

FAIR TRADING

Guidelines

BHARAT WEB 3 ASSOCIATION

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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.

DEFINITION

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

a. 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and all member organizations and affiliates of the Association shall not communicate, provide, or allow access to any unpublished price sensitive information, relating to any policy development or any Virtual Digital Assets (VDAs), whether listed or unlisted, to any person or entity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.

b. 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.

c. Core Principles:

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

- i. **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.
- ii. **Prevention of Market Manipulation:** Ensure measures and adequate tools are in place to monitor for practices like pump-and-dump schemes, spoofing, and insider trading, or any price specific manipulation which distorts the market and harms participants. Additionally, systemic controls should be in place to prevent wash trading.
- iii. **Security and Privacy:** Ensure that platforms use necessary security measures, such as encryption and multi-factor authentication, to safeguard users' assets and personal data.
- iv. **Fair Listing Criteria:** Member organisations providing centralized exchange services to ensure adherence to the BWA token listing guidelines and any applicable laws including any amendments thereof.
- v. **Investor Education:** Provide users with a platform which facilitates users access to educational resources which would help to foster informed decision-making.
- vi. **Grievance redressal:** Member organisations to have a grievance redressal mechanism in place to address user concerns.

04 Prohibited Trading Practices - 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, but not limited to, wash trading, front-running, and pump and dump schemes.

- a. **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.
- b. **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.
- c. **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.

05 Mitigating Controls

An indicative list of controls is set out in **Annexure 1**. The RE/Platform may, at its discretion, implement such controls including any additional or alternative controls as it deems appropriate.

06 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:

- a. the suggestion, as a fact, of that which is not true, by one who does not believe it to be true;
- b. the active concealment of a fact by one having knowledge or belief of the fact;
- c. a promise made without any intention of performing it;
- d. any other act fitted to deceive;
- e. any such act or omission as the law specially declares to be fraudulent.
- f. the act of a digital 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.

07 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.

08 Permitted Trading Activities

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

- a. **Accurate and Timely Information:** VDASPs must ensure that all information regarding VDAs listed on their platforms, including but not limited to pricing, liquidity, and security, is accurate and transparent.
- b. **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.
- c. **Pre-Clearance of Trades:** Trades by members and their employees that may give rise to a conflict of interest or involve non-public or insider knowledge shall be appropriately disclosed and mitigated in accordance with the member's internal compliance framework. Members shall maintain suitable technical, structural and policy controls to prevent misuse of such information and ensure compliance with applicable legal and regulatory requirements.

09 Disclosure of Charges

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

10 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.

11 VDASPs listing Native and Non Native tokens

- a. 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 disclose any potential “Conflict of Interest” on their website.
- b. For the purpose of the Guidelines, BWA will adhere to the definition of KMPs as per applicable laws.

12 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.

13 Detection and Cooperation Under Local Laws

- a. 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.
- b. 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.

14 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.

15 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

Mitigating Controls

1. Restricting Access to Order/Trade Information:

- a. 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, as well as maintenance of trading data of user trades should have access to such data (this includes contractual third-party party vendors processing data).
- b. Information Barriers policies that limit info sharing between employees/teams.

2. Employee Surveillance and Controls:

- a. Employee trading should be monitored for conflicts or potential market manipulation.
- b. Employees should ensure all trading is done on registered accounts.

3. Manipulative Surveillance Software:

- a. System that can monitor all activity on a VDA platform.
- b. Reactively alert for established forms of price manipulation
- c. Real time (or near real time) surveillance alerting

4. Communication Surveillance: System that can monitor employee communications when they are soliciting, marketing, or conducting trades related to digital assets regulated products.

5. Issuer Market Engagement Controls: To prevent “Pump and Dump” type scenarios, placing guardrails/monitoring around token issuer trading.

6. Systemic Controls to Prevent Manipulation:

- a. Enabling STP (Self Trade Prevention) or SMP (Self Match Prevention) systemically on a VDA platform would block most wash trading scenarios.
- b. Limits on controls to prevent unintended price displacement (e.g., fat finger controls, circuit breakers, etc.).
- c. Continuous review and Testing of surveillance parameters to ensure they are suitable for market volatility.

