redressal:** Member organisations to ensure appropriate redressal mechanism in place to address user concerns, which may include the appointment of a grievance officer.

04 Prohibited Trading Practices

4.1 Prohibition of Manipulative Trading Practices

Virtual Digital Asset Service Providers (VDASPs) must prevent and avoid any form of manipulation in trading, such as price manipulation through artificially inflating, depressing, or manipulating the price of VDAs. VDASPs should implement robust surveillance systems to detect unusual trading patterns, including wash trading, front-running, and pump and dump schemes.

- **Wash Trading:** This is a form of market manipulation where a trader simultaneously buys and sells the same asset to create misleading trading activity. The goal is to artificially inflate the volume of the asset, making it appear more popular or liquid than it actually is, thereby deceiving other market participants, resulting in financial or personal gain at the expense of others.

- **Wash Trading:** This is a form of market manipulation where a trader simultaneously buys and sells the same asset to create misleading trading activity. The goal is to artificially inflate the volume of the asset, making it appear more popular or liquid than it actually is, thereby deceiving other market participants, resulting in financial or personal gain at the expense of others.
- **Front-Running:** This unethical practice occurs when a person or entity with insider knowledge of an upcoming transaction places their own trade ahead of the known transaction to take advantage of the expected market movements.
- **Pump-and-Dump Schemes:** This is a fraudulent scheme where the price of an asset is artificially inflated ("pumped") through false or misleading information, often spread by a group of individuals. Once the price rises, the perpetrators sell off their holdings at the inflated prices ("dump"), leaving other investors to suffer significantly.

Mitigating Controls

- **Restricting Access to Order/Trade Information:** Access to non-public or sensitive information about user orders or trades must be restricted among employees. Only authorized personnel directly responsible for the execution or review of user trades should have access to such data.

4.2 Defining Fraud in the context of VDAs

"**Fraud**" includes any act, expression, omission, or concealment with the intent to deceive by a person or by any other person with their knowledge, participation, or by their agent while dealing in **VDAs**, with the intent to induce another person to engage in transactions related to **VDAs**, whether or not there is any wrongful gain or avoidance of any loss. This includes:

- I. the suggestion, as a fact, of that which is not true, by one who does not believe it to be true;
- II. the active concealment of a fact by one having knowledge or belief of the fact;
- III. a promise made without any intention of performing it;
- IV. any other act fitted to deceive;
- V. any such act or omission as the law specially declares to be fraudulent.
- VI. The act of a **crypto asset issuer** giving out misinformation that affects the market price of the asset, resulting in investors being effectively misled, even if they did not rely directly on the statement itself, but only on the market price.

4.3 Prohibition of Certain Dealings in VDAs

To ensure fair and transparent trading, all members shall strive to not:

- a) Engage in buying, selling, or dealing in **VDAs** in a deceptive or fraudulent manner.
- b) Use any manipulative or deceptive methods in connection with the issuance, purchase, or sale of any VDAs listed or intended to be listed on a VDA exchange, in violation of this Guideline.
- c) Shall not induce any person for dealing in any VDA for artificially inflating, depressing, maintaining or causing fluctuation in the price of VDA through any means including by paying, offering or agreeing to pay or offer any money or money's worth, directly or indirectly, to any person.
- d) Participate in any business practice that could deceive or harm others in connection with the trading or issuing of **VDAs**.
- e) Any member shall not enter into transactions on behalf of their client in violation to the agreed terms and conditions of the member platform.

05 Permitted Trading Activities

VDASPs of the Association may engage in routine trading activities, provided they meet the following conditions:

5.1 Accurate and Timely Information

VDASPs must ensure that all information regarding VDAs listed on their platforms, including pricing, liquidity, and security, is accurate and transparent. Any material information that could affect asset prices must be disclosed promptly and in full to avoid misleading investors.

5.2 Full Disclosure

Members shall designate a compliance officer/any designated officer having requisite skills and qualifications to internally monitor such activities and report of any such non-compliances. Any conflict of interest disclosures shall be disclosed to the designated internal compliance officer.

5.3 Pre-Clearance of Trades

Trades that could potentially lead to a conflict of interest shall be pre-cleared with the member's internal compliance officer/any designated officer. Member organizations' legal teams are responsible for ensuring that internal pre-clearance processes meet the relevant legal and regulatory requirements. A yearly declaration confirming adherence to this process by the member shall be provided to the Association.

5.4 Disclosure of Fees and Charges=

- All fees, commissions, and charges associated with trading, withdrawal, or account maintenance must be clearly disclosed to users in a transparent manner, without hidden fees.
- Maintain an accessible order book that displays live market data, enabling users to make informed trading decisions.

