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India Notifies Coal Exchange Rules, 2026: Laying the Foundation for a Transparent Exchange-Based Coal Market

Marks a shift from predominantly auction- and contract-based coal transactions towards a regulated, transparent exchange platform with surveillance, settlement guarantees, and market oversight.

Electronic marketplaces where coal buyers and sellers can trade delivery based coal contracts.

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Key announcements

- Creation of a regulated **Coal Exchange** ecosystem under the Mines and Minerals (Development and Regulation) Act, 1957 [MMDR Act.]
- Exchanges require registration from the **Coal Controller Organisation (CCO)**.
- Only **delivery-based coal contracts** are allowed.
- Detailed framework for:

  -Exchange ownership and governance
  -Membership criteria
  -Clearing & settlement
  -Market surveillance
  -Price discovery
  -Risk management
  -Cybersecurity and IT controls
  -Prevention of market manipulation and insider trading.

2. Transparent price discovery becomes a policy objective

- Exchanges must ensure fair, neutral, competitive and efficient price discovery.
- Transaction and pricing data will be publicly disseminated.

3. Strong governance and ownership safeguards

- Minimum net worth of a Coal Exchange: **₹50 crore**.
- Registration valid for **25 years** (renewable).
- Exchange ownership restrictions:

  -Individual member/client cannot hold >5%.
  - Members/clients collectively cannot hold >49%.
  -No person other than a member or client may hold more than 25% of the paid-up equity share capital after five years from registration of the Coal Exchange.

- Independent directors must be at least equal to shareholder directors.
- Managing Director is included within the shareholder director category for this purpose.
- No member or client of a Coal Exchange can be on the Board of Directors.

- Mandatory:

  -Settlement Guarantee Fund Management Committee.
  -Risk Assessment and Management Committee.
  -Market Surveillance Committee.
  -Grievance Redressal Forum.

- Algorithm audits every two years and annual IT/security audits.
- Monthly transaction reporting and extensive disclosure requirements.
- Annual disclosure of shareholding pattern to the Authority.
- Share issue and transfer records must be preserved for at least eight years.

4. Market integrity provisions enter coal markets

The framework contains provisions relating to:

- Insider trading
- Market manipulation
- Cartelisation
- Circular trading
- Abuse of dominant position

5. Robust surveillance and compliance architecture

- Mandatory surveillance department.
- Market Surveillance Committee.
- Quarterly surveillance reporting.
- Monitoring of transaction patterns, price volatility, price setter analysis, dominant positions, circular trading, sudden high transaction volumes, defaults, market concentration and marginal buyers and sellers.

6. Settlement Guarantee Fund introduced

- Every Coal Exchange must establish a Settlement Guarantee Fund.
- Intended to guarantee settlement of trades and manage settlement defaults.

7. Technology and cybersecurity obligations

- Mandatory algorithm audits.
- Annual IT and cybersecurity audits.
- Disaster recovery and business continuity requirements.
- Mandatory maintenance of an alternate trading facility.

8. Significant regulatory powers retained by Coal Controller Organisation

The Authority can:

- Suspend contracts.
- Impose price floors or caps.
- Order cooling-off periods during volatility.
- Debar participants.
- Revoke exchange registrations.

Who should know about this?

High Priority

- Coal producers (Coal India, captive miners, commercial coal miners)
- Coal traders and marketers
- Power generators (thermal power producers)
- Steel and cement companies
- Coal logistics and supply-chain players
- Mining and energy lawyers
- Exchanges/platform operators planning coal trading businesses
- Financial institutions financing coal trade

Medium Priority

- Commodity exchanges and commodity market consultants
- State utilities and DISCOMs
- Coal testing/sampling agencies
- Market surveillance and compliance teams

Is this a deviation from previous regulations?

India previously had:

- Coal auctions,
- Commercial mining auctions,
- Fuel Supply Agreements (FSAs),
- Bilateral coal sales,

but **there was no dedicated Coal Exchange regulatory framework of this nature** providing exchange-based price discovery, surveillance, clearing, settlement, governance and oversight similar to regulated commodity markets.

Key shifts:

- Moves coal trading toward an exchange-traded market model.
- Introduces formal market surveillance, anti-cartelisation and insider-trading provisions.
- Establishes transparent price discovery mechanisms.
- Creates a regulatory architecture similar to mature commodity exchanges.