5.5 Transparency in Disclosure of Execution Services

VDASPs must disclose to clients, at the time of entering into an agreement for order execution services, how client orders will be executed on the order books. Transparency in the execution process will ensure that clients understand the role of the VDASP and the manner in which their trades will be handled.

5.6 Compliance with Laws and Regulations

All trading activities must comply with applicable local and national regulations to ensure transparency and ethical behavior across the Web3 ecosystem.

06 VDASPs listing Native and Non Native tokens

VDASPs that list both their own native tokens (tokens issued by the exchange itself) and non-native tokens (tokens issued by other projects), including those where the VDASP or their Key Managerial Persons (KMPs) have investments during the token launch, must adhere to the following additional guidelines to ensure fairness, transparency, and avoid conflicts of interest. For the purpose of the Guidelines, BWA will adhere to the definition of KMPs as outlined in the Companies Act 2013.

- 1. Application of Guidelines to All Tokens:** The same guidelines such as Fair Listing Criteria and safeguards as mentioned above shall apply equally to both native and non-native tokens, and extend to tokens where the exchange or their KMPs have a financial stake at the time of the token's launch.
- 2. Disclosure of Investments:** VDASPs must provide full disclosure of any financial or investment interests held by the VDASP or its KMPs in any token listed on the platform, whether native or non-native to the association via a formal letter or their website. This includes disclosing any investments made during the token's launch or initial offering to avoid conflicts of interest and ensure transparency for all market participants.

07 Monitoring and Enforcement

To ensure compliance with these guidelines, the Bharat Web3 Association (BWA) will implement the following measures:

7.1 Self-Regulation and Compliance Evaluation

Members are encouraged to self-regulate and adhere to the guidelines. Each member organization as applicable will be required to conduct a periodic internal self evaluation. An annual self-evaluation is recommended to ensure regular assessment and compliance with BWA guidelines, with results submitted to BWA for review. This report should detail the organization's adherence to the guidelines, including any instances of non-compliance and the corrective actions taken.

For enhanced verification, exchanges may engage third-party auditors to conduct third-party audits, aligned with the scope defined by BWA, with reports provided to BWA as required.

- Member firms should employ available tools/technologies to monitor manipulative trade activities as mentioned above. Further, in cases where self-declarations are found to be insufficient, BWA may consider empanelling 1-2 auditors to address the critical areas where such gaps are identified.

7.2 Periodic Review by the Association

BWA reserves the right to request self-declarations from member organizations regarding their adherence to the guidelines. Members will be required to submit these declarations periodically, confirming their compliance with best practices, particularly in areas such as transparency, conflict of interest disclosures, and legal and regulatory requirements. BWA will review the declarations and collaborate with members to address any gaps or areas for improvement identified during this process.

7.3 Detection and Cooperation Under Local Laws

Members of the association will work in good faith with local authorities and regulatory bodies to support the detection and investigation of insider trading or other violations, as required by applicable local laws. While members are encouraged to maintain high standards of compliance, the Association's role will primarily be to facilitate cooperation and ensure that members are aware of their obligations.

08 Consequences of Non-Compliance

Violations of these guidelines will result in disciplinary actions, including but not limited to:

1. **Warnings and Corrective Actions:** Issuance of formal warnings or requests for corrective actions to address non-compliance.
2. **Temporary Suspension:** Temporary suspension of membership privileges pending investigation and resolution.
3. **Termination of Membership:** Permanent termination of membership for ongoing or egregious violations.

8.1 Collaboration for Improvement

BWA emphasizes collaboration and continuous improvement. Where compliance gaps are identified, BWA will work with members to provide guidance and support to help them realign with the guidelines and maintain the integrity of the Web3 ecosystem.

09 Commitment to Fair Trading Practices

The Bharat Web3 Association and its members are dedicated to maintaining a transparent, ethical, and fair trading environment. By adhering to these guidelines, members contribute to a market that is secure, trustworthy, and sustainable for all participants.

Annexure 1

The Guidelines shall come into force on the date of their publication.

1. Publication Date

The BWA Fair Trading Guidelines will be published and officially communicated to all members on:

Date: 12th November 2024

2. Final Declaration/Self-Certification by Member Firms

All member firms are expected to begin adhering to the guidelines starting from:

Date: 12th December (30 days after the date of publication)

All member firms must submit a final declaration/Self Certification to the Bharat Web3 Association, confirming their full adherence to the BWA Fair Trading Guidelines.